

# A STUDY ON ORGANIZATION STRUCTURE AND DESIGN

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## *Abstract*

An organizational structure is a vital element of any company's success. It helps to define roles, responsibilities, and reporting relationships, creating a framework for effective decision-making and communication. In this case study paper, we will examine the organizational structure of three major companies: Amazon, Netflix, and IBM. It analyses how organizational structure impacts the company's operations, culture, and overall success. The case study will focus on a specific company and its organizational structure, examining the different levels of hierarchy, the communication channels, and the decision-making processes. We will also explore how the organizational structure affects the company's ability to adapt to changes in the market and the industry. Overall, this case study paper will provide a detailed analysis of the importance of organizational structure in achieving business success. By examining a real-world example, we can gain a deeper understanding of how organizational structure influences a company's performance, and how it can be optimized to achieve better results.

**Keywords:** organizational structure, organizational design, Amazon, Netflix, IBM

## 1. INTRODUCTION

The way a corporation sets up its staff and resources to accomplish its objectives is referred to as its organisational structure. It involves the division of tasks, coordination of activities, and allocation of resources across different levels of hierarchy. The structure defines how power and authority are distributed within the organization, and how communication flows between different departments and individuals.

Organisational structures can be hierarchical, flat, matrix-like, or even network-like. Hierarchical structures are the most common, with a clear chain of command and centralized decision-making. Flat structures, on the other hand, have few levels of hierarchy and a more decentralized decision-making process. Matrix structures combine elements of both hierarchical and flat structures, with employees reporting to multiple managers or supervisors. Network structures are more fluid and dynamic, with teams formed around specific projects or initiatives.

The choice of organizational structure depends on several factors, including the company's size, industry, culture, and goals. For example, a small startup might prefer a flat structure to encourage

creativity and innovation, while a large corporation might require a more hierarchical structure to ensure efficiency and consistency. Organizational structure also impacts the company's culture and performance. A well-designed structure can promote collaboration, communication, and innovation, while a poorly designed structure can lead to confusion, inefficiency, and conflict. Therefore, it is essential for companies to regularly review and optimize their organizational structure to ensure that it aligns with their goals and promotes success.

## 2. FOUNDATIONS OF ORGANIZATION STRUCTURE

The foundations of organizational structure are based on several key elements that shape the way a company operates. These elements include:

- **Strategy:** The organization's strategy determines its goals and objectives, which in turn shape the structure of the organization. The structure must align with the company's strategic goals to ensure its success.
- **Environment:** The company's external environment, including the industry, competition, and legal and regulatory framework, also impacts its organizational structure. Companies must adapt to changes in the environment to remain competitive and successful.
- **Culture:** The company's culture, values, and beliefs influence the design of its organizational structure. Companies that prioritize innovation and creativity may have a more flexible and flat structure, while those that prioritize efficiency and consistency may have a more hierarchical structure.
- **Technology:** Advances in technology have led to significant changes in organizational structure, particularly in the areas of communication, collaboration, and data management. Companies must adapt to new technologies to remain efficient and effective.
- **People:** The skills, knowledge, and expertise of the company's employees also influence its organizational structure. Companies must consider the roles and responsibilities of their employees when designing their structure to ensure they have the resources they need to achieve their goals.

## 3. ORGANIZATION DESIGN

Organization design is the process of creating or modifying an organization's structure to achieve its strategic goals and objectives. It involves designing the formal structure, processes, systems, roles, and responsibilities of the organization with its strategy and capabilities, organizations can become more efficient, effective, and competitive.

