

## **The advantages of having an effective organization structure**

An organization structure is the framework which helps organization to run its operation effectively and achieve goals with minimal obstruction. The organization structure defines the relationship among the various departments and teams of the organization. It helps organizations to delegate authority, power, and responsibility.

The organization structure defines how an employee will report to his superior, which helps in coordination and cooperation within the members of the group. The main advantage of having an effective organization structure is that it reduces the friction among employees by clarifying the roles, responsibilities and reporting structure.

Having a proper organization structure can bring immense benefits to any organization. A few of these benefits are as follows:

- It allows an organization to grow.
- It allows you to pay attention to your strategic goal, instead of each department focusing on its own agenda.
- It binds a group of people and points them towards a common goal.
- It allows employees to enhance their skills.
- It makes the decision making process efficient, smoother and faster.
- It facilitates specialization of employees.
- Better control and utilization of resources.
- It establishes a proper reporting system.
- It allows easier and better communication which helps in reducing conflicts.
- It allows employees to perform better.
- It helps employees grow their career and streamline new employees.
- It helps identify clear roles and responsibilities.

## Types of Organization Structure

If you search on the Internet for this particular topic, you will see many theories and expert opinions that differentiate the organization into its various kinds. The types of organization structure depend on many factors, such as governing style, leadership style, type of organization, work flow, and hierarchy.

Some people sort organization structure into the following four categories:

1. Functional Organization
2. Matrix Organization
3. Projectized Organization
4. Composite Organization



And Wikipedia classifies it into six categories:

1. Pre-bureaucratic structure
2. Bureaucratic structure
3. Post-bureaucratic structure
4. Functional structure
5. Divisional structure
6. Matrix structure

Some others divide it into following categories:

1. Simple Organization
2. Functional Organization
3. Divisional Organization
4. Matrix Organization
5. Team-Based Organization
6. Network Based Organization
7. Modular Organization

There are other classifications available as well, but the above given classifications are more popular.

## Functional Organization Structure

A functional organization structure is a hierarchical organization structure wherein people are grouped as per their area of specialization. These people are supervised by a functional manager with expertise in the same field. This expertise helps him effectively

utilize the skills of employees, which ultimately helps him in achieving the organization's business objectives.

In this kind of organization structure, people are classified according to the function they perform within the organization. The organizational chart for a functional organization structure shows the president, vice president, finance department, sales department, customer service department, administration department, etc.

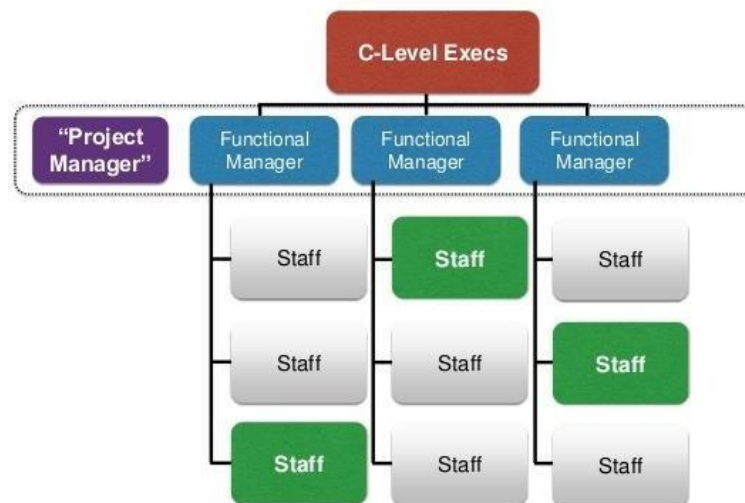
Each department will have its own department head who will be responsible for the performance of his section. This helps the organization control the quality and uniformity of performance.

These different departments are sometimes referred to as "silos". This means the system is vertical and disconnected. The communication flows through the department heads to the top management.

Here all authority (i.e. budget allocation, resource allocation, decision making, etc.) stays with the functional manager. Usually, the position of the project manager does not exist in this type of organization structure. Even if this position exists, the role of the project manager will be very limited and he will need permission from the functional manager to fulfill his requirements. The project manager may have the title of a coordinator or an expeditor.

The functional organization structure is suitable for an organization which has ongoing operations and produces standard products or goods, such as manufacturing industries.

