Review on Organizational Structure in Service Sector of India

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Abstract:
Organization structure is the key for operating a successful and orderly business. The existence of a business organization set to achieve goals and objectives. The goal and objective of a business organization set to achieve performance that determine how their managers allocate task among employees. The allocated task is usually grouped together into different departments. The departments are connected to shape the organizational structure. Obviously it is a typical hierarchical arrangement of lines of authority, communications, rights and duties of an organization. Organizational structure determines how the roles, power and responsibilities are assigned, controlled, and coordinated, and how information flows between the different levels of management. The proper flow of responsibility from the top of the organization down to the bottom is essential for the company to run in an efficient manner. Generally, organizational theorists believe that no one structure, set of systems, or method of staffing is appropriate for every organization. Organizations operate in different environments with different products, strategies, constraints, and opportunities.

Keywords: organizational structure, line of authority, responsibility, objective, task etc

1. Introduction:
Organizational structure is the key for operating a successful and orderly business. The existence of a business organization set to achieve goals and objective. The goal and objective of a business organization set to achieve performance that is determines how their managers allocate task to employee. The allocated task is usually grouped together into departments. The department are connected to shape the organizational structure. Organizational structure consists of activities such as task allocation, coordination and supervision, which are directed towards the achievement of organizational aims. It is typically a hierarchical arrangement of lines of authority, communications, rights and duties of an organization. Organizational structure determines how the roles, power and responsibilities are assigned, controlled, and coordinated, and how information flows between the different levels of management. An organization can be structured in many different ways, depending on their organization's objectives. Organizational structure allows the expressed allocation of responsibilities for different functions and processes to different entities such as the branch, department, work group besides individual. Organizations need structuring so that lines of authority along with individual duties and responsibilities can be understood by every staff member and that leads to industrial excellence and achievements of their goals. The proper flow of responsibility from the top of the organization down to the bottom is
essential for the company to run in an efficient manner. Organizational structure can be measured in two ways. Firstly, the organization provides foundation on which standard operating procedures and routines in which it works. Secondly, it determines which individuals get to participate in decision-making processes, and thus to what extent their views shape the organization’s actions. The action should be based on building an effective organizational structure that helps in clearly defining of roles and responsibility to an individual with the priorities related to performance of an organisation. It helps in identifying the talent of individual which are necessary for the success of an organization by providing them an efficient process and system.

**Literature Review:**

**Organization structure:**

Organizational structure is normally described as the way responsibility and power are allocated, and work procedures are carried out among organizational members ( Nahm A. et al., 2003). Organisational structures need to be designed to meet aims. They involve combining flexibility of decision making, and the sharing of best ideas across the organisation, with appropriate levels of management and control from the centre. Organization design is the process of structuring the organization in a way that facilitates employee productivity and supports the organization in reaching its goals (Weinclaw R. A., 2008).

However, organizational structure indicates the extent to which firms design their organization to authorize decision-making power, standardize the rules and procedures, and integrate members and work. The importance of organizational structure and its effectiveness on individual and organizational goals in various sectors are different. Every organization has different structure it depend upon their requirement and the business environment in which they are dealing. (Chung-Jen Chen, 2010)

Organizational structures should be shaped and implemented for the primary purpose of facilitating the achievement of organizational goals in an efficient manner. Indeed, having a suitable organizational structure that recognizes and addresses the various human and business realities of the company leads to prerequisite for long-term success. In order, to design a structure that guides the behaviour of individuals and groups to achieve high levels of production, efficiency, satisfaction, quality, flexibility, and development” (Gibson J. L., et al. 1994).

**2.2 Definition of Organization structure:**

Ghani and Robbins define organizational structure as the formal allocation of work roles and administrative mechanism to control and integrate work activities (Wahba Mohamed, 2014). Organizational structure defines how tasks are to be allocated, who reports to whom, and the formal coordinating mechanisms and interaction patterns that will be followed. Effective structures must be capable of responding to emergent issues while retaining flexibility and adaptability to rapidly changing environmental conditions (Keating Charles B, 2000). Organization should have mission, strategies and tactics that affect the attitudes and motivation of everyone in a company (Smith A. D. et al., 2003).

