

- **Subject: Economics of the Institution**

- **Level: First Year Common Core in Economic Sciences**

- **Academic Year: 2023/2024**

- **Structures and Organization of the Institution**

Organization is the second function of administrative operations as defined by the French thinker H. Fayol. It is the process that includes determining the organizational structure of an establishment, institution, or administration, as well as defining the activities and aspects of work necessary to achieve the outlined objectives.

Administrative organization encompasses the structural aspect of relationships in an establishment, institution, organization, or administration. Consequently, organization has occupied a special place and received intense interest from researchers in management science, as it plays an important and vital role in the lives of individuals and organizations.

- **Definition of Organization**

- Organization is "the management function that involves developing the organizational structure and allocating human resources to ensure the achievement of objectives."

- Organization is "the appropriate distribution of individuals and duties, defining competencies, and clarifying authorities and responsibilities within an organization to achieve a desired goal."

The term "organization" has two concepts:

a) Objective Concept: Organization is an activity that involves determining the necessary work to achieve objectives, organizing it into departments and sections, defining responsibilities and authorities needed to achieve goals, and organizing relationships between individuals carrying out these tasks.

b) Formal Concept: This refers to the organization as an entity that includes a human group organized into departments and sections to achieve specific goals.

Organization can take two dimensions:

a) Organization as an Interconnected Entity: This means the organization consists of a set of resources, primarily individuals working within a general organizational structure, distributed across multiple administrative levels to achieve a specific goal.

b) Organization as a Function or Administrative Process: This refers to any work that determines the functions of the organization and its departments, assigning competencies and tasks to each, and defining organizational relationships represented in authority and responsibility, span of control, centralization and decentralization, within a framework of coordination and integration to achieve the objective.

- **Organizational Structure**

a. Concept:

It is a set of centers with organizational authorities and responsibilities that show the formal boundaries within which the organization operates, represented in the form of an organizational chart.

b. Conditions to be Considered when Designing the Organizational Structure:

- Clarity in defining each center's organizational level, limits of authority, responsibilities, and relationships with others.
- Providing speed in the flow of orders and instructions from higher to lower responsibilities to facilitate decision-making.
- Characterized by stability to reassure employees and clients and strengthen confidence in the administrative unit, noting that this does not mean rigidity of the structure.
- Ability to continue as it is designed to remain while allowing for self-renewal to remain sensitive to activity requirements at any time.
- Ability to accurately define the duties performed by employees in each administrative unit, as well as the relationship between their assigned tasks and other work, always linked to the general objective of the organization.
- Allowing to avoid risks of multiple administrative levels, which often lead to communication difficulties and thus coordination difficulties between organizational units.
- Considering the span of control, neither allowing it to be too narrow nor too wide, but adhering to the limits of that span.

- Considering the correlation between the organization's structure and its strategies.

c. Designing the Organizational Structure:

The organizational structure represents the general framework by which the behavior of all members of the organization is drawn, regardless of their organizational positions. The organizational structure itself is not a goal but a tool reflecting the management's philosophy in determining the foundations through which its main components are identified.

On the other hand, designing the organizational structure is not an easy matter and does not happen once, but it is a complex and continuous process, due to its association with a set of material and human factors. It is sufficient for one factor to change to cause an impact on all components of the organization and make it subject to change and development.

The most important of these factors are:

- Size of the organization and its financial position
- Nature of the produced commodity
- Objectives of the organization
- Geographical spread of the organization
- Type of technology used
- External environment of the organization

d. Elements of Organizational Structure Design:

The organizational structure is designed with the availability of two basic factors:

- Division of activities and grouping them to achieve objectives
- Authorities and degree of delegation

- Division of Activities (Departmentation):

This means grouping all homogeneous sub-activities into a main activity or what is called an administrative unit. The grouping of activities is governed by a set of bases, the most applied of which are:

- **Departmentation by Function:** All specialized activities in a certain field of activity are grouped into one unit reflecting a basic function. This pattern of division based on specialization

reflects the extent of interest in basic activities in industrial production organizations, which are production, sales, purchasing, and finance.

- **Departmentation by Geography:** The basic criterion for using this type of division depends on the economic justifications that the organization can achieve from the geographical location. If these justifications are available, grouping aspects of activity according to geographical location becomes justifiable.

- **Departmentation by Clients:** This type of division is used when the main goal of the organization is to focus on serving its clients, especially when the organization deals with several types of clients. Achieving this goal depends primarily on the organization's ability to meet all the requirements, needs, and desires of all clients.

- **Matrix Departmentation:** In practice, it is very rare to use a specific division of activity aspects and design the organizational structure based on it. Therefore, the design may be based on combining more than one basis to ensure the formation of a structure that can fulfill the organization's obligations internally and externally, and also achieve all the goals for the parties associated with the organization.