Organisational Structures and what every manager needs to know

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Every organisation has a way of doing its business. There is a general way by which work is allocated; a general way by which an organisation is managed and a general way of operation towards achieving a certain specific goal. This is all results in what is termed an organisational structure.An organisational structure is a method by which workflows take place in an organisation. This involves the day-to-day operations in an organisation that is how they are assigned and how they are done. More traditional structures tend to be more formalised, that is normally employees are grouped by their specific function, for example, the production or accounts team. The less traditional structures are, the more flexible they are and this allows quick response and adaptation to the dynamic environment.

Importance of Structuring Well

Since organisational structures define the relationship that exists between one employee or position with the other, not having one proper can guarantee an organisation's failure.

Organisational structuring can determine how closely knit your staff will be within your organisation. How information and decisions are passed within your organisation are determined by its structuring.

The 6 Key Elements

- Design jobs
- Departmentalization
- Establish reporting relationships
- Distribute authority
- Coordinating activities
- Differentiating among positions

Structuring Your Organisation

Three factors will influence your organisational structuring.

- What is the long-term vision for your business?
- What have you promised your customers?
- Type of culture you need to deliver on the promise better than your competition?

It is then an important aspect for each leader to be able to understand their teams as the characters within

your organisation can say much about how you will have to structure it. One of the questions managers will then have to ask themselves is what type of leadership style they will prefer for their organisation.

The Process

1. Clear Future Plan

For small organisations, this can be a plan for the next 3 to 5 years whereas for bigger established companies it can be up to 10 years. This will take two questions

- Where is your company headed?
- What do you want to do that you have not done yet?

2. Learn by Considering the Past

While they say, do not hold on to the past, it is also key to take useful lessons from your past. Ask yourself:

- What has worked in the past?
- What has failed in the past?

3. Establish a Structure Without Filling Positions

At this stage, draw out a simple structure that does not involve any characters assigned to any position. It is a simple stage where you outline:

- Optimal workflow
- How to achieve goals
- How to deliver the best customer service

Then move on to organise your employees by:

- Function
- Region
- Product Line

4. Fill in Positions

At this point, assign the best characters to each position you have established in stage 3. If you already have employees, assign each to a position by considering where they would fit best according to their abilities. If you are starting to recruit, it is therefore key to do this in consultation with a professional consulting firm.

5. Balance Authority and Responsibility

Each employee regardless of where they will be, they have to feel a sense of authority and responsibility. In this way, you increase your employee engagement.

6. Set Performance Measures

These can involve measuring employee performance and employee data and metrics. This will be key in assessing risk factors and planning a better way forward.

7. Practice Robust Performance Management of Employees.

This will help to prevent tolerance to underperformance and reduce risk factors of organisational bloat.

8. Review your organizational structure annually.

Take note of where is lagging. What the cause might be and take the necessary steps to amend. Not all we plan in the first instance is bound to succeed. Necessary changes are a key to success.

Types of Organisational Structures

While organisational structures vary from industry to industry and from place to place, there are four common basic structures. Let us explore them and know where you can fit them best.

The four basic structures

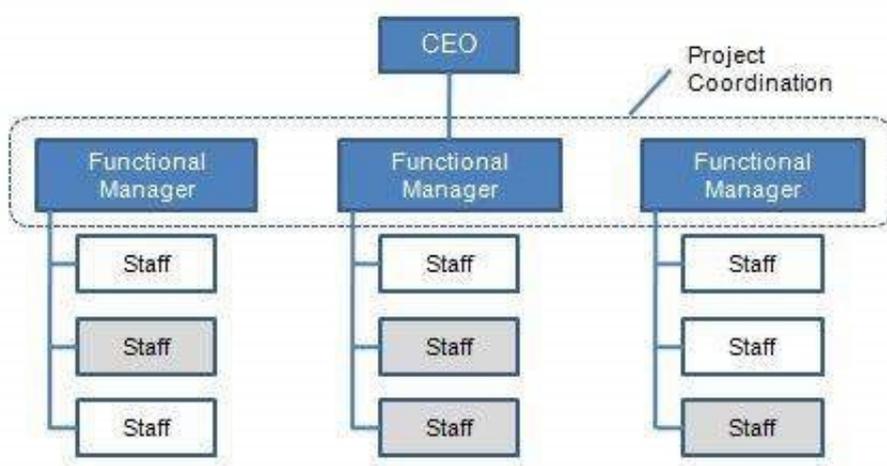## 1. Functional Organisational Structure

