HubSpot

Organizational Structures

THE ILLUSTRATED GUIDE

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The Importance of Organizational Structure

As active members of our vast, ever-changing modern workforce, we have learned how to go with the flow and proven our adaptability time and again. This adaptability may look like anything from navigating new programs to transitioning to remote work. However, we wouldn't have been able to keep up with these exciting work and lifestyle changes if it wasn't for the security of organizational structures.

Organizational structures are the backbone of any business that plans to keep up with their evolving industry. A successful organizational structure is both an outline of the delineation of roles and responsibilities and a power distribution chart. Without an organizational structure in place, your employees may be left treading water when faced with new projects and tasks. To ensure your organization remains as efficient and productive as usual, create and enforce a concise organizational structure aided by a clear org chart.

The world of organizational structures is a dense one, so we'll go through them visually with organizational structure diagrams. By the end of this ebook you will be primed and ready to create the structure that works best for you and your employees.

Terms to Know

Before we dive right in to creating our organizational structures, here are the key terms you'll want to know moving forward.

1. Chain of Command

One of the most basic elements of an organizational structure, chain of command, is exactly what it sounds like: an unbroken line of authority that extends from the top of the organization (e.g. a CEO) all the way down to the bottom. Depending on the size of your organization, your chain of command can vary in length. But regardless of how long it is, all chains of command clarifies who reports to whom within your organization.

2. Span of Control

Your span of control is the number of subordinates a superior at your organization can effectively manage. The higher the ratio of subordinates to superiors, the wider the span of control. Think of your span of control as the girthier version of your chain of command. Whereas the chain is a direct lineage, the span of control is a wide claw that can reach across teams and departments.

3. Centralized and Decentralized

In your organization, who makes the decisions? If decision-making power is concentrated at a single point or by a single person, your organizational structure is centralized. When decision-making power is spread out through a department or a team, your structure is decentralized.

4. Specialization

Specialization is the degree to which activities or tasks in an organization are broken down and divided into individual jobs. High specialization can be beneficial for an organization, as it allows employees to become "masters" in specific areas, increasing their productivity as a result and giving your organization the benefit of having experts at your disposal. However, low specialization, or "wearing lots of hats," allows for more flexibility, as employees can more easily tackle a broader array of tasks.

5. Formalization

Similar to specialization, formalization deals with how jobs are structured within an organization. The key differentiator here is that formalization also takes into account the degree to which an employee's tasks and activities are governed by rules, procedures, and other mechanisms. A formal organizational structure seeks to separate the individual from the role or position, as the role or position stays the same regardless of who's holding it. An informal organization, on the other hand, places more value on the individual. It allows for the evolution of a role or position based on an individual's preferences, skill set, etc., and places less importance on what team or department that individual is part of.

6. Departmentalization

Departmentalization is when you group jobs together to coordinate common activities and tasks. If an organization has rigid departmentalization, each department or team is highly autonomous, and there is little to no interaction between different teams. On the other hand, loose departmentalization means that teams have more freedom to interact and collaborate. Your organization's degree of cross-team collaboration and overlap on projects and within departments will directly affect your level of departmentalization.

Types of Organizational Charts

Now that you've learned the key terms and language surrounding organizational structures, it's time to explore how you can combine these ideas to form different types of structures. Each type of chart comes with a free, customizable, downloadable template to help you on your journey towards creating the perfect organizational structure for your business.
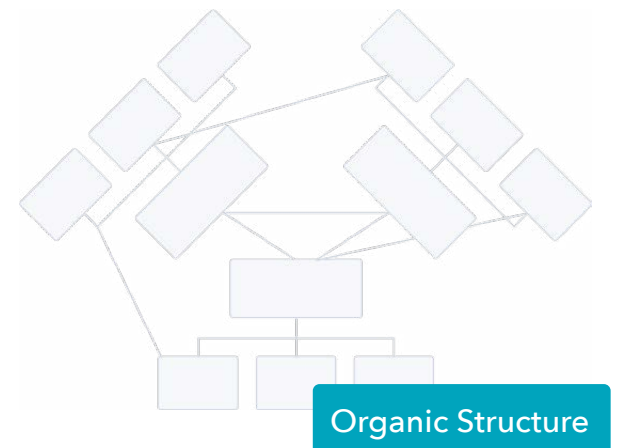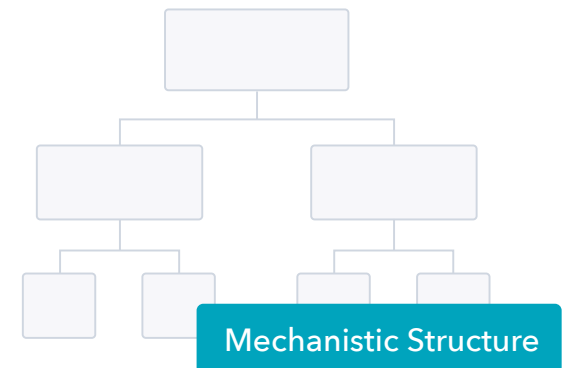
Mechanistic vs. Organic Structures

Organizational structures fall on a spectrum between mechanistic and organic. **Mechanistic structures** usually look like narrow spans of control, a rigid departmentalization, and a clear chain of command.

Oppositely, **organic structures** (also known as "flat" structures) are typified by wide spans of control, a loose departmentalization, and the chain of command, whether long or short, can sometimes be difficult to decipher.

The mechanistic structure represents the traditional, top-down approach to organizational structure, whereas the organic structure represents a more collaborative, flexible approach. As you move through this section, you'll uncover more specific types of organizational structures, most of which fall on the more traditional, mechanistic side of the spectrum.

