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PRINCIPLE OF MANAGEMENT

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1.0 Introduction

Each company develop their organizational structure for identifying tasks and responsibility for each department and job position, also to ensure the relationship between departments and job positions that being harmony and furnishing each other. The effectiveness and efficiency of the company to produce their products or services are impacted by the organizational structure and then will influence the value of company. From all the important aspects, organization requires to do the job divisions among the member or staff that can be coordinate between various departments, job units or the other teams. As the tasks are divided into certain department which is coordinated, the company would develop the organizational structure. (Choo, C. W., 2002).

Structure refers to sum total of the ways in which an organization divides its labor into distinct task and then coordinates among them. (Knights, D. & Willmourt, H., 2007). For example, a tailor hires some workers to assist on his work and dispenses tasks to each person. And then the organizing process will occurs when the tasks given to the workers been completed and reported to the person in charge. Due to organizing process, company need to build organizational structure that include division of job position, responsibility and the relationship among the department.

The organizations deliberately create and develop their own structure according to the needs in running the system. Organizational structure of company is prospected to support the achievement and also acquiring the vision and mission of the organization. But sometimes there will be occurred few miss in relationship between organizational structure with the vision or mission of the organization. By that, developing the organizational structure must be applied appropriately as the most important requisite to achieve the vision of the organization. (Mcshane, S. & Travaglione, T., 2003).

Organization design is one way to build up the organizational structure. It is also a form of roles department, activity process and formal relationship inside the organization. (Daft, R. L., Murphy, J., & Willmott, H., 2007). Organization design also includes the development of the
whole structure in the organization, on the unit as well as sub unit, along with the classification of the details of the roles and process in the unit and sub unit.

2.0 Factors Affecting Organizational Structure

The organizational structure is influenced by some factors, such as organizational strategy, size of the organization, technology and environment. (Ahmad, S. A. et al., 2011).

2.1 Organizational Strategy

Organizational structure is an instrument for the management to achieve the goals of the company. There is relevance between structure and the goals or objectives of company, because the goals are developed from the whole strategy of the company. Specifically, organizational structures have to follow the strategy. If the organization creates a change in the organization strategy, the organizational structure must be modified to load and support the change because the change in strategy can impact the organizational structure.

2.2 Size of the Organization

The size of the organization can be divided according to sales and market a human resources. Large organization is preference to have more specific structure, department and more rules than smaller organization.

2.3 Technology

Technology refers to how the organization transfer input to become output. Each technology at least has one technology to change financial, human resources and physical resources into services and products. For example, Ford Motor Company is using assembly process technology in production. University has some technology in learning. It is that organizational structure adapts with their technology.
2.4 Environment

The organization environment includes external influences that will affect the survival and working system of the organization. Environment can impact on the structure of an organization because the changes of environment cannot be determined.

3.0 Departmentalization by Type

There are five types of departmentalization which are based on functional, product, customer, geographical location and matrix. (Ahmad, S.A. et al., 2011). This paper is discussing about functional structure, product structure, geographic structure and matrix structure with the example of company that using each structure.

3.1 Functional structure

In the organizational structure that based on the function, the coordination of work and employees through different units are responsible to specific business function or expertise division. It is also meant grouping of the tasks and responsibility in certain department. (Daft, R. L., Murphy, J., & Willmott, H., 2007).

Akiba Products Limited is one of the companies that are using functional structure to run the organization. The organizational chart of this company is displayed in figure 01.
The Functional Structure of Akiba Products Limited

**Figure 01**: Organizational chart of Akiba Products Limited  

Akiba Products Limited is a leading food products development and management company, located in East Africa, Ugandan based company that develops and manages locally grown food products such as cereals, pulses, fish, beverages, vegetables, spreads and other related products. ([http://www.akibaproducts.com/Company.aspx](http://www.akibaproducts.com/Company.aspx)).

