

# Five types of organization structures

[Business](#), [Organization](#)



Every organization, to be effective, must have a structure. An organization structure is the setup that determines the hierarchy and reporting structure in an organization. It is often represented by a drawing known as an organizational chart. There are different types of organizational structures that companies follow, depending on a variety of factors like leadership style, type of organization, geographical regions, work flow and hierarchy.

Organizations may choose from a number of common operating structures.

One popular structure is the functional organization, where the company is divided into separate units based on role, such as accounting, marketing, research and development or distribution. The functional structure offers a number of potential advantages as well as disadvantages. An advantage of a functional organizational structure is that it offers a high level of specialization. Each unit operates as a type of self-contained mini-company, charged with carrying out its specific role.

A worker who is an expert in his functional area can perform tasks with a high level of speed and efficiency, which enhances productivity. While specialized units within the functional structure often perform with a high level of efficiency, they may have difficulty working well with other units. Another potential disadvantage of the functional organization structure is that it can pose a challenge for top management to maintain control as the organization expands. If the company expands into new geographic areas, maintaining control of and managing the separate functions can be even more of a challenge.

Kenexa, an IBM Company, provides employment and retention solutions to assist organizations in hiring and keeping workers. Kenexa is a SAAS, software as a service company, and utilizes a functional structure. Market structure is used to group employees on the basis of the specific market the company sells in. A company could have five different markets they use and according to this structure, each would be a separate division. Some merits of this structure are that employees can communicate with customers in the local language and they are available for the customers, if need is felt.

Demerits include intense competition among the employees; decision-making can cause conflicts and difficulty to determining the productivity and efficiency of employees. Product-based structures allow companies to remain flexible in the business environment. This allows the company to add or remove structure sections as necessary. However, it can prohibit companies from achieving company-wide goals since each unit operates on its own. A successful company that uses a Market organizational structure as well as a Product-based structure is Microsoft. Farber, 2013) One advantage of a Matrix structure is better coordination and control: - this structure is very much suitable to coordinate and control the functional activities and project activities. Most importantly, employees from various functional areas work under the spirit of team and make the project successful. Team effort is made. On the other hand, Matrix organizational structure involves huge overhead cost, has problems of overspecialization and is difficult to balance. GE is an example of a company that uses the matrix structure approach.

In a geographic structure, large organizations have offices at different places, for example, there could be a north zone, south zone, west zone and east zone. Advantages are better communication among the employees at the same location and locals are familiar with the local business environment and can cater to geographical and cultural differences. A successful company with this structure is Ports America, headquartered in the NE with operations throughout both coasts and segmented regionally.

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