Subject: Management

Paper: 1
Human Resource Management

Module: 3
Organisational Structure and HRM

<table>
<thead>
<tr>
<th>Principal Investigator</th>
<th>Prof. S P Bansal</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Vice Chancellor</td>
</tr>
<tr>
<td></td>
<td>Maharaja Agrasen University, Baddi</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Co-Principal Investigator</th>
<th>Prof Yoginder Verma</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pro–Vice Chancellor</td>
</tr>
<tr>
<td></td>
<td>Central University of Himachal Pradesh, Kangra, H.P.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Paper Coordinator</th>
<th>Prof. Dr. Rajeev Jain</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Department of Commerce and Management Studies</td>
</tr>
<tr>
<td></td>
<td>University of Kota, Kota</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Content Writer</th>
<th>Mrs. Garima Jain</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Department of Commerce and Management Studies</td>
</tr>
<tr>
<td></td>
<td>University of Kota, Kota</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Items</th>
<th>Description of Module</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subject Name</td>
<td>Management</td>
</tr>
<tr>
<td>Paper Name</td>
<td>Human Resource Management</td>
</tr>
<tr>
<td>Module Title</td>
<td>Organisational Structure and HRM</td>
</tr>
<tr>
<td>Module Id</td>
<td>Module No.3</td>
</tr>
<tr>
<td>Pre-Requisites</td>
<td>Knowledge of organizing as a function of management</td>
</tr>
<tr>
<td>Objectives</td>
<td>To study the different types of organisation structures and the place of HR department in an organisation</td>
</tr>
<tr>
<td>Keywords</td>
<td>Organisation structure, line and staff relationship, authority, responsibility</td>
</tr>
</tbody>
</table>
Module 3: Organisational Structure and HRM

1. Learning Outcome

After completing this module the students will be able to:

- Understand the meaning of organisation structure.
- Having the knowledge of different types of organisation structures.
- Understand the line and staff aspects of HRM.
- Knowing the place of HR in the total organizational setup.

2. Introduction

People who work together in organisations need a defined and systematic system or structure through which they can relate to each other and coordinate their efforts. The defined relationships among the elements of an organization, namely people, tasks, structure, and information and control processes - is referred to as organization structure.

Organisation structure means the systematic arrangement of people working for the organisation in order to achieve certain goals. It is the framework of authority relationships among individuals and groups in an organisation.
2.1. According to Fred Luthans, “Organisation structure represents the skeleton framework for organisation behaviour.”

2.2. In the words of Henry Albert, "Organisation structure is the framework within which managerial and operating tasks are performed."

2.3. In the words of Carlisle, “Organisation structure is the system of relationships, formally prescribed and informally developed that governs the activities of the people who are dependent upon each other for the accomplishment of common objectives.”

Thus organisation structure refers to the formal established pattern of relationships among the various parts of a firm or any organisation.

3. Organization chart

The formal relationships in an organization are explained in an organization chart. The boxes represent the various important positions in an organization. The distance of the box from the top indicates its position in the hierarchy. The closer the box position to the top, the higher is its status and vice-versa. The lines joining the various positions represent the formal reporting relationships usually between a superior and a subordinate. Although the organization chart is a speculative illustration of the structure yet it is an extremely useful tool for understanding the organization structure of a firm.
4. **Elements of an organization structure**

4.1. The network of formal relationships and duties i.e. the organization chart and the job descriptions.

4.2. The manner in which various tasks and activities are assigned to different people and departments.

4.3. The way in which various activities and tasks are coordinated.
4.4. The power, status and hierarchical relationships within the organization.
4.5. The planned policies, methods and controls that direct the activities and relationships.
4.6. The flow of information and communication.

