

Variety of Organizational Structures

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ABSTRACT: In the context of globalization, the issue of organizational diversity requires special attention. Organizational diversity is one of the components through which companies try to occupy dominant positions in relation to competitors. Organizational diversity implies differences in organizational culture, strategies or structure. In addition, organizational diversity is expressed in such signs as goals, objectives, norms and values.

One key issue is the variety of organizational structures. The type of organizational structure a company uses leads to different approaches to decision making.

The organizational structure is an important element in the company's governance system. It is the structure that determines the company's management style, the ways of providing information from the lower to the upper levels of management and the form of communicating decisions from the upper to the lower levels. The formation of an organizational structure concerns a number of issues, including the level of formalization, forms of decision-making (centralized/decentralized), the chain of command and the norm of management. Given the diversity of organizational structures, a company is required to develop the right policy through which it will establish an organizational structure tailored to it.

The article deals with the essence of organizational structure, the process of its formation and the factors to be considered in this process. The article also discusses different types of organizational structure, the characteristics and features characteristic of each of them.

KEYWORDS: Organizational chart, Chain of command, Organizational design, Simple structure, Organic structure, Types of organizational structures.

I. INTRODUCTION

In the process of forming an organizational structure, it is important for a company to make decisions regarding certain issues. However, the first question that must be answered is ***what kind of organizational structure the company should establish, so that it contributes to the improvement of process.*** By answering this question, companies will be able not only to clarify the management style and methods, but also to select the right form of the internal communication network within the organization.

The organizational structure is the main factor on which the company stands. A structure that is based on specific people cannot last long and soon becomes subject to change. The longest lasting and working structure is one that is created according to the organization's purpose and corresponding strategy. If the organizational structure is formed correctly, then it will be relevant until the strategy changes significantly.

It is interesting to know who needs to form an organizational structure and why. The formation of a correct and strategically aligned organizational structure is necessary for all organizations, regardless of size and purpose, as it helps management focus on the most important issues and tasks and effectively distribute responsibility and power to lower levels.

Given the diversity of organizational structures, a company should be able to develop an organizational chart tailored to its goals.

II. MAIN TEXT

An organizational chart, also known as an organizational structure, is a crucial tool in the organizational design process. Before we discuss organizational structure, it is important to define what is meant by an organization.

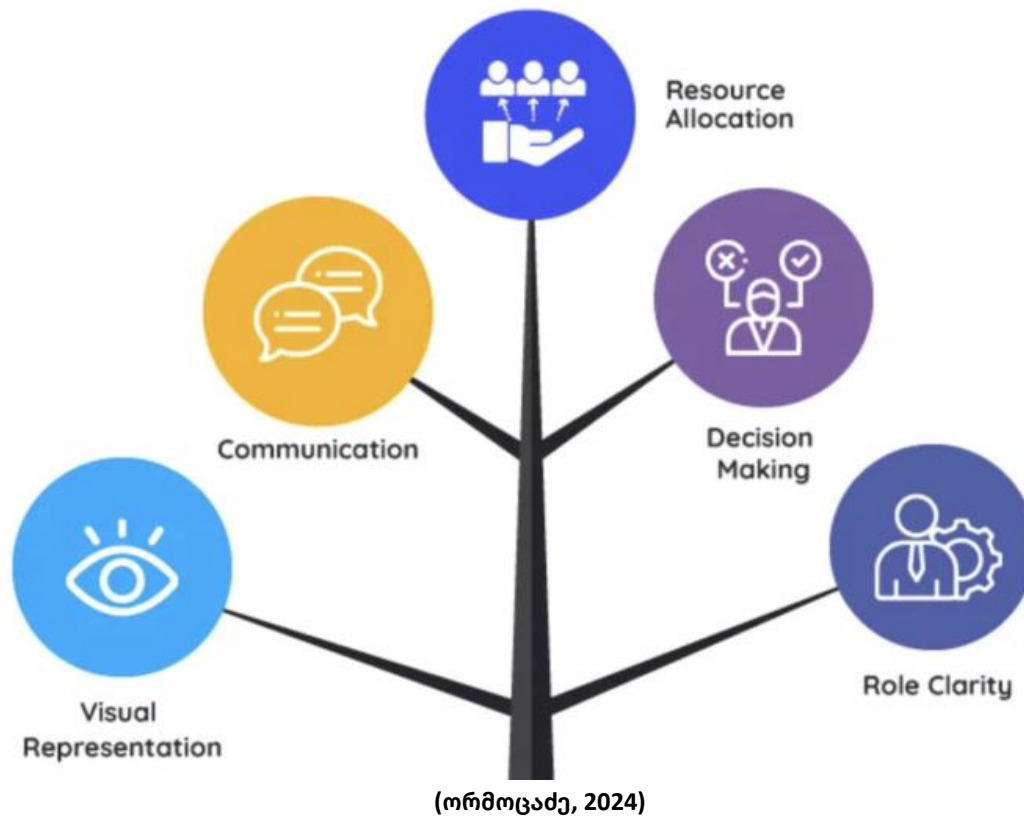
An organization is a group of people with a clear purpose and a defined structure. However, the structure can be of many types.