Organizational structure is defined as the set of all the ways in which the work is divided into different tasks, achieving coordination. The structure reflects the formal scheme of relationships, communications, decision processes, procedures and systems, which allow organization to develop its functions and achieve its objectives. It also reflects the way in which information and knowledge is distributed within an organization, which affects the efficiency of their utilization. (Martinez-Leon I. M. et al., 2011).

The action should be based on building an effective organizational structure that helps in clearly defining of roles and responsibility to an individual with the priorities related to performance of an organisation. It helps in identifying the talent of individual which are necessary for the success of an organization by providing them an efficient process and system. Organizational Structure should be designed in such a way that individual performance can be measure and incentive aligned to the objective of an organization and capable to sustain the changing internal and external environment of an organization related to their performance.

**2.3 Evolution of organization structure**

Organizational structures developed from the ancient times of hunters and collectors in tribal organizations through highly royal and clerical power structures to industrial structures and today's post-industrial structures. As pointed out
by Mohr (1982, pp. 102–103), the early theorists of organizational structure, Taylor, Fayol, and Weber "saw the importance of structure for effectiveness and efficiency and assumed without the slightest question that whatever structure was needed, people could fashion accordingly. When in the 1930s, the rebellion began that came to be known as human relations theory, there was still not a denial of the idea of structure as an artifact, but rather an advocacy of the creation of a different sort of structure, one in which the needs, knowledge, and opinions of employees might be given greater recognition." However, a different view arose in the 1960s, suggesting that the organizational structure is "an externally caused phenomenon, an outcome rather than an artifact." In the 21st century, organizational theorists such as Lim, Griffiths, and Sambrook (2010) are once again proposing that organizational structure development is very much dependent on the expression of the strategies and behavior of the management and the workers as constrained by the power distribution between them, and influenced by their environment and the outcome.

2.4 Typology of organization structure:

The elements of organizational structuring suggest a typology of five configurations. In Simple Structure, the key part is the strategic apex, which coordinates by direct supervision; the structure is minimally elaborated and highly centralized; it is associated with simple, dynamic environments and strong leaders, and tends to be found in smaller, younger organizations or those facing severe crises. The Machine Bureaucracy coordinates primarily by the imposition of work standards; jobs are highly specialized and formalized units (at the operating level); this structure tends to be found in simple, stable environments, and is often associated with older, larger organizations. The Professional Bureaucracy relies on the standardization of skills in its operating core for coordination; jobs are highly specialized but minimally formalized with large sized operating units; this structure is typically found in complex but stable environments, with technical systems that are simple and non-regulating. In the divisionalized form, a good deal of power is delegated to market-based units, whose efforts are coordinated by the standardization of outputs, through the extensive use of performance control systems; such structures are typically found in very large, mature organizations, above all operating in diversified markets. Adhocracy coordinates primarily by mutual adjustment among all of its parts, calling especially for the collaboration of its support staff; jobs are specialized, involving extensive training but little formalization, these structures are found in complex, dynamic environments, and are often associated with highly sophisticated and automated technical systems. (Mintzberg Henry, 1980)

Organizational structures can be categorized as either mechanistic or organic. A mechanistic structure is highly formalized, non-participative, hierarchical, tightly controlled, and inflexible, whereas an organic structure is defined by its informality, decentralization of authority, open channels of communication, and flexibility. When organization faces an uncertain environment, they need to select which form of organizational structure to adopt with care. Organization that adopt an organic structure allow greater flexibility in the workplace, meaning that they may lose control of their employees and productivity and in contrast, mechanistic organizational structure gives hotellers the power to monitor employee behaviour and productivity as both results in affecting firm performance. Desirable performance can be achieved if organization implements the right strategies via a suitable organizational structure based on business objective. (Tavitiyaman P. et al., 2012)

With the implementation and use of an integrated structure i.e. matrix organization which is a type of organizational structure where each employee has two bosses to report. It allows for flexible use of organizations human resources, pooling and sharing of specialised resources but the major problem is with regard to coordination of task and stress caused by two bosses. He identifies the need, reviews the creation of the matrix, describes the problems associated with the implementation of the new structure, and evaluates the effectiveness of the project management process within the matrix organization (Kuprenas J. A., 2003).

