



## Sample: Management - Organizational Structure

### Introduction

The most fundamental reason that explains the existence of any business organization is its objective to make profits. As such, organizations seek to create good environments for their management and workers in order to maximize their productivity. Moreover, for the objects of any organization to be realized there must exist mechanisms through which duties and roles are managed. These mechanisms define the organization structures. In general there are various organization structures namely, Functional Structure, Divisional Structure, Product Structures, and the Matrix Structure just to mention a few. In this paper, the objective is to compare and contrast these organization structures, to evaluate how organizational functions influences and determines an organizational structure, and to explain how organizational design helps determine which structure suits an organization. In addition, in order to get a better understanding of these objectives this paper will use the Bakers Delight organization structure as its case study.

### Organization structures

At bakers Delight, the franchisee organization structure has enabled the brand name to diversify all over Australia. More so, that original business still ensures that any franchise operates at the set standards. For example the original business conducts routine checkups and offers training for startups for the first six weeks in operations (Richard Plunkett, F. Attner, & Allen, 2011).

### Franchisee organization Structure in comparison to the Functional and matrix Structures

A franchise Organization Structure avails a virtuous business channel to upcoming and aspiring businessmen because of its well-recognized brand name. In essence, the parent company assumes the obligations of training the individual franchise owner so that they can match the already set standards. As such, the parent company dictates the operations of the subsidiaries



and as such specifies on what franchise owners can and/or cannot do, except when it comes to choosing their internal business structure (PaperCut Software International Pty Ltd., 2012).

On the other hand, the Functional structure mainly focuses on organizing the employees into numerous departmental categories. This is the most common form of organization structures since the organization divides the departments on functional basis. For example most organizations accounting, production, and quality control departments. As such, the organization structure tends to assume the same structure as well. On this note, this structure enhances a close association, support and sharing of knowledge and experience among employees. Accordingly, this structure may be disadvantageous as it may create rivalry and autonomy among the existing departments in the organization ( Anand & Daft, 2007).

Similarly, the Matrix organization structure is a crossbreed of both the functional and divisional organization structures. As such, it successfully forms independent departments for each product and the target market. In this sense the Matrix organizational structure is more flexible and incorporates only the benefits of either the divisional or functional structures. However, in this organizational structure the operations cost are high as it will require the existence of both the functional manager and the production manager (Cummings & Worley, 2007).

On this note and as has been stated earlier, under the franchise structure the main objective of the parent company is retain its brand name as is or to better it. Accordingly, the parent company gains more profit and serves large geographical zones through the franchises. Whereas it has supervisory roles, it does not need to conduct day to day or dictate internal organization structure for its subsidiaries as is the case at Bakers Delight.



### **How Organizational Functions Influences and Determines an Organizational Structure**

Generally, a business will have departments as it grows. This is dictated by the independent roles that each department has on the daily running of business. For example, a business will mainly have the Finance department, productions, quality evaluations; logistics just to name a few. Each of this department is delegated for independent duties but they must work in corroboration in order to attain the overall objects of the organization. Under the Functional structure, there exist various levels of governance, employees' level. In this level, the structure ids determined through experience and knowledge thus creating departments such as the marketing, finance, human resources, and operations departments. Further above, there is the second level which includes the management functions of the organization such as the operational managers, and the executive managers. Lastly, under the functional structure is the top levels that have the board of directors and chief executive officer.

Consequently, this form of organizational structure arranges the activities of an organization around specialization areas. For example, if there exists a marketing department its primary role will be focused primarily on the organizations marketing undertakings. Thus, when utilizing this structural approach process standardization within a business must be incorporated while at the same time its physical decision-making authority must be positioned at the top of the organization ( Haynes Daniell, 2004).

On this light, this structure works best for large sized companies, since the structure defines each department and equally such entities deals with large sales and production volumes that no other arrangement would match its efficiency. Accordingly, this structure is characterized by; large volume of homogeneous product or service transactions, decreased change levels within the sector, Institutions with a very large fixed asset base, insignificant



existence of utterly new product line introductions, taste or technology does not affect the organization, and in organizations where competition is largely determined through cost. Based on these characteristics, it is apparent that the functions of an organization are a major determinant of the organization structure it assumes. In the case study for Bakers delight, the organization could only assume the franchise structure because the main theme was to sell through the brand name. However, under its arrangement a franchise can be ran internally using any other structure it deems most appropriate as long as it does not taint the brand name or compromise with the product quality. Indeed, the daily undertakings/ functions of any organization are the primary determinants of the most applicable organization it will assume.