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Organizational structure is one of the most important elements in the functioning of an organization. It is an illustration of the clarity of responsibilities, power and roles among the members of the organization. It reflects who is accountable to whom and how decisions are made. Organizational structure is equally necessary for all types of organizations. Be it business corporations, government agencies or other types of institutions. It is through it that hierarchical levels and communication networks are determined.

It can be said that an organizational chart is a kind of guide, that provides information about organizational order and functioning. Its main goal is to promote the systematic development of the organization and the organizing the right processes.

Purpose of the organizational chart



- **Role Clarity** is one of the goals of an organizational chart. By visualizing roles and responsibilities, it is clear to each team member what their duties are and how their work contributes to the overall goals of the organization.
- Visualizing the **communication** network can promote more effective communication practices and prevent potential disruptions.
- By clearly depicting authority, it becomes clear who can **make decisions** at what level.
- Organizational charts play a crucial role in **resource allocation**. By clearly depicting the teams and roles of an organization, managers can effectively allocate both workforce and other resources, increasing the organizations's productivity.

Organizational charts help demonstrate clear reporting lines to all employees in an organization. An organizational chart creates a map that clearly shows how work is done and how decisions are made. Each employee should know who their immediate supervisor is and what their rights and responsibilities are. (ጥጥጥጥጥጥ, 2024)

Decisions about organizational structure are a determining factor in organizational behavior. In some cases, company leaders believe that organizational structure is only about centralizing/decentralizing processes. However, as Tom Peters wrote in his work, "Structure is not just organizing". Organizational design is much more than just structuring and reorganizing. (Waterman, Peters, & Phillips, 1980)

An organizational structure is a framework that reflects the relationships between departments, teams and individuals within an organization. A well-designed organizational structure can significantly impact business success and process optimization in a number of ways. These include:

1. Improving efficiency – with clearly defined roles and responsibilities, an organization can minimize ambiguity and confusion.

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2. Improving communication – A clear organizational structure promotes effective collaboration between departments, which leads to timely decision-making and problem solving.
3. Promoting accountability – A chain of command establishes the responsibilities and obligations of personnel for their work.
4. Promoting growth – A flexible and adaptable structure helps the company thrive in a dynamic environment.

It is important to distinguish between informal and formal structures. Informal structures reflect the nature of leadership and the various systems that operate within it, including organizational culture. Formal organizational structures show the way work is divided, decision-making is done and how information flows throughout the company. In a centralized structure, decisions flow from the top down. In a decentralized structure, decision-making authority is localized and distributed among different levels of the organization.

