

ORGANIZATIONAL STRUCTURE OF ENTERPRISE

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ABSTRACT

The organizational structure of the enterprise is the main mechanism of management and allows you to achieve effectively the goal. Analysis and changes in the organizational structure are necessary in modern market conditions for the successful functioning of any enterprise, while the organizational structure reflects the management scheme of the enterprise, as well as the staffing of the enterprise. The correct distribution of functions between departments and employees of the enterprise is the basis for achieving the goals. The term "organizational structure" refers to the way an organization organizes its workforce so that its tasks and objectives can be accomplished. Formal structure may not be necessary in a small work group where face-to-face communication is common, but in a larger organization, decisions about the delegation of various tasks must be made. As a result, procedures are established to delegate duties to various functions. The organizational structure is established by these choices. What employees do, whom they report to, and, for managers, who they report to, typically define responsibilities in any organization, regardless of size or complexity. These definitions are eventually assigned to positions within the organization rather than to particular people. The work that an organization does is just one of many factors that determine the best organizational structure; its size in terms of the number of employees, revenue, and locations of its facilities and the variety of its businesses (the extent to which it is market-diversified). Organizations can adopt a variety of structural variants, but there are a few fundamental principles and a few recurring patterns. The introduction of the article provides an overview of organizational structure in general. The second section provides examples and information about organizational structure. The last part of article provides additional information of organizational structure and conclusions

Keywords. Organization, structure, structure kinds, centralized structure, decentralized structure.

An organizational structure is a system that outlines how certain activities are directed in order to achieve the goals of an organization. These activities can include rules, roles, and responsibilities.

The organizational structure also determines how information flows between levels within the company. For example, in a centralized structure, decisions flow from the top down, while in a decentralized structure, decision-making power is distributed among various levels of the organization. Having an organizational structure in place allows companies to remain efficient and focused¹

¹ Organizational structure for companies with examples by WILL KENTON Updated July 26, 2022

- An organizational structure outlines how certain activities are directed to achieve the goals of an organization.
- Successful organizational structures define each employee's job and how it fits within the overall system.
- A centralized structure has a defined chain of command, while decentralized structures give almost every employee receiving a high level of personal agency.
- Types of organizational structures include functional, divisional, flatarchy, and matrix structures.
- Senior leaders should consider a variety of factors before deciding which type of organization is best for their business, including the business goals, industry, and culture of the company.

Each enterprise (organization) strives for its prosperity, for this, it performs a number of management functions. Management in the organization is carried out through its structure. The choice of the overall structure of the organization is a strategic planning decision and is based on the organization's strategy. Organizational structure is the most important management mechanism. It makes it possible to implement a set of functions, processes and operations necessary to achieve the goals.² [141-pages]. There are several types of organizational management structures: linear, functional, linear-functional, divisional, matrix, multiple.

These organizational structures are well studied and there is no need to consider them in detail. However, what is an organization, as well as its structure?

An organization is an open system of interacting and controlled parts (divisions, people, etc.), working with a specific goal, meaning, mission and having in resources at their disposal: financial, material (equipment, etc.), human, information, time.

The structure of the organization is a logical relationship of management levels and functional areas, built in such a form that allows you to achieve effectively the goals of the organization³.

The objectives of the analysis of the organizational structure of the enterprise are:

– Analysis of the organizational structure of management for compliance with the requirements of external

Environment, goals, elements and processes of the organizational system;

- Assessment of the degree of compliance of the actual organizational structure of management with the projected structure;

– Assessment of the structure for compliance with the principles of organizational building⁴

The organizational structure regulates the distribution of tasks among departments, their competence in solving problems at hand, as well as the general interaction of these elements.

The organizational structure is influenced by such factors as the tasks facing the enterprise,

² Мазур И. И., Шапиро В. Д., Ольдерогге Н. Г. Управление проектами: Учеб. пособие / Под общ. ред. И. И. Мазура. 2-е изд. М.: Омега-Л, 2004. 664 с

³ Мескон М. Х., Альберт М., Хедоури Ф. Основы менеджмента: Пер. с англ. М.: Дело ЛТД, 1994. 702 с.

