

STRUCTURAL ORGANIZATION OF THE 21ST CENTURY COMPANIES – A BRIEF LITERATURE REVIEW

Costin-Dan DAVID¹

Ministry of Internal Affairs

Abstract

While the concept of structural organization and its main result, the organizational structure, has been studied extensively in the last decades, this paper aims to present a brief review of this area, while underlining some shortcomings of these aspects in the wake of the changes created by the 21st Century business environment. The article underlines the importance of developing a good organizational structure, it presents the concept and components of the organizational structure, as presented by different authors and different approaches, as well as underlining the main methods of designing the organizational structure of a company.

This article discusses the pros and cons of each of these aspects in the context of the need for change, in the wake of an ever technological and online communication-based market, where the customer is the main interest of the company. We further underline the importance of adopting and adjusting the organizational structure, in a flexible and efficient manner, in order to meet the challenges of the 21st Century customer (individual and industrial) that wants and needs personalized products or services that cater to their desires.

Keywords: *company, management, organization, structural organization, organizational structure*

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1. Introduction

The basis of the good development of a company is, its good organization. If a company is very well organized, then the company's objectives are much easier to achieve, each of the employees knows what to do,

¹ *Ph.D. Student, Ministry of Internal Affairs, dedcostin@yahoo.com*

they know their own responsibilities and therefore it will be easier to achieve their targets. At the same time, the image of professionalism is pushed forward, when the clients deal with a well-structured company, where every “link” of the organizational chain knows their job, and they deal with the clients’ needs in a decisive and professional matter.

In the last decades, the way the companies are structured have slightly changed and adapted to the shifts that occur with the business environment. Even if the company’s organization method is based on a classical method, the company can change their organizational structure to adapt to the changes that the market demands and needs.

The current paper underlines several general aspects related to the classical structural organization of the company, but at the same time, the article presents some modern organizational structures of the company, that develop their businesses in the 21st Century market environment.

2. Concept and Components

The company is usually organized in a formal and in an informal type of organization and the structural organization of one’s company is the second component of said formal organization of the company, the first one being the process-based organization.

While the organizational structure of company has been studied extensively, in the last decades, a clear definition of the concept could not be agreed upon. However, the organizational structure of the company is the main result of the structural organization. The organizational structure can be considered the backbone of company and of the management system of a certain entity, either of private or public type.

As a basic definition of the concept of structural organization of a company is “the totality of individuals and organizational sub-divisions that have been son created that they could ensure the organizational premises for the development and the achieving of the proposed company objectives” (Nicolescu and Verboncu, 1999, p. 299).

The same definition with little variation is presented and accepted by Gorski (2008) and Bardus and Caprarescu (1999). Janićjević defines the organizational structure as a “relatively stable, either planned or spontaneous, pattern of actions and interactions that organization members undertake for the purpose of achieving the organization’s goals” (Janićjević, 2013).

At the same time, “organizations are formed by groups of people with the purpose of achieving effects that one person cannot achieve individually. Better results are created as a consequence of organizational effect which directs organization to achieving some organizational goals” (B. Kristina et. al, in Tran and Tian, 2013)

According to Nicolescu and Verboncu (1999), the organizational structure has two main components: a) the management structure – defined as “the managers of the top and middle level that by their decisions and actions ensure the management, economical technical and staff conditions / requirements needed to support the activity of the production departments” and b) the production structure – defined as “the entirety of the organizational subdivisions of a company, that undertake the production process”.

As we can see from the above underlined and presented concepts, we can agree with (Jones and George, 2009 in McFarlane and Taylor, 2011) that the organizational structure has “significant impact on overall success, leadership effectiveness and competitiveness” of a company and its development, but not just from an economical, but also from a human or staff point of view, because between the two (economy and people) there is an organic link, that allows the development of a social and human side of the structural organization of a company.

Figure 1: 1 Golden triangle of organization



Source: (Gorski, H., 2008, Management, vol. 2, “Lucian Blaga” University Publishing House, Sibiu, p. 374)

Being, as stated before, the backbone of the management system, the organizational structure has several important components that can be found in

the great majority of the companies, even if these companies work online or offline, within the 21st Century business environment, like (Gorski, 2008):

- Work station – is the primary element of the organizational structure and it's comprised of the components of the golden triangle of organization (figure no. 1).