Figure 1 Functional Structure

Picture credits: TopPR

For many who once had a job, they have most likely been involved in this type of structure. In this structure, the organisation is divided into small subgroups based on their functions and each subgroup has its manager. The subgroups can further be divided into smaller groups with managers. At the top, a CEO oversees all the subgroups. The goal of the functional structure is to put all the human and informational resources necessary for a single activity in one place. Subgroup leaders are experts both in their field and in the resources available, which allows each group to reach its greatest potential even with limited resources.

While this type of structure is the most common, it is not the best for every type of organisation. The functional structure follows a bureaucracy format when it comes to making decisions and this does not fit a dynamic changing environment. The structure normally best fits large established organisations operating in stable environments where there is no need for regular changes. It is key to note that if you are in an industry where quick decisions are necessary, this structure will not be the best.

Major Pros Of the Structure

- Allows specialisation as people with the same knowledge work closely together in the same field.
- Specialisation enhances productivity within departments. This can in turn enhance the organisation's productivity.
- Maximum utilisation of the minimum resources available for each task.
- Allows knowledge sharing thereby promoting personal growth of employees.
- Employees have a clear idea of the hierarchy and therefore know where to report immediately.

Major Cons of the Structure

- Not flexible enough to accommodate a dynamic environment where changes always take place.
- The work can be quite one dimensional. After a while, the employees may start feeling monotony or boredom. This can eventually result in loss of enthusiasm in their work.
- The high degree of specialisation required for the structure is difficult to establish at times.
- The employees never gain any knowledge or skills outside their department.

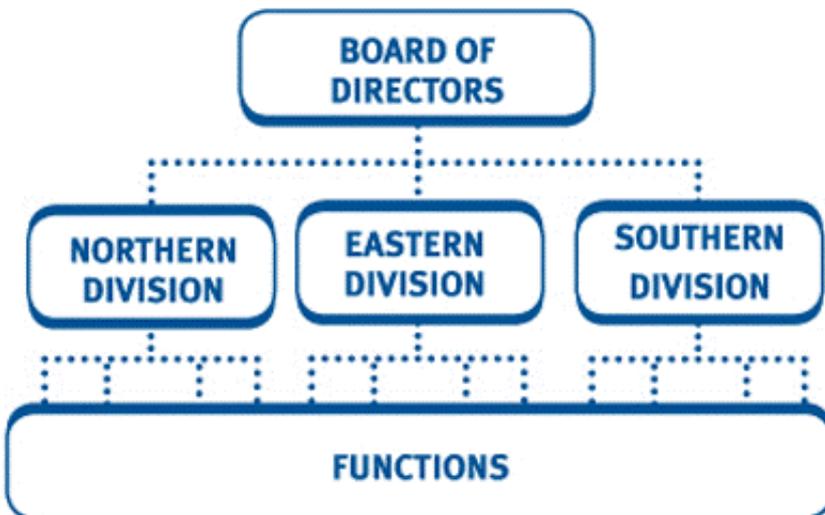## 2. Divisional Organisational Structure

This can either be divisions according to products (for example an automobile company can divide its subgroups according to vehicle types produced, SUV or Sedans) or according to a specific geographical location