The organizational structure a company will establish depends on various factors. Among them, the size of the company determines the structure, as this is directly related to the chain of command and the number of subordinates. In additions, issues such as job specialization, departmentalization, management norms, centralization/decentralization and formalization should be considered.

In terms of the way decision-making is done, an organizational structure can be centralized or decentralized. In a centralized structure, decisions are made at the top of the hierarchy and then trickled down to the lower levels. In a centralized organizational system, each role has clear responsibilities and subordinates have a defined chain of command. In a decentralized structure, the decision-making process is carried out locally and middle and lower-level managers can also participate in it. (Kenton, 2024)

Types of organizational structures include mechanistic and organic structures. A mechanistic structure is a bureaucratic structure, that is more rigid and formalized, decisions are centralized and is characterized by high specialization and strict departmentalization.

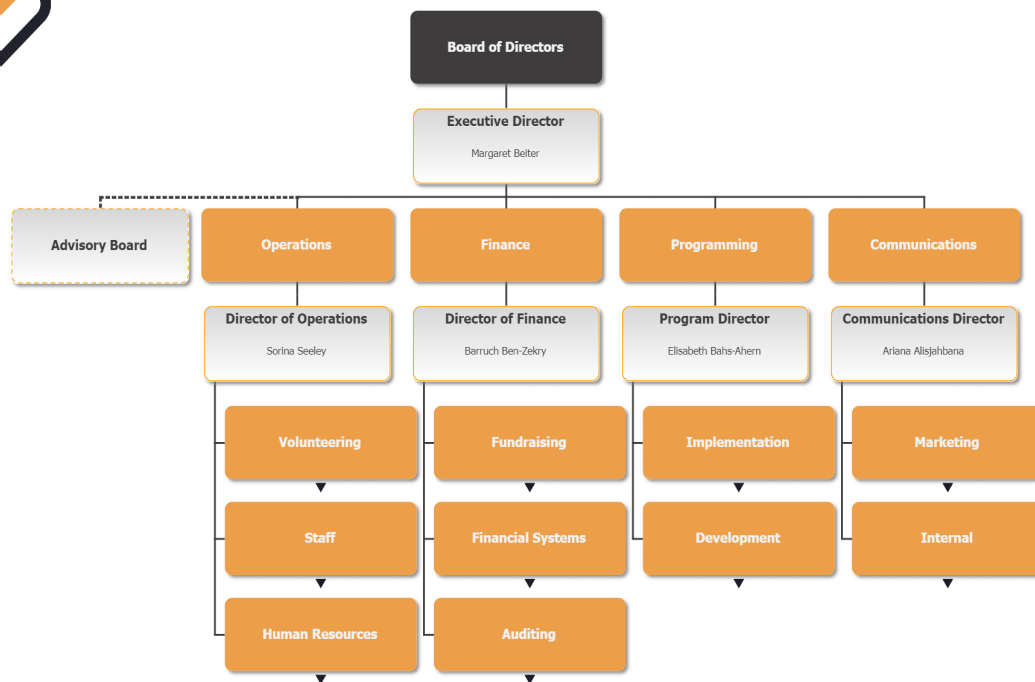
An organic structure is a flexible structure that has the ability to adapt and allows for rapid response to changes in a dynamic environment, rather than rigid, standardized processes and regulations. It is characterized by decentralization, free exchange of information and low formalization. (Robbins & Coulter, 2014)

While there is no single best organizational structure that fits all organizations, we can identify the most popular structures that are widely used.

- Functional organizational structure
- Divisional organizational structure
- Matrix organizational structure
- Project organizational structure
- Team-based organizational structure
- Horizontal organizational structure
- Hierarchical organizational structure
- Circular organizational structure

Functional organizational structure

The functional organizational structure uses the principle of specialization. An organization with a functional structure is divided into functional areas, such as finance, marketing, production, etc. Accordingly, each individual department is managed independently. Responsibilities are hierarchically laid out from top to bottom. Functional departments provide greater operational efficiency, because people with common skills and knowledge are grouped according to functions. The disadvantage of this structure is that different functional groups may not communicate with each other, which reduces flexibility.