Mechanistic Structure

Organic Structure

1. Functional Org Structure

One of the most common types of organizational structures, this functional structure splits up an organization based on common job functions. For example, an organization with a functional structure would group all of the marketers together in one department, group all of the salespeople together in a separate department, and group all of the customer service people together in a third department.
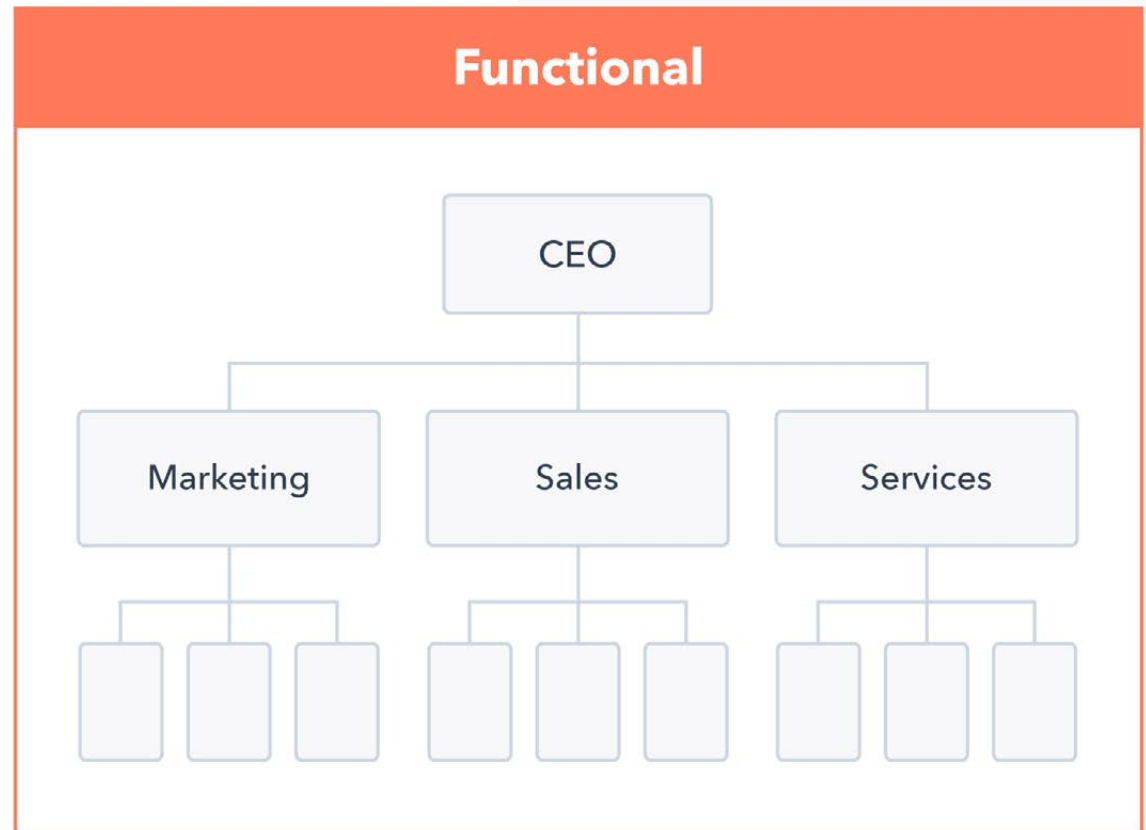
Download the Template

Functional

CEO

Marketing | Sales | Services

Pros

The functional structure allows for a high degree of specialization for employees, and is easily scalable should the organization grow.

Cons

The structure also has the potential to create barriers between different functions, and can be inefficient if the organization has a variety of different products or target markets.

2. Divisional: Product-Based Org Structure

Think of a divisional organizational structure as a structure that's composed of multiple, smaller functional structures (i.e. each division within a divisional structure can have its own marketing team, its own sales team, etc.). Divisional, product-based organizational structures are able to be more agile, since each division won't be slowed down by the processes or setbacks of other divisions. This allows for more employee specialization and a team of product experts, from marketing, to sales, to services.
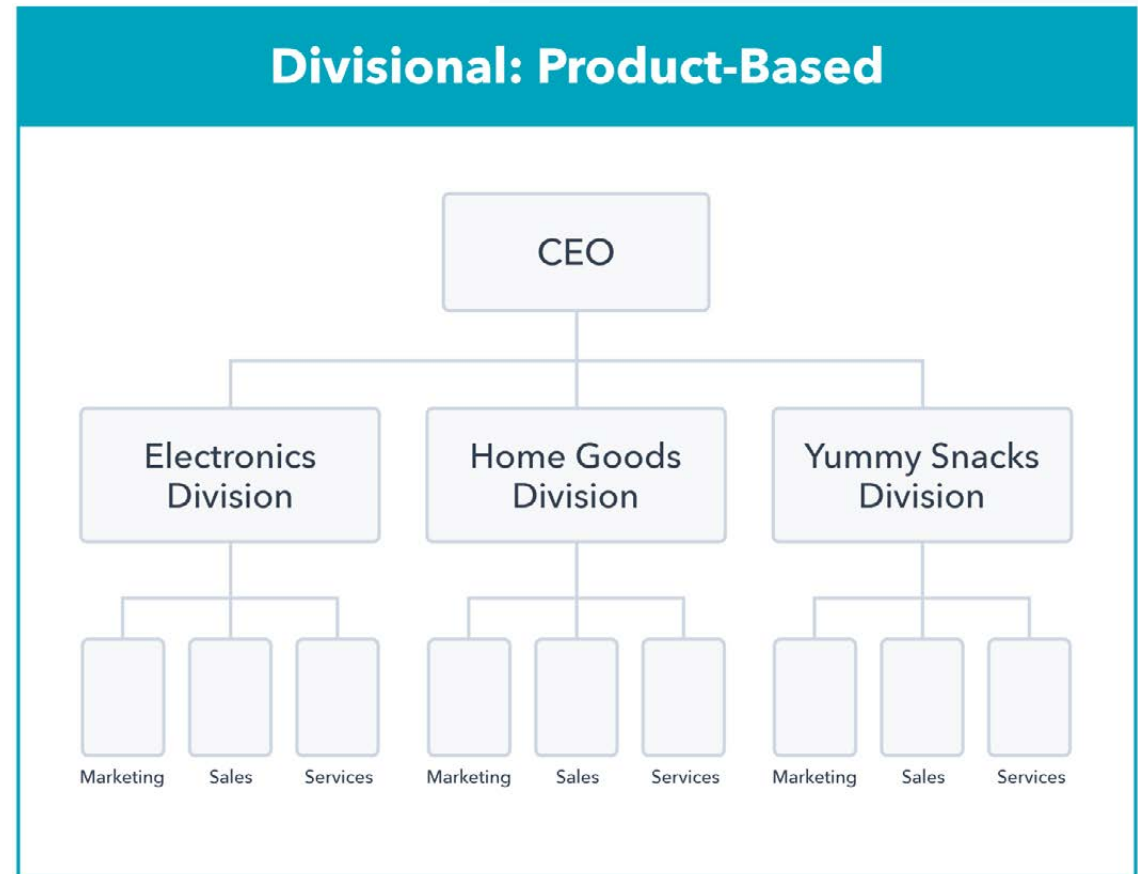
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Divisional: Product-Based


```
                    CEO
        ┌────────────┼────────────┐
   Electronics   Home Goods   Yummy Snacks
    Division      Division      Division
   ┌──┼──┐       ┌──┼──┐       ┌──┼──┐
 Marketing Sales Services  Marketing Sales Services  Marketing Sales Services
```

Pros

This type of structure is ideal for organizations with multiple products and can help shorten product development cycles.