⁴ В. А. Дмитриева «Современные подходы к оценке действующей организационной структуры управления строительного предприятия» (www.appraiser.ru).

The size of the enterprise, the technology used the environment. Each division and position (profession) are created to perform a specific set of management functions or work. To perform the functions of departments of the organization, officials

Structural subdivisions are endowed with certain duties and rights to manage resources and are responsible for the performance of their assigned duties.

To achieve the goals of the enterprise (organization), it is necessary that the following general principles be followed in the organizational structure:

– Assigned functions of structural units fully cover the needs

Management of business processes carried out at the enterprise;

- The assigned functions of the units coincide with the actual ones;

- The functions assigned to each division do not come into conflict with each other when evaluating performance;

- Duplication of functions of various departments is minimized;

– The functions of each subdivision are provided in terms of resources (including administrative resources);

- The functions of each unit are provided in terms of information;

- Control procedures have been developed and are in place.

At present, the analysis of the organizational structure of management for compliance with the requirements of the factors of the external and internal environment of the enterprise is of great importance.

At the same time, the analysis should affect all levels, subsystems and elements of the organizational systems.

It should be noted that domestic methods for assessing organizational structures are mainly focused on determining the compliance of the organizational structure with the internal environment of the enterprise, while not enough attention (unlike foreign methods) given to environmental factors. External factors include the following, according to their impact: direct impact - suppliers (labor, materials, capital), consumers, competitors, legislation and government agencies, trade unions;

indirect impact - international events, the state of the economy, scientific and technological progress, political factors, socio-cultural factors. External factors are interconnected and interact with each other, while enterprises are forced to respond to them.

Meanwhile, external factors are the least manageable for the firm and impose the most severe restrictions on structural decisions. That is why, when analyzing the organizational structure, it is first necessary to identify the inconsistencies of the structural parameters with the requirements of the external environment of functioning. An unstable environment requires constant monitoring of changes in internal and external factors and an assessment of their impact on the organizational structure of enterprise management. This determines the continuous nature of the activity on the analysis of structural structures. At the same time, the most acceptable approach to analysis is the forecasting of the state and changes in factors affecting the organizational structure, and it is determined to what extent the actual structure corresponds to them.

Each organization has its own management structure, but organizational structures that are not always used are the most appropriate for a particular enterprise. This situation is explained

by the lack of sufficient managerial experience among managers, knowledge about the practical effectiveness of methods of interaction with the market, and the rapid change in the economic situation. A suboptimal governance structure can often be profitable with operational management, however, it is not designed for the future, and the enterprise will inevitably face a crisis. Often, many Russian enterprises do not apply strategic planning in practice, which leads to a decision to transform their organizational structure already against the backdrop of a threatening increase in problems, in this situation, transformations are expected a miracle, and in a fairly short time.

In fact, the transformation of the organizational structure is seen as bringing the structure of the enterprise, its interactions with the market and internal interactions into a state that contributes to the most effective achievement of the goals of the enterprise in within the adopted strategies. At the same time, before carrying out the transformation of the organizational structure, the enterprise must clearly define its goals and strategies.

In the general case, the need for structural changes in an enterprise arises when there are significant changes in the market situation, changing goals and adjusting the strategies of the enterprise, when the enterprise reaches certain stages of development, when the existing structure suppresses growth. Transformations can be carried out not only at enterprises that are already in crisis, but also at prosperous ones that do not want to allow deterioration in their activities, which is most preferable and rather painless.

In reality, the transformations correct the methods of processing the market by the enterprise (or introduce new ones), eliminate contradictions and duplication in internal interactions, and remove problems that have arisen due to the imperfection of the structure. When implementing transformations, it must be remembered that changes do not always lead to instant improvements,

Sometimes, in order to achieve a positive result, you have to go through a process of decreasing efficiency. At the same time, each enterprise chooses its own strategy to achieve a positive result. The entire scope of work on the development of an enterprise development strategy can be divided into three main stages. At the first stage, basic work on strategic business analysis is carried out analysis of the external environment; comprehensive analysis of the company's strategic capabilities.