5. **Factors influencing the choice of structure**

Designing an organisation structure is a continuous process. What seems an ideal design today may prove to be ineffective after sometime. So it is the responsibility of managers to continuously improve upon the design of organization. Various factors should be taken care of before designing the organisation structure:

5.1. **Strategy and Structure**

Strategy and strategic choices affect the total organizational structure. Organizational strategy means the way the business positions itself in its setting in relation to its stakeholders, given the organization’s resources, capabilities, and mission. Of course structure follows strategy due to the fact that organisational structures are designed to accomplish objectives by implementing the strategies. When strategy changes, structures need changes. All strategy attempts to fulfill the vision, and the organizational structure needs to support that effort. For example, a business which has decided to expand to international markets might organize itself into geographical divisions. To sum up, strategy influences structure and structure influences strategy. Moreover, changes in strategy often require changes in the way an organization is structured for two major reasons:

- structure largely tells how objectives and policies will be established;
- structures tells how resources will be allocated

5.2. **Size and Complexity Of Organization**

As the organization grows bigger and becomes more complex and diverse the structure needs to change to allow for valuable communication and coordination.

As an organization grows in size, complexity, and product market coverage, different strategies and organization forms are used.

5.3. **Technology**

The general nature and complexity of technology a firm employs can influence the type of organizational structure. For example, computer technology and automation have affected not only production techniques but also the social condition of work and the structure of organizations.

Organizations are becoming more flat i.e. the number of middle managers is getting reduced due to the new information systems and computer facilities resulting in more efficient and dynamic organizations.

5.4. **Impact of environment**
The organisations are continuously interacting with its environment in term of drawing inputs from it and providing it the output. All organizations operate in an environment comprising of economic, political, social and legal subsystems. A change in any one of these subsystems may force one to change the design of the organisation structure. For eg. changes in government policies regarding foreign equity participation in India made it compulsory for the most foreign owned companies to reduce their holdings and become more national in character.

Apart from these factors some determinants like attitudes and values of the management, attitudes of the personnel, greatly affect the structure of an organisation. Most important of these is the management’s attitude towards the issues of decentralization and delegation of authority.

6. **Formal and Informal Organisation**

Formal organization refers to the intentional structure of roles in a formally organized enterprise. In such an enterprise there are well defined roles, positions, authority responsibility relationships Informal organization refers to any informal relationships amongst the persons of an organisation ie they are based on their social and personal relations.

*For example: If a person meets with his colleagues every Sunday and forms a recreation club to play billiards, chess then he is meeting in an informal organization. However the same group of colleagues meets to analyse the last quarter’s performance and plan on a project for the future then it is in the reference of formal organisation.*

7. **Line and staff aspects of HRM**

Authority is the right to make decisions, to direct the work of others and to give orders.

7.1. **Line Authority**

It gives the managers the right to issue orders to other managers or employees. It creates a superior subordinate relationship.

7.2. **Staff Authority**

It gives the manager the right to advise other managers or employees. It creates advisory relationship. Within the HR department the HR manager directs the activities of his employees i.e. he/she exerts line authority within this department .Whereas the HR manager advises the CEO on matters related to HRM in that sense it plays the advisory role i.e. staff authority.

7.3. **Line relationship**

Line authority represents continuous series of authority and responsibility allocation down the management hierarchy. In other words Board of Directors delegates authority to the managing director who in turn delegates a part of his authority to the general manager. The general manager in turn delegates part of his authority to different departmental heads and through them to the supervisors. However, the line managers are completely responsible and accountable for the results achieved by the employees of the respective departments and sections. This means that though the authority is delegated, responsibility for action taken by a subordinate will be with the superior.
7.4. Staff relationships

It is almost impossible to busy line managers to perform all their functions and concentrate on all activities including management of the people in their respective departments. This gives rise to taking advice and help from specialists. This creates staff relationships. The relationship between two managers is said to be a staff relation, when it is created due to giving and taking advice, assistance, information, help, counseling etc. Thus staff managers analyze problems, collect information and develop alternative suggestions and help the line managers to make right decisions quickly. Thus they reduce the work load of the line managers and allow them to focus on their operative issues.

8. Types of organisation structures

8.1. Line organisation structure

This is also known as military organization and the line of authority flows from the top most executive to the lowest subordinate. In this type of structure every employee is accountable to one superior i.e. there is unity of command. The authority relationships are clear and there is strict discipline. But there is lack of specialization and flexibility.

