Analytical Comparison of Flat and Vertical Organizational Structures

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Abstract
The emerging organizational paradigm involves complementary changes in multiple dimensions. Traditional perspectives on management are inadequate to cope with a hypercompetitive and fast changing environment. New methods and management systems are demanded by the complex, rapidly evolving, virtual business environment of present day. As economies and organizations are increasingly becoming complex, environment changing more rapidly, and acceptable response times diminishing, the old management structures are simply failing to cope with change and development. This paper has addressed the structure of modern organizations in the context of a fundamental change in organizational structure which is currently taking place in the way companies view their organizations and the inherent requirements and results. This change has involved a shift in perspective from the commonly adopted vertical organizational structure to flat type of organizational structure. Paper has also discussed the traditional organizational structures which are being replaced by flat organizational structure and aims to save capital by cost cutting. Various core benefits have also been discussed and compared with other type of organizational structures.
Keywords: Organizational Structure, Flat Organizations, hypercompetitive, vertical organizational structure, flat organizational structure.

INTRODUCTION
Every organization has some goals to achieve and these goals can be achieved only by combined efforts of various resources, this includes division of work and grouping of numerous activities performed in an organization, according to the required need and specialization. To attain these goals it is important for an organization to have a proper organizational structure. In order to achieve maximum performance organizational structure has to be appropriate and matched with the rate of change in the environment (Burns and Stalker, 1961). Organizational structure is defined as "the establishment of authority relationships with provision for coordination between them, both vertically and horizontally in the enterprise structure" (Koontz, 1994).
Modern organization design draws on ideas from many fields to make functioning more effective and dynamic to blend individual and organizational solutions together into a cohesive whole. New designs focus on adaptability. They rely highly on employee involvement, distribute authority based on skill and have fewer rules and boundaries, resulting in a more organic structure.

ORGANIZATIONAL STRUCTURE
The framework for organizing formal relationships of authority, responsibility and accountability is known as the organizational structure. It provides the means for clarifying and communicating the lines of responsibility, authority, and accountability. Any operating organization should have its own structure in order to operate efficiently. For an organization, the organizational structure is a hierarchy of people their positions and functions. Although the organization follows a particular structure, there can be departments and teams following some other organizational structure in exceptional cases. Sometimes, some organizations may follow a combination of different structures. Different organizational structures that companies follow are reliant on number of factors such as:

- Size of business,
- Nature of business,
- Geographical regions,
- Work flow,
- Leadership style and
- Hierarchy etc

Depending on the organizational values, size, type and the nature of the business, organizations may adopt any or combination of some of the following structures for management purposes.

Line and Line & Staff Organizational Structure
Line organizational structure has a specific line of command. The approvals and orders in this kind of structure come from top to bottom in a line, whereas, line and staff structure combines in the line structure where information and approvals come from top to bottom, with staff departments for support and specialization. Line and staff organizational structures are more centralized. The decision making process becomes slower in this

type of organizational structure because of several layers and guidelines.

Functional Organizational Structure

Functional type of organizational structure classifies people with similar skills who perform the same function. In this kind of structure communication has several barriers which make coordination difficult and employees may not gain knowledge about other specialization.

Divisional and Market Organizational Structure

These types of organizations divide the functional areas of the organization on the basis of divisions or markets. Each division or markets is equipped with its own resources in order to function independently. There can be many bases to define divisions or markets . Divisions or markets can be defined based on the geographical basis, products/services basis, or any other measurement. In such type of organizational structures each unit operates for its own goals, organizational goals may not be achieved and unhealthy competition may exist among internal business units.

Product and Process Organizational Structure

A product or process structure is based on organizing employees and work on the basis of different products manufactured or processes of manufacturing. If a company manufactures goods or services by adopting three different processes or has a range of three different products, companies will have three different divisions for these products or processes. Process or product focused organizations design and manage end-to-end processes rather than tasks, measure process results rather than department efficiencies, and think in terms of the customer and related goals rather than functional goals.

Project and Matrix Organizational Structure

In a Project type organization, the majority of people and resources are assigned to completing projects. Management is hierarchical but fewer levels are required than in the Functional type. These are vigilant structures. The best opportunities for process improvement are usually found in accelerating project completion with fewer people, on budget and on time. In matrix type of organizational structure, the company uses teams to complete tasks in combination with the project type of organizational structure. The teams are formed based on the functions they belong to and product they are involved in.