At the second stage, the corporate strategy is implemented: the mission of the enterprise, strategic goals and objectives are determined, and a corporate development strategy is developed. In addition, finally, at the third stage, the corporate strategy is transformed into a set of functional and business strategies: marketing; financial and investment; organizational; R&D strategy; strategy of technical and technological development; personnel strategy⁵.

Transformations in the organizational structure of the enterprise are made through the formation, abolition, merger and separation of structural units (positions), their reassignment, changes in the functions of structural units (officials), the formation of regulations and procedures for management processes. In practice, these changes are implemented through the preparation of new Regulations on structural divisions, job descriptions, enterprise standards in the field of management processes and control over the practical implementation of the

⁵ Сулова Н. Разработка стратегии на примерах // Управление компаний. 2003. № 3 (22). С. 14–16

provisions of the listed documents. No less important are the measures regulating the information exchange at the enterprise, in particular the management accounting system, internal document flow. Such regulations, as a rule, are also fixed in the internal standards of the enterprise.

When making changes to the organizational structure of an operating enterprise, a conservative approach is applied, according to which, all other things being equal. A change in information interactions is preferable to a change in the functions of subdivisions, a change in the functions of divisions is preferable to their resub ordination, and resub ordination is preferable to disbandment of existing divisions and creation of new ones. However, the degree of radicalness of the transformations is determined primarily by the tasks.

An analysis of the organizational structure of an enterprise from the standpoint of the strategy implementation process is aimed at obtaining an answer to the following two questions⁶: to what extent the existing organizational structure can contribute to or hinder the implementation of the set goals. Tasks and at what levels in the organizational structure should certain tasks be solved in the process of implementing the strategy?

Changing the organizational structure is often a complex and painless process. An indispensable condition for its implementation is the will and direct participation of the top management of the enterprise. In order to overcome the alertness of middle management personnel and maintain the stability of the enterprise, changes in the organizational structure are usually not declared as the goal of the activities carried out at the beginning of work. Against, at the survey stage, the study of information exchange between departments, preparatory measures for the introduction of control automation, and similar technical problems are usually named as the goal of the work. If transformations are inevitable, then, as a rule, new employees who are not involved in stable relations within the enterprise are involved in their implementation. The interaction between the representatives of the enterprise and the involved consultants within the framework of the project is regulated by the preparation of the Charter of the project, a document fixing the participation in the project (at each stage) of certain persons, the rules for accepting intermediate results of work, moving to a new stage, etc. The enterprise should have a team of like-minded people, aimed at implementing changes in the enterprise. Therefore, it is important that the changes are implemented as quickly and transparently as possible, with massive outreach and support.

It should be noted that the organizational structure is one of the most important means of ensuring the implementation of the strategy. In this regard, both its evaluation and its choice in the process of implementing the strategy are primarily determined by whether the organizational structure contributes to the achievement of the organization's goals. Therefore, the process of choosing or changing the organizational structure is built according to the following scheme:

- It is determined which of the tasks and functions performed in the organization are critical for the implementation of the strategy and to what extent these tasks and functions require a new and specific approach for their implementation;
- A connection is established between the identified strategic tasks and functions, and

⁶ . Кузнецов В. Моделирование процесса реализации стратегии // Управление компаниями. 2003. № 2 (21). С. 74–79.

Every day (routine) functions performed at the enterprise (in this case, the task is not to establish links between departments, but to establish links between individual parts of the strategy);

– Structural units of the enterprise are formed, which are based on strategically important tasks and functions;

– The degree of independence of each structural unit in decision-making and the levels in the hierarchy at which decisions are made regarding the activities of business structural units are determined;

- organizational links are established between business units, which implies the constant of their places in the organizational hierarchy, the definition of forms and methods of communication between managers of various levels of management, as well as the degree and form of participation in the development of a general holding strategy⁷ [130-pages].

