

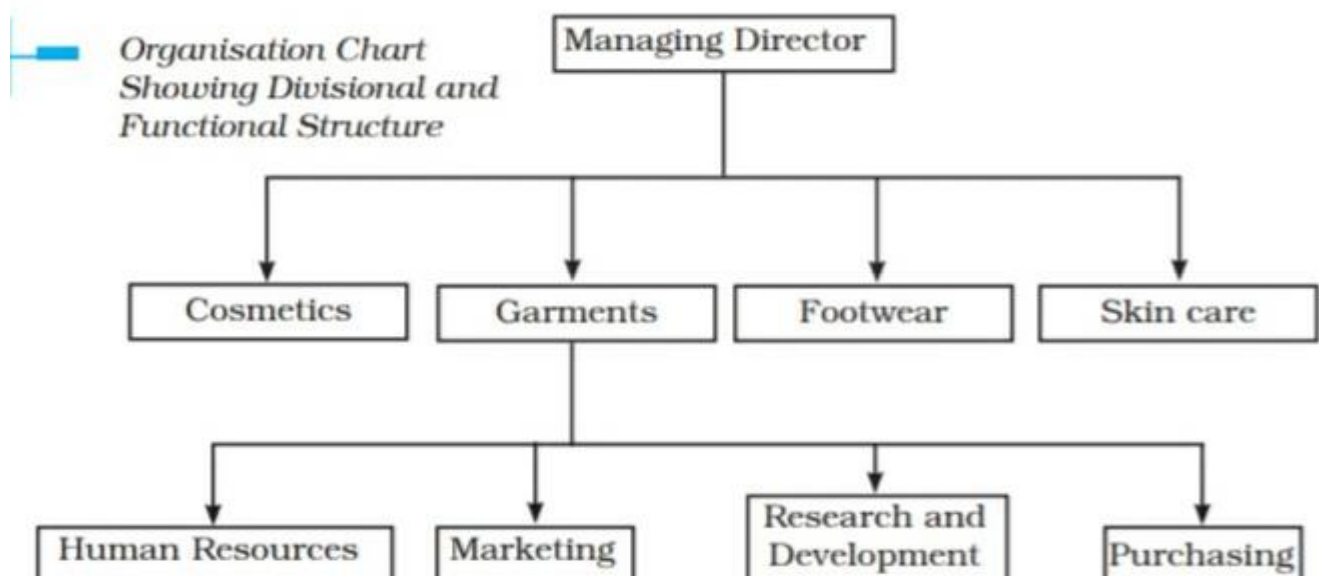
ORGANISING

Divisional Structure

Many large organisation with diversified activities have reorganised themselves away from the simpler and basic functional structure towards a divisional structure which is more suited to their activities. This is particularly true of those enterprises which have more than one category of products to offer. This is because although every organisation performs a set of homogenous functions, as it diversifies into varied product categories, the need for a more evolved structural design is felt to cope with the emerging complexity.

In a divisional structure, the organisation structure comprises of separate business units or divisions. Each unit has a divisional manager responsible for performance and who has authority over the unit. Generally, manpower is grouped on the basis of different products manufactured. Each division is multifunctional because within each division functions like production, marketing, finance, purchase etc, are performed together to achieve a common goal. Each division is self-contained as it develops expertise in all functions related to a product line.

In order words, within each division, the functional structure tends to be adopted. However, functions may vary across divisions in accordance with a particular product line. Further, each division works as a profit center where the divisional head is responsible for the profit or loss of his division. For example, a large company may have divisions like cosmetics, clothing etc.



Advantages: The divisional structure offers many benefits. Prominent among these are as follows:

(a) Product specialisation helps in the development of varied skills in a divisional head and this prepares him for higher positions. This is because he gains experience in all functions related to a particular product.

(b) Divisional heads are accountable for profits, as revenues and costs related to different departments can be easily identified and assigned to them. This provides a proper basis for performance measurement. It also helps in fixation of responsibility in cases of poor performance of the division and appropriate remedial action can be taken.

(c) It promotes flexibility and initiative because each division functions as an autonomous unit which leads to faster decision making.

(d) It facilitates expansion and growth as new divisions can be added without interrupting the existing operations by merely adding another divisional head and staff for the new product line.

Disadvantages: The divisional structure has certain disadvantages. Some of them are as follows:

(a) Conflict may arise among different divisions with reference to allocation of funds and further a particular division may seek to maximize its profits at the cost of other divisions.

(b) It may lead to increase in costs since there may be a duplication of activities across products. Providing each division with separate set of similar functions increases expenditure.

(c) It provides managers with the authority to supervise all activities related to a particular division. In course of time, such a manager may gain power and in a bid to assert his independence may ignore organisational interests.