Bureaucratic Organizational Structure

In this kind of structure tasks, processes and procedures are standardized. This type of structure is less adaptable to changes in environment and does not encourage innovative ideas as well as lead to employee dissatisfaction and high attrition.

Network/Virtual Organizational Structure

In this structure, organization managers are required to maintain and coordinate business relations with outside parties like customers, vendors and associates in order to achieve a collective goal of profitability and growth. Relations are maintained through telecommunication and electronic media. But too much dependence on technologies like internet, phone etc. can cause problems as there is no physical place for employees. It also affects communication.

CHANGING PARADIGM OF ORGANIZATIONAL HIERARCHY

The techniques, concepts and structures articulated by people such as Taylor, Fayol and Weber are proving less effective in today's increasingly connected/ wired world. Organizations find that traditional management methods and structures - which were devised in an era, characterized by "closed equilibrium system" thinking, and when businesses were stable, competitors few, customers loyal, and financial results predictable - fail to adequately deal with the realities of a complexity-based view of the world in a new, virtual era defined by D'Aveni (1994) as one of "discontinuous change and hyper-competition". The new, virtual reality world requires a new form of management.

According to D'Aveni, (1994), Ohmae (1995), Beatty and Ulrich (1993), several trends emerged simultaneously during the 1980's, which were brought about largely by the convergence of existing and new technologies. Globalization, reduced technology cycles, shifting demographics, changing expectations among workers and customers, the restructuring of capital markets, the exponential expansion of information technology and computer networks, the rapid advances of information science, as well as the dismantling of hierarchy, are all examples of these trends.

It is for this reason that Toffler (1999) now identifies a Third Wave which he calls the Information or Knowledge Age, characterized by a new economic reality. This differs from the standardization ethic, which dominated the Second Wave, in terms of the degree of "individualization and diversity" that technology has made possible.

Stewart (1993:32) has identified some of the consequences of these trends. The frantic pace of change in technology, geopolitics and markets has left many organizations vulnerable. Computerized information systems have lead to lower unit costs and higher productivity; sheer size is no longer sufficient for large companies to dominate in a world of fast-moving, flexible smaller organizations; rapidly changing technology has made the concept of the experience curve obsolete as a strategic competitive tool, and the customer and consumer are both

smarter and more demanding. In addition, emerging around the trends identified above is the whole new information economy, identified by Toffler, in which the fundamental sources of wealth are ones pertaining to a virtual world: knowledge and communication, rather than natural resources and physical labour.

In short, these authors believe that the current/ traditional perspectives on management are inadequate to cope with a hypercompetitive and fast changing environment, and that these traditional approaches are better suited to slower and less aggressive competition, characterized by long periods of stability between disruptions. New methods and management systems are demanded by the complex, rapidly evolving, virtual business environment of today. As economies and organizations become increasingly complex, as the environment changes more rapidly, and as acceptable response times diminish, the old management structures are simply failing to satisfy. Additionally, because of the technologically induced changes to work practices, new leadership and management challenges are constantly emerging.

One of the impacts that technology - as defined by Beatty and Ulrich (1993), D'Aveni (1994), Toffler (1999) and Hardison (1989) - has had on society, especially technology that allows people to communicate across intra-organizational and inter-organizational boundaries, is the creation of what Noble (1996) calls the "boundary-less organization in a borderless global marketplace". According to Robbins (1996:565), the boundaryless organization "seeks to eliminate the chain of command, have limitless spans of control, and replace departments with empowered teams".

TALL AND FLAT ORGANIZATIONAL STRUCTURE

The structure of business organizations can be described as either tall or flat, which refers to the levels of management in the organization's hierarchy and the corresponding distance between front-line or entry-level employees and top management. Whether a business has a tall or a flat structure can have important impacts on a variety of elements within the organizational culture. The difference between tall and flat organizational structures is the layers of management. In a flat organizational structure, there may be just one top manager who is an owner or CEO of the company, overseeing a handful of other employees, all with equal levels of authority. In a tall organizational structure, by contrast, there are multiple layers of authority between the CEO and low-level employees. For example, an entry-level employee may report to a supervisor, who reports to a manager, who reports to a director, who reports to a vice president, who, finally, reports to top management.