Organizational and managerial analysis is a research activity aimed at studying the system of enterprise goals and strategies for achieving them, the organizational structure of management, and management processes. The analysis scheme can be as follows:

Direction of analysis	Content
Analysis of the system of enterprise goals and strategies for achieving them	Identification and analysis of the mission of the enterprise, goals and restrictions on their achievement; definition and analysis of enterprise strategies
Organizational structure analysis	Research of existing organizational and structural units and their relationships
Analysis of management processes	Identification, modeling and analysis of processes
Information structure analysis	Analysis and structuring of information circulating in the enterprise

The transformation of the organizational structure can be divided into three stages. At the first stage, the main characteristics of the enterprise are determined, as well as the directions in which the transformation should be carried out. The characteristics of the organizational structure are determined: the list of designed subsystems, the number of levels in the management system, the degree of centralization of powers and responsibilities at different levels, the staffing of the enterprise. At the second stage, the composition of the main departments and the links between them are developed.

At this stage, organizational decisions are determined for all structural levels, including the distribution of tasks between them and the construction of intraorganizational relationships.

At the third stage, the organizational structure is regulated. Here the composition and number of subdivisions are determined, tasks are distributed among specific performers and responsibility for their implementation is established, the procedure for interaction of subdivisions in the performance of interrelated works is developed⁸.

⁷ Виханский О. С. Стратегическое управление: Учеб. 2-е изд., перераб. и доп. М.: Экономистъ, 2004. 296 с.

⁸ Мазур И. И., Шапиро В. Д. Реструктуризация предприятий и компаний: Учеб. пособие для вузов. М.: ЗАО «Издательство “Экономика”», 2001. 456 с

An OS displays how different resources of an organization come together and align with its goals. It clearly defines the functions of employees that enable them to work harmoniously and efficiently. This reduces wastage of resources and increases productivity. The OS of a company establishes its workflow. Without a proper OS, there would be chaos in a business. Thus, a company must create a centralized or decentralized OS depending on its workflow needs.⁹

Organizational structures reveal much about the way senior management thinks about the nature and key activities of its business. Do they emphasize geography? Customers? Manufacturing? Insights into senior management's thinking about strategic direction lie in an analysis of the structure—and the changes therein—that they built. We observe TEN basic forms of organizational structure: functional, product, customer, geographic, divisional, matrix, amorphous, hybrid, and some current ideas that are creating the new, emerging forms—which the lead author calls “infocracies.” “Infocracies” because the power to make key decisions emanates not from the family name as it did in the Aristocratic Age, and not from the title as it did in the Bureaucratic Age, but from the installed hard IT and soft human processes that utilize increasingly comprehensive information systems—such that the power (“-cracy”) really does flow from the information network. Below we will describe each of these forms, present a typical organizational chart, and outline briefly some of their chief advantages and disadvantages. Organizational structures say a lot about how top management thinks about the nature and key areas of their business. Do they emphasize geography? Clients? Production? Understanding what top management thinks about strategic direction lies in analyzing the structure and the changes they have built to it. We see TEN major forms of organizational structure: functional, product, client, geographic, divisional, matrix, amorphous, hybrid, and some modern ideas that create new emerging forms that the lead author calls “infocracies.” “Infocracies”, because the power to make key decisions does not come from a family name, as it was in the aristocratic era, and not from a title, as it was in the bureaucratic era, but from established hard IT and soft human processes that use increasingly complex information systems. - Such that the power (“-kratia”) actually flowed from the information network. Below we will describe each of these forms, present an atypical organizational chart, and briefly outline some of their main advantages and disadvantages.¹⁰

1) Hierarchical Structure. The most common type of organizational chart is the hierarchical model. This model is the basis for a small number of models.

Employees are organized into groups under a hierarchical structure and each employee has a distinct supervisor. Numerous models are derived from the grouping, which is based on a small number of factors. Some of these factors are as follows: Function – employees are grouped by the function they perform. A functional org chart with finance, HR, technical, and admin groups is depicted in the image below.