(Kimberlee, 2024)

Divisional organizational structure

This type of organizational structure is common in large companies with many business units. Each business unit operates as a company with its own manager. Divisions, in addition to specialization, can be defined geographically or by product. A global corporation may have a North American division and a European division. In each case, the manager is responsible for the activities of his own business unit. In this type of structure, the headquarters acts as an observer, controlling and assisting the business units. The divisional structure is characterized by flexibility and a focus on discrete products or markets. However, there may be duplication of resources. Managing a company in this way requires a great deal of knowledge and experience. (Robbins & Coulter, 2014)

Matrix organizational structure

The third main type of organizational structure, called the matrix structure, is a hybrid of the divisional and functional structures. Typically, a matrix structure allows the advantages of both the divisional and functional structure to be used together. The matrix structure contradicts the principle of single management, therefore, in a matrix organization there are two or more lines of authority. One is the functional line and the other is the project line. In an organization with a matrix structure, an employee has at least two superiors, a project manager and a functional department manager. In such an organization, a high level of trust, communication and teamwork between management and employees is required. An open chain of command can lead to confusion regarding which manager an employee should be accountable to for a particular issue. Therefore, responsibilities, obligations and functions to be performed should be clearly defined.

Advantages of a matrix structure

- Better cooperation and collaboration
- Efficient allocation of resources
- Flexibility and adaptability to changing circumstances

Disadvantages of a matrix structure

- Difficulties in implementation and management
- Potential for conflict
- Double chain of command and ambiguity (Clawson, James G; Pitts, Tammy;., 2008)

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Project organizational structure

Many organizations use a project-based structure, in which employees of the organization constantly work on projects. This type of structure is focused on completing specific tasks. The project structure differs from the matrix in that there are no functional departments to which employees return after the completion of the project. Instead, they are constantly focused on implementing new projects. In a project structure, work is completed in teams.

Advantages of the project structure

- Flexibility
- Focus on specific goals
- Efficient allocation of resources

Disadvantages of the project structure

- Possible duplication of resources
- Difficulty maintaining consistency between projects

The project structure is the best for organizations, that frequently have to work on projects, as well as for industries, that have rapidly changing environmental conditions.

Team-based organizational structure

One of the varieties of organizational structure is a team-based organizational structure, where the entire organization is divided into teams. Each team performs specific functions and is focused on achieving a specific goal. Each team has its own leader and the team itself consists of individuals with different functional specialties. The main task of this structure is to form the organization into teams to solve specific problems and ensure optimal functioning. (Bhattacharyya, Dipak Kumar, 2025)

Advantages of a team-based organizational structure

- High employee involvement in problem solving
- Fast response time
- Reduction of functional boundaries between employees and a focus on working together

Disadvantages of a team-based organizational structure

- Difficulty in maintaining harmony between teams
- Risk of "social laziness" (reducing one's own efforts at the expense of others)

Horizontal organizational structure

A horizontal organizational structure, also known as a flat organizational structure, is a type of business structure characterized by decentralization. A horizontal structure gives employees autonomy and decision-making authority.

The horizontal structure is characterized by:

1. Responsibilities and decision-making authority are distributed among teams and employees.
2. The focus is on teamwork
3. The focus is on skills and roles are based on competencies, not hierarchical positions.
4. Communication is direct and open, which facilitates the sharing of new ideas.
5. The decision-making process is simplified. It allows the organization to respond quickly to changes and opportunities.