FLAT ORGANISATIONS

Flat organisations relatively have few layers or just one layer of management. This means that the "Chain of Command" from top to bottom is short and the "span of control is wide". Span of control refers to the number of employees that each manager is responsible for. If a manager has lots of employees reporting to them, their span of control is said to be wide. A manager with a small number of direct reports has a narrow span of control. Due to the small number of management layers, flat organisations are often small organisations and have following characteristics:

- Decentralized Management Approach
- Few levels of Management
- Horizontal career path that cross functions
- Broadly defined jobs
- General job descriptions
- Flexible boundaries between jobs and units
- Emphasis on teams
- Strong focus on the customer

SIGNIFICANCE OF FLATTER ORGANIZATIONAL STRUCTURE

In large organizations, traditional organizational structure is basically used but due to many levels of management between top-level and baseline staff, decision making have to go through these process, leaving front-line staffs to answer the delay to customers which decrease productivity. While the flat organizational structure has less middle management, allows the whole organization work with ease and less resistance. This increase the productivity of organization as well as using a flat structure can decrease the budget by cutting the middles men cost and decrease the communication barriers (Borkar, 2010). Organization that analyzes function of middle managers can allocate necessary tasks to other members by giving lower level staffs more responsibility or assigning some duties to upper management. Beside these there are lots of activities which are actually a burden on organization can be eliminated by eliminating middle managers (Strinfellow, 2010).

MAJOR ADVANTAGEOUS FEATURES OF FLAT ORGANIZATIONS

Organizational structure is a formal outline of the managerial reporting relationships inside a company. Tall

organizational structures feature numerous layers of management, cascading from the executive level all the way down to front-line management. Flat organizational structures feature less layers of management. In flat organizational structures, employees are empowered and expected to take responsibility for a range of traditionally managerial decisions in their daily routines.

The management structure of an organization affects how individuals within a company make decisions and how quickly the company reacts to various challenges and opportunities. A flat organizational structure, in which the number of managers at various levels is few from top to bottom, is regularly seen in smaller companies. Larger companies with larger employee populations face additional challenges not faced by small businesses. As they grow, small companies face the question of whether to retain a flat management structure or add levels of management as they add employees.

In flat organizational structure, vertical boundaries are removed to flatten the hierarchy, and horizontal boundaries are removed in order both to replace functional departments with cross-functional teams and to organize activities around processes. When fully operational, boundary-less organizations remove the barrier of geographic distance from external constituencies. Such organizations are thus characterized by:

Employee Motivation

Employee motivation is a key factor in any organizational structure. While employees in a flat organization may feel as though they have more direct influence on the company, they may also feel as though they have no room for advancement. On the other hand, employees at a tall organization have many layers through which to advance their careers, but may become frustrated at their relative lack of influence at lower levels within the company.

Organizational Complexity

Generally, the more complex an organization becomes, the taller the organization must be. An employee in a small organization may be able to handle all the company's marketing duties; however, as the organization grows, that employee may need subordinates to whom he can delegate certain tasks. Additionally, top managers can generally be much more effective if they have a handful of upper-level managers reporting to them, as opposed to dozens or more of lower-level employees.

Organizational Flexibility

Organizations with fewer levels between managers and employees can more easily implement strategic management plans, take action steps for short-term goals and take action on policy and procedural changes. By acting on a level closer to front-line employees, managers can monitor progress toward goals and objectives as well as receive more immediate feedback regarding the feasibility of a specific action plan. One advantage a flat organizational structure has over a tall one is the level of flexibility. Decisions can often be made and carried out more quickly in flat structures because there are few layers of communication between the employees doing the work and those making the decisions. Therefore, directives and feedback can be communicated more quickly to allow for necessary changes.

Influence over Power

By far one of the key difference between two styles of running organization is how not to dictate decisions but influence decisions in the right directions with involvement from everyone, adjusting direction for better based on the views from all stakeholders. In most flat organizations, you will find roles and people as influencers as oppose to powerhouses and corner offices.

Discussions before decisions

Decisions are usually not taken in some corner office. There are lots of discussions happening all around on various topics before reaching to decisions.

Approachability over Unreachability

Leaders are usually very approachable in flat organizations. If physical presence is not feasible all the time, there are leaders available over emails, chats, town hall meetings and other such mechanisms to ensure approachability.

Collective Ownership over Autocracy

Not making decisions is not a choice but usually, decisions are made collectively where everyone gets a chance to express their views and opinions. Collective ownership does not mean democracy.

