How Organizational Structure Affects Business Productivity

by Harry Conley - Thursday, May 30, 2019

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Organizational structure is what groups people in a certain way. This is designed by the owner, a manager or any other person in charge of a business and it’s specifically created to improve the productivity of the business. Ideally, this means that employees can work together, share resources and communicate without being unproductive. However, this is often not the case.

Here are some structure examples and how they affect business productivity:

#1. Functional Structure

This is an efficient and strong structure. It groups employees based on their work speciality and features various departments. It also classifies employees into subgroups.

For instance, you would have a department like marketing and then a subgroup of that would be the sales. People are highly specialized and they work together, communicate and coordinate.
Management hierarchy also needs to be strong to ensure that the employees will adhere to all policies that were designed by the company. This type also ensures that there will be plenty of standardisation and mechanisation which means that there will be more efficiency and productivity.

However keep in mind that this also means less creativity, flexibility and adaptability to changes on the market. The specialisation can also reduce morale and lower productivity as well.

#2. Divisional Structure

The divisional structure is perfect for when there are more products and services than just one. Each product or service gets their own set of employees and this is exactly what divisional structure is.
The company is separated into divisions and then each division works like a separate business, a functional organisation that only reports to the owner. Every division is organized with a functional structure but with more adaptability because the divisions are highly specialised.

They aren’t as productive as they should be in theory because the economies of scale are lost. This structure can be used when a company has different locations or clients.

#3. Team Structure

Team structures are no match to the functional organizations in productivity but they far surpass it in the areas of innovation, flexibility, employee happiness and motivation, responsiveness and so on.

The teams are created from different professionals from different areas. These teams take on project and work on company goals or workflows. The owner will form teams as they need them and then give these teams the power to make decisions.
“However, these teams need to communicate and this means that they will spend a lot of time in meetings which are known to be unproductive. For unstable markets, this is the perfect structure because teams can react quickly and be creative,” says Steven Hals, a business blogger at Draftbeyond and Researchpapersuk.

#4. Virtual

This may not seem like a structure at first but it really is. Small business owner can only employ a small group of employees and outsource their work to virtual teams as they need help.

For instance, they might hire someone to do their books, production, shipping and other areas. This setup is great because you can expand this way, without hiring a huge team to be there all the time.

![Virtual Organization Structure](https://www.youtube.com/watch?v=dXHPqYGWIkg)

You can simply not work with those teams when you don’t have a lot of work to do. There are no permanent employees or properties. This is where productivity stays with the company the business owner hires.

https://www.youtube.com/watch?v=dXHPqYGWIkg
More Elements That Affect The Productivity

The structure within an organisation creates different levels of productivity, depending on what type of structure it is. However, there is more to it than that. Here are 3 elements that you could increase in any structure to get more productivity:

#1. Influence of the managers

“If your managers are poor in efficiency and quality of work, then your entire teams will be too. This overflows everywhere. Luckily, the opposite is also true, so keep that in mind,” says Tina Almond, a project manager at Last Minute Writing and Writinity.

#2. Creativity

Getting your ideas from your employees is a crucial point in your success and the success of your company. The employee input can make your company stronger and better and make them more productive.

#3. Growth

When your company grows, but with a weak structure, then every line of communication becomes very strained. Make your structure adaptable and easy to work with when it comes to growth.