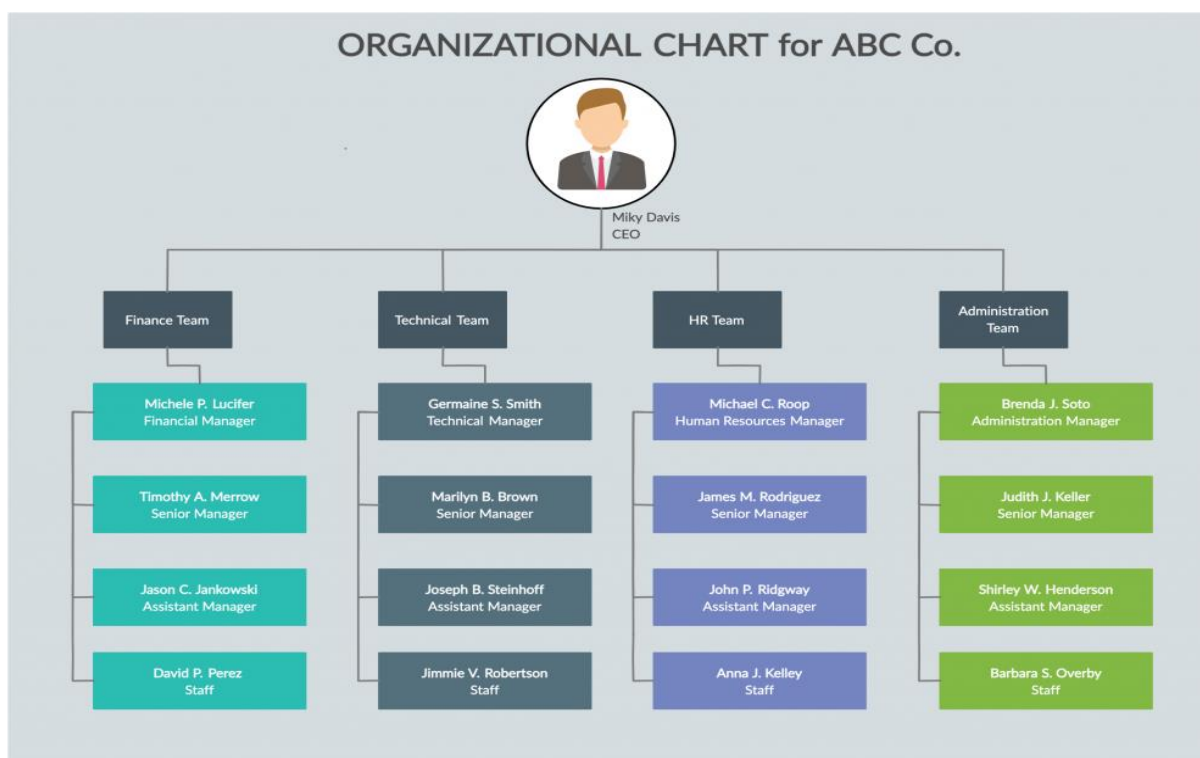
Geography: Employees are grouped according to where they work. In the United States, for instance, employees might be divided up by state. The grouping could be done by country if the company is global.

Product: A company can be grouped by product or service if it produces multiple products or provides multiple services.

⁹ <https://www.wallstreetmojo.com/organizational-structure/#h-centralization-or-centralized-organizational-structure>

¹⁰ https://www.researchgate.net/publication/228144159_Organizational_Structure

Although there are numerous other factors, these are some of the most prevalent ones. Our diagramming community contains examples of org charts for the majority of these types.



Picture 1¹¹

A functional organizational chart that uses a hierarchical structure in a different way.

In large organizations, this is the most common method of organization. Organizations with different levels of management, power, or authority, such as corporations, governments, and organized religions, for instance, are examples of hierarchical structures.

2) **Matrix Structure.** In a matrix organizational structure, reporting relationships are organized as a grid, or matrix, as opposed to in the conventional hierarchy. People with similar skills are pooled for work assignments in this style of organizational management, resulting in multiple managers to report to (sometimes referred to as solid line and dotted line reports, in reference to conventional business organization charts).

For instance, all engineers might be part of a single engineering department and report to a management figure in engineering. However, the same engineers may be working on different projects and reporting to different project managers. As a result, in their roles, some engineers might have to collaborate with multiple managers.

With only a few hierarchical levels, **horizontal organizational structures**, also known as flat organizational structures, outline employee reporting expectations. They might, for instance, consist of the owner at the highest level, the managers or leaders in the middle, and the remaining employees at the same level in the rest of the company. There is typically only one layer for middle management in this structure, as opposed to several stratified categories in vertical or matrix organizational structures.