Accountability towards a Team than an Individual or a Role

Even though reporting structure might be fuzzy at best, ownership driven teams find themselves accountable to entire team and not to an individual or to a particular role.

Better Communication

Smaller companies with flat organizational structures can more easily communicate with employees at all levels. By sheer volume, larger companies face challenges in communicating consistent and accurate information. Flat organizational structures remove barriers between top-level managers and front-line employees. Communications flow across the organization instead of from the top down. Another aspect of this management structure is that Informal communications and honest critiques occur between peers more easily than from managers to subordinates. Growing organizations that maintain or adopt a flat organizational structure can better

maintain formal as well as informal communications and receive more immediate feedback.

Organizational Response

Large organizations with many management levels may not cede responsibility to lower-level managers to make strategic decisions or even decisions directly affecting customer service at lower levels. Flat management structures allow lower-level managers more latitude to make strategic decisions, implement action plans and communicate these changes to front-line employees. This empowerment can decrease the time it takes to react to new opportunities or business threats.

Shared Organizational Goals

Large organizations may be able to effectively communicate organizational goals, but due to lack of communication between top level management and lower level employees, the shared benefit of reaching those goals may not be understood. Flat organizational structures include lower-level managers in the goal-setting process and empower them to help the company reach those goals. This shared process can foster community and create shared organizational goals (*Tim Burris*).

Adaptability

Employees and work groups in flat organizations tend to be more adaptable in changing or unique circumstances, due to their smaller hierarchies and lack of bureaucracy.

When front-line employees are empowered to handle customer complaints without management approval, for example, complaint resolution can progress more efficiently, boosting customer satisfaction. Work groups assigned to unique projects, for example, can often craft their own unique operational processes in flat organizations, without seeking the approval of upper management.

Collaboration

Open communication and collaboration are encouraged in companies with flat organizational structures. Since more employees are on a level playing field, more responsibility is placed upon each individual, creating a situation where innovative, collaborative self-starters excel and passive followers lag behind. As an added bonus, organizations with a flat structure can attract the type of employees who are encouraged by a work structure that requires self-motivation and teamwork.

Innovation and Creativity

Ideas come from a wider range of sources in a flat organizational structure than in companies with many layers of management. By giving everyone in a company an equal voice in submitting new ideas and feedback on operational processes, products, services, business models and company policies, companies can discover new ideas that may lead to competitive success.

Communication

Since the chain of command in a flat organization is small or even only one layer, communication is often faster and more effective. Direct input and control of business operations means that staff is less likely to disagree and fight in secret; they can debate their points of view in public. However, workers may end up with more than one boss and their functions can become confused with those of another worker or department.

Decision Making and Authority

Fewer levels of management mean less gerontocracy and more flexibility in decision making. However, it also means that more underlings are reporting to a single manager, which leads to confusion about the chain of command. When the staff can make decisions quickly, they keep customers happy instead of forcing them to wait while they hunt down a manager. When all the subordinates are reporting to a single (or few) chief executives, it's hard for the execs to be team leaders and keep their employees organized and productive. Finally, most of the subordinates suspect that peers are pulling strings behind the scenes and have more of the chief executive's attention than they do.

Growth

Flat organization is most effective in small organizations or when used for small sections of larger organizations. For small businesses, giving staff the authority to make quick decisions leads to better customer interaction and increased flexibility. Those same qualities become counterproductive in large organizations because the offices are too different and have trouble meshing. The "Business Plan" explains, "There have been instances where customers were given a discount on an item in one store, but not in the same store in a different location. This does not promote good customer relations."

Morale

Flat organizations rely on highly trained employees who have a voice in decisions. The idea is that when employees feel that they have power and are responsible for company operations and progress, they work harder since they have a personal interest in seeing the firm succeed.

CONSTRAINTS OF TRADITIONAL ORGANIZATIONAL STRUCTURES

Hierarchical organizational structure is common in private and public sector organizations, both large and small. Department heads and business unit managers report to vice presidents and general managers, who report to the

president. Small businesses usually have fewer management layers than large organizations. Although a hierarchical structure can coordinate the actions of thousands of employees, it has certain weaknesses.

Inflexibility

Hierarchical structures are often inflexible. In a May 2011 "Harvard Business Review" article, Harvard Business School professor John Kotter suggests that hierarchical organizations inhibit timely transformations, which are essential if a business is to survive in a rapidly changing environment. He suggests that hierarchies work for standardized processes but they are not useful in dynamic environments. They are slow to react to new opportunities, which often require transformative change.