- Function / the job – the majority of the work stations that are comprised of the same main characteristics. There are two main types (management functions and execution functions), that are to be considered in conjunction with objectives, tasks, competences and responsibilities of the employee.

- Department – is comprised of the entirety of the staff that works under the same manager and works towards the same objectives. There main types of departments are functional and operational departments.

- Hierarchical level – are all the organizational divisions or sub-divisions that are at the same “distance” from the top of the hierarchical pyramid of a company.

- Control area / Span of control – the number of employees that are led by the same manager.

- Organizational relationships – are the relationships that are developed within a company between divisions or sub-divisions of a company / departments or teams etc. There are usually three types of relationships: a) authority; b) cooperation and c) control.

But, at the same time, there are other authors that underline, different organizational structure components (Devaney, 2014; Leonard, 2018):

- Chain of command – represents the main line of authority that extends from the top of the company (Board of Directors / Shareholders to the lowest level employee). The chain of command differs from company to company, from industry to industry etc.

- Span of control – is the number of employees that are managed by the same individual / manager. Of course, there are certain limits to how many employees can be supervised by the same person.

- Centralization / Decentralization – the decision-making process within a company. The decision within a company is centralized to single individual (it usually happens in small or very small companies) or the decision is made in a democratic way, but there is a drawback to this: the decision-making takes longer.

- Specialization – it literary translates into the division of labor with a company. There can be companies that are highly specialized and

companies that are low specialized, it depends on their industry and the interest of the shareholders / management.

- Formalization – the bigger the company, the more formal in their activities, relationships and organizational systems are, subsequently the smaller the company, the more informal they are.

- Departmentalization – it represents the process of bringing together similar jobs in order to achieve the department / company objectives.

As we can see there are similar components in both approaches, but at the same time, there are some differences, especially within the specialization, centralization / decentralization and formalization. The last one, is more and more used in the informal aspect of the way of organizing a company.

The informal method of organizing can get the job done sooner, it builds relationships, it brings colleagues together, it strengthens the team etc. An informal environment can be seen in large companies like Google, Amazon, Facebook and any other big 21st century organization that fosters innovation and outside the box thinking. But the informal organization goes as far, without damaging the company interest or endangering reaching the objectives / goals of the company.

Another approach in designing the organizational structure of a company can be used by following several important steps, that are similar with the ones presented above, like: (a) designing the jobs that will be in the company; (b) grouping the similar jobs into departments; (c) developing the reporting relationships between jobs / departments etc.; (d) distribution of the authority within the company; (e) coordinating activities among jobs; (f) differentiating among the company positions. These final 6 steps can also be used by a manager that is starting its company or he/she is restructuring their company.

3. Methods of designing the organizational structure

The organizational structures can be viewed mostly from a social and interpersonal point of view or better said the relations that are developed or followed by the employees of a company when dealing with colleagues, managers or other actors that activate within the company. The most used organizational structures (Nicolaescu and Verboncu, 1999; Dima and Popescu, Gorski, 2008, Nicolescu and Verboncu, 2008, Ahmady et.al, 2016), in today's companies are:

a) A simple structure – is characterized by a low complexity and with flexible relations, where the management designs the organizational chart focused on the leadership, with a low level of formality.

b) A functional structure – is represented by the organizations that have a higher-level of complexity, but at the same time they have a simple structure at the base. This type of structure is used in order to meet the needs of separation, in an ever-developing company. The functional structure can be created on the basis of similar duties and shared goals for the employees.

c) A multidivisional structure - is based on the previous functional structure, where more structures are developed, and they can be used to build a divisional structure and at the same time position these divisions under the same manager. It is basically a more centralized method of reporting.

d) A matrix structure – it is usually a mix of functional and multidivisional structures, which aims to combine the effectiveness and flexibility of the functional structure and the sensitivity of the multidivisional structure, based mostly on specialized works or project work developed by the employees.

e) A hybrid structure – it is represented by a mix of two or more different types of structures aimed to bring together the advantages / strengths of these structures in order to improve the activity of a company. The biggest advantage of the hybrid structure is the flexibility of the structure and bringing together the best team to do the job. This structure is usually used when the company is reorganized for the purpose better performance and results.

