Abstract: I study the organization of production, as summarized by the number of managers per plant, the number of workers per manager and the mean size of plants in terms of employment. First, I document that in the manufacturing sector, richer countries tend to have (i) more managers per plant, (ii) less workers per manager and (iii) larger plants on average. I then extend a knowledge-based hierarchies model of the organization of production where the communication technology depends on the managerial level in the hierarchy and the abilities of subordinates. I estimate model parameters so that the model jointly produces plant size distribution and number of managers per plant in the U.S. manufacturing sector. I quantitatively evaluate the effects of size-dependent distortions that are studied in the development literature, as well as communication technologies. I find that both size-dependent distortion and higher communication costs reallocate employment and output toward simpler forms of organizations with fewer managers per plant and smaller plant size. My results show that size-dependent distortions have bigger effect on output relative to similar studies that ignore organizational differences among production units. I find that when the largest, more complex, plants face distortions that are twice as large as distortions faced by smaller plants, output declines by 33.4% and the number of managers per plant falls by 30%. Moreover, I find that a 10% increase in communication cost parameters can account for a 35% decrease in the aggregate output without having a significant effect on the number of managers per plant.