Advantages of a horizontal structure

- Autonomy of employees – they have the authority to make decisions. This at the same time leads to increased motivation on the part of employees, as they feel valued by the organization.
- High management norm- fewer managers reduce the costs incurred by the organization.
- Greater flexibility and adaptability compared to traditional organizational structures.
- Striving for creativity and innovation-autonomy and freedom allow employees to come up with innovative ideas

Disadvantages of a horizontal structure

- Lack of clarity – without a clear hierarchy, employees may experience uncertainty in the decision-making process. This can lead to conflict and inefficiency.
- Risk of overload – Employees may feel overwhelmed by increased responsibilities, which can have a negative impact on productivity.
- Risk of role overload – Since there are fewer managers in a horizontal structure, employees may need to combine certain functions.

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Hierarchical organizational structure

Hierarchical organizational structures consist of a vertical chain of command, where each level has clearly defined authority. This ensures organizational stability and efficiency. However, it is characterized by bureaucracy and limited employee autonomy. Every action requires agreement, which leads to extended decision-making times. (Paturkar, Ashutosh; Lodha, Hemant CA; 2020)

Comparison of vertical and horizontal organizational structure

	Horizontal Structure	Vertical Structure
Hierarchy	Minimal hierarchy, usually only one management level	Clear chain of command and multi-level hierarchy
Communication	Direct and free	Slow, sometimes lack of communication
Decision-making	Team can make decisions without prior approval from management	Decisions are made at the highest level of management
Collaboration	More often informal, cross-functional collaboration	Less collaboration between employees
Appropriateness	Most suitable for startups, project-based teams	Best for large organizations, government agencies and financial institutions

Circular organizational structure

The organizational structure should facilitate system optimization and efficient resource allocation. The circular structure is one of the diverse structures, that are oriented towards harmonization and goal achievement. In a circular organizational structure, leaders are at the center of the organization, with every else, whether it's a department or a team, surrounding them. Unlike a traditional structure where the chain of command runs from the top down, in a circular structure it moves outward from the center of the organization. This structure is more inclusive and focuses on open communication.

In a circular structure, everyone acts in concert. This helps to increase flexibility and harmonization. Each circle has defined roles and responsibilities that allow them to fulfill their goals. At the same time, the circles make decisions independently and are responsible for the results obtained. A circular structure is more similar to a horizontal structure, where each circle is granted autonomy and is markedly different from a vertical structure.

Comparison of circular and Vertical organizational structure.

	Circular Structure	Vertical Structure
Leadership	The leader is at the center of the organization	The leader is at the top of the organization
Collaboration	Suitable for cross-functional teams	Roles and responsibilities are clearly defined
Decision-making	Lower-level employees can make decisions	Employees take orders from the top
Culture	Transparent and innovation-oriented	Traditional, established organizational culture
Flexibility	Decisions are made faster by empowering employees	Decisions are made slowly, because instructions come from the top

A circular organizational structure, despite its circular appearance, remains somewhat hierarchical. Management and their vision have a significant impact on the success of the entire organization. (WalkMe Team; 2024)

CONCLUSIONS

The organizational structure is a key element of the functioning of the organization. It is the main lever that management uses in the process of managing the organization and with which it tries to improve and perfect the processes. If the structure is inappropriate for the size of the organization, environmental conditions and internal systems, then it cannot ensure high efficiency. Taken into account the variability of environmental conditions, management must be able to form a structure, that best suits the organization and its activities. There is no one specific structure that will be unique in all circumstances.

Given the diversity of organizational structures, the company must be able to develop a structure that will be tailored to its goals, objectives and strategies. Once the company has the appropriate structure, it will be able to perfect and improve the

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processes of full concentration. The structure is a kind of pillar of the organization, which directly determines the internal system arrangement – who is accountable to whom, who is responsible to whom, how decisions are made, how formalized and flexible or rigid the structure is.

In today's conditions, the existence of a flexible structure is a priority, since environmental conditions are constantly changing. In a dynamic environment, it is necessary to operate with a structure that allows for adaptation. A flexible structure ensures the free exchange of information flow and teamwork, where the entire team is part of a single whole.

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