Slow Decision-making

Decision-making is usually slower in hierarchical structures because responsibility and authority are concentrated in a few people at the top. In a September 2000 interview with Harvard Business School Working Knowledge, retired Harley-Davidson CEO Rich Teerlink said that the structure of an organization has a significant influence on employee behavior. The hierarchical system places limits on the responsibility and authority of individual employees, which reduces an organization's ability to adapt to dynamic business conditions. Teerlink wanted to give people more responsibility and authority, which meant that he had to reduce the hierarchy. He suggests that although a command-and-control hierarchical system might work well in a crisis, it is of limited help after the crisis is over.

Resistance to Creativity

Hierarchical systems can stifle creativity and innovation. The top-down decision-making structure means that business units are unable to respond rapidly to competitive threats.

PROCESS OF CONVERSION OF VERTICAL ORGANISATIONAL STRUCTURE INTO FLAT ORGANISATIONAL STRUCTURE

Conversion of vertical organisational structure into a flat structure presents various challenges to managers and business owners which can be overcome by proper planning and guidance. Following steps can be taken for effective implementation of flat organizational structure:

Preparing Employees

Gaining buy-in from employees at all levels of your organization is crucial to success in a transition as overarching as a change in organizational structure. Seek input from employees through formal feedback systems and informal conversations before beginning the planning process. Take employees' ideas seriously, and invite innovative idea-generators to participate in planning meetings. Clearly explain the need for the change in structure to all employees. Explain the need in terms that relate to each employee's individual roles, as well as how the change will benefit the organization as a whole. Also explain how the change will positively affect each employee and enhance their positions in the company. Send regular updates on the planning process to all employees via email, company newsletters, company meetings and informal conversations. Always be open to feedback when sending updates.

Planning and Implementation

Take the time to create thorough, formal plans to implement the transition from your old organizational structure to your new structure. Map out how physical workspaces and work groups will be moved or reorganized. Create plans to transition managerial information and duties among employees, and to ensure that all department-relevant information is preserved and reorganized according to the new structure. Implement the transition one step at a time rather than throwing the entire package into the works all at once. As an example, consider that you wish to transition from a tall organizational structure to a flatter structure where front-line employees are empowered to make managerial decisions. It would be a good idea to make the transition in one department at a time, first putting employees through training sessions to give them the information and skills required in their new roles, then formally moving line managers into other positions in the company.

Monitoring

Keep feedback mechanisms in place after implementing the transition. Rather than viewing the transition as a finished project, consider it a work in progress; use feedback from employees to fine-tune or alter specific aspects of the new structure. Allowing employees a voice after the transition can add uniqueness to the structure, bringing it closer to a structure that is best suited to maximize the efficiency and effectiveness of your operations while keeping employees satisfied.

CHALLENGES TO FLAT ORGANIZATIONAL STRUCTURES

Organizations with relatively few layers of management in their hierarchy are said to have flat organizational structures. The term "flat" is in reference to the way an organizational structure chart looks when it has fewer managers, featuring fewer and wider rows delineating the hierarchy of jobs. Flat structures impart distinct benefits to companies, but there are a number of challenges for flat organizational structures to overcome.

Motivational Leadership

An advantage of a flat organizational structure is that it places more responsibility on individual employees to motivate them and maximize their performance. This creates challenges at the same time, however, because employees have fewer leaders to motivate them and give them individual attention. Not every personality type thrives in a self-starting environment; some employees need managers for guidance, instruction and motivation. The challenge in flat organizations is to create a company culture that encourages self-motivation and breaking personal performance records.

Consistency

Another advantage of flat structures is front-line employees' ability to make decisions on their own to solve operational and customer-service issues. Again, this strength introduces a new set of challenges. Organizations with less of an emphasis on supervision can be lacking in strict operational policies, creating a situation in which different employees handle different situations in different ways. The same customer complaint may be handled differently on different days, for example, sending conflicting messages to the marketplace. Or some employees may find a way to sell products that are inferior in some way, while others throw away damaged goods, creating discrepancies in product quality and company costs.

Decision-Making

Taller organizational structures center decision-making responsibility at the upper layers of a company, increasing decision-making efficiency in addition to consistency. Strategic decision-making in flat organizations can become complicated and inefficient if a company relies on voting or building consensus among its employees. Companies with flat structures who find them facing a decision with far-reaching consequences may find it challenging to address the issue quickly and decisively.

