

Divisional Structure



It is suitable for large organizations having different products or having business in different areas.

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. 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.

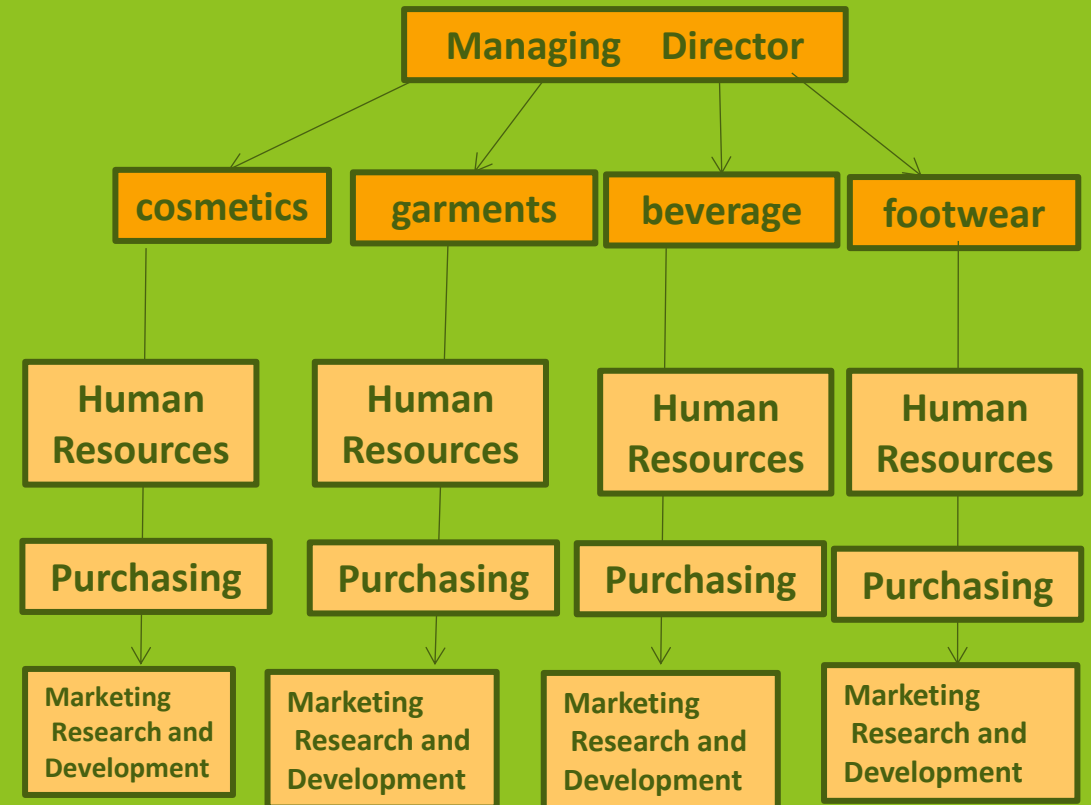
Each division is self-contained as it develops expertise in all functions related to a product line.

Within each division, the functional structure tends to be adopted.

Functions may vary across divisions in accordance with a particular product line.

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 OF DIVISIONAL STRUCTURE

01

Skill development – 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.

02

Fixation of responsibility – Divisional heads are accountable for profits, as revenues and costs 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.

ADVANTAGES OF DIVISIONAL STRUCTURE

03

Quick decisions – It promotes flexibility and initiative because each division functions as an autonomous unit which leads to faster decision making.

04

Expansion and growth – 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 OF DIVISIONAL STRUCTURE

01

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

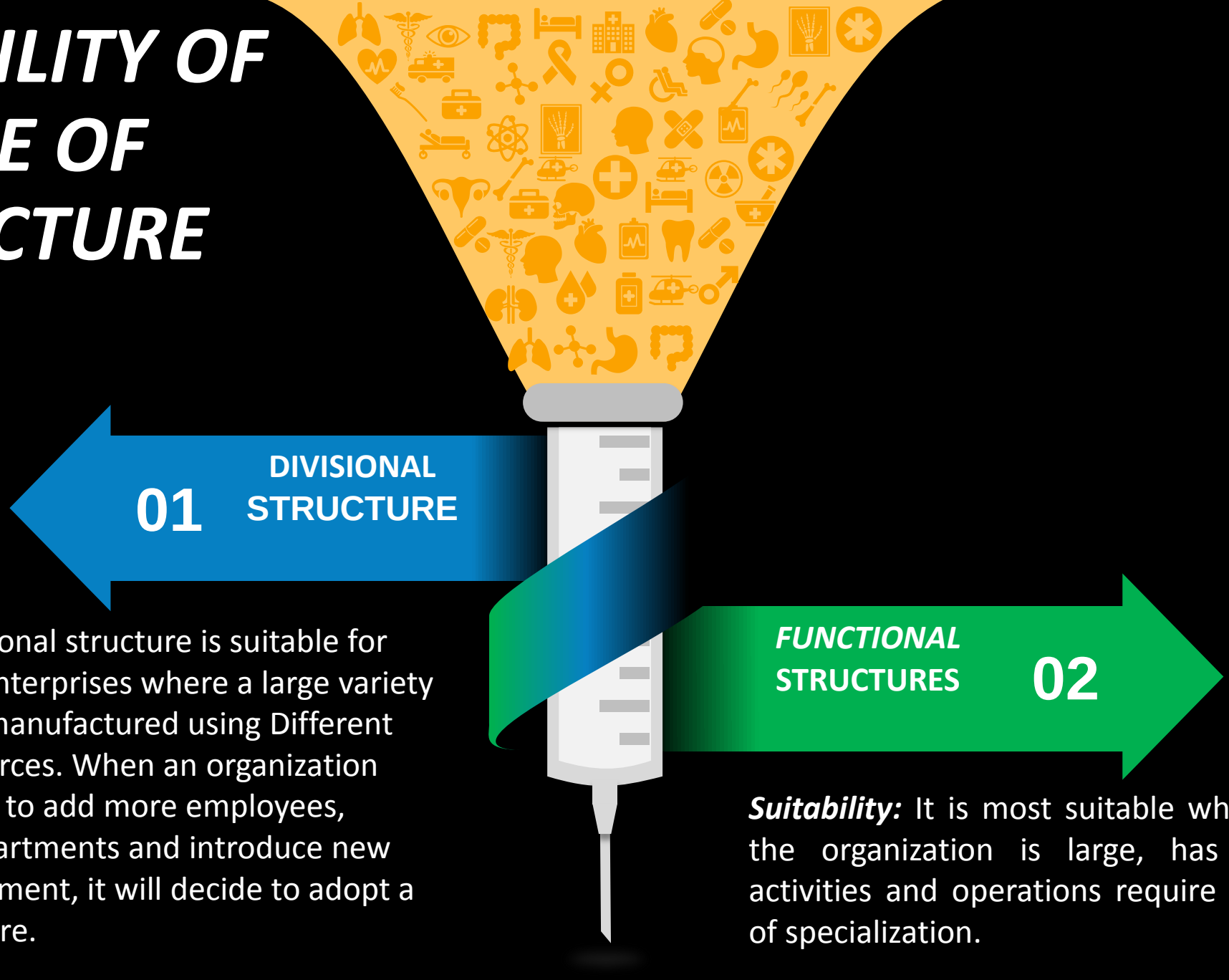
02

Increased cost – 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.

03

Independent authority is harmful – 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.

SUITABILITY OF TYPE OF STRUCTURE



01 DIVISIONAL STRUCTURE

Suitability: Divisional structure is suitable for those business enterprises where a large variety of Products are manufactured using Different productive resources. When an organization grows and needs to add more employees, create more departments and introduce new levels of management, it will decide to adopt a divisional structure.

FUNCTIONAL STRUCTURES **02**

Suitability: It is most suitable when the size of the organization is large, has a diversified activities and operations require a high degree of specialization.



Thank you

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