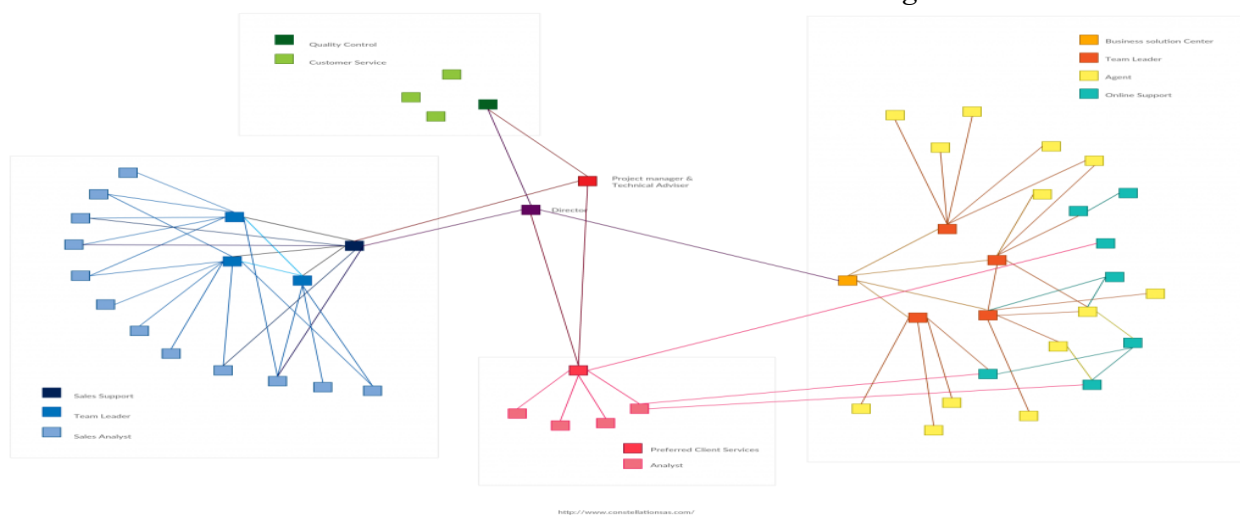
¹¹ <https://creately.com/blog/diagrams/types-of-organizational-charts/>

Companies can typically focus on their employees and give team members more control under horizontal organizational structures. Because there isn't much of a hierarchical reporting structure, it can also make it easier for managers and employees to communicate with one another more directly.¹²

Network Structure. The network structure of an organization makes it easier to visualize the relationships between managers and upper-level management, both internally and externally. In comparison to other structures, they are not only less hierarchical but also more decentralized and adaptable.

Social networks inspire the structure of the network. Its structure relies on trustworthy partners and open communication; both within and without. Because it has fewer tiers, more control, and a decision-making flow at the bottom, the network structure is regarded as more agile than other structures.

The complexity of the Network organizational structure can sometimes be a drawback. The rapid communication between entities is shown in the network org chart illustration below.



People are grouped together in a **divisional structure** according to the product or service they provide, not their work. For instance, the electronics, transportation, and aviation divisions of a large corporation like General Electric each have their own team of accountants, marketers, and other professionals. Diverse geographical regions may be the focus of divisions within global corporations. On a smaller scale, a restaurant that also offers catering services may have separate departments that manage weddings, business, and corporate events within the main restaurant.¹³

Line Organizational Structure. One of the simplest types of organizational structures is the line organizational structure. It has authority from the top down. These organizations do not provide specialized or supportive services, as opposed to other structures.

Each department head and the chain of command control their respective departments. Its primary feature can be seen to be its independent department structure. Because of its unified

¹² <https://www.indeed.com/career-advice/career-development/horizontal-organizational-structure>

¹³ <https://online.pointpark.edu/business/types-of-organizational-structures/#:~:text=Divisional,of%20accountants%2C%20marketers%2C%20etc.>

structure, line officers can make independent decisions. The main benefit of a line organizational structure is that it fosters stability through efficient communication.

An organizational structure known as a **team-based structure** is one in which multiple teams collaborate on a common objective while carrying out distinct responsibilities. They encourage less hierarchy in their structure, allowing professionals in organizations to be more adaptable. The structure gains a number of additional advantages thanks to this adaptability. A CEO and a number of department heads from human resources, project management, marketing, IT, and finance are often part of the structure of team-based businesses. There may be team members and team leaders within those departments who carry out tasks in accordance with their job responsibilities and the overall function of their team in a project.