Advancement

Employee development programs take on new challenges in flat organizational structures. With a higher ratio of front-line employees to managers, there are fewer managers to take note of the individual performance levels of employees. This can make it easier for high-performers to fall through the cracks in performance reviews, possibly causing them to leave the company to find a position with more personal recognition. In addition to this, there are fewer managerial positions in which to promote front-line employees, reducing the advancement opportunities presented to each employee.

COST CUTTING BY ADOPTING FLAT ORGANIZATIONAL STRUCTURE

Most of the companies are facing current economic downturn and ever increasing competition, which in turn requires cost reduction initiatives, the prudent ones will make cuts in a way that works with their company's culture. Whereas, many companies ignore the critical need to secure employee commitment when making cost cuts. Companies planning cost reduction initiatives must obtain the positive emotional commitment of their employees to support decisions and to commit to behavior change that reduces costs. A truly committed workforce can reduce costs more and sustain the reductions longer than a workforce under pressure. A flat organization aims to reduce bureaucracy and give employees more active roles by allowing them to become more involved in problem solving and decision making activities. One of the main advantages of a having a flat organizational structure is reducing the overall costs of operations. This type of structure contributes greatly to reducing costs. In particular, fewer levels results in fewer employees. Fewer employees mean fewer expenses for payroll and office space. Plus, since when there are fewer people each person is more accountable, a flat structure can encourage better productivity, and more work gets accomplished.

When flat organization works correctly, it can save on employer costs, decrease employee turnover and increase profit margin. Since manager compensation is typically more than other employees, fewer management levels means fewer managers to pay, which saves you money. The bottom-up structure focuses on highly qualified staff that is generally happier at work and less likely to quit their job or perform poorly. The longer the employees remain with the company, the less training you have to pay for and the more competent and productive they become. In addition, flat organizations often avoid granting salary raises and promotions for length of service, instead focusing their career development efforts on top performers. Granting promotions based on performance makes more sense cost-wise, since the higher-salary expense will be directly tied to greater productivity.

Companies with flat organizational structures can outsource non-vital business functions to further reduce expenses. Outsourcing tax preparation, recruiting activities and IT functions, for example, can allow companies to operate lean by eliminating entire departments from their payrolls. Taking advantage of staffing agencies for temporary office help is another technique to keep a company lean and flat.

COMPARISON OF DIFFERENT ORGANIZATIONAL ELEMENTS AMONG FLAT AND TALL ORGANIZATIONAL STRUCTURE WITH RESPECT TO COST CONSIDERATION

An organizational structure can be traditional or modern, depending upon number of factors such as size of

organization, nature and type of organization and number of employees etc. Cost involved is also a major factor to be considered while deciding about organizational structure of a business firm. By adopting flat organizational structure, business firm can save on employer costs, decrease employee turnover and increase profit margin. Since manager compensation is typically more than other employees, fewer management levels means fewer managers to pay, which saves you money. The bottom-up structure focuses on highly qualified staff who are generally happier at work and less likely to quit their job or perform poorly. The longer employees remain within the company, the less training have to pay for and the more competent and productive employees become.

Organizational Goals

Organizational structure refers to how individual and team work within an organization are coordinated. To achieve organizational goals and objectives, individuals need to be coordinated and managed. Organizational structure is a valuable tool in achieving objective of maximum profit with minimum cost in an organization. Type of organizational structure has great impact on total cost incurred by any organization. Flat organizational structure has comparatively less layers of management which in turn results into less payment of salaries and low administrative cost.

Communication

Since the chain of command in a flat organization is small or even only one layer, communication is often faster and more effective. Direct input and control of business operations means t.hat staff is less likely to disagree and fight in secret; they can debate their points of view in public. Whereas, communication begins to take too long to travel through all the levels in other type of organizational structures which may hamper decision making and hinder progress which leads to higher cost.

Flexibility

Decisions can often be made and carried out more quickly in flat organizational structures because there are few layers of communication between employees doing the work and those making decisions. Therefore, directives and feedback can be communicated more quickly to allow for necessary changes.

Adaptability

In flat organizational structure employees feel, as they have direct influence on the company. They feel related to the organization which makes them more adaptable to change in working environment and conditions. On the contrary, in vertical type of organizational structure, employees may become frustrated at their relative lack of influence at lower levels within the company which in turn makes them antagonist.

