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IMPROVING ORGANIZATIONAL STRUCTURE FOR SMALL AND MEDIUM CONTRACTING FIRMS

Abstract: Current study sets to find out how construction firms are structured for organizational the purpose of development. Main purpose of this article is research development models of small and medium construction firm's organizational structure on this basis of economic issues and to improve the organizational and economic mechanism for building the potential of a construction enterprise, the effective use of which ensures economic growth and sustainable development. This process can be described as cyclical, since periods of recovery in the economy are inevitably replaced by periods of various management systems in production or service area with different frequencies and durations. Economic growth is expressed in an increase in output over a certain period of time and in other economic indicators, both in absolute volume and relative to the base period of time. This approach allows to really evaluate the results of the economic system - a construction firms management bases - and to trace the presence or absence of positive dynamics in its development.

Key words: Construction industry, small and medium firms, organizational structure, economic efficiency.

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Introduction

The construction industry covers a wide range of industries. Integrated organizations that create transform and collaborate and repair of a wide range of different types of construction and citizenship engineering structures. This area has its own characteristics. Traits that are mainly derived from physical nature construction products and their demand. The projects are similar, but the functions of the site are different. The construction industry is basically a collection industry that collects other products on the site networks. Describes the intentions of designers photographs, quantities and specifications of calculations and skilled operatives carry out construction work and collect details on the site. Construction works depending on weather and gender uncertainty. This is influenced by a number of economic factors. These include: general economic climate, interest rates, credit availability and level of public sector management to spend. Small and medium activities reflect community state of the construction industry in a particular area.

Medium construction firms undertake quite large contracts and are often prepared to undertake civil engineering as well as building works. There is evidence of some degree of polarization towards large and small firms. These firms survival requires good management, and sound management is based on effective training, knowledge, skill and hard work. They employ fewer operatives than large construction firms and are better financed and equipped -3 than small construction firms. Small construction firms employ few operatives compared to large and medium construction firms and prefer to operate within a reasonable distance of their offices and travel further afield only under special circumstances.

Construction work undertaken by small firms comprises mainly of extensions to existing buildings, refurbishment, repairs and maintenance, and small new building projects of low monetary value compared to those works undertaken by large and medium construction firms. An individual or individuals starting a construction firm must be aware of all factors which will affect the business at the start

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and in the future. Among these factors are the organizational structure of the firm in relation to the type of work the firm performs, and its legal and financial structure. The relevance of the alternatives available to the firm's structure is equally important throughout the life of the firm. Whereas one form of structure may be appropriate for the starting of the firm, another structure may be appropriate as the firm grows in size and its operational capacity [1].

Literature review

There are many different opinions and definitions on organizational structure. Walton (1986) [2] tied structure to effectiveness, asserting that management restructuring is designed to increase not only the efficiency but also the effectiveness of the management organization. Mintzberg (1983) [3], says that Organizational structure defines how individuals and groups are organized or how their tasks are divided and coordinated. He defines the organizational structure as; "...the sum of total in which its labour is divided into distinct tasks and then its coordination is achieved among these tasks." There is no such thing as a best organizational structure. E.C. Ubani (2012) [4], stated that organizational structure is the management framework adopted to oversee the various activities of a construction project or other activities of an organization. A suitable organizational structure assists the project management team to achieve high performance in the project through gains in efficiency and effectiveness. Tran & Tian (2013) [5], regarding the purpose of the organization's founding, they can be described as successful (profitable) or failure (non- profitable) ones. To achieve these goals organizations create inner order and relations among organizational parts, that can be described as organizational structure. D. Wolf 2002 [1], says that in an- other sense, "structure is the architecture of business competence, leadership, talent, functional relationships and arrangement. Underdown (2012) [6], said that organizational structure "is the formal system of task and reporting relationships that controls, coordinates, and motivates employees so that they cooperate to achieve an organization's goals". Ganesh 2013 [8], the manager determines the work activities to get the job done, writes job descriptions, and organizes people into groups and assigns them to superiors

Results

The importance of the considered problem for ensuring small and medium stable functioning construction firms are increasing the competitiveness of enterprises predetermined the purpose and objectives of the modern construction industry. To achieve this goal, the following tasks were set and solved, which necessitated:

- identify the features of the processes of growth and development of a construction enterprise in conjunction with the development of science and management practices in construction;
- substantiate the relevance of the problems of improving the development management of a construction enterprise in a complex relationship with economic potential and the intensification of growth processes at the current stage of management;
- summarize the theoretical and methodological aspects of scientific approaches to the formation of the conceptual foundations of the economic growth of a construction enterprise;
- substantiate the methodological principles of the application of the cost approach to the formation of the growth potential of a construction enterprise;
- substantiate the priority areas for the development of the mechanism for building the potential of a construction company that provides sustainable economic growth for the long term;
- develop a system of indicative indicators to assess the growth potential of a construction company;
- offer a set of practical measures that stimulate the formation of the growth potential of a construction company.