Cons

It can be difficult to scale, and the organization may end up with duplicate resources as different divisions strive for autonomy.
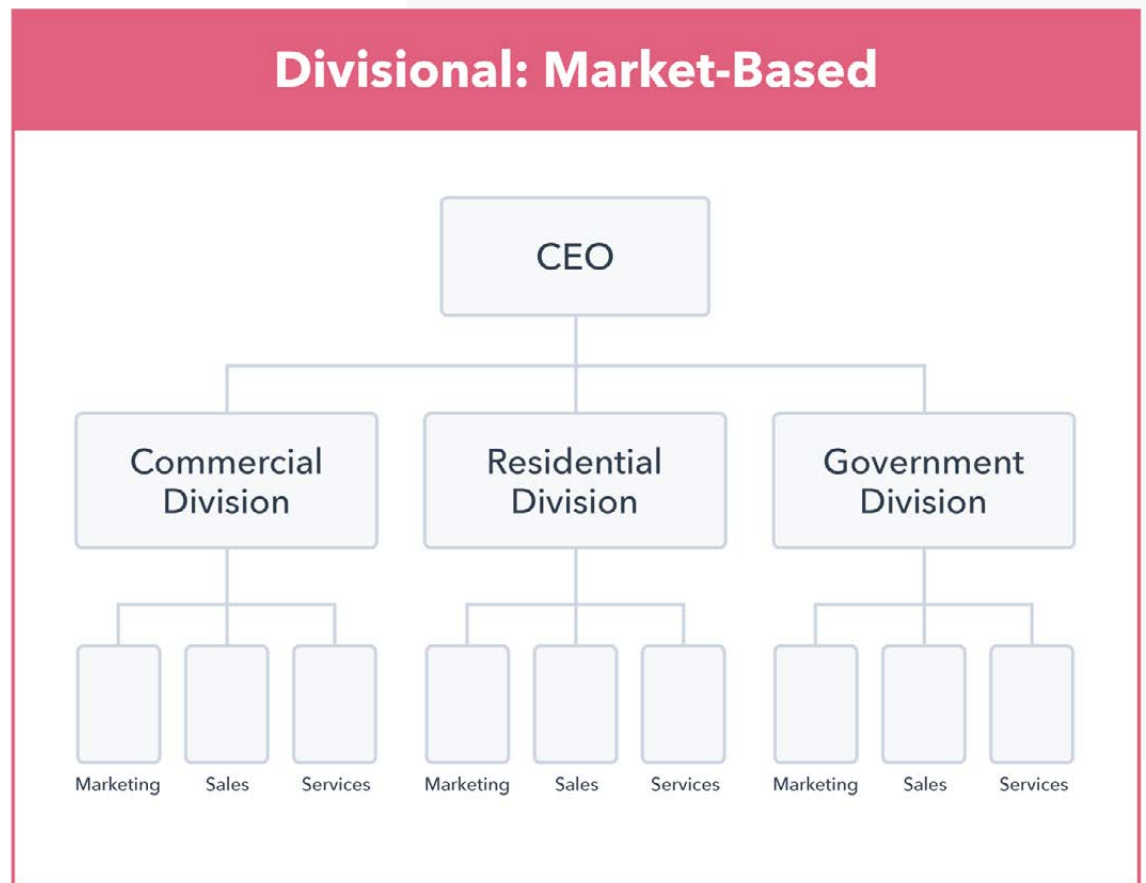
3. Divisional: Market-Based Org Structure

Another variety of the divisional organizational structure is the market-based structure, wherein the divisions of an organization are based around markets, industries, or customer types.

Download the Template

Pros

The market-based structure is ideal for an organization that has products or services that are unique to specific market segments, and is particularly effective if that organization has advanced knowledge of those segments.

Divisional: Market-Based

CEO

Commercial Division | Residential Division | Government Division

Marketing Sales Services   Marketing Sales Services   Marketing Sales Services

Cons

Too much autonomy can lead to divisions developing systems that are incompatible with one another, and divisions may also end up inadvertently duplicating activities that other divisions are already handling.

4. Divisional: Geographical Org Structure

The geographical organizational structure establishes its divisions based on geography. More specifically, the divisions of a geographical structure can include territories, regions, or districts.
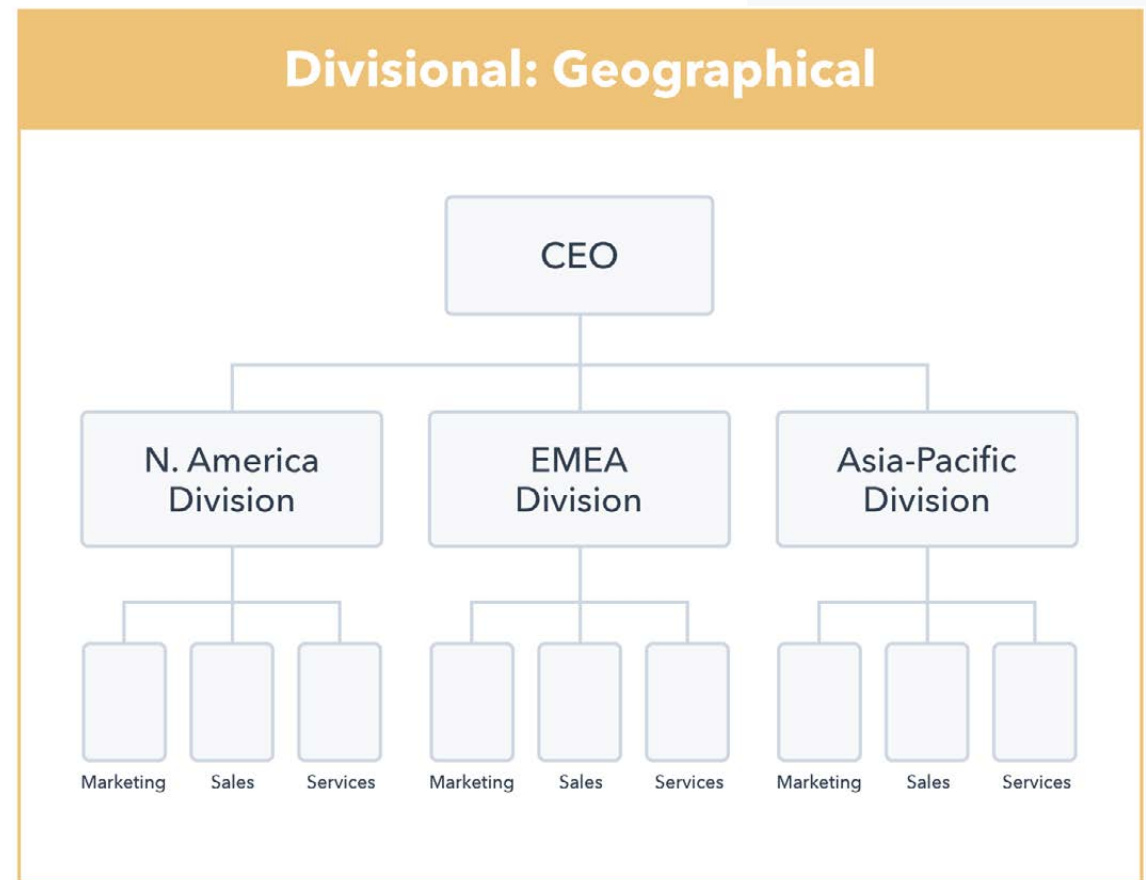
Download the Template