f) A network structure – these types of structures are more common in today's everchanging and technology based economies, that are characterized by the products' short life cycle and specialized markets that change very fast (social media market, smartphone industry, gadget industry, software industry etc.). This type of structure is based on the concept that the mother organization is supported by network partners (producers or suppliers) that find themselves in a free market system.

g) A bureaucratic structure – is based on standardization of the work, unification of the work methods used by the employees. Is usually used by some service system like, banks, health services, tax offices or chain stores, where the instructions, methods and even the way store is organized are the same in all the locations of the chain. This type of structure is based on: (a) high level of uniformity; (b) formal regulations; (c) the presence (in some areas) of classified information; (d) centralized power and decision making using a commanding hierarchy.

Hitt, Black and Porter (2012), presents the organizational structures in a similar, but at the same time in different way. While the functional, the matrix and the hybrid structures are presented in the same manner, as the one presented above, the authors underline several other types of organizational structures, like:

a) Product structure – the company is organized around specific products (or services) or related sets of products (or services), where each product contains all the needed departments (finance, marketing, operations, human resources etc.)

b) Divisional structure – which is based on the product structure, were “Divisions typically consist of multiple products within a generally related area, though specific products may not necessarily be closely related. General Electric (GE) has over 11 different business units, organizing a diversified portfolio of products including financial services, transportation, energy, insurance, medical systems, and entertainment products.” (Hitt et.al., 2012).

c) Customer structure – where the company is organized around types of customers, like retail customers have their own structure, then the industrial customers, that buy differently, in different quantities and at different levels of quality or finishing of the products.

d) Geographical structure – is represented within the companies that developed a structure in different geographical regions or areas, where they operate. In these areas, all activities are developed under the management of the regional or geographical area, where they find themselves. A good example in this type of structure is the automotive industry, like Renault, that has for some of their products structures in France (responsible for western Europe), in Turkey and Romania (responsible for eastern and south eastern Europe and Asia Minor), in Morocco (for North Africa), in Russia (for Asia) etc.

4. Discussions and conclusions

While there is a clear definition of structural organization and that of the organization structure, we can see from the above presented brief literature review that these structures are changing and adapting to the needs of the business environment. We can determine from the presented concepts and definitions that the structural organization is mainly based on the totality of the individuals / members of a company that come together in order to achieve the objectives of their divisions, departments and consequently, those of the company.

While the definition of Nicolescu and Verboncu seems a bit outdated, that presented by Janićijević, seems more up to date for today’s business environment,

especially in the start-up or technology-based fields of activity. Another important aspect is that presented by Jones and George, were they put a high emphasis on the human aspect of the structural organization and the importance of the human factor in the development of an organizational structure.

Regarding the components of the organizational structure, those presented by Gorski in 2008 are similar to those presented by Devaney and Leonard, but at the same time, they both seem slightly outdated and out of touch with the current conditions of the 21st Century business environment. While one can agree that the components presented by Gorski, Davaney and Leonard are the skeleton of any modern organization, there needs to be a flexibility of these components, in order to tackle the challenges of the technology and fast paced business environment of our days. The need for adaptation, flexibility and rapid change is needed more, now than ever before, when companies develop or die in the span of several years.

As we can see the methods of designing the organizational structure of a company are very similar, but at the same time different approaches for the types of organizational structures that can be used by the companies.

While the classical approaches underlined by many authors (Nicolescu, Verboncu, Dima, Popescu, Gorski, Ahmady et.al) have been and still are important in a market economy that is still developing and can be used with great success today, one can consider that the need of adaptation to the challenges of the modern business environment is seems to be greater. The need to be closer to the customer, to their needs and desires, the need to create a more personalized service or product, designed for the consumer, the need for adaptation to the cultural, social and geographical specificities of the consumers and their markets, make the method presented by Hitt, Black and Porter to be more up to date and more in line with the challenges of today's everchanging and technology infused business environment.

In conclusion we can safely state, that while the structural organization of a company has been studied extensively in the past, by the management theory, there are still aspects that can be adapted and changed, in the wake of the challenges set out by this everchanging business environment, were the current and potential customer has access to information form all over the world by using laptops, tablets, smartphones, social media etc., were he can order goods or services 24/7, were he can demand personalized good and services, the companies must adapt and adjust their organizational structure in order to meet these important challenges that we are faced with today.

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