Classification of organizational structures' types Montana and Charnov (1993) [9-10], stated that the primary formal relationships for organizing, as discussed earlier, are responsibility, authority, and accountability. They enable us 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. It provides the means for clarifying and communicating the lines of responsibility, authority, and accountability. Thus, Organization management structures can be classified into four major structures as shown in Fig (1).

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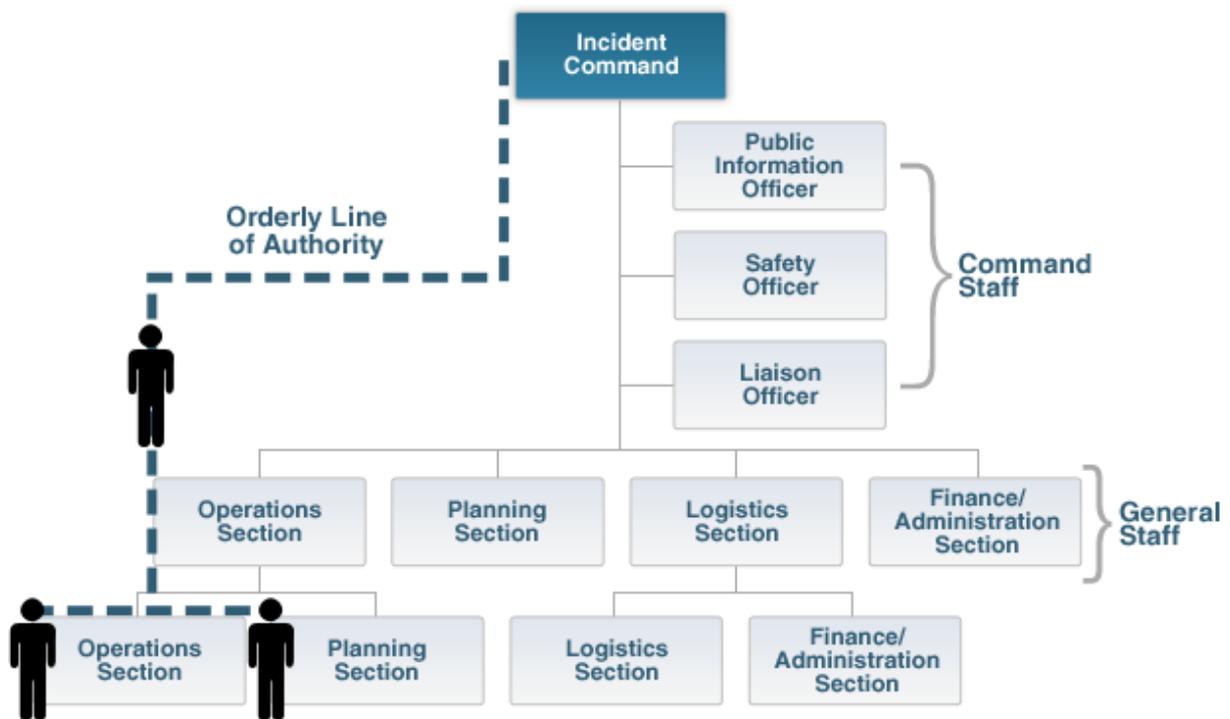


Figure 1. Organizational structure of medium construction firms

Traditional structure: This type was satisfactory fifty years ago, when companies had only one or two product lines for organization control and conflicts

were minimal. Fig (2) shows an example for the traditional organizational structure for a construction company.

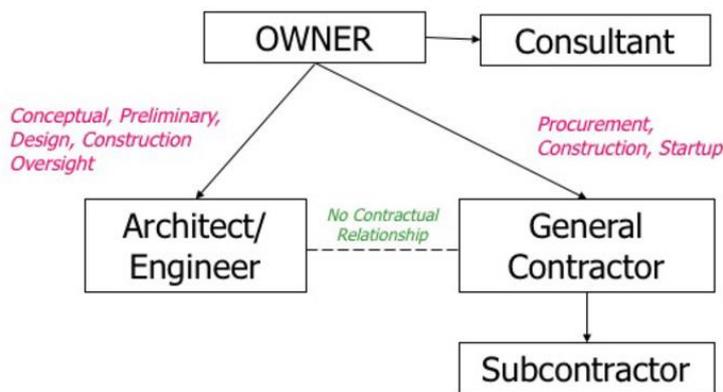


Figure 2. Traditional structure of medium construction firms

Main objectivity of the above figure is with the small scale organizational structure could also create

competitive producing and services in construction industry.