➢ Advantages
  • Tends to simplify and clarify authority, responsibility and accountability relationships.
  • Promotes faster decision making.
  • Simple to understand.

➢ Disadvantages
  • Specialists are not given importance in planning.
  • Key persons are overloaded with jobs and tasks.
8.2. Functional Organizational Structure

Here the departments are grouped according to functions like employment, training, salary, welfare, and services etc. A specialist heads each department and has specialized men under him. The operating executives are free from the necessity of performing work outside their special fields and are offered expert assistance and advice as needed in the performance of their jobs and tasks.

- **Advantages**
  - Functional organization has the advantage of specialization.
  - Every operating executive carefully concentrates on his function and gets expert advice and assistance.

- **Disadvantages**
  - Lines of authority are not clear.
  - In the absence of unity of command, co-ordination and control are also hampered.
8.3. Line and Staff Organization Structure

This structure has been evolved in order to achieve the benefits of both the line as well as the functional organization. The organization structure is basically that of line organization, but staff officers who are functional experts are engaged to advise the line officers to perform their duties. Under it staff positions are attached to line executives. Personal department provides advice and assistance on personal matters to all departments without discouraging unity of command.

- **Advantages**
  - Line and staff organization is more suitable in large enterprises.
  - Line and staff structure allows higher flexibility and specialization.

- **Disadvantages**
  - Even though a line and staff structure allows higher flexibility and specialization it may create conflict between line and staff personnel.
  - Staff people may dislike their lack of authority and this may cause line and staff conflict.
8.4. Divisional Organization Structure

In this case, the organisation is divided into divisions which could be based on the product, Markets or Geographic area. Each division has its own set of functions like finance, marketing etc., which are like small micro organisations within one large organisation.

➢ Advantages
  • Key interdependencies and resources within the division are coordinated towards an overall outcome.

➢ Disadvantages
  • Too much duplication of resources, skills, and expertise as each division has its own function.

8.5. Matrix organization structure

A matrix type of organisational structure combines the traditional departments seen in functional structures with project teams. In a matrix structure, individuals work across teams and projects as well as within their own department or function.

*For example, a project or task team established to develop a new product might include engineers and design specialists as well as those with marketing, financial, personnel and production skills. These teams can be temporary or permanent depending on the tasks they are asked to complete. Each team member can find himself/herself with two managers - their normal functional manager as well as the team leader of the project.*

An example of a matrix structure is illustrated below
Advantages

- Can help to break down traditional department obstacles and as such improving communication across the entire organisation.
- Avoid the need for several departments to meet regularly, so reducing costs and improving coordination.
- Likely to result in greater motivation amongst the team members.
- Encourages cross-fertilisation of ideas across departments.
- A good way of sharing resources across departments – which can make a project more cost-effective.

Disadvantages

- Members of project teams may have divided loyalties as they report to two line managers. Equally, this scenario can put project team members under a heavy pressure of work.
- There may not be a clear line of accountability for project teams given the complex nature of matrix structures.
- Difficult to co-ordinate.
- It takes time for matrix team members to get used to working in this kind of structure.
- Team members may neglect their functional responsibilities.

9. Place of HR department in the total organizational setup
The place of HR department in the total organizational setup depends on whether a unit is large or small. In small organizations there might be no separate HR department, the human resource functions might be carried out by the office manager. This is not the case in bigger organizations. Nowadays the organizations have chairman / managing director heading the HR department.

Typical HR department may be headed by a director, under whom, are the manager training, manager HRD, manager industrial relations, manager administration. The composition is shown below:

![Organizational Structure Personnel Department](image)

**Figure 7 – Composition of HR Department**


### 10. Summary

Organisation structure means the systematic arrangement of people working for the organisation in order to achieve certain goals. It is the framework of authority relationships among individuals and groups in an organisation.

Various types of organisation structures are there viz. Line, Line and staff, Functional, Divisional and Matrix.

The place of HR department in the total organizational setup depends on whether a unit is large or small. In small organizations there might be no separate HR department, the human resource functions might be carried out by the office manager. This is not the case in bigger organizations. Nowadays the organizations have chairman / managing director heading the HR department.