E ven for a start-up with only a few employees, choosing an organizational structure requires far more than simply deciding who is the boss and how many employees are needed. The organization's structure determines what relationships form, the formality of those relationships, and many work outcomes. The structure may also change as organizations grow and shrink, as management trends dictate, and as research uncovers better ways of maximizing productivity.

Structural decisions are arguably the most fundamental ones that a leader must make toward sustaining organizational growth.[1] In this chapter, we'll explore how structure affects employee behavior and the organization as a whole.

What Is Organizational Structure?

15-1 Identify seven elements of an organization's structure.

organizational structure The way in which job tasks are formally divided, grouped, and coordinated.

An **organizational structure** defines how job tasks are formally divided, grouped, and coordinated.[2] Managers should address seven key elements when they design their organization's structure: work specialization, departmentalization, chain of command, span of control, centralization and decentralization, formalization, and boundary spanning.[3] Exhibit 15-1 presents each element as the answer to an important structural question, and the following sections describe each one.

Work Specialization

Early in the twentieth century, Henry Ford became rich by building automobiles using an assembly line. Every worker was assigned a specific, repetitive task such as putting on the right front wheel or installing the right front door. By dividing jobs into small standardized tasks that could be performed over and over, Ford was able to produce a car every 10 seconds, using employees with relatively limited skills.[4]

Exhibit 15-1	Key Design Questions and Answers for Designing the Proper Organizational Structure
The Key Question	**The Answer Is Provided by**
1. To what degree are activities subdivided into separate jobs?	Work specialization
2. On what basis will jobs be grouped together?	Departmentalization
3. To whom do individuals and groups report?	Chain of command
4. How many individuals can a manager efficiently and effectively direct?	Span of control
5. Where does decision-making authority lie?	Centralization and decentralization
6. To what degree will there be rules and regulations to direct employees and managers?	Formalization
7. Do individuals from different areas need to regularly interact?	Boundary spanning