Table 1. Advantages and disadvantages of Traditional Organismal structure of construction firms Ganesh [11]

Advantages	Disadvantages
Team easier budgeting and cost control are possible.	No one is directly responsible for the total project.
Quick reaction capability exists, but may be dependent upon the priorities of the functional managers.	Does not provide the project-oriented emphasis necessary to accomplish the project tasks.
Continuity in the functional disciplines; policies, procedures, and lines of responsibility are easily defined and understandable.	Coordination becomes complex, and additional lead time is required for approval of decision

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Good control on personnel, since each employee has only one person to report

Ideas tend to be functionally oriented with little regard for ongoing projects.

A conservative approach to the formation of growth potential provides not only the full satisfaction of the current demand for all types of resources that ensure the normal course of economic activity, but also the creation of high reserves for unforeseen difficulties in providing the construction company with raw materials, deterioration of the internal conditions of production, and delays collection of receivables, etc. This approach guarantees the minimization of operational and financial risks, but negates the efficiency of potential use. If the construction company does not impose any restrictions on capacity building, has significant amounts of cash, has significant reserves of raw materials and finished products and, stimulating buyers, inflates accounts receivable - these are signs of an aggressive approach to the formation of growth potential. An aggressive approach is able to remove from the agenda the issue of increasing risk of insolvency, but cannot provide an increase in economic profitability.

An aggressive approach to the formation of growth potential is to minimize all forms of insurance reserves for certain types of working capital of a

construction company. A moderate approach to the formation of growth potential is aimed at ensuring full satisfaction of the current needs of the construction company in all types of resources and the creation of normal insurance sizes in case of the most typical failures in economic activity. With this approach, the average ratio between the level of risk and the level of efficiency of use of all resources, as well as an acceptable level of financial stability of a construction company, is ensured for the real business environment.

Currently, the practice of managing the resources of a construction company is aimed at increasing its market value. In addition, managerial influences are more focused on those resources that practically do not differ in their characteristics at enterprises of the same industry (for example, fixed production assets, used natural resources, working capital). In the medium and long term, they can undergo significant qualitative changes that can lead to significant qualitative changes in production and sales.

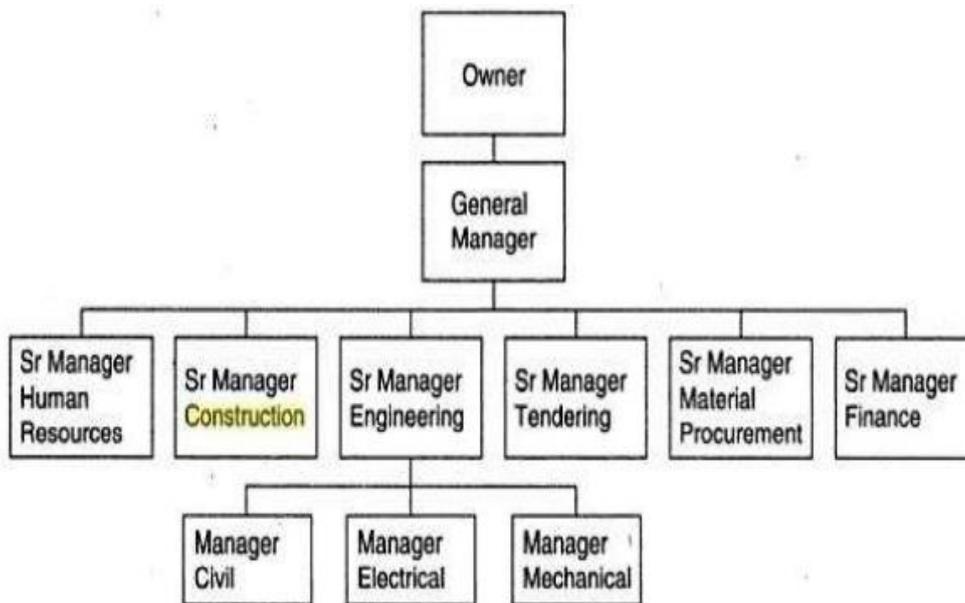


Figure 3. Medium construction firms organizational structure [12].

Chester Bernard, viewed communication as the means by which people are linked together in an organization to achieve a common purpose, indeed group activity is impossible without communication because coordination and change cannot be effected. The purpose of communication in organization includes:

1. Establishing and disseminating goals of an enterprise;

2. Developing plans for their achievement;
3. Organizing human and other resources in the most effective and efficient way;
4. Selecting, developing and appraising members of the organization;
5. Leading, directing, motivating and creating a climate in which people want to contribute;
6. Controlling performance.