According to products
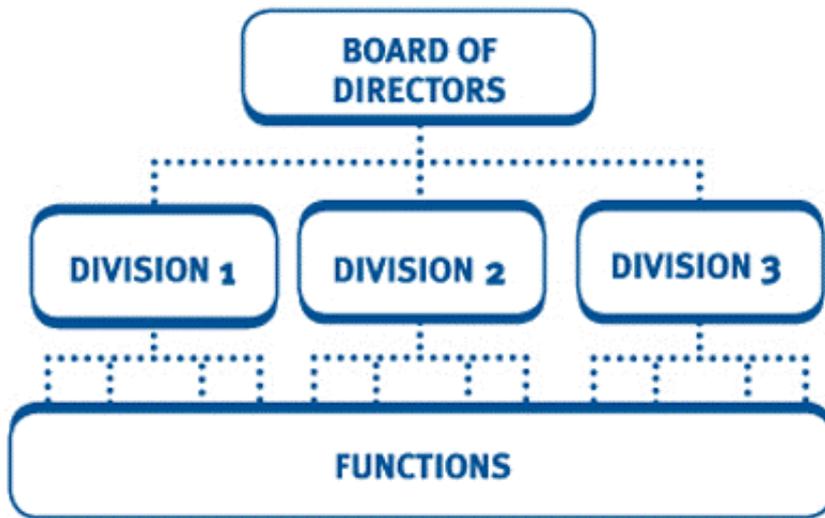
Figure 2 Product Division Structure

According to geographical location

Figure 3 Geographical Division Structure

In this type of structure, the organisation is divided into divisions according to function and these divisions operate as standalone companies. That means each division is allocated all the necessary supplies and is allowed to operate independently. This can be either based on the products or the location and type of customers served.

This type of structure is best suited for companies with:

- Large workforce
- Variety of products

- Well established structures
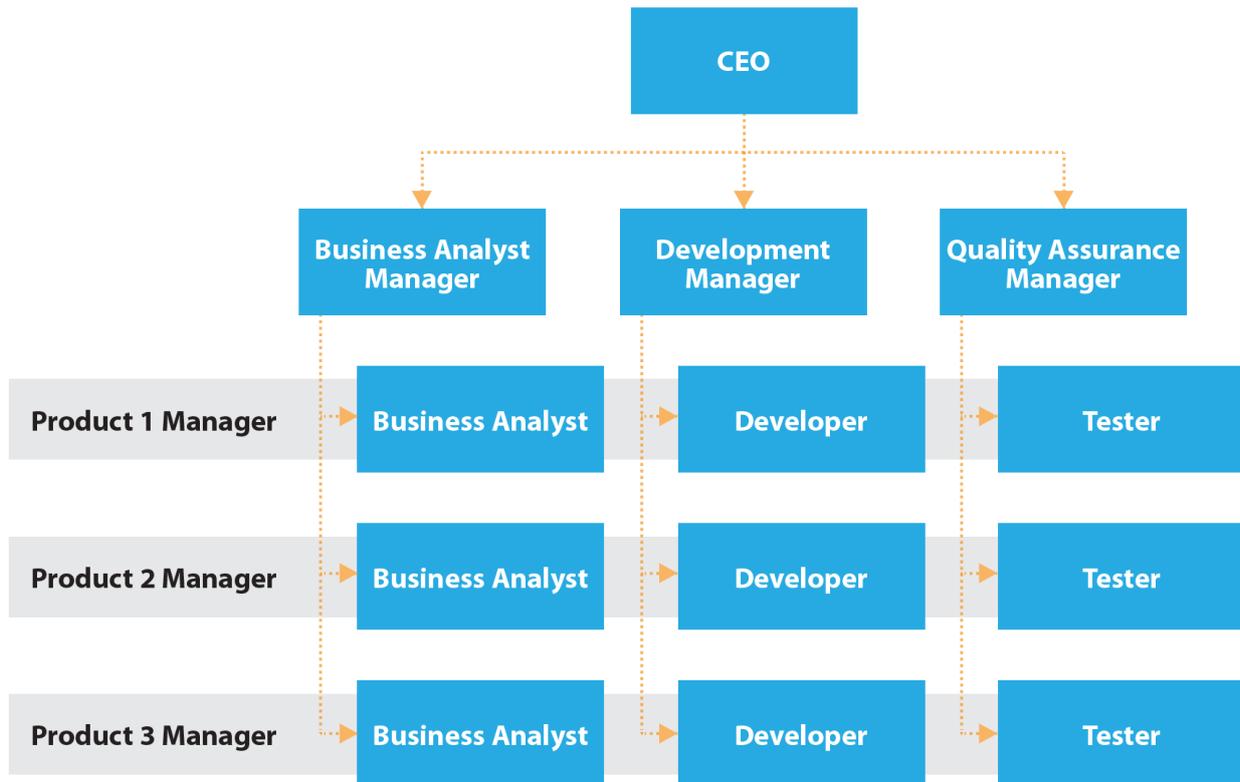- Large branches in different locations