The organization design process typically involves several steps:

1. **Analysing the current organization:** This involves assessing the current structure, processes, systems, roles, and responsibilities of the organization, and identifying any areas that need improvement.
2. **Defining the organization's strategy:** This involves defining the organization's goals, objectives, and priorities, and aligning them with its mission and vision.
3. **Identifying the required capabilities:** This involves identifying the skills, knowledge, and expertise that the organization needs to achieve its strategic goals.
4. **Designing the organization structure:** This involves creating a structure that aligns with the organization's strategy and capabilities. The structure defines how tasks are divided, who reports to whom, and how decisions are made.
5. **Defining roles and responsibilities:** This involves defining the roles and responsibilities of each position in the organization and ensuring that they align with the organization's strategic goals.
6. **Implementing the new design:** This involves implementing the new structure, processes, systems, roles, and responsibilities, and communicating the changes to the organization's employees.
7. **Monitoring and evaluating the new design:** This involve monitoring the effectiveness of the new design and making adjustments as needed to ensure that it continues to support the organization's strategic goals.

#### 4. CASE STUDY 1 - AMAZON

Amazon is a global technology corporation with expertise in artificial intelligence, cloud computing, digital streaming, and e-commerce. The company was founded in 1994 and has since grown into one of the largest and most successful companies in the world. Amazon's mission is to be Earth's most customer-centric company, where customers can find and discover anything they might want to buy online.

##### 4.1. Organizational Structure:

Amazon's organizational structure is hierarchical, with clear lines of authority and a focus on efficiency and consistency. The company is organized into several business units, each of which focuses on a specific product line or service offering, such as Amazon Web Services, Amazon Prime, and Amazon Marketplace. These business units are organized into functional departments such as finance, legal, and human resources that support the entire organization.

#### **4.2. Decision-making:**

Amazon's hierarchical structure allows for clear decision-making processes, with decisions being made by senior management and communicated down the chain of command. The company places a strong emphasis on customer service and relies on data-driven decision-making to ensure that it meets its customers' needs.

#### **4.3. Culture:**

Amazon's culture is one of innovation and experimentation, with a strong focus on continuous improvement. The company values risk-taking and encourages employees to think big and challenge the status quo. However, the company has also faced criticism over its intense work culture and the pressure it places on employees.

#### **4.4. Effectiveness:**

Amazon's hierarchical structure supports the company's focus on efficiency and consistency, allowing it to deliver products and services to customers quickly and reliably. The company's culture of innovation and experimentation is supported by a flexible structure that encourages risk-taking and learning. However, the hierarchical structure can also be a barrier to innovation, requiring ongoing efforts to maintain a culture of experimentation and agility.

#### **4.5. Summary:**

Overall, Amazon's hierarchical structure supports the company's focus on efficiency and customer service, allowing it to deliver products and services quickly and reliably. The structure also supports the company's culture of innovation and experimentation, allowing it to explore new opportunities and technologies. However, the hierarchical structure can also be a barrier to innovation, requiring ongoing efforts to maintain a culture of experimentation and agility. The company's success also relies heavily on its ability to balance the demands of its stakeholders, including customers, employees, and shareholders.

### **5. Case Study 2 – NETFLIX**

Netflix is a multinational entertainment company that specializes in streaming television series, films, and documentaries. The company was founded in 1997 and has since grown into one of the largest and most influential media companies in the world. Netflix's mission is to entertain the world, creating content that appeals to diverse audiences around the globe.

#### **5.1. Organizational Structure:**

Netflix's organizational structure is unique, with a culture that emphasizes freedom and responsibility. The company is organized into several business units, each of which focuses on a

specific content genre, such as drama or comedy. These business units are organized into cross-functional teams that work together to create, produce, and distribute content.

### **5.2. Decision-making:**

Netflix's culture of freedom and responsibility allows for a decentralized decision-making process, with employees at all levels empowered to make decisions that align with the company's values and goals. The company places a strong emphasis on data-driven decision-making, using data analytics to guide content creation and distribution.

### **5.3. Culture:**

Netflix's culture is one of creativity, experimentation, and innovation. The company values diversity and inclusivity, encouraging employees to bring their unique perspectives and experiences to the table. The company also places a strong emphasis on continuous learning and growth, providing employees with opportunities for professional development and career advancement.

