

7 Organizational Structure Types

The organisational structure is how the company ___1___ roles, responsibilities, job functions, **accountability** and decision-making authority. The organisational structure often shows the “**chain** of command” and how information moves ___2___ the company. Having an organisational structure that ___3___ with your company’s goals and objectives is crucial.

What is an Organizational Structure?

Employees want to understand their job responsibilities, **whom** they ___1___ **to**, what decisions they can and should make and how they ___2___ with other people and teams within the company. An organisational structure creates this ___3___.

Centralised vs Decentralised

With centralised leadership, there is a transparent chain of command and each role has ___1___ responsibilities. **Conversely**, with a decentralised organisational structure, teams have more autonomy to make decisions and there may be ___2___ between groups. Decentralised leadership can help companies remain ___3___ and adapt to changing needs.

Hierarchical vs Circular

A hierarchical organisation structure is the pyramid-shaped organisation chart many people are ___1___ **seeing**. There is one role at the top of the pyramid and the chain of command moves down, with each level decreasing in responsibilities and authority. ___2___, a circular organisation chart looks like concentric circles with company leadership in the centre circle. ___3___ information flowing down to the next “level,” information flows out to the next ring of management.

Vertical vs Flat

A vertical organisational chart has a clear chain of command with a small group of leaders at the top - or in the centre, in the case of a circular structure - and each subsequent tier has ___1___ authority and responsibility.

**Functional, product-based, market-based and geographical organisational structures are vertical structures.*

With a flat organisation structure, a person ___2___ report to more than one person and there may be cross-department responsibilities and ___3___ authority.

**Matrix organisational structure is an example of a flat structure.*

Benefits to creating an organisational structure

Provides accountability - Clarifies expectations - Documents ___1___ for promotion
___2___ decision-making authority - Creates efficiency - ___3___ collaboration

4 Common Types of Organizational Structures

Functional/Role-Based Structure

A functional - or role-based - structure is one of the most common organisational structures. This structure has centralised leadership and the vertical, hierarchical structure has ___1___ defined roles, job functions, chains of command and decision-making authority. A functional structure facilitates specialisation, ___2___ and accountability. It also establishes clear expectations and has a well-defined chain of command. However, this structure ___3___ the risk of being too confining and it can ___4___ employee growth. It also has the potential for a ___5___ cross-department communication and collaboration.

Product- or Market-Based Structure

___1___ the functional structure, the product- or market-based structure is hierarchical, vertical and centralised. However, instead of being structured around typical roles and job functions, it is structured around the company's products or markets. This kind of structure can ___2___ companies that have ___3___ product lines or markets, but it can be challenging to scale. It can also foster ___4___ if product or market teams have similar functions, and without good communication across teams, companies run the risk of incompatibility ___5___ various product/market teams.

Geographical Structure

The geographical structure is a good option for companies with a broad geographic ___1___ in an industry where it is essential to be close to their customers and suppliers. The geographical structure ___2___ the company to create bespoke organisational structures that align with the location's culture, language and professional systems. From a broad ___3___, it appears very similar to the product-based structure above.

Process-Based Structure

___1___ the functional structure, the process-based structure is structured in a way that follows a product's or service's ___2___. For instance, the structure can be ___3___ into R&D, product creation, order fulfillment, billing and customer services. This structure can foster efficiency, teamwork and specialisation, but it can also create ___4___ between the teams if communication isn't prioritised.

3 Alternative Organizational Structures

Matrix Structure

With a matrix organisational structure, there are ___1___ reporting obligations. For instance, a marketing specialist may have reporting obligations within the marketing and product teams. A matrix structure offers flexibility, enables ___2___ resources and fosters collaboration within the company. ___3___, the organisational structure can be complex, so it can cause confusion about accountability and communication, especially among new ___4___.

Circular Structure

Similar to the functional and product-based structure, a circular structure is ___1___ centralised and hierarchical, but instead of responsibility and decision-making authority flowing down vertically, responsibility and decision-making authority flow out from the ___2___. A circular structure can promote communication and collaboration but can also be confusing, ___3___ for new employees, because there is no clear chain of command.

Organic Structure

___1___ vertical structures, this structure facilitates communication between and among all staff. It is the most complex, but it can also be the most productive. ___2___ it can be challenging to know who has ultimate decision-making authority, it can also foster a positive company culture because employees don't feel like they have "superiors." This structure can also be more ___3___ because it reduces the need for middle managers.