## Functional Organization



### Advantages of the Functional Organization Structure

The following are a few benefits of the functional organization structure:

- Employees are grouped by their knowledge and skills, which helps achieve the highest degree of performance.

- Employees are very skilled, efficiency is gained because they are experienced in the same work and they perform very well.
- Their roles and responsibilities are fixed, which facilitates easy accountability for the work.
- The hierarchy is very clear, and employees don't have to report to multiple supervisors. Each employee reports to his functional manager, which reduces the number of communication channels.
- There is no duplication of work because each department and each employee has a fixed job responsibility.
- Employees feel secure, and therefore they perform well without fear.
- Since there is a sense of job security, employees tend to be loyal to the organization.
- Employees have a clear career growth path.
- Within the department, cooperation and communication are excellent.

### **Disadvantages of the Functional Organization Structure**

The following are a few disadvantages of the functional organization structure:

- Employees may feel bored due to the monotonous, repetitive type of work and may lose enthusiasm for the job.
- If the performance appraisal system is not managed properly, conflicts may arise. For example, an employee may feel demoralized when a lower performing employee is promoted.
- A highly skilled employee costs more.
- The departments have a self-centered mentality. The functional manager pays more attention to his department; he usually doesn't care about other departments.
- Communication is poor among the departments, which causes poor inter- department coordination. This decreases flexibility and innovation. Moreover, there is a lack of teamwork among different departments.
- Employees may have little concern and/or knowledge about events outside their department. This causes obstacles in communication and cooperation.
- The functional structure is rigid, making adaptation to changes difficult and slow.
- Due to bureaucratic hierarchy, delays happen in decision making.
- Generally, the functional manager makes decisions autocratically without consulting the team members; this may not always work in favor of the organization.
- When the organization becomes larger, functional areas can become difficult to manage due to their size. Each department may start behaving like a small company with its own facilities, culture and management style.
- Functional departments may be distracted by departmental goals, and focus on them rather than organizational goal.

### **Summary**

The functional organization structure helps organizations run their business and earn a profit. This type of structure suits organizations intended to produce some product or service on a continuous basis. Here, employees feel secure, perform well and tend to be highly skilled. The project manager often doesn't have any role in the functional organization, and even if he exists, his role will be very limited.

## **Matrix Organization Structure**

The matrix organization is a blend of the projectized and the functional organization structures.

The authority of a functional manager flows vertically downwards, and the authority of the project manager flows sideways. Since these authorities flow downward and sideways, this structure is called the matrix organization structure.

In a matrix organization structure, employees may report to many managers, and some from one section may report to one boss while the rest report to a different boss.

For example; let us say that you are a mechanical engineer working in a functional department. Your organization gets a project and they need a mechanical engineer to assist the project manager on certain tasks. In this case, you may be assigned to the project for a short time, or they may transfer you there while your services are required. If you're assigned there for a short time, you may have to report to two bosses.

The matrix organization structure takes the characteristics of both types of organization structures. The matrix structure is a composite of the projectized organization structure and the functional organization structure. Here the knowledge, skill, or talent of an employee is shared between the functional department and project management team.

In a matrix structure, some employees usually work under more than one boss (usually two). The first boss will be their functional manager and the other often is a project manager.

The functional manager may look after the functional part of the project; he may decide how to do the work, and may distribute the project work among his subordinates. The project manager will have authority over the administrative part of the project, such as what to do, follow-up on the schedule, evaluate the performance, etc.

Working in a matrix organization can be challenging because you have a confusing role while reporting to two bosses. To avoid confusion and work efficiently in a matrix organization, you must be clear on your role and responsibilities and the work priorities.

The matrix organization structure usually exists in large and multi-project organizations, where they can relocate employees whenever and wherever their services are needed. The matrix structure has the flexibility of relocating the organization's talent. The employees are considered to be shared resources among the projects and functional units.