Divisional: Geographical

```
                    CEO
        ┌────────────┼────────────┐
  N. America      EMEA        Asia-Pacific
   Division      Division      Division
  ┌──┼──┐       ┌──┼──┐       ┌──┼──┐
```

Marketing Sales Services   Marketing Sales Services   Marketing Sales Services

Pros

This type of structure is best-suited to organizations that need to be near sources of supply and/or customers.

Cons

It can be easy for decision making to become decentralized, as geographic divisions often have a great deal of autonomy.

5. Process-Based Org Structure

Process-based organizational structures are designed around the end-to-end flow of different processes, such as research & development, customer acquisition, and order fulfillment. Unlike a strictly functional structure, a process-based structure considers not only the activities employees perform, but also how those different activities interact with one another.
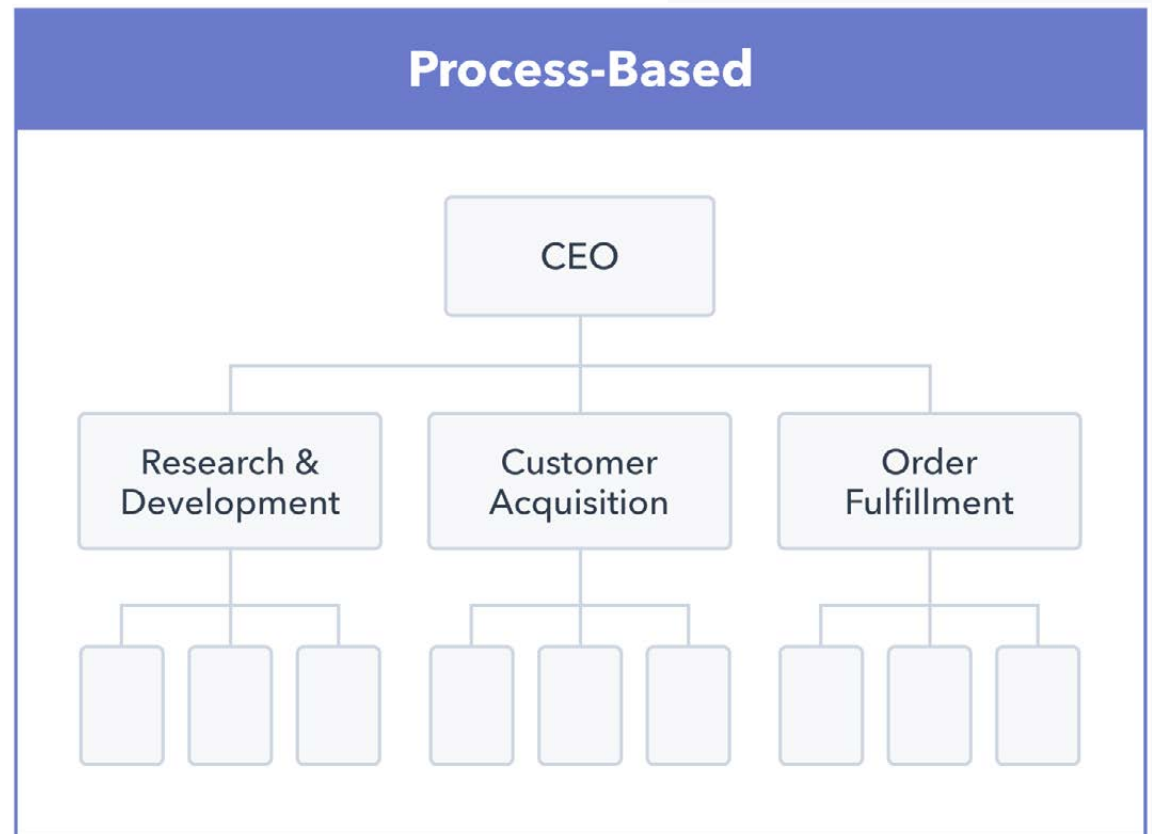
[Download the Template]

Process-Based

CEO

Research & Development | Customer Acquisition | Order Fulfillment

Pros

This structure is ideal for improving speed and efficiency, and is best-suited to rapidly changing business environments, as it is easily adaptable.