Figure 01 shows that the departmentalization of this organization is based on the function. The authority lines below the managing director are according to the function in the organization, the staffs are working according to their expertise and specific responsibility in certain department. In Akiba organizational chart, the management is divided into five main functions, such as; Product Development, Business Development, Sales and Distributor, Marketing and Management, and Finance and Administration. These five departments are responsible by applying their specific skills to deal with the business of the company according to their specific functional. As the organization is divided into five departments, so each
departments is in the charge of the specialization regarded as functional manager that will have a complete control over the function. In the organizational structure of Akiba Products Ltd., the activity of each department is not able to be allotted to others departments. Each department does their own activity regarding to their specialist functions to achieve the objectives and the goals of the organization.

Under Product Development there are two functional units such as Product Developers and Quality Assurance which delivering the report. The Business Analysts is reporting to Business Development, the Sales and Distribution unit receiving the report from Branch Managers, Sales Personnel/Account Managers and Support Staff. The Brand Manager, Public Relations Manager and Market Research are reporting to Marketing and Management unit. Human Resources Office and Facilities and Assets Management are reporting to Finance and Administration unit. Each staff is working according to their unit or department and functional in their specific skills. And the Product Development, Business Development, Sales and Distributor, Marketing and Management, Finance and Administration are reporting to the Managing Director.

According to the functional organization structure of Akiba Products Ltd., the company can stimulate the development of functional skills and depth in specialization of each units, as the company allotted into; product development, business development, sales and distribution, marketing and management, finance and administration. As the inter-related functions are divided into each department in this company, the service of each functional department will be expertise and the human resources of each department will be more competence so that creativity and innovation will be occurred within each department. And the interdisciplinary of each unit are built to manage and implement new products and at the same time can develop their commercial and technical processes as the human resource of each unit are expert in the functional area. (Daft, R. L., Murphy, J., & Willmott, H., 2007). The sub units will not get confuse due to authority line, for example; the Branch Managers, Publics Relation Manager and Market Research are reporting to the Marketing and Management, so that the specializations of each units are organized accurately and efficiently. By this type of departmentalization, this company will be able to be more flexible and efficient in responding the market and the
requirements in terms of running the business due to the specialization skills of each functional department.

The company will also face some constraint in terms of its organizational chart. According to Akiba Products Ltd. organizational chart, some of the weakness point will be faced by the company, such as there will be lack of team work in the company, as the specialized units of each functional department perform a high level of the effectiveness and efficiency, the human resource of each department may face difficulty to work well with another units. As the company is divided into five departments, such as; Product Development, Business Development, Sales and Distributor, Marketing and Management, Finance and Administration, the goals of company may become limited due to each departments will focus on their own objectives and goals. And the decision making is piled up on the top level management that becomes a challenge for the top level management to maintain the control as the company expands.

3.2 Geographic Structure

Typically the geographic departmentalization is found in companies with business or operations which are over a large area. Geographic structure coordinates the job and employees of different unit to responsible to responsible to the job activities in certain locations. And also each location has its own internal structure and layers of management. (Daft, R. L., Murphy, J., & Willmott, H., 2007). The Wagner Group Gesellschaft mit beschränkter Haftung (GmbH) is an example of companies that equipped with the organizational structure based on the geographic locations. The geographic organizational chart of this company is displayed in figure 02.
The Geographic Organizational Chart of Wagner Group GmbH

![Organizational Chart of Wagner Group GmbH]

**Figure 02: Organizational chart of Wagner Group GmbH**


Warner Group GmbH is a company with Werner Warner as the General Manager that provides fire prevention solution comprehensively, such as active fire prevention with Oxy Reduct as the product, early fire detection with Titanus, fire fighting with Fir Extingand and fire risk management with VisuLAN. ([http://www.wagner.de/home/](http://www.wagner.de/home/)).