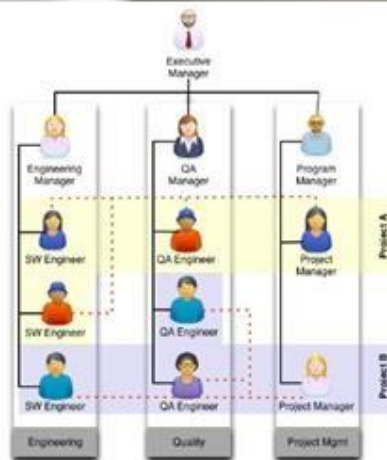
## **Type of Matrix Organization Structure**

The matrix organization structure can be classified into three categories, largely depending on the level of power of the project manager. These categories are as follows:

1. Strong Matrix Structure
2. Balanced Matrix Structure
3. Weak Matrix Structure

## The matrix organization

Structure of a matrix organization



- Hierarchy is expressed in at least two dimensions
- Often there are is a functional and a project / product / geographical hierarchy
- Individual contributors have at least two direct managers, one functional and one project / content
- Created to address the major shortcomings of typical functional organizations

### Strong Matrix Organization Structure

In strong matrix organizations, most of the power and authority is held by project manager. The project manager has a full time role, has a full time project management administrative staff under him, and he controls the project budget. The strong matrix structure has a lot of the characteristics of a projectized organization.

The functional manager will have a very limited role within the Strong Matrix Organization.

### Balanced Matrix Organization Structure

In balanced matrix organizations, power and authority are shared between the functional managers and the project managers. Although, the project manager has a full time role, he will have a part time or otherwise limited project management administrative staff under him. In this type of structure, both managers control the project budget.

### Weak Matrix Organization Structure

In weak matrix organizations, the project manager will have limited power and authority. He will have a part time role and no administrative staff will report to him. His role will be more like a coordinator or an expeditor. Here, the functional manager controls the project budget.

A weak matrix organization structure resembles the characteristics of a functional organization structure.

### Advantages of a Matrix Organization Structure

The following are a few advantages of a matrix organization structure:

- Highly skilled and capable resources can be shared between the functional units and projects, allowing more open communication lines which help in sharing the valuable knowledge within the organization.
- The matrix structure is more dynamic than the functional structure because it allows employees to communicate more readily across the boundaries, creating a good, cooperative, work environment which helps to integrate the organization.
- Employees can broaden their skills and knowledge areas by participating in different kind of projects. The matrix structure provides a good environment for professionals to learn and grow their career.
- In functional departments, employees are very skilled, and project teams can get these highly skilled employees whenever their services are needed.
- Since there is a sense of job security, employees tend to be loyal to the organization and perform well, and therefore the efficiency of a matrix organization is higher.

## **Disadvantages of a Matrix Organization Structure**

The following are a few disadvantages of a matrix organization structure:

- Employees may have to report to two managers, which adds confusion and may cause conflict. This usually happens in a balanced matrix organization where both bosses have equal authority and power.
- A conflict may arise between the project manager and the functional manager regarding the authority and power.
- If the priorities are not defined clearly, employees may be confused about their role and responsibility, especially when they are assigned a task which is different from, or even counter to, what they were doing.
- If any resource is scarce there might be competition to use it, which may cause hostility within the workplace and could affect the operation.
- It is generally perceived that matrix organizations have more managers than required, which increases overhead costs.
- In a matrix organization, workload tends to be high. Employees have to do their regular work along with the additional project related work, which can exhaust them. It is also possible that the employee may ignore either his functional responsibilities or project management responsibilities if overtaxed.
- A matrix structure is expensive to maintain. Organizations have to pay extra to keep resources because not all resources will be occupied at all times. Some resources are needed only for a short duration.

## **How to Overcome the Disadvantages of a Matrix Organization Structure**

Some of the disadvantages can be overcome:

- There must be close cooperation between the project manager and the functional manager. This will help avoid confusion and conflict.
- There should be well defined and strong communication in all directions. This is important to gain support from executives, managers, supervisors and employees. Organizations must communicate their vision, objective, and goal with their employees.

- There should be a proper and balanced distribution of authority and power between the project manager and the functional manager. Both managers should get the required power and authority. Any imbalance may impact the effectiveness of operations.
- Any conflict between the project manager and the functional manager must be resolved as early as possible, and in private.
- Roles and responsibilities must be clearly documented and communicated to employees to avoid confusion.

## Summary

A matrix organization is defined as an organization where people have to report to more than one boss. The matrix organization structure is a blend of the projectized organization and the functional organization, and tried to blend the best of both worlds. In a projectized organization, the project manager has all authority and power while in a functional organization; the functional manager has the authority. In a matrix organization, they both hold power, and this power sharing changes according to the type of matrix structure of the organization. A Matrix structure is suited to big organizations which operate in a dynamic environment and need a quick response to market demand.