Cons

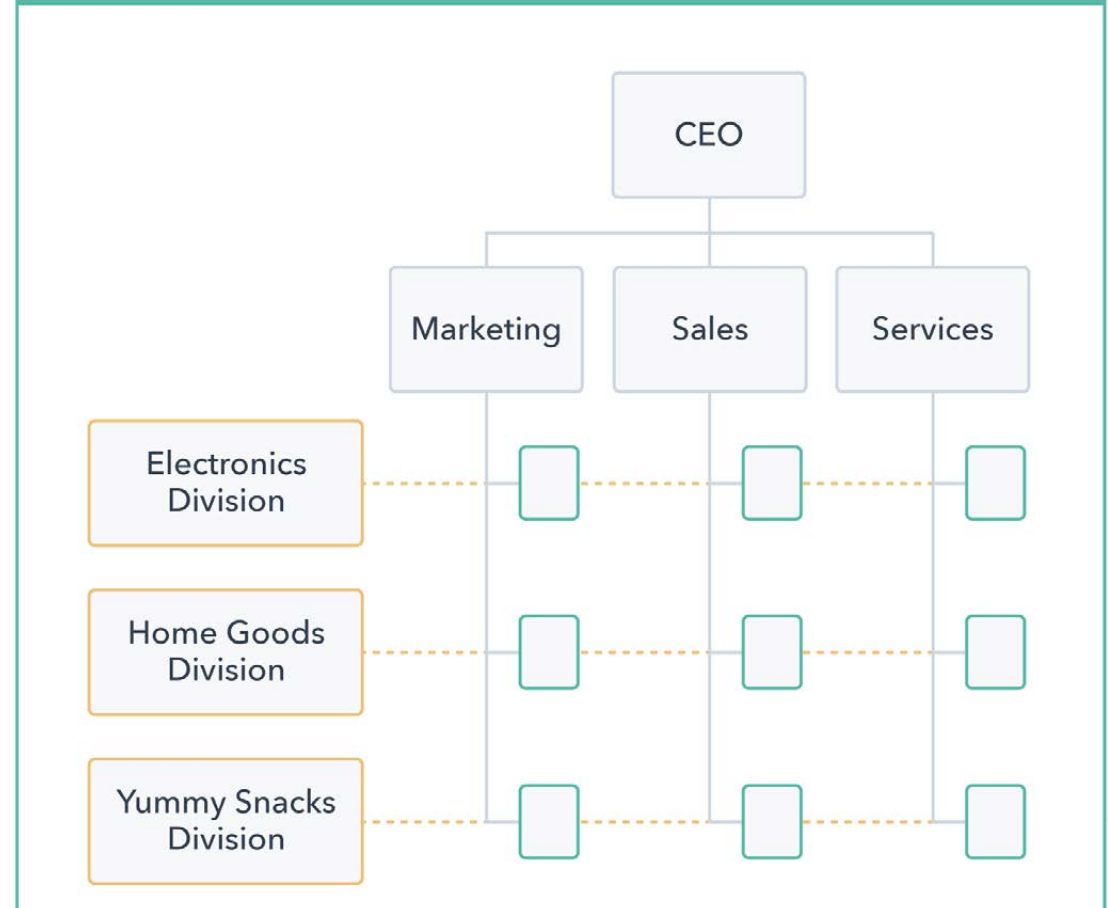Barriers between the different process groups can lead to problems communicating and handing off work.

6. Matrix Org Structure

Unlike the other structures we've looked at so far, a matrix organizational structure doesn't follow the traditional, hierarchical model. Instead, all employees have dual reporting relationships.

Typically, there is a functional reporting line as well as a product based reporting line. When looking at a matrix structure org chart, solid lines represent strong, direct-reporting relationships, whereas dotted lines indicate that the relationship is secondary, or not as strong.

Download the Template

Pros

The main appeal of the matrix structure is that it can provide both flexibility and more balanced decision-making, as there are two chains of command instead of just one.

Cons

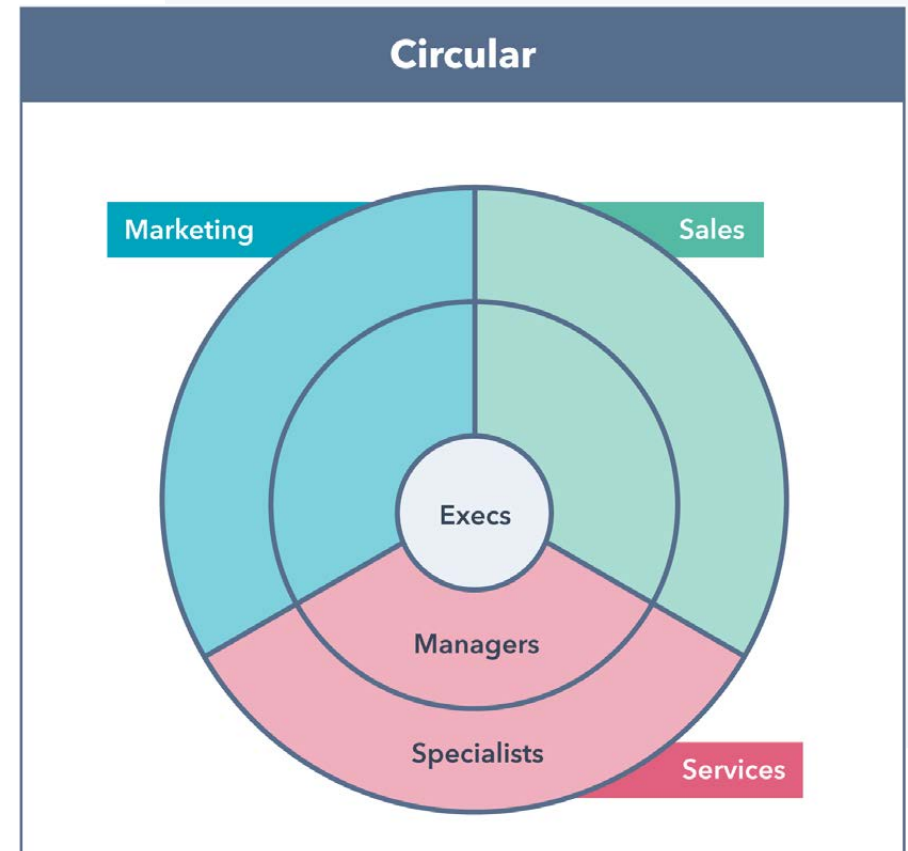The complexity of the structure can lead to confused employees.

7. Circular Org Structure

While it might appear drastically different from the other organizational structures highlighted in this section, the circular structure still relies on hierarchy, with higher level employees occupying the inner rings of the circle and lower-level employees occupying the outer rings. That being said, the leaders or executives in a circular organization aren't seen as sitting atop the organization, sending directives down the chain of command. Instead, they're at the center of the organization, spreading their vision outward.

Download the Template

Pros

The circular structure promotes communication and the free flow of information between different parts of the organization. Whereas a traditional structure shows different departments or divisions as occupying individual, semi-autonomous branches, the circular structure depicts all divisions as being part of the same whole.