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Discussion

Downward communication flows from people at higher levels to those at lower levels in the organizational hierarchy. Both oral and written communication is used. These include commands and work instructions, fed down the chain of authority emanating from the strategic apex or a middle-line position, and elaborated as they flow downwards. Upward communication travels from subordinate to supervisors and continues up the organizational hierarchy. Upper management needs to know specifically about production performance, market information and functional data. Upward control system exists as a "management information system" or MIS that collects and codes data on performance, starting in the operating core. As this information passes each level in the hierarchy, it is aggregated until finally, it reaches the strategic apex as a broad summary of overall organization performance.

This includes the horizontal and diagonal flow. This kind of communication is used to speed information flow, to improve understanding and to coordinate efforts for achievement of organizational objectives. This is communication flow between line and staff, made for the purpose of feeding staff information and advice into line decision making. Horizontal communication is between the line managers in the middle and the technocratic and support staff on the other side. Typically, the techno structure design and operate the management information system for the line managers. In addition, certain staff groups are specialized in the collection of intelligence information for the line managers.

That is information external to the organization. An economic analysis group may collect information on the state of the economy for the managers of the strategic apex, while a research group may feed data on consumer buying habits to the marketing managers. The very existence of the organization depends upon the coordination of activities through communication. Coordination and integration can only be achieved through effective communication.

Formalization of behavior is the design parameter by which the work process of the organization is standardized. This can be done in three ways as follows:

1) Formalization by job, the organization attaches the behavior specifications to the job itself, typically documenting it in the formal job description. The incumbent may be told what steps to take, in what sequence, when and where.

2) Formalization by work flow - instead of linking the specification to the job, the organization can instead attach them to the work itself.

3) Formalization of rules - the organization institutes rules for all situations - all jobs, all work flows, all workers. These may specify who can or cannot do what, when, where, to whom and with whose permission [13].

It is through the process of grouping into units that the system of formal authority is established and hierarchy of the organization built. Grouping is a fundamental means to coordinate work in the organization. Grouping medium construction firms has four important effects:

1) Establishes a system of common supervision among positions and units. A manager is name for each unit, a single individual responsible for all its actions. Unit grouping is the design parameter by which the coordinating mechanism of direct supervision is built into the structure.

2) Grouping typically requires positions and units to share common resources.

3) Grouping creates a common measure of performance to the extent that sub-units of a unit contribute to the production of the same product or service, their output can be measured jointly. Joint performance measures further encourage them to coordinate their activities.

4) Grouping encourages mutual adjustment [14].

To a certain extent, in our opinion, the value concept of business management, which has spread in the practice of countries with developed market economies, allows us to develop an analytical system of strategic management of growth potential. The management focused on the value of the enterprise is characterized by the fact that the results of operations are evaluated not only taking into account internal resources, but also taking into account environmental factors by applying methods of measuring economic added value, added market value. The accumulated market experience suggests that this approach makes it possible to timely identify problems and activate the reserves of economic growth that traditional analytical systems do not provide.

The advantages of the cost approach to measuring the efficiency of potential use are that not only internal resources, but also environmental factors of the construction enterprise are taken into account. It is advisable to take the value of a construction enterprise as a measure of economic potential, but the type of value and the methodology for its determination should be offered depending on market positions. The peculiarity of using market value as an indicator of growth potential is that market value is based on the expectations of the investor, and not only on the actual results of operations. If the market expects improvements in the activities of the construction company, then the market value of its resources (assets) will be higher than the book value. The same thing happens if a construction company takes measures to restructure its business. Effective cost management means that all analytical methods are focused on helping the construction company maximize its value, by directing management processes to key factors of economic growth. In this case, the management constantly initiates changes

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aimed at the restructuring of the construction company, its capital and management structure.

In our opinion, this concept makes it possible to simultaneously take into account the long-term prospects for sustainable development and the need to manage the potential of a construction company.

Conclusion

In conclusion proposed organizational system of small and medium size firms indicates the growth potential as an integrated object of strategic management, which allows us to use an integrated

method of making managerial decisions in the field of growth rates of sales, assets, equity and key quality indicators of the production and financial activities of a construction company. Identify and eliminate the inconsistency of various indicators that shape economic growth, as well as the imbalance of various characteristics of economic growth. Thus, it is possible to achieve more targeted adoption of rational decisions to ensure the target indicators of the growth strategy of construction enterprises and their implementation of well organizational structure of the firms as for the best economic efficiency in this sector.

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