## Projectized Organization Structure

In projectized organizations, organizations arrange their activities into programs or portfolios, and implement them through the projects.

Here, the project manager is in charge of his project, and he has full authority over it. Everyone in his team reports to him. The projectized organization structure is opposite to the functional organization structure. Here, either there will be no functional manager, or if he exists, he will have a very limited role and authority.

This is one of the main benefits of projectized organized structure, as they are adaptive and learn from their own as well as from others' experiences.

In projectized organizations, most of the resources are utilized in the project work. Projectized organizations are only interested in the project work which they get from external clients. Usually they have some small departments such as Admin, Accounting, and Human Resources to support the project management activities.

The project manager has full-time team members working under him. If possible, all members are grouped together and are often co-located for the duration of the project to get optimum performance.

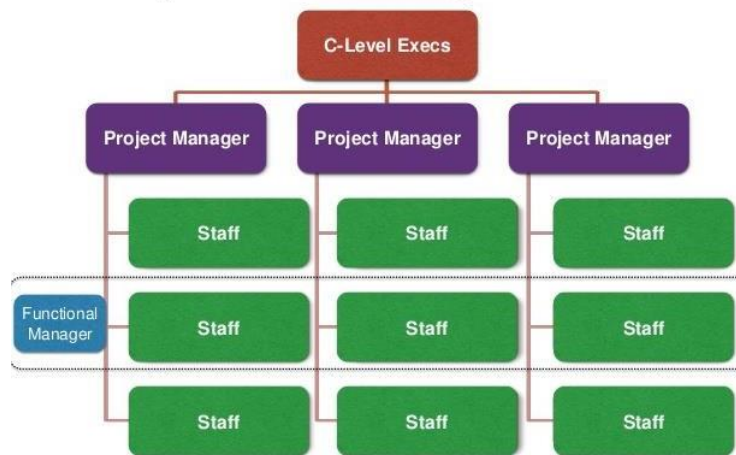
As I said earlier, in a projectized organization the project manager has all power and authority, but this does not mean that he has absolute authority to do everything he wishes.



For example, let's say that your project is a part of a portfolio, and some equipment which is lying idle in your project is needed by another project under the same portfolio. In this case, the portfolio manager will simply assign this equipment to the project which requires it. You may or you may not agree with this decision, but you have to comply with it.

Organizations give project managers as much authority and power as needed to complete the project, and accept the responsibility for its outcome.

## Projectized Organization



### Characteristics of a Projectized Organization Structure

The following are a few characteristics of a projectized organization structure:

- The project manager has full power and authority over resources to be utilized in the project. He controls the budget, resources, and work assignments.
- The project manager has full-time team members working under his control who directly report him.
- When the project is completed the team is disbanded, and team members and all other resources are released.

### Advantages of a Projectized Organized Structure

A few advantages of a projectized organization structure are as follows:

- Since the team members directly report to the project manager, there is a clear line of authority. This reduces conflict, and makes decision making faster and more flexible.
- Due to a single reporting system, there are shorter lines of communication which creates strong and effective communication within the project management team.

- Due to a single authority, less time is consumed in communication, and response to stakeholders' concerns is fast.
- Due to a sense of urgency, milestones, good communication, and cooperation, the learning curve is faster for any new member.
- Team members become versatile and flexible due to experience in different kinds of projects.

## **Disadvantages of a Projectized Organization Structure**

A few disadvantages of a projectized organization structure are as follows:

- Since the project manager has full authority and power over his team members, he can become arrogant. A lack of power is a problem for project managers in functional organizations, while abundance of power of a project manager can be a problem for team members in projectized organizations.
- In projects, there is always a deadline and usually a tight schedule, which makes the work environment stressful.
- If the organization has multiple projects, there can be poor communication among them, causing resources to be duplicated.
- There is a sense of insecurity among the team members, because once the project is completed, they feel that they may lose their jobs. Therefore, they tend to be less loyal towards the organization.
- The cost of employees and equipment can be higher because you may be hiring skilled people and specialized equipment for a shorter period of time. Moreover, if the project gets stretched out, the cost of equipment and other resources can be much higher.

## **Summary**

Projectized organizations are very dynamic and learn very fast. In this type of organization structure, the project manager has the main role because he is the one who manages the project. He has been given the authority to run the project and allocate the resources. Although he may be supported by the PMO, program manager, or the portfolio manager, at the end of the day he is responsible for the outcome of his project.