Cons

From a practical perspective, the circular structure can be confusing, especially for new employees. Unlike with a more traditional, top-down structure, with a circular structure it can be difficult for employees to figure out who they report to and how they're meant to fit into the organization.
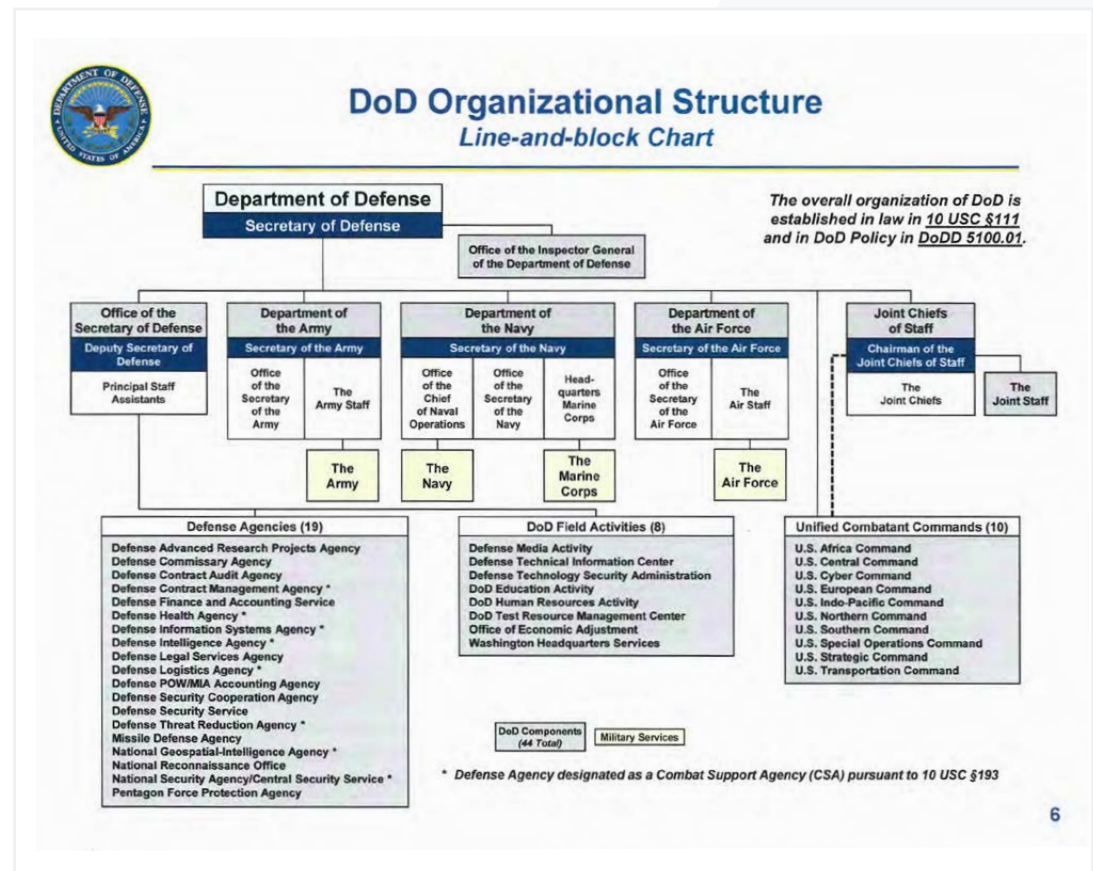
Examples of Organizational Charts

Now that you've seen the types of organizational charts available for you to structure your business, here are some of our favorites being used by top organizations today.

U.S Department of Defense

KEY FEATURES

- As an incredibly large organization with a clear hierarchy, the U.S Department of Defense adopts a divisional structure.

- The wide span of control rightfully gives the Secretary of Defense full control, while decentralizing responsibility at the top of the chain of command to the secretaries of each branch of the military.
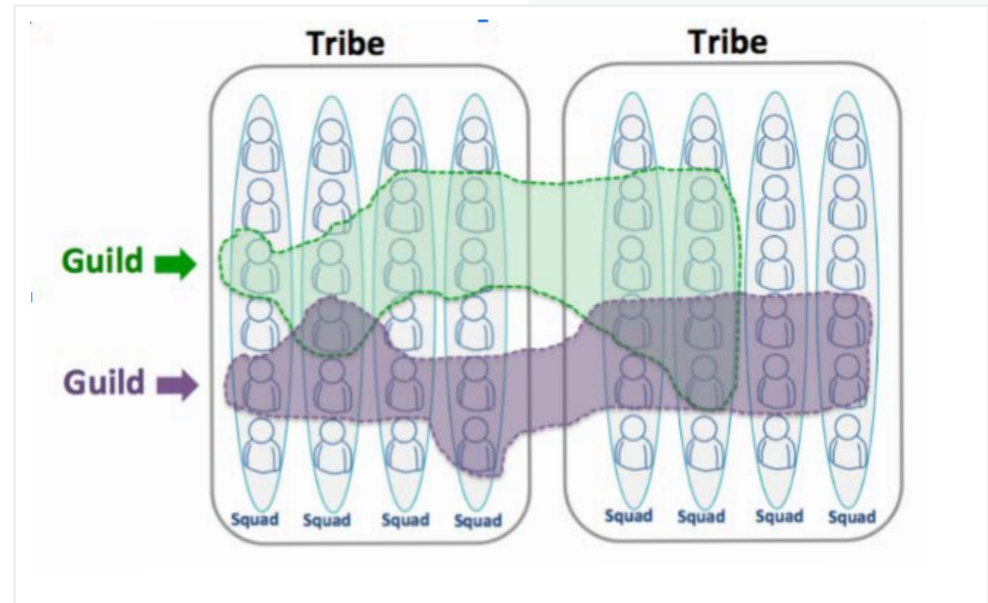

Source: U.S Department of Defense

Spotify

KEY FEATURES

- The chain of command is reinvented to make employees accountable for themselves, their squad, their tribe, and their guild.

- By restructuring their department organization, Spotify ensures each worker is in as specialized a team as possible.
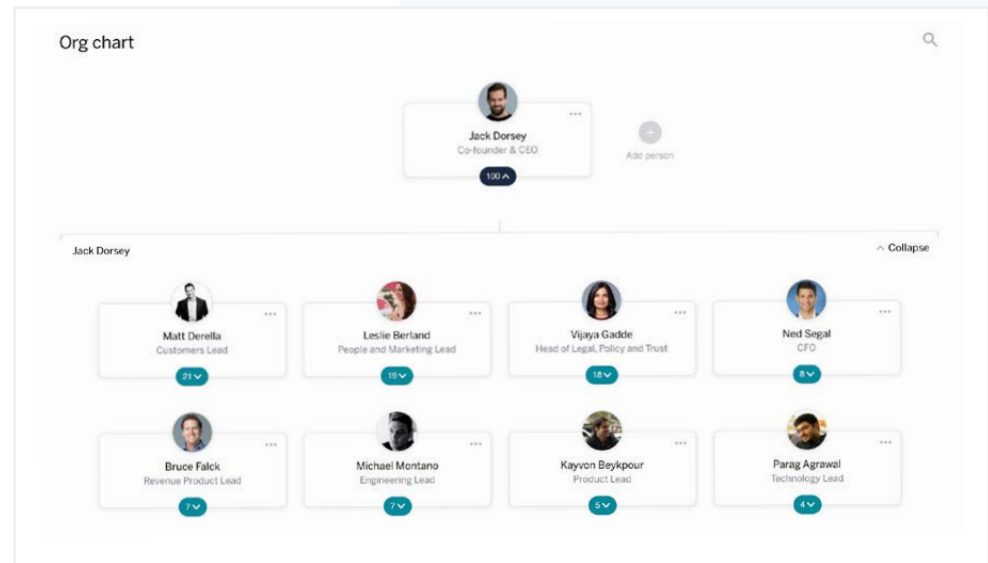