Major pros of the Structure

- Affords the company greater operational flexibility especially large companies with branches in different geographical regions.
- Division according to product type allows the perfection of the products and improves competitiveness
- The individual divisions of the company are independent financially and that allows them to determine clear routes of accountability and responsibility.
- Allows for quick growth as a larger market is reached

Major Cons of the Structure

- Independent divisions will require more resources compared to what could be shared for without divisions.
- Organisational unity gets divide with the divisions.

3. Matrix Organisational Structure

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                              ┌─────────┐
                              │   CEO   │
                              └─────────┘
        ┌───────────────────────────┼───────────────────────────┐
┌─────────────────┐       ┌─────────────────┐       ┌─────────────────┐
│ Business Analyst │       │  Development    │       │ Quality Assurance│
│    Manager       │       │    Manager      │       │    Manager       │
└─────────────────┘       └─────────────────┘       └─────────────────┘
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Product 1 Manager	→	Business Analyst	→	Developer	→	Tester
Product 2 Manager	→	Business Analyst	→	Developer	→	Tester
Product 3 Manager	→	Business Analyst	→	Developer	→	Tester

Picture credits: Slideshare

This is a structure in which there are multiple managerial accountabilities. In this structure, there is a combination of two or more organisational structures. One manager handles functional activities and the other is a more traditional project manager. The balance of power between the two managers is not often defined. Both manage the project teams for the accomplishment of a certain goal along their line of management. Individuals are grouped simultaneously by two different operational perspectives. Common organisational perspectives include function and product, function and region, or region and product.

This type of structuring best fits organisation with a wide variety of functions and operating in different geographical locations. The structure is deemed to be more dynamic and allows sharing of information. It also brings the organisational teams more closely as the managers get involved in almost every cluster. The matrix structure is composed of both a traditional hierarchy of management, where employees are managed by a functional manager, as well as additional project managers who can manage employees across different departments.

Major Pros of the Structure

- Members to share information more readily across task boundaries.
- Allows for specialization that can both increase the depth of knowledge and assign individuals according to project needs.
- Low operational cost and hiring costs as one manager can be involved in more than one project.
- Improves access to a diverse range of skills and perspectives.
- Allows employees to develop new skills.

Major Cons of the Structure

- Managerial roles often not clearly defined.
- The decision-making process can be slowed down.
- Too much work on certain individuals can eventually slow progress
- For organisations that value employee performance and appraisals, this type of structure can make it difficult to measure performance.

4. Flatarchy Organisational Structure

This is the ideal structuring for startups and small organisations. In this structure, there are little to no management levels. Normally there is just one manager between the executive and all the employees. This structure allows for quick decisions to be made. Employee performance is no difficult thing to measure in this type of structure.

Most companies eventually get to a point where they drop this type of structure as they outgrow it. Information is often easily shared in this type of organisational structure. Performance is often improved as individuals tend to compete.

Major Pros of the Structure

- Decision-making process is very fast.
- Very cost-efficient as it incorporates only a few individuals especially at the managerial level which tends to be costly.
- Promotes better communication as there are not too many hierarchical levels.
- Promotes high employee morale.

Major Cons of the Structure

- Only suitable for smaller organisations
- More often than not tends to create more employee conflicts.
- In the case of the manager's absence, leadership confusion can be a major worrying issue.

It is key to understand your organisation to know the type of structuring that is best suited for your organisation. A poorly selected structure will lead to your organisation succumbing to failure and poor results and in the worst events, total demise. The managers then have a greater part to play in determining what structuring to implement through studying their environment, their workforce, their

leadership style and their market.

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https://thehumancapitalhub.com/articles/Organisational-Structures-And-What-Every-Manager-Needs-To-Know