

## 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.