Source: Rainforest

Twitter

KEY FEATURES

- A classic chain of command structure, with an unbroken and clear line of authority to the CEO.

- The formal, wide span of control given to the CEO leads to a productive organization with structured accountability built right in.

Source: Twitter

Zappos

KEY FEATURES

- Zappos, well known for their customer service, **adopted the "self management" style of Holacracy, piloting the system in 2013**. It is a decentralized org structure that empowers employees to problem solve autonomously.

- As a customer-service oriented organization, Zappos wanted all employees to be able to contribute to the customer experience at every stage. Holacracy is a checks and balances system that is scalable and agile.
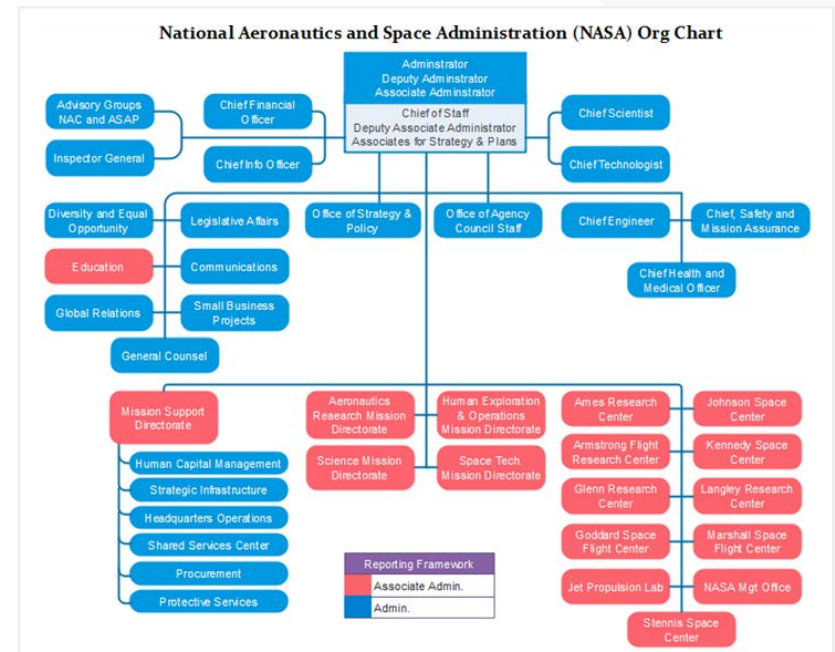

Source: **Holacracy**

NASA

KEY FEATURES

- This is an agency within the federal government and includes a helpful key delineating between associate administrators versus administrators.

- NASA has important sub-departments like the Ames Research Center, the Jet Propulsion Lab, and the Marshall Space Flight Center that all report directly to the top of the organization.

Source: **OrgCharting.com**

Buffer

KEY FEATURES

- Buffer uses Notion to clearly outline an individual's Area, Sub-Area, primary manager, and additional managers.

- This allows employees to quickly search for members of a given team or department in a functional, spreadsheet-adjacent org chart.

Aa First Name	☰ Last Name	⚙ Area	⚙ Sub-Area	↗ Managed By	↗ Manages
Adnan	Issadeen	Engineering	Systems	Colin	
Colin	Ross	Engineering	Systems	Katie	Steven Adnan Eric
Eric	Khun	Engineering	Systems	Colin	
Steven	Cheng	Engineering	Systems	Colin	
Eduardo	Esclapes	Engineering	Core	Joan	
Philippe	Miguet	Engineering	Core	Joan	
Sol	Villar	Engineering	Core	Joan	
Boris	Troja	Engineering	Reply	Joan	
Colleen	Riker	Engineering	Reply	Joan	
Ivana	Zuber	Engineering	Reply	Joan	
Joan	Deitchman	Engineering	Reply	Katie	Sol Boris Ivana Phil Colleen Juliana
Juliana	Gomez	Engineering	Reply	Joan	
Dan	Farrelly	Engineering	CTO	Joel	Michael
Katie	Womersley	Engineering	VP Eng	Joel	Kara Joan Marcus Colin Harrison
Amy Lee	Bennett	Engineering	Publish	Kara	
Ana	Almeida	Engineering	Publish	Kara	

Source: **Buffer**

Braze

KEY FEATURES

- Braze switched from a centralized product team to a product-based product team, opting to only keep UX research, visual design, infrastructure, and DevOps to centralized teams.

- By using product verticals, each individual product team can prioritize autonomously, and the centralized UX research and design teams can create consistency across product look and feel.

Current Team Structure		
UX Research		
Visual Design		
PRODUCT TEAM 1	**PRODUCT TEAM 2**	**PRODUCT TEAM 3**
Product Management	Product Management	Product Management
Product Design	Product Design	Product Design
Front-end Engineering	Mobile Engineering	Front-end Engineering
Back-end Engineering	Back-end Engineering	Back-end Engineering
Site Reliability Engineering	Site Reliability Engineering	Site Reliability Engineering
Infrastructure Engineering Teams		
DevOps		

Source: **Braze**

Structuring Your Team

In this section, we'll be looking at how you should structure a modern marketing team for optimal efficiency.
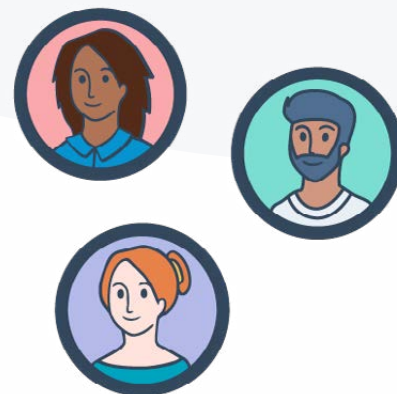
Before we dive in, it's important to understand that when it comes to organizational structure, there is no magic bullet. The success of a marketing team (or a business, for that matter), doesn't rest solely on the structure that underlies it.