Innovations & Creativity

Flat organizations offer more opportunities for employees to excel their ideas, innovations and creativity while promoting larger business vision. In such type of organizational structure employees skills can be better utilized for the achievement of organization objective of profit maximization with minimum cost. Whereas, other organizational structures with more layers of management could hamper innovation because the people closest to the end users do not make resource allocation and design decisions.

Employee Morale

Decreased layers of management help to elevate employee's level of responsibility in the organization which satisfies self-esteem needs of employees. Increase involvement of employees in decision making process will also improve their morale which ultimately leads to efficient working for attainment of organizational goals.

Decision Making & Authority

Decision making hierarchy is created by assigning tasks, performing and distributing authority, whereas, authority is the power to make decisions. In flat type of organizational structure, fewer levels of management create more flexibility in decision making. As the staff can make decisions quickly, they do not need to wait while they hunt down a manager.

Growth

In small organizations or for small sections of large organizations, flat organizational structure is most effective. As the staff have the authority to make quick decisions, it leads to better customer interaction and increased flexibility.

Work Specialization

Work specialization is the degree to which tasks in an organization are divided into separate jobs. Individual employees specialize in doing part of an activity rather than entire activity which requires arrangement of separate human resource planning, recruitment, selection, training and induction programme for each specialization. This will lead to heavy cost which sometimes does not appear to be beneficial by cost benefit analysis.

Departmentalization

Departmentalization refers to grouping of process or purpose activities in to departments. It is grouping of similar or related jobs into logical units with their respective managers. Every organization has its own specific way of departmentalization. They can adopt either vertical or flat type of organizational structure.

Departmentalization can cause higher dysfunctional conflicts and mangers give more emphasis on achievement of sub-unit goals instead of organizational goals.

Chain of Command

Chain of command refers to a company's hierarchy of reporting relationship from bottom to top, who reports to whom in the organization. The chain may only consist of employees and the owners as in flat organizational structures or employees to a manager or to the CEO. Duplication of resources can be avoided in flat organizational structure as there are few layers of management.

Span of Control

Span of control can be described as number of employees managed by one supervisor. Wider span of control in flat organizational structure needs few layers of manager in comparison to other type of organizational structure which reduces cost incurred by the firm on manpower, overhead and administrative cost.

Centralization & Decentralization

Organizational structure is said to be centralized when authority is held by upper-level management and decentralized, when it is delegated to lower level management. Flat organizations generally follow decentralized organizational structure which may increase adaptability, creativity and job satisfaction among employees. Employee's involvement and flexibility to make decisions can be helpful for effective implementation of company's strategies.

Formalization

Formalization refers to the degree to which jobs within the organization are standardized and the extent to which employee behaviour is guided by rules and procedures. Increased bureaucracy hinders an organization's speed to respond for changes. As in case of flat organizational structure, there are less rules and procedure; organization can save its cost by optimum utilization of time, effort and money.

Responsibility & Power

In flat organizations employees are empowered to take decisions, they will be held accountable for their specific tasks. In essence, employees put their best efforts for fulfillment of their responsibility which ultimately leads to optimum utilization of manpower.

CONCLUSION

The age of the flat organization is becoming a reality. The traditional management framework is increasingly proving itself incapable of satisfactorily dealing with the new market reality: Conventional theories and practices no longer provide the necessary guidance and support for decision-making in a world of change, complexity and uncertainty. It is this, then, that is driving the move towards a new management paradigm, in terms of which the management function will be radically redefined to take emerging realities into consideration. If companies are to prosper and want to be drivers of their industries, they will need to proactively embrace a new management philosophy that is accelerating change. However, a business with a flat structure needs to ensure that each manager's span of control does not become too wide so that they cannot manage their direct reports effectively. Organizational structures other than flat organizational structure usually mean higher compensation and administrative costs for the different management layers, worse upward information, higher dysfunctional conflicts and poor coordination among employees. This additional management overhead reduces net income and cash flow. During economic downturns, sharp drops in revenue could mean negative cash flow, which could require significant restructuring. It could also increase downsizing costs because of the severance payments for the laid-off managers and their administrative staff. Whereas, by controlling overhead costs, flat organizations can adapt quickly to deteriorating business conditions and emerge stronger when conditions improve.

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