

Organizational Structure

An organizational structure is a system that outlines how certain activities are directed in order to achieve the goals of an organization. These activities can include rules, roles, and responsibilities.

The organizational structure also determines how information flows between levels within the company.

Businesses of all shapes and sizes use organizational structures heavily. They define a specific hierarchy within an organization. A successful organizational structure defines each employee's job and how it fits within the overall system. Put simply, the organizational structure lays out who does what so the company can meet its objectives.

This structuring provides a company with a visual representation of how it is shaped and how it can best move forward in achieving its goals. Organizational structures are normally illustrated in some sort of chart or diagram like a pyramid, where the most powerful members of the organization sit at the top, while those with the least amount of power are at the bottom.

Benefits of Organizational Structures

Putting an organizational structure in place can be very beneficial to a company. The structure not only defines a company's hierarchy but also allows the firm to layout the pay structure for its employees. By putting the organizational structure in place, the firm can decide salary grades and ranges for each position.

The structure also makes operations more efficient and much more effective. By separating employees and functions into different departments, the company can perform different operations at once seamlessly.

In addition, a very clear organizational structure informs employees how best to get their jobs done. For example, in a hierarchical organization, employees will have to work harder at buying favor or courting those with decision-making power. In a decentralized organization, employees must take on more initiative and bring creative problem solving to the table. This can also help set expectations for how employees can track their own growth within a company and emphasize a certain set of skills—as well as for potential employees to gauge if such a company would be a good fit with their own interests and work styles.