According to the organizational chart of the company in figure 02, it is displayed that Wagner Group GmbH with headquarter in Hanover, Germany, has branches in some locations.
In Europe such as; Austria, Great Britain and The Netherlands. In Germany as well, such as; Berlin, Frankfurt, Hamburg, Leipzig, Mulheim/Ruhr, Munich, Stuttgart. In Middle East (ME), such as; Dubai and Strategic Partners which includes; Saudi Arabia, Qatar, Oman, Kuwait, Iran, Australia. In Asia, such as; Hongkong and Singapore. From these several branches in certain location, we are noticed that the organizational structure of the company is based on geographic location, which is in the certain location will have its own structure. The coordination among works and employee of different units for conducting the business activities is according to each geographic location.

There are some advantages that Warner Group GmbH has with geographic structure. As the company has some branches in other countries, so that the marketing of their products become worldwide, and the cost is possible to be reduced as the locations of the resources nearer to the targeted consumers due to the branches in certain location. As Wagner Group GmbH is located in certain place like Europe, Middle East, Asia and German as well, so that the organization is able to handle the arising of regional issues.

There are also some disadvantages according to the geographic structure that displayed on the figure 02, such as; the coordination between each departments will face difficulty due to the long distance of each branches. It also will create duplication of work and the utilizing of human resources in terms headquarter and the branches.

### 3.3 Matrix Structure

In matrix structure there is a combination of two or more departmentalization types in one structure. There is crossing interactive functions occurred in matrix organization as one of the tasks cannot be done by one type of departmentalization. The employees also report to two or more managers or supervisors. (Ahmad, S. A. et al., 2011). California Department of Transportation is the example of organization is using matrix organization structure that displayed in figure 03.

California Department of Transportation (Caltrans) is a part of the executive department of the state cabinet level California Business, Transportation and Housing Agency that based in
Sacramento, California, United States of America (USA). Caltrans manages freeway and expressway of the state California and also active involvement in the public transportation system within the state. ([http://en.wikipedia.org/wiki/California_Department_of_Transportation](http://en.wikipedia.org/wiki/California_Department_of_Transportation)).

**Organizational Chart of California Department of Transportation**

![Organizational Chart of California Department of Transportation](http://www.fhwa.dot.gov/infrastructure/asstmgmt/vmt04.cfm)

*Figure 03: The Matrix Organizational Chart of California Department of Transportation*

According to the organizational chart in figure 03, there are geographic structure which is mention as District 1 to District 12 and functional structure, such as; Administration Deputy, Finance Deputy, Information Technology Deputy, Maintenance & Operation Deputy, Planning & Modal Program Deputy, and Project Delivery Deputy, which is combined in one organization chart. The multiple reporting also occurred in this organizational chart, for example; units Business, Facilities & Security, Human Resources, Labor Relations, Procurement & Contract, and Training are reporting not only to the Administration Deputy but also to Finance Deputy, Information Technology Deputy, Maintenance & Operation Deputy, Planning & Modal Program Deputy, and Project Delivery Deputy as well. These are asserting that the type of the organizational structure of Caltrans is based on matrix. The combination of the types of departmentalization and multiple reporting are exist in the matrix structure. (Daft, R. L., Murphy, J., & Willmott, H., 2007).

There are some advantages of matrix organizational structure. According to the chart in figure 03, the organization, Caltrans, is able to acquire the suitable coordination for the multiple tasks in term of multiple reporting. As multiply coordination is occurred in the chart, so the organization will be able to manage the activity or project in large scale and complex and decision making in unstable business environment with high change frequency.

There are also some disadvantages in matrix organizational chart. According to the organizational chart in figure 03, the multiple reporting and coordination are exist in the chart, probably the conflict of authority line occurred and the employees would getting confused as the employees report to more than one managers or supervisors. And for managing of the complexity of the projects, the organization needs to require higher level of coordination and management skills, so that the cost reducing is difficult to be achieved.

3.4 Product Structure

The departmentalization of this structure is based on the products of the organization and the employees work in different unit, each responsible for the producing the company’s products or services. (Daft, R. L., Murphy, J., & Willmott, H., 2007). Bombardier
Lnd is one of the companies that using product organizational structure. The organizational chart of this company is displayed in figure 04.