Poor management and decision-making can disrupt any organization, regardless of how well it's structured. And while restructuring your organization might seem like an appealing option for increasing efficiency, it's not something to be taken lightly and can be a very difficult process.

That being said, here are some best practices you can follow when restructuring your team.

Keep an Eye on Reporting Relationships

When creating an organizational structure for your organization, be sure to keep an eye on the reporting relationships that you are building. These reporting relationships, up and down the chain of command (or sideways or middle-out depending on your org structure), must be clear so all team members understand their responsibilities and to whom they are accountable. If these reporting relationships aren't built on trust and mutual understanding, tasks are susceptible to falling by the wayside. Additionally, managers benefit by knowing who is supervising which teams, so they can delegate tasks in a more streamlined fashion.

Monitor Task Completion and Support Accountability

The purpose of restructuring your organization is to optimize efficiency, which is measured in the completion of tasks. Project managers should use your organizational structure as a window into your team member's responsibilities and capabilities. If a task or string of tasks fails to be completed, the project manager can follow the span of control surrounding the task until they find the specialization responsible for the low productivity. Regulated accountability is a main benefit of restructuring an organization, a factor that project managers and team leaders should take advantage of.

Be Open to Growing

Growing companies are successful companies, when a flexible organizational structure has been established. As your company expands, your organizational structure needs to evolve with it and be multifacet enough to give each department the support it needs. This may look like expanding an executives span of control, or switching your structure from centralized to decentralized to balance the responsibilities of a rapidly growing organization. Growth is a good thing, when you are prepared for it.

Customize your Structure

Once you have determined the type of organizational chart with which to structure your business, fit the chart to your team's needs. Across industries, companies require emphasis on different functions of their structure. These organizational structures are meant to help, not negatively affect your productivity. If you find your teams to be fighting against the structures put in place, revisit and reorganize. Customizing your organizational chart to fit the needs of your employees is a priority, don't hesitate to restructure or reposition whole departments on your chart if that is what it takes to get the job done.

Building Your Remote Organizational Structure

Remote and hybrid work is a trend that does not seem to be leaving us any time soon, so why not embrace it? In order to dive right into the modern workforce rather than swim against the current, adapt your current organizational structure to fit your new remote team needs.

If you are worried about what effect going remote will have on your organization and your organizational chart, there's no reason to fear. Instead, focus that energy on preparing your teams for the shift to remote work.

Why should you embrace remote work?

Because it is not going anywhere. The amount of people who work remotely at least once per week has grown **by 400% since 2010**.

Because your employees will be delighted. **83% of workers**, remote or on-site, say that a remote work opportunity would make them feel happier at their job.
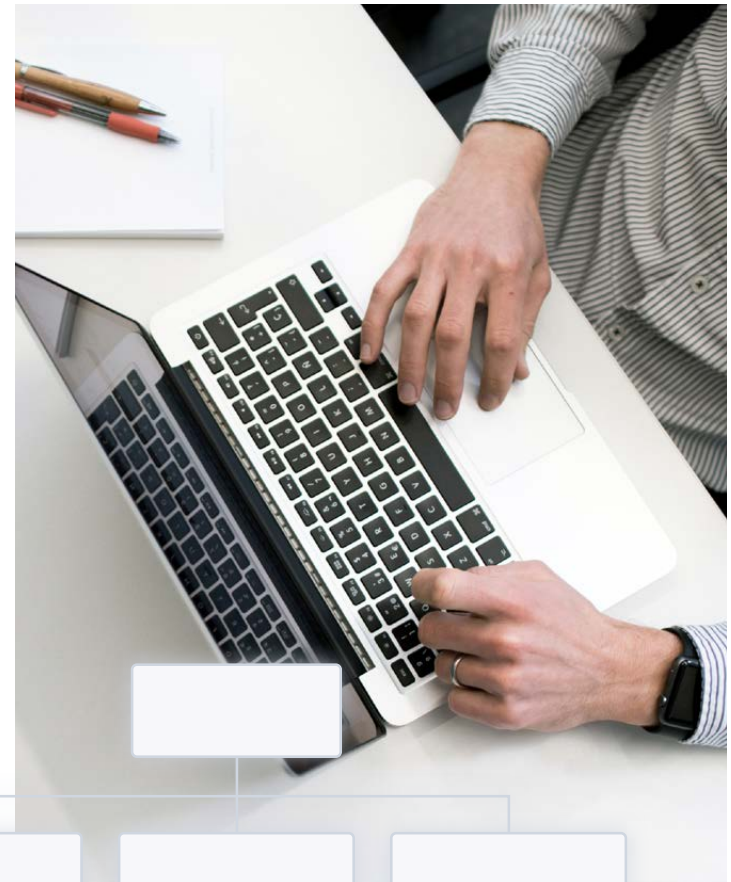
Because your company will thrive from the change. **77% of remote employees** say they're more productive when working from home.

How to Build a Remote-Friendly Organizational Structure

Allow your employees the freedom to find their own routine, then mold your org chart around them. Frequently, your remote teams will show you how they are succeeding and will tell you when they need help. So, before you strap your remote teams into a rigid structure, give them the opportunity to show you how they succeed.

Embrace communication and collaboration tools. A common fear for organizations on the brink of transitioning to remote work is that employees will be less connected, and therefore less productive, if they work from home. However, when you utilize the appropriate remote work tools and create a clear chain of command, your remote teams will thrive from the distance of their home offices.

Establish remote work structure through the creation of a comprehensive organizational chart. Employees who can see how their work directly contributes to the larger goals of the company are more inclined to produce high achieving work.

Conclusion

You're now ready to hit the ground running and create the perfect organizational structure for your business. Large or small, on-site or fully remote—watch as your organization thrives in new and exciting ways thanks to your refreshed organizational structure. Now that your new structure is in place, what's next?

Well, it's time for a software check! Whether you are looking forward to launching your new remote company, or are stoked for a revamp of your storied organization, it is never a bad idea to update your software. From your sales and marketing teams to your service department, choose the software that works for you. **Get started right here.**

HubSpot

Get Started With HubSpot

HubSpot has the tools to help you organize your business, increase leads, boost sales, build a powerful website and more. We have solutions for businesses large and small and have a world-class customer support team to help you along your journey.

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