A company that makes three different kinds of paper, for instance, might employ three project managers, one for each of the projects. Professionals who create the paper product are part of each of those teams, as are quality assurance professionals who ensure that each product complies with company and government regulations and is managed by team leaders.¹⁴

Above we studied all types of organizational structure. Now we will get acquainted with the method and formula of their assessment.

Each category of workers performs its role in the process of production and economic activity of the enterprise. Within each enterprise, main and auxiliary workers are distinguished, which are grouped by profession, and in each profession - by skill level. Requirements for professions and qualifications of workers are reflected in the ETCS¹⁵. Labor rationing for this category of workers is carried out according to standard

¹⁶ Standards and depends on the volume of production and the complexity of the work performed. In turn, the activities of managers, specialists and employees are also defined, while they can be divided into the following groups:¹⁷

- Functional managers and heads of structural units that carry out general management of the enterprise;
- Specialists providing engineering and technical support for production (development, technological and design preparation);
- Specialists performing economic functions (technical and economic planning, organization of production, labor and management, logistics and marketing, financial activities);
- Employees and technical personnel involved in office work, information and economic services for production.

¹⁸ The work on standardizing the work of employees of an enterprise begins with the establishment of a complete list of tasks to be solved in departments in accordance with the goals of a specific management function¹⁹

¹⁴ <https://www.indeed.com/career-advice/career-development/team-based-structure#:~:text=What%20is%20a%20team%2Dbased,more%20flexibility%20from%20their%20professionals.>

¹⁵ . Справочник кадровика: профессии рабочих, квалификацион

¹⁶ Справочник кадровика: должности руководителей и служащих, квалификационные характеристики, тарифные разряды. М.: ИНФРА-М, 2002. 688 с.

¹⁷ борник должностных инструкций. Более 350 образцов / Автор-составитель С. М. Грачев. М.: ТК «Велби», Изд-во «Проспект», 2003. 832 с.

¹⁸ . Головачев А. С. и др. Организация, нормирование и оплата труда / Под ред. А. С. Головачева. 2-е изд., испр. и доп. М.: Новое знание, 2005. 539 с.

¹⁹ Скамай Л. Г, Трубочкина М. И. Экономический анализ деятельности предприятия. М.: ИНФРА-М, 2007. 296

Assignment of tasks and functions to a structural unit is carried out in the regulation on the structural unit. The distribution of job duties and rights is reflected in job positions and job descriptions. At the same time, a standard form of regulations on the structural unit, job position, job description is developed in accordance with the quality management system of the enterprise.

Based on ETKS, various types of work are measured in terms of complexity, skill level. At the same time, the average category of workers at the enterprise and the average category of the work performed are distinguished. Each category of work has its own requirements, this affects the category of work, and the skill of the worker depends on his qualifications (his category). As for managers, specialists and employees, certain qualification characteristics that reflect the knowledge of the employee, his education, work experience, rights, duties, responsibilities. Comparison of functional duties is based on a functional analysis, which involves diagnostics and analysis of management functions, determines the degree of importance of responsibilities for the enterprise within its goals. Functional analysis identifies non-mandatory duties of an employee that must be performed by another employee (simply duplicated), a group of employees in accordance with ETKS and job regulations, job descriptions, shows the degree of workload of personnel.

Functional analysis involves:

- 1) Consideration of the tasks and functions assigned to structural divisions and employees, within the framework of their official duties (here, the staffing table, regulations on structural divisions, official positions, official instructions);
- 2) Definition of duties that do not comply with instructions and qualifications Directories;
- 3) Determination of the working time that is spent on the performance of duties that do not comply with the instructions, ETKS, in order to redistribute duties.

Thus, organizational and managerial analysis is a research activity aimed at studying the system of enterprise goals and strategies for achieving them, the organizational structure of management, and management processes. Conducting an analysis of the organizational structure is necessary to create an optimal organizational structure because it is the basis for achieving the goals set for the enterprise.

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