**Organizational Chart of Bombardier Limited**

![Organizational Chart of Bombardier Limited](http://www.bing.com/images/search?q=product+organizational+chart&view=detail&id=4CDC392F25B4CFB9BEABCF09E702EDB4C6D31E9B&first=0&FORM=IDFRIR)

*Figure 04: The organizational chart of Bombardier Limited*


Bombardier Limited is a global transportation company based in Montreal, Canada that develops production and engineering sites. By the leads of Mr. Pierre Beaudoin as the President and Chief Executive Officer, the company’s operation is industry leading business in aerospace and rail transportation. [Online] (http://www.bombardier.com/en/corporate/about-us).

According to the organizational chart of this company that displayed in figure 04, there are three sectors that are producing each product, such as; Mass Transit Sector, Recreational and Utility Vehicle Sector, and Rail Products Sector. Mass Transit Sector has two divisions such as; Mass Transit Division and Bombardier Rotax (Vienna) responsible for the production and the development of business aircraft and commercial aircraft. The recreational and Utility Vehicle
Sector which has four divisions, such as; Recreational Products Division, Logistics Equipment Division, Industrial Equipment Division and Bombardier-Rotax (Gunskirchen) manage the production of Pre-Owned Aircraft, for example; Cessna Citation and Hawker 800 XP, and the Amphibious Aircraft, example; Bombardier 415 and Superscooper. The Rail Products Sector has only one division; Rail and Diesel Products responsible in the production of rail vehicles such as; Light Rail Vehicles, Metros, Intercity Trains, High Speed Trains, Commuter and Regional Trains, Locomotives. [Online] (http://www.bombardier.com/en/corporate). According to the organizational chart and the above clarification, the three sectors produce and manage certain product, these are showing that the departmentalization of Bombardier, Ltd is based on the products.

According to the organizational chart of Bombardier, Ltd., there are some advantages for using the product organizational structure, such as; the good coordination between each function in the sectors will be occurred due to similarity of objective and goals in each sector in terms of production process. As the specialization is based on the products, the managers and employee are able to expand the experience and expertise to the tasks that related to the activities in production process. And the management is allowed to evaluate the work performance in terms of the output of the products in each sector.

Some of the disadvantages are also occurred in products organizational chart as in figure 04. According to Bombardier, Ltd. organizational chart, the coordination between each products sector will be difficult as each sector of production focusing through its own objectives and goals. And the efficiency of economy in the company may not be able to achieve due to increment of the administration costs that are impacted by each product have its own functional area experts.

4.0 Conclusion

Organizations produce together the resources to build and generate wealth from the production of goods or services that cannot be accomplished by individuals acting by developing organization structure. The activity of managers and employees are directed primarily at
achieving the objectives and goals through the organization structure. By managing the organizational structure, the grouping of individual into units and units into the total organization can be identified. The relationships among formal reporting in organizational structure can be designated, including the number of level in the span of control and hierarchy of managers and supervisors. (Daft, R. L., Murphy, J., & Willmott, H., 2007). Based on the factors that influence the organizational structure such as; organizational strategy, size of the organization, technology and environment, organization develops their structure to get match with their need effectively and efficiently to keep the competence of the organization in the global market in terms of organizational structure development and behavior. The organization builds and develops the organizational structure that based on functional, product, geographic, customer and matrix departmentalization. Each type of departmentalization has the advantages and the disadvantages in term of business or production process of the organization. By applying the organizational structure, organization will be able to drive into the innovation rather than become reliance on standard products or services in terms of adaption and in fluency of changing environment. This paper were discussing about the functional structure, product structure and matrix structure.

The organizational structure is planned on the focus of division of work, vertical relationship and creating the organizational design with clear description. The structure of an organization can be described diagrammatically and visually presented in organizational chart. Organizational chart is presenting of the underlying processes and activities that appear in an organization. It also shows the positions exist, how they are grouped and who report to whom in an organization. (Daft, R. L., Murphy, J., & Willmott, H., 2007). By recognizing the flow in the organizational chart, the organization will be able to achieve the objectives and goals effectively and efficient in terms of human resources and business development.
References


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