2.5 Dimensions of organization structure:

The structure activities of the organization has been influenced by the dimension occurring within a firm such as formalization, centralization, specialization, and decentralization. Formalization refers to the degree to which formal rules and standard policies and procedures are taken while
making decisions in working relationships (Tsai, 2002). Centralization, on the other hand, refers to the focus of decision-making authority and control tied within a top management authority (Tsai, 2002). Specialization includes the department of tasks and activities across positions within the organizational entity (Tsai, 2002). Decentralization refers to the number of levels in the firm’s hierarchy where power and authority of work is been divided among the department.

In an organization, structuring of activities is highly loaded on specialization, standardization and formalization relate to the size of the organization whereas concentration of authority is being loaded by centralization and lack of autonomy relates to dependence, this study is been derived from the work of Pugh. (Hinings C. R. et al., 1971). The Aston researchers concluded that organizational structure could best be described by four independent underlying dimensions. The first two orthogonal dimensions were structuring of activities (encompassing standardization, formalization, specialization, and vertical span) and concentration of authority (encompassing organizational autonomy, centralization, percentage of work-flow super ordination, and standardization of procedures for selection and advancement) (Hsu Cheng-Kuang et al., 1983)

Furthermore studies developed where an organization that is highly dependent internally will not only need many hierarchical levels but also increase the need for the standardization of rules and procedures. The organization's external dependent on suppliers and customers has no significant effect on any of the complexity or control variables. The internal dependence shows more significant effect on organizational structures than external dependence. Internal dependence has a significant direct effect on both centralization and formalization. Thus, influence of organizational size on formalization is mediated through functional specialization, and the influence of technological automaticity on centralization is channeled through knowledge complexity. (Hsu Cheng-Kuang et al., 1983)

2.6 Factors influencing organization structure:

Organizational design is influenced by the development of planning capabilities and the implementation of marketing strategies. It provide insights into ways of integrating structures where higher integration of areas in marketing decisions is related to the dispersion of the process that result in improving the performance of business (Trez Guilherme , et al. 2012). To develop an effective business organizational structure it required to understand the current role, planning for future role by building capabilities and using power and responsibility in positive way so that it provide a means to address performance issues. It also required recognizing the different structure to provide benefit on terms of future growth. (Rick ledbetter, 2003)

Organizational effectiveness is seen as the "ability of the organization, in either relative or absolute terms, to exploit its environment in the acquisition of scarce and valued resources" Organizational effectiveness measures "must take into account the profitability of the organization, the degree to which it satisfies its members, and the degree to which it is of value to the larger society of which it is a part” (Friedlander and Pickle, 1968). Actually, the concept of organizational effectiveness is difficult to define, and even more difficult to operationalized, without reference to organizational goals. It is also suggests that an important variable determining the course of developments in a business organization is its management's philosophy, policy, and values with respect to employees, customers, the public, unions, suppliers, and others”. The managerial values with respect to the organization's publics may be an important, though neglected, variable for predicting the organization's potential effectiveness (Reimann Bernard C., 1975).

Organizational structure effectiveness varies accordance with the demands of its environment (markets, technology, etc.). It seems that greater the independence of structural dimensions merely reflected the greater freedom enjoyed by the high performing firms (relative to their low performing counterparts) when it came to choosing their internal structures. That is, the relatively high performing firms may have had relatively few constraints on their structural devices and may, therefore, have opted for a wide variation in degrees of centralization, specialization, and formalization. Or the low performing firms may have been more inhibited and therefore tended to stick more closely to the Weberian model of bureaucracy .Therefore, the difference in the dimensionality of structure between high and low performing organizations observed and resulted from a more successful adaptation of structure to a variety of environment demand (Reimann Bernard C., 2008). 

