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At this point, you're probably asking why corporate structure is so important. The answer is that a flexible structure is necessary to lead a global organization. This type of corporate structure is at the forefront of the knowledge base and has relative value in organizations throughout North American and the rest of the developed countries. When executives to generate flexible corporate structures inspiring innovation and creativity within organizations, they will secure a foothold in an ever-changing hypercompetitive marketplace.

CORPORATE STRUCTURE HAS been defined

as a pattern by which organizations can divide their activities and tasks as well as control them to achieve higher degrees of coordination. Corporate structure, therefore, refers to the bureaucratic division of labor accompanied by control and coordination between different tasks in order to develop communication within organizations.

Centralization and formalization are the most common structural aspects to examine corporate structure. Thus, important milestones in corporate structure could include centralization and formalization, which inspire employees to take risk-related efforts and generate more innovative solutions. To examine centralization, executives should explore the degree of control and authority over decisions in hierarchical levels — that is, how much employees can undertake daily work operations without a supervisor and/or how much employees are encouraged to make their own decisions and/or how much employees need to refer to someone else when making decisions and/or how much employees need their superior's approval before they do almost anything in their businesses.

Formalization, as another structural aspect, is operationally investigated through measuring the extent to which working relationships and decisions are assigned by formal language that represents official statements, policies, rules and procedures — that is, how much rules and procedures are generally documented and/or how much relationships with our supervisors are on a formal or planned basis and/or how much employees can ignore the rules and reach



Individual knowledge can become a valuable resource by developing an organizational climate of openness for members to exchange their ideas and insights.

informal agreements to handle some situations.

It is important for management consultants to understand that corporate structure can be reshaped by executives when they develop knowledge sharing and inspire employees to create new ideas for a better environment among business-units and departments. Two prominent scholars by the names of Sirkka Jarvenpaa and Sandy Staples maintain that the informal structure could facilitate new idea generation to build a more innovative climate within organizations. Management consultants can particularly help executives to implement organizational changes that develop

better collaboration among subordinates and managers.

Centralized versus decentralized decision making is also a topic that management consultants must deal with. Scholars found that more emphasis on formalized and mechanistic structures can negatively impact the executive's ability to exert such changes. On the contrary, a more decentralized and flexible structure may improve departmental and managerial interactions. The mechanical or centralization at the commanding level of leadership impairs the opportunity to develop relationships among managers, business units, and departments.



Management consultants should at least be aware that executives can reshape corporate structure to be more effective when the command center of organizations can disseminate information in a decentralized and organic way as opposed to the mechanical and centralized command center. Decentralized structures shift the power of decision-making to the lower levels and subsequently inspire organizational members to create new ideas and even implement them while centralized structures may negatively impact interdepartmental communications and inhibit knowledge exchange.

A recent empirical study conducted in

Texas A&M University affirms there is a negative impact of centralization on various knowledge management processes such as knowledge acquiring, creating, and sharing among both managers and departmental units. On the contrary, a more decentralized and flexible structure may enable executives in improving departmental and managerial interactions that can lead to identify best opportunities for investment that potentially leads to improve knowledge utilization process for companies. Both management consultants and executives have acknowledged some form of relationship between corporate structure and knowledge utilization process. Ergo, executives can

positively contribute to knowledge management through building more decentralized structures within organizations. The key take-away for management consultants is to facilitate knowledge management through developing a more flexible structure that is considered an essential source for developing relationships. Furthermore, scholars such as Brian Fugate, Theodore Stank and John Metzger have affirmed that knowledge management is a significant indicator of improving organizational performance.

Knowledge management can, in fact, improve organizational performance through increasing sales, customer satisfaction, learning opportunities, innovation and quality of products and services while still keeping the shareholder. With this view, executives to develop a flexible corporate structure that links knowledge management and firm performance together to serve the customer needs and become more profitable.

Therefore, if corporate structure is not completely in favor of supporting knowledge management, executives cannot effectively manage organizational knowledge to improve performance and companies cannot be effective. Hence, the key kernel for management consultants is that corporate structure is a resource that enables organizations to solve problems and create value through improved performance and it is this point that will narrow the gaps of success and failure leading to more successful decision-making.

Moreover, flexible structures can directly impact leadership effectiveness. For example,

leaders inspire followers to generate new solutions and a better environment. An empirical study by two prominent scholars by the names of Frank Walter and Heike Bruch in the University of St. Gallen provides evidence that a highly centralized structure has a negative impact on leadership practices, while decentralization positively contributes to executives in developing a more innovative climate. These findings are enhanced by the crucial role of decentralized structures in facilitating the exchange of ideas and the implementation of more innovative solutions based on stipulating the power of decision-making at all levels of the organization. Furthermore, highly formalized structures are more bureaucratic, and this negatively contributes to the effectiveness of leadership in changing the existing situations and creating a better environment.

Management consultants are aware that organizational performance can be enhanced when executives reshape corporate structure to develop a more flexible corporate structure that provides open access to knowledge and information. Flexible structures constitute the foundation of a supportive workplace to disseminate knowledge and subsequently enhance overall organizational performance.

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