

# The Advantages of an Effective Organizational Structure

One of the most common reasons that companies fail is an imbalance between the various parts of the organization. Either they don't have a good coordination between the sales department and the operations department or they do not have good coordination between employees and their managers. The role of organizational structure in effectiveness and performance cannot be overstated. In order for your company to be successful, it needs to have the right kind of organizational structure and in order to give it the right kind of organizational structure, you need to have an intimate understanding of the different kinds of organizational structure out there and their advantages and disadvantages.

## What Is Organizational Structure?

The organizational structure of a company is all about communication, the distribution of tasks and responsibilities, and the flexibility of the company in the face of change. It involves lines of both authority and accountability as well as what kind of behavior is considered acceptable within the organization. In fact, to a certain degree, organizational structure is also about how the company relates to its external environment.

In order to keep your business going and profitable, you need to have the right kind of structure. There are different kinds of structures, however, and they are each appropriate for different situations. To know which one is best for you, you need to know about all of them.

## The Types of Organizational Structures

Organizational structures are designed according to some well-defined systems. There are six such systems.

### **1. Specialization**

Work specialization is all about how tasks and jobs are distributed within the organization. Each job is divided among a few specialized parts and they all carry out their tasks to help achieve the overall goal of the job in question. The job is typically broken down into some steps, either in sequence or parallel, and a different person is in charge of carrying out each step. Individual employees and departments, therefore, will specialize in doing certain parts of activities, rather than entire activities.

### **2. Departmentalization**

While specialization is all about breaking jobs down, departmentalization is all about grouping jobs up. The way these jobs are grouped vary from one organization to another and can be according to one of five different forms of departmentalization.

- Functional departmentalization is when jobs are grouped according to the functions they have within the organization. Anything associated with accounts goes under the accounting department; everything associated with manufacturing goes under the manufacturing department, and so on. This kind of departmentalization can work in just about any kind of organization and depends on the goals the organization is seeking to achieve.
- Product departmentalization occurs when jobs are grouped according to the product line. Each manager in the organization is responsible for an area that depends on that manager's specialization. So for example, a tech company may have a mobile phone department, a home appliances department, and so on.
- Geographical departmentalization is where jobs are grouped based on geography or the territory of the unit. For example, under the sales department, we may have a sales director for each country where the company has a significant presence.
- Process departmentalization is departmentalization based on customer or product flow. A manufacturing firm, for example, may have a chemical mixing department, an assembling department, a packaging department, and so on.
- Customer departmentalization is based on the grouping of jobs according to the type of customer. So within the sales department, there may be mini departments dedicated to retail customers, wholesale customers, and so on.

### **3. Chain of Command**

This is the traditional kind of organizational structure and depends on a line of authority that starts right at the very top of the organization and goes on down to the lowest level employee. There are clear rules for who is expected to report to whom. There are also some important concepts attached to this kind of organizational structure.

The concept of authority asserts that each managerial position has certain rights and principles. Every manager has it within their power to tell certain people what to do and reasonably expect them to do it.

The concept of responsibility is a qualifier to the concept of authority. While every position has its rights and privileges, those rights and privileges also come with some responsibilities attached. A responsibility is generally taken as the obligation to perform any tasks assigned to you.

The concept of unity of command is another important concept that is part of this structure. Basically, it states that each person should report to only one manager directly above them. That way, the line of command does not branch out at any point in the hierarchy.

#### **4. Span of Control**

This is less a form of organizational structure and more a way to determine how wide the organizational structure can be. It determines how many levels an organization has as well as how many managers and how many employees a manager can manage effectively and efficiently.

#### **5. Centralized vs. Decentralized Structures**

Is the organization run from a central place or is there more autonomy throughout the organization? These two opposite organizational structures have varying levels of effectiveness, depending on the situation.

#### **6. Formalization**

This type of organizational structure is a highly formal one where the jobs are well standardized and there are clear rules and protocols that guide employee behavior. Call centers tend to have this kind of structure.

Note that these organizational structures do not have to be used exclusively. An organization can combine more than one kind of organizational structure effectively. The point is that you need to have some kind of structure in the first place before you can properly reap the benefits of organizational structure.

### **What Are the Advantages of a Good Organizational Structure?**

Good organizational structure is all about getting the right organizational structure for the situation. Ultimately, there are a number of advantages of an organizational structure.

#### **Internal Communication Is Easier**

The right kind of organizational structure will make it possible for employees to communicate effectively with their managers and each other. If your organization has departments then it will also be easier for departments to communicate with each other. Information will flow easily in all directions and the employees will feel heard and like they have a say in how the organization is run.

## Business Decisions Become Easier to Make

This comes as a direct consequence of the previous advantage. Effective decision making requires an adequate amount of information and that information can only be obtained where there is good communication. Managers will have all the information they need to make the right business decisions and the company is likely to be efficient and profitable going forward.

## Tasks Are Easier to Perform

When a company has the right organizational structure, every employee knows which tasks are expected of them and have all the things they need to perform those tasks at their disposal. This makes it possible for them to effectively carry out those tasks.

## Customer Service Is Improved

The right organizational structure will make your employees happier and they will, therefore, be more productive on the job. They will also treat your customers better and the customer will be happier. Ultimately, this will pay dividends in the form of a better bottom line for your company.

## The Company Will Run More Smoothly

Ultimately, the right kind of organizational structure will cause the company to run smoothly in every way. The employees will be happier, the leaders will find it easier to lead, and the customers will be happier, too.