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Above studies states the need of an effective organizational structure in order to focus on aligning their employee, management systems, and culture with their business strategy so that it helps an organization working at the demands of its business environment. Environment is an important determinant of organization structure. The actual behaviour of organization member in emergent structure on various dimensions of organization structure depends upon the response to dynamic environment. Thus, changes in designed structure may represent the organization's long-run response in adapting to new environments and technologies and changes in emergent structure, on the other hand, could be the mechanism by which organizations adapt to short-term variations. (Sathe Vijay, 1978)

The structure of organization is also influenced by external dynamic environment variables and factors. This dynamic environment consist of external and internal variables is based on personal observation, discussion with business executives, and empirical studies is been conducted. The concept of dynamic environment results in less formal, less bureaucratic, less hierarchical and more dynamic organizational structure leads interrelation of the different parts of organizations. (Singh D. R., 1980). The studies reemphasizes the importance of environment as a determinant of organizational structure by delineating both the direct effects of competition on structure and by indicating that several relationships between technology and structure generally do not hold tinder highly competitive conditions. The competitiveness of the organization's environment interacts with the four variables of technology, product design, production process change and number of products in the determination of organizational structure. In the relatively more competitive environments, the demand for control and coordination leads to more formalization than might otherwise be expected, to less departmentalization and horizontal differentiation, and to a relatively taller organizational structure configuration. (Peffer Jeffrey, 1973)

Organizational structure categories into three segments that where it influences knowledge management on creation, share and utilization parameter shown in figure 1. In general if the characteristics of organizational structure are less centralized, less formalization and less integration, the level of knowledge management would be more enhanced. Structure can influence KM processes through shaping patterns and frequencies of communication among organizational members, stipulating locations of decision-making and affecting efficiency and effectiveness in implementing new ideas. KM can carry over the structural impact onto organizational effectiveness, because the way knowledge is organized, KM activities are coordinated, and the extent to which KM practices are embedded in the processes that influence the effectiveness and efficiency of organizational performance (Manhmoudselehi M. et al., 2012).

![Figure 1: Conceptual model](image_url)

Moreover organizational structure plays an important role to provide appropriate conditions for the development of organizational learning. It is based on research within the field, using a formative conceptualization for organizational learning. The framework makes clear that organizational learning varies according to the kind of structure (organic and mechanistic). The study of the different design variables (specialization, formalization, autonomy, centralization and indoctrination) allows us to deepen our understanding of different organizational learning implications. (Martinez-Leon I. M. et al., 2011).

Organization learning will improve future performance through change of insight, new organizational structure, new actions or the combination of all. The design of organizational structure is perceived as the sub-component in the strategy implementation process within the dominant paradigm of strategy management. The
new innovative forms of structure is the emphasis on how the interplay of tacit and explicit knowledge of organization can be acquired, disseminated, shared and interpreted at different levels in organizations through various mechanisms. Organizations should be structured so as to maximize the benefits of individual as well as organizational learning. (Hong Jacky,1999)

The structuring of organization structures by formulating a conceptual framework that exhibits the theoretical interrelationships between provinces of meaning, dependencies of power, and contextual constraints. Five important possibilities of change have been implicit in the analysis of the structuring of organizational structures. The first proposes expect structural forms to be altered to ensure the symbolic appropriateness, second proposition asserts that structural change to achieve an efficient use of resources, third proposition about change in relations of power and domination, fourth proposition argues that a major change in situational exigencies such as size, technology, and environment will constrain organizational members to adapt their structural arrangements and the fifth proposition argues to become more flexible and adaptable in its structural arrangements. It is necessary to an adequate understanding of organizational construction and change. (Ranson S. et al., 1980)

As Organizational structure is primary driver of change as it provides the skeletal structure for all organizational decision and processes. Organizational structure helps in facing the challenges in the era of knowledge economy. Structuring based on higher dimension like trust – based, emotionally - inclusive and externally – oriented and informal relationship. These dimension help in energies organisation for competing on dynamic business environment. Overall organizational structure should be open, interactive, trustworthy, informal, temporal and flexible to face the new challenges and demand with capturing the essence of development (Wang C. L. et al., 2003).

