

🔗 COMPANY STRUCTURE

1/ Definition

Corporate structure refers to the organization of different departments or business units within a company. Depending on a company's goals and the industry in which it operates, corporate structure can differ significantly between companies. Each of the departments usually performs a specialized function while constantly collaborating with each other to achieve corporate goals and values.

An organizational structure is a system that outlines how certain activities are directed 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. Decisions flow from the top down in a centralized structure. Decision-making power is distributed among various levels of the organization in a decentralized structure. Having an organizational structure in place allows companies to remain efficient and focused.

2/ The importance of organizational structure

- An organizational structure outlines how certain activities are directed to achieve the goals of an organization.
- Successful organizational structures define each employee's job and how it fits within the overall system.
- A centralized structure has a defined chain of command. Decentralized structures give almost every employee a high level of personal agency.
- Types of organizational structures include functional, divisional, flatarchy, and matrix structures.
- Senior leaders should consider a variety of factors including the business's goals, industry, and culture before deciding which type of organization is best for their businesses.

3/ Centralized Or Decentralized Organizations structure

- An organizational structure is either centralized or decentralized. Organizations have traditionally been structured with centralized leadership and a defined chain of command. The military is an organization famous for its highly centralized structure with a long and specific hierarchy of superiors and subordinates. There are very clear responsibilities for each role in a centralized organizational system with subordinate roles defaulting to the guidance of their superiors.
- More people play a role in decision-making with a decentralized organizational structure, Mid- and lower-level managers as well as regular employees have more of a say in what goes on and can help call the shots.
- There's been a rise in decentralized organizations. This approach is popular among many technology startups and is viewed as enabling them to remain fast, agile, and adaptable with everyone able to throw ideas around.

4/ Types of Organizational Structure

Departments in a company include Human Resources, IT, Accounting and Finance, Marketing, Research and Development (R&D), and Production. Some product-based or project-based companies may divide up business units by addressing a single product or project as a department.

There are four general types of organizational structure that are widely used by businesses all around the world:

1. Functional Structure

Under this structure, employees are grouped into the same departments based on similarity in their skill sets, tasks, and accountabilities. This allows for effective communications between people within a department and thus leads to an efficient

decision-making process. Companies with departments such as IT and Accounting are good examples of a functional structure.

2. Divisional Structure

This structure organizes business activities into specific market, product, service, or customer groups. The purpose of the divisional structure is to create work teams that can produce similar products matching the needs of individual groups. A common example of the divisional structure is geographical structure, where regional divisions are built to provide products or services to specific locations.

3. Matrix Structure

Matrix Structure is a combination of functional and divisional structures. This structure allows decentralized decision making, greater autonomy, more inter-departmental interactions, and thus greater productivity and innovation. Despite all the advantages, this structure incurs higher costs and may lead to conflicts between the vertical functions and horizontal product lines.

4. Hybrid Structure

Like the Matrix Structure, the Hybrid Structure combines both functional and divisional structure. Instead of grid organization, Hybrid Structure divides its activities into departments that can be either functional or divisional. This structure allows the utilization of resources and knowledge in each function, while maintaining product specialization in different divisions. Hybrid Structure is widely adopted by many large organizations.