Equally, organizational schemes, including geographic, functional, customer-based, product, service, hybrid, matrix, marketing channels, and departmentalization are other factors that help to define the most appropriate organizational structure. For example, the area of operation may be limited to a single city or state (Geographic), hence, the organization attends to similar customer tastes and preferences. In such a case, the organization may prefer the product structure. Likewise, if the organizational is trading over many regions or states, the organization structure may range from franchise to divisional structures based on the organizations objectives (Sanchez & Mahoney, Winter, 1996).

For example, the organization structure in Bakers delight changed in 1991 when the organization preferred to trade all over Australia rather than concentrate in a Western Australia. As such, due to diversification and expansion challenges, and the loyalty that the brand had acquired over time, the best and most applicable structure was in the franchise form. Additionally, organization designs forms the face of an organization as such, the design forms an



identity thus resulting to the formation of an organizational structure that fits the design (Bakers Delight Holdings Ltd , 2013).

At this point, it is important to note that Organization design defines the process of bring into line the structure of an organization with its vision and mission. Therefore, it entails the complex association between responsibilities, workflow, obligations and the firm's authority, to ensure that they all back the objectives of the organization. Accordingly, viable organizational design enhances communication, productivity, and innovation within the organization's framework, subsequently, creating an environment in which the employees can work effectively. As such, various issues that relates to productivity and performance can be linked to poor organization design (Mind Tools Ltd., 2013).

Consequently, when the organization design is not appropriate or viable, it results to poor organizational structures hence leading to the organization's underperformance. Primarily, different organization structures yields different paybacks in different circumstances. Thus, if the overall organization design is matched with the business strategy, organization structure, and the market environment, the organization will be successful. This will further ensure that the organization the right corporate controls, the business is flexible; it has the right incentives and best employees and the right resources, hence reaping maximum returns. Therefore, organizational designs are very important in the structuring of an organization (Mind Tools Ltd., 2013).

As has been demonstrated through Bakers Delight, its organization design has by far been a major determinant of the organization structure it operates. The organization has designed itself to be flexible, to operate from numerous locations, and accommodate customer's tastes and



preferences but at the same time observe its traditional practices and retain same standards even when operated by numerous entrepreneurs (Bakers Delight Holdings Ltd , 2013).



### References

- Anand, N., & Daft, R. (2007). What is the Right Organization Design? *Organizational Dynamics*, Vol. 36, No. 4, 329–344.
- Haynes Daniell, M. (2004). *Strategy: A Step by Step Approach to the Development and Presentation of World Class Business Strategy*. Basingstoke: Palgrave Macmillan.
- Bakers Delight Holdings Ltd . (2013). *Bakers Delight Holdings Ltd - Profile Company Report Australia*. Camberwell, Victoria: Bakers Delight Holdings Ltd.
- Cummings, T., & Worley, C. (2007). Organization Development & Change. *Asian Pacific Journal of Human Resource*.
- Mind Tools Ltd. (2013, October 05). *Aligning Organizational Structure with Business Goals*. Retrieved from Organizational Structure:  
[http://www.mindtools.com/pages/article/newPPM\\_95.htm](http://www.mindtools.com/pages/article/newPPM_95.htm)
- PaperCut Software International Pty Ltd. (2012). *Complete print environment overhaul; Bakers Delight*. PaperCut Software International Pty Ltd.
- Richard Plunkett, W., F. Attner, R., & Allen, G. (2011). *Management: Meeting and Exceeding Customer Expectations*. Belmont, CA: Cengage Learning.
- Sanchez, R., & Mahoney, J. (Winter, 1996). Modularity, Flexibility, and Knowledge Management in Product and Organization Design. *Strategic Management Journal*, Vol. 17, Special Issue: Knowledge and the Firm., 63-79.