2.7 Issues involved in Organization structure:

Organizations are required to implement customer-oriented TQM should therefore adopt a process network characterized by decentralization, self-management teams, reduced organizational layers, spinouts and extended boundaries. It should also follow the structural pattern and have standardized operations to ensure reliability of the outcomes while being flexible and open to new ideas. (Naceur Jabnoun, 2005). A large number of service organizations are taking strategic initiatives to implement TQM in all their activities. TQM has been defined and represented in a variety of ways; a search for excellence, creating a “right first time” attitude, zero defects, delighting the customer, etc. Initiating and implementing TQM in a service system requires a thorough analysis of customer expectations, an analysis of the current system, process and functions, defining the quality parameters, developing systems of measurement and control and integrating this system with the business. The success or failure of service systems largely depends on the initiative and enthusiasm of the human beings constituting the service organization. Therefore, the managers of service systems need to commit themselves to a concept of “management by quality first” rather than a specific ideology. With such a commitment, and a suitable framework to guide implementation, TQM can be successfully applied to service organizations. (Mohanty R.P. et al., 1996) However, the changing organizational structure required the need to understanding the relationship of employee reaction can be analysed. It has compared two frameworks for explaining the relationship between the structural properties of organizations and employee reactions to the work and the work context. The attraction-selection framework suggests that the personal attributes of employees mediate the structure-reaction relationship. The job-modification framework poses the characteristics of employees’ jobs mediate this relationship. But the combination of both the frameworks leads to a proper analyses of set of structure, job characteristics and personal attribute of an employee (Oldham G. R. et al., 1981). The purpose of structure is to organise its employee into segment, task activities and coordinate the complex relationship into some manageable state that helps in building the strong HR system and practice according to the behavioural outcome of the employee. The structural features of organization linked with its HR system and practices in order to maintain the individual and organizational outcome. Higher the involvement of Organizational structure in HR system and practices leads to an excellent business performance. The proposed model is a systematic compilation based on the available research.
evidence and it links the organizational structural features and HR systems to employees’ attitude and outcomes of both individual and organizational level shown in figure 2 (Ravichandran A., 2011).

**Figure 2 Organizational Structure, HR Systems and Practices and its Outcomes: A conceptual model**

Organizational structure helps in developing the market and hierarchies model of internal organisation in terms of medium and large firms and analyse its performance on effects of resource allocation policies on profitability by using industrial average as parameter for firm performance. A major medium and large firm adopting M-form structure which is undergoing structural reorganisation with the circumstances whereas U-form is best for small firm where the information flow is less and easily measured by divisional head (Weir Charlie, 1995). As organizational structure involves the alignment of resources in a manner to develop and support specific logistics service innovation capabilities. It helps us to determine what dimensions of organizational structure can help a firm develop logistics service innovation capability. The impacts of three organizational dimensions – decentralization, formalization, and specialization are examined. It also focuses on the relationship between logistics service innovation capability and market performance. Developing logistics service innovation capability can be what sets a firm apart and improves performance, and the appropriate structure may enhance innovation capability (Daugherty P. J. et al., 2011). An organizational structure to perform its innovation in business processes is been derived by using Social Network Analysis (SNA) techniques. This methodology can become a tool to diagnose problems inside a company before the executives try to improve their own organization. It will also help to generate new idea for the business process analysis and recognize that the organization structure is an important factor and result in enhancing the performance. (Hong S. et al., 2012). Furthermore adoption of a JIT-selling strategy would also impact the levels of integration, performance control, specialization, and decentralization within an organization. It provides effective integration mechanisms between marketing and operation. The objective of this strategy is the delivery of zero-defect products and services in the exact quantities at the precise times and places desired by customers while minimizing all types of waste organizational structure constructs within a more encompassing model JIT-selling that also incorporates measures of organizational performance. (Green K. W. et al., 2011).

3. **Conclusion:**

The performance of business has been analysed by different organizational structures and had proven its effectiveness in contributing to business success. Some firms choose highly centralized, rigidly maintained structures, while others—

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perhaps even in the same industry sector—develop decentralized, loose arrangements. Both of these organizational types can survive and even thrive. "There is no one best way to design an organization" (Phyllis and Leonard Schlesinger, 1993). "Organizational research has shown that the more we know about particular types of organizations, the less we can generalize about the optimal design for an effective organization. Generally, organizational theorists believe that no one structure, set of systems, or method of staffing is appropriate for every organization. Organizations operate in different environments with different products, strategies, constraints, and opportunities".

References: