

**ORGANIZATIONAL STRUCTURE AS A LOGICAL TOOL FOR DETERMINING
THE FLOW OF RESPONSIBILITY AND AUTHORITY**

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ABSTRACT

The purpose of this paper is to bring to the fore the essence of the organizational structure in the assignment of responsibility in relation to the flow of authority in a corporate setting. Organization refers to the structure of relationships among position jobs, which is created to achieve certain objective and control the activities of man with a mechanism. The approach adopted by the authors is to study related literature based on the typical issues related to the concepts and draw meaningful conclusions per a logical analysis of the compiled literature. An in-depth examination of the literature collated revealed that there should be a clear definition of authority in the organization and that this authority flows, one link at a time, through the chain of command from the top to the bottom of the organization. Communication in the organization is through channels. Following this principle generally results in clarification of relationships, less confusion, and improved decision-making.

KEYWORDS: *Accountability, Organization, Responsibility, Structure, Chain of Command*

1. INTRODUCTION

Whenever a group of people are involved in the accomplishment of a task, some kind of an organization emerges. A sort of hierarchy develops; some one assumes the responsibility of leadership and direction in a particular part of task, and there is some grouping (Freeman & Holmes, 1960). It is not exaggeration to say that we are living in the age of an 'organization man' who accepts the organizational goals as the value premise of his decisions. As posited by Rosembloom and Goldman (1989), the modern society is termed as 'organization society', that is, a society in which a great deal of our working time is spent in organizations, such as schools, universities, work place, places of worship, recreation and health care. At the moment a job becomes too complex, too diverse, or too voluminous for one person, the need for delegation arises. In its simplest form, imagine the sole administrator with objectives and with no time to accomplish them. Means allowing, the manager can create a new job, hire an employee, and assign the accomplishment of the objectives to the new employee. To meet these responsibilities, the new employee must also have the authority to achieve them. Thus, authority is delegated along with the responsibility and the reverse holds. The manager, however, is still ultimately responsible. By assigning some of his or her responsibilities, the manager transfers or creates accountability. If the employee does not exercise the responsibility properly, the manager can always withdraw the authority. Delegation without control is abdication. In practice, the process of management works in conjunction with the process of delegation. Shaker (2003) in a publication reviewing Peter Drucker's books, argues that since management is the process of getting results through others, delegation facilitates that process by assigning responsibilities, delegating authority, and exacting accountability by employees. The manager has certain defined objectives (i.e., results) to accomplish at the end of the budget period. He or she assigns the responsibilities (i.e., duties to be performed) to key employees, along with the commensurate authority to go with those responsibilities. Thus, the accomplishment of the assigned responsibilities should equal the defined objectives. Organization refers to the structure of relationships among position jobs, which is created to achieve certain objective and control the activities of man with a mechanism. Basavanhappa B. T. (1998) said organization is the process of identifying and grouping the work to be performed, specifying the work, defining and delegating the responsibility with authority to the personnel and establishing interpersonal relationship for the purpose of co-ordination of work, so as to get the work done together effectively, and in accomplishing the objectives of the organization/institution/enterprise. An organization comes into being when there are persons who are:

- i) able to communicate with each other;
- ii) willing to contribute their services;
- iii) linked together and who co-ordinate their efforts to accomplish the common objectives (Trained Nurses Association of India, 2000).

2. THEORETICAL FRAMEWORK

2.1 Structure and Functioning of Organizations

Organizational structure refers to the formal structure of authority calculated to define, distribute and provide for the co-ordination of tasks and contributions to the whole which is very essential for fulfilling the objectives of an organization. In order to understand the functioning of an organization, it is important to study its organization structure. The primary formal relationships for organizing are responsibility, authority, and accountability. They enable firms to bring together functions, people, and other resources for the purpose of achieving objectives. The framework for organizing these formal relationships is known as the organizational structure. Organizational structure is the way responsibilities and authorities are allocated to, and work procedures are carried out by, the members of organizations (Gerwin & Kolodny, 1992). Robbins (1990) echoed the above definition by saying that organizational structure determines task allocation, reporting lines, and formal coordination mechanisms and interaction patterns. It specifies who is to direct whom and who is accountable for what results. Organizational structure also provides the means for clarifying and communicating the lines of responsibility, authority, and accountability.

2.2 Responsibility, Authority and Accountability

According to <http://kalyan-city.blogspot.com/2010/07/authority-responsibility-and.html> (retrieved 17-12-2015), responsibility indicates the duty assigned to a position. The person holding the position has to perform the duty assigned. It is his responsibility. The term responsibility is often referred to as an obligation to perform a particular task assigned to a subordinate. In an organization, responsibility is the duty as per the

guidelines issued. According to Davis, responsibility is an obligation of individual to perform assigned duties to the best of his ability under the direction of his executive leader. In the words of Theo Haimann, responsibility is the obligation of a subordinate to perform the duty as required by his superior. McFarland defines responsibility as the duties and activities assigned to a position or an executive. According to him, the characteristics of responsibility include

- an obligation imposed on a subordinate to perform a duty assigned;
- it always originates from the superior-subordinate relationship;
- normally, responsibility moves upwards, whereas authority flows downwards;
- responsibility is in the form of a continuing obligation;
- responsibility cannot be delegated;
- the person accepting responsibility is accountable for the performance of assigned duties;
- it is hard to conceive responsibility without authority.

Authority is the right or power assigned to an executive or a manager in order to achieve certain organizational objectives. A manager will not be able to function efficiently without proper authority. Authority is the genesis of organizational framework. It is an essential accompaniment of the job of management. Without authority, a manager ceases to be a manager, because he cannot get his policies carried out through others. Authority is one of the founding stones of formal and informal organizations. An Organization cannot survive without authority. It indicates the right and power of making decisions, giving orders and instructions to subordinates. Authority is delegated from above but must be accepted from below i.e. by the subordinates. In other words, authority flows downwards.

Every employee/manager is accountable for the job assigned to him. He is supposed to complete the job as per the expectations and inform his superior accordingly. Accountability is the liability created for the use of authority. It is the answerability for performance of the assigned duties.

According to McFarland, accountability is the obligation of an individual to report formally to his superior about the work he has done to discharge the responsibility. When authority is delegated to a subordinate, the person is accountable to the superior for performance in relation to assigned duties. If the subordinate does a poor job, the superior cannot evade the responsibility by stating that poor performance is the fault of the subordinate. A superior is normally responsible for all actions of groups under his supervision even if there are several layers down in the hierarchy. Simply stated, accountability means that the subordinate should explain the factors responsible for non-performance or lack of performance.

2.3 The Concept of Chain of Command

The chain of command, sometimes called the scalar chain, is the formal line of authority, communication, and responsibility within an organization. The chain of command is usually depicted on an organizational chart, which identifies the superior and subordinate relationships in the organizational structure. According to classical organization theory the organizational chart allows one to visualize the lines of authority and communication within an organizational structure and ensures clear assignment of duties and responsibilities. By utilizing the chain of command, and its visible authority relationships, the principle of unity of command is maintained. Unity of command means that each subordinate reports to one and only one superior.

The chain of command principle is ancient, but its application to the management of organizations was only systematized in the twentieth century. Two individuals—the French engineer and executive Henri Fayol (1949) and the German sociologist Max Weber (1947) contributed much to our understanding of this principle. In his book, *General and Industrial Management*, Fayol presented what have come to be known as the fourteen principles of management. These principles include both the unity of command (his fourth principle) and the scalar chain (line of authority). Fayol's principle of the unity of command holds that a subordinate should report to one and only one supervisor. Fayol believed that this was necessary to provide the supervisor with clear position authority, and to prevent a subordinate from receiving conflicting orders. Fayol's scalar chain principle states that authority and responsibility flow, one level at a time, in a vertical line from the highest level in an organization to its lowest level. This line of authority establishes an organization's hierarchy. Fayol believed that it was a management error to abandon the chain of command for no reason, but he also allowed for circumstances in which the chain of command might be bypassed for the good of the company. For example, Fayol suggested that communication delays might sometimes be caused by blind

adherence to the chain of command and unity of command principles, and proposed what he called the "gangplank," which allows communications outside the chain of command as long as superiors are made aware. Weber also studied the problems inherent in large organizations, as organizations grew from family structures to much larger entities during the Industrial Revolution (1760–1850). Weber proposed the bureaucracy as a model of efficient organization. Bureaucratic characteristics have clearly defined hierarchies of authority and responsibility, consistent with the chain of command principle.

In many organizations, the chain of command principle is still very much alive. The manager's status is that of the deliverer of orders, and the employee enacts them under the monitoring of the manager. Both parties share responsibility for achievements. Longnecker (1977) suggests that communication provides the underpinnings of this relationship. The discussions and meetings contact managers and their subordinates have may improve or harm the effectiveness of the direct report relationships in the chain of command. A problem associated with the chain of command occurs when a subordinate bypasses a manager in either the giving of information or the requesting of a decision. This act undermines the authority and position of the manager who is bypassed. If this practice is allowed to continue in a bureaucratically-organized company, morale of the managers will decline. The urgency and frequency of these situations may, of course, mitigate the impact and inappropriateness of such contacts.

With the rapidly-changing environment and increasing uncertainty that organizations face in the twenty-first century, some adopt structures that emphasize flexibility and quick response to change. These types of organizations attempt to place decision-making authority in the organizational structure with those who can most effectively and efficiently respond to environmental imperatives. Thus, these organizations may have flatter hierarchies and communication and decision-making patterns that do not fully adhere to the chain of command or unity of command principles. In the case of matrix organizations, employees frequently have two managers or supervisors, violating the unity of command and chain of command principles. To be effective, individuals working in these organizations learn to share power, use open confrontation to resolve issues and to utilize all directions in the organization to disseminate information. These more organic structures are not rigidly bound to the chain of command principle, although it is still an important organizing principle in most organizations.

According to communication theory, communication can be viewed as a transmission process through a channel (mode) that includes messages (content), the channel (mode), feedback (bidirectional communication), and communication effects (Krone, Jablin & Putnam, 1987). Conceptualizing communication inside organizations, Grunig and Dozier (2002) define internal communication as a "specialized sub-discipline of communication that examines how people communicate in organizations and the nature of effective communication systems in organizations". For Thompson (1965), organizational structure is the organization's internal pattern of relationships, authority, and communication. An organization structure can stimulate or inhibit the flow of communication by developing mechanisms to encourage participation and information sharing. Aiken, and Hage (1971) found that, in less complex, less formal, and decentralized organizations, communication is greater than in complex, formal, and centralized ones. Locus of decision-making tends to increase communication because a participatory work environment facilitates the involvement and communication among employees, whereas centralization reduces participation of employees, decreasing communication. Participative decision making stimulates communication and information flow in the entire organization (Kanter, 1983). Control structures affect perceived responsibility, because actors only feel morally responsible for a firm's behaviour when they consider themselves sufficiently 'involved' in the firm's decision process. Communication structures affect perceived responsibility, because voice represents an indirect but non-trivial form of involvement (if communication channels give access to those with control rights). It is predicted that subordinates will feel a greater sense of responsibility for firm behaviour when able to communicate their views to their bosses.

2.4 Purpose of Organizations

Organizations exist to achieve goals. These goals are broken down into tasks as the basis for jobs. Jobs are grouped into departments. Departments in organizations may be characterized by marketing, sales, advertising, manufacturing, and so on. Within each department, even more distinctions can be found between the jobs people perform. Departments are linked to form the organizational structure. The term organizational structure to reiterate refers to the formal configuration between individuals and groups regarding the allocation of tasks, responsibilities, and authority within the organization (Greenberg, 2011).

Following Menon and Varadarajan (1992), centralization fosters a hierarchical organizational structure whereby ultimate power and decision-making is concentrated at the top rather than shared with lower levels of the organization. Hollenbeck (2000) argues that one of the most widely-studied dimensions of organizational structure is centralization, which deals with the aspect of vertical structure and refers to the degree to which decision-making authority and responsibility for coordination resides at the top of the organizational chart as opposed to being distributed throughout lower levels (i.e. authority is decentralized). Auh and Mengue (2007) attempted to relate this factor to centralization and concluded that as customer orientation demands a broad focus of authority and organization-wide participation, it requires more decentralized and less hierarchical structures. Similarly, Jabnoun (2005) sought to identify the organizational structure that supports the implementation of customer-oriented total quality management. The results show that the dimensions of process network and organic structure support the implementation of customer-oriented total quality management, while risk aversion, mechanistic structure and complexity impede it.

Numerous (mainly empirical) studies conclude that bureaucratic organizational structures are more appropriate in stable and predictable environments, while a less formalized and centralized organizational structure is more suitable in unstable and unpredictable environments (Burns and Stalker, 1961); furthermore, a functional hierarchy is argued to be desirable in situations where products are related in terms of technology, but with increasing diversity of products and markets (diversification), divisional structures (Galbraith and Kazanjian, 1986) are more desirable. In addition, more flexible (decentralized and divisional) organizational structures are needed in new markets, while over time, as the organization acquires experience and tasks become increasingly predictable, a more centralized and functional structure is required (Hollenbeck, 2000).

Very early organizational structures were often based either on product or function but the matrix organization structure crossed these two ways of organizing. Others moved beyond these early approaches and examined the relationship between organizational strategy and structure. This approach began with the landmark work of Alfred Chandler (1962, 2003), who traced the historical development of such large American corporations as DuPont, Sears, and General Motors. He concluded from his study that an organization's strategy tends to influence its structure. He suggests that strategy indirectly determines such variables as the organization's tasks, technology, and environments, and each of these influences the structure of the organization. For globalised competition, Karimi and Konsynski (1991) suggested that in a scenario of greater global competition, organizational forms allowing greater flexibility and coordination as key design variables are needed. Snow (1992) proposed the network organization structure as an organizational response to a context of globalization, technology transfer and technological change, deregulation (liberalization of the economies), changing workforce demographics, manufacturing advances, faster, lower cost communications and computer technologies, and greater social and political freedom.

3. METHODOLOGY

An interpretive literature approach was adopted for this study. The authors reviewed widely adequate literature on the subject, breaking into parts and examining the components of the topic for easy comprehension of the issues discussed. Thoughts and personal interpretations of the issues addressed in the paper were the bases upon which the authors drew their conclusions on the topic.

4. DISCUSSION

A manager alone cannot perform all the tasks assigned to him. In order to meet the targets, the manager should delegate authority. Delegation of authority means division of authority and powers downwards the structure to the subordinate. Delegation is about entrusting someone else to do parts of your job. Delegation of authority can be defined as sub-division and sub-allocation of powers to the subordinates in order to achieve effective results. It is the process that makes management possible because management is the process of getting results accomplished through others. Understanding the process of delegation involves employing the principles of responsibility, authority, and accountability, as well as understanding the concept of the chain of command (scalar principle). Delegation is the process that a manager follows in dividing the work assigned to him so that he performs that part, which because of his position he can perform effectively. Delegation is legitimate authorization to a manager or employee to act in specified ways. It enables him to function independently without reference to the supervisor but within the limits set by the

supervisor and the normal framework of organizational objectives, policies, rules and procedures. Thus, delegation involves: a) entrustment of work to another for performance, b) grant of power, right or authority to be exercised to perform the work, c) creation of an obligation on the part of the person accepting delegation. Delegation of authority is one of the most important elements in the process of organization. Organizations are characterized by a network of activities and roles facilitated by the organizational structure. Delegation is the process through which the interrelationships are created among individuals in their different roles in the organization. The scalar principle is generally referred to as the *chain of command*. It means that there should be a clear definition of authority in the organization and that this authority flows, one link at a time, through the chain of command from the top to the bottom of the organization. Communication in the organization is through channels. Following this principle generally results in clarification of relationships, less confusion, and improved decision-making.

Goldhaber et al. (1984, p.44) define organizational structure as “the network of relationships and roles existing throughout the organization”. These relationships cut across hierarchically and functionally among superiors and subordinates as well as functional heads. As supervisors are committed to completing their assignment to the best of their ability, their most difficult task is to ensure that people have accepted responsibility for each of their tasks. Organizational structure can be viewed as the way responsibility and power are allocated inside the organization and work procedures are carried out by organizational members (Walton, 1985). Following from Walton, supervisors must also ensure that people have enough authority to carry out their responsibilities. The authority to transfer/delegate responsibility to employees and hold them accountable adds to a supervisors’ power. Authority in the context of a business organization can be defined as the power and right of a person to use and allocate the resources efficiently, to take decisions and to give orders so as to achieve the organizational objectives. It is the right to give commands, orders and get the things done. Authority must be well-defined as per organizational structure. Authority always flows from top to bottom. It explains how a superior gets work done from his subordinate by clearly explaining what is expected of him and how he should go about it. According to Pugh, D. S., (1990), an organizational structure defines how activities such as task allocation, coordination and supervision are directed towards the achievement of organizational aims. Authority should be accompanied with an equal amount of responsibility. Delegating the authority to someone else does not imply escaping from accountability. Accountability still rest with the person having the utmost authority. All people who have the authority should know what is the scope of their authority is and they should not abuse it. The top level management always has greatest authority.

5. CONCLUSION

As espoused by Greenberg, Thompson and other astute researchers, organizational structure is about allocating responsibility and authority to enable the organization achieve its objectives. Delegation of authority is a prerequisite for the successful implementation of results-based management. To be responsible and accountable for results, managers have to be duly empowered through the clear delegation of authority in all areas, including, and in particular, human resources management. The primary objective of delegation of authority is to foster a more efficient use of resources and facilitate the emergence of more agile and responsive organizations, thus enhancing overall performance. Because performance improves when the people who are closest to the work have managerial authority and responsibility delegated directly to them. Leading public and private sector organizations ensure that organizational structures provide managers with the authority and responsibility they need to contribute to the organization’s mission. Responsibility is the duty of the person to complete the task assigned to him. A person who is given the responsibility should ensure that he accomplishes the tasks assigned to him. If the tasks for which he was held responsible are not completed, then he should not give explanations or excuses. Responsibility without adequate authority leads to discontent and dissatisfaction among the person. Responsibility flows from bottom to top. The middle level and lower level management holds more responsibility. The person held responsible for a job is answerable for it. If he performs the tasks assigned as expected, he is bound for praises; if he does not accomplish tasks assigned as expected, then also he is answerable for that.

Jones (2004) defines organizational structure as “the formal system of task and authority relationships that control how people coordinate their actions and use resources to achieve organizational goals.” Authority is the legal right of person or superior to command his subordinates while accountability is

the obligation of individual to carry out his duties as per standards of performance. Authority flows from the superiors to subordinates, in which orders and instructions are given to subordinates to complete the task. It is only through authority, a manager exercises control. In a way through exercising the control the superior is demanding accountability from subordinates. If the marketing manager directs the sales supervisor for 50 units of sale to be undertaken in a month and the standards are not accomplished, it is the marketing manager who will be accountable to the chief executive officer. Therefore, we can say that authority flows from top to bottom and responsibility flows from bottom to top according to the organizational structure. Accountability is a result of responsibility and responsibility is result of authority. Therefore, for every authority an equal accountability is attached, which is defined by the organizational structure.

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