The Advantages of Flat Organizational Structure

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.

Cost Savings

Since flat organizational structures feature fewer layers of management, flat organizations can incur smaller expenses on salaries. 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.

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.

About the Author

David Ingram has written for multiple publications since 2009, including "The Houston Chronicle" and online at Business.com. As a small-business owner, Ingram regularly confronts modern issues in management, marketing, finance and business law. He has earned a Bachelor of Arts in management from Walsh University.

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