### **5.4. Effectiveness:**

Netflix's unique organizational structure supports the company's focus on creativity and innovation, allowing it to produce content that appeals to diverse audiences around the world. The culture of freedom and responsibility allows employees to take risks and experiment with new ideas, leading to the creation of ground-breaking content that sets Netflix apart from its competitors. However, the decentralized decision-making process can also lead to lack of coordination and alignment, requiring ongoing efforts to maintain a cohesive strategy.

### **5.5. Summary:**

Overall, Netflix's unique organizational structure and culture support the company's focus on creativity, experimentation, and innovation, allowing it to produce content that appeals to diverse audiences around the world. The culture of freedom and responsibility empowers employees to take risks and experiment with new ideas, leading to ground-breaking content that sets Netflix apart from its competitors. However, the decentralized decision-making process can also be a challenge, requiring ongoing efforts to maintain coordination and alignment with the company's goals and values.

## **6. CASE STUDY 3 – IBM**

IBM is a multinational technology company that provides hardware, software, and consulting services to businesses and governments around the world. The company was founded in 1911 and has since evolved into one of the largest and most successful companies in the world. IBM's mission is to help clients leverage the power of technology to drive innovation, transform their businesses, and create new opportunities for growth.

### **6.1. Organizational Structure:**

IBM's organizational structure is a matrix structure, which combines elements of both functional and divisional structures. The company is organized into several business units, each of which focuses on a specific product line or service offering. These business units are grouped into three main divisions: Cloud and Cognitive Software, Global Business Services, and Systems. Under each division, IBM has functional departments such as finance, human resources, and legal that support the entire organization. Additionally, IBM has a global matrix structure where employees belong to both their business unit and a specific functional department, such as research or development.

### **6.2. Decision-making:**

IBM's matrix structure allows for a flexible decision-making process that is based on collaboration and consensus-building. Decisions are made through a complex network of committees and teams, with input from employees at all levels of the organization. This structure encourages cross-functional collaboration and knowledge sharing, which can lead to innovation and improved problem-solving.

### **6.3. Culture:**

IBM's culture is one of collaboration, innovation, and continuous learning. The company values diversity and inclusion and encourages employees to bring their unique perspectives and ideas to the table. IBM also places a strong emphasis on ethics and corporate responsibility, with a commitment to sustainability and social responsibility.

### **6.4. Effectiveness:**

IBM's matrix structure allows the company to balance the needs of its different business units and customers. The structure promotes collaboration and innovation, which can lead to new product development and improved customer service. However, the complex decision-making process can also lead to slow decision-making and lack of accountability. To address this, IBM has implemented initiatives to streamline decision-making and increase accountability.

### **6.5. Summary:**

Overall, IBM's matrix structure supports the company's culture of collaboration and innovation, allowing it to adapt to changes in the market and meet the needs of its customers. The structure also allows IBM to leverage its diverse resources and capabilities to drive innovation and achieve its strategic goals. However, the complex decision-making process can be a challenge, requiring ongoing efforts to improve efficiency and accountability.

## 7. CONCLUSION

An organization's aims are directed at certain activities according to its organisational structure. Successful organizational structures define each employee's job and how it fits within the overall system. Types of organizational structures include hierarchical, flat, matrix, and network. Prior to determining which style of organisation is appropriate for their company, senior leaders should take into account a number of variables, including as the company's culture, industry, and business goals.

The paper has examined the organizational structures of three major companies: Amazon, Netflix, and IBM. Through an analysis of their structures, we have gained a deeper understanding of how organizational structure impacts a company's performance, culture, and ability to adapt to changes in the market. This case study highlights the importance of organizational structure in achieving business success. Each company's structure is shaped by its strategy, environment, culture, technology, and people, and is constantly evolving to meet changing business needs. By regularly reviewing and optimizing their structures, companies can ensure that they remain competitive and effective in a rapidly changing business environment.

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