Why It Is Time to Review Your Organisational Structure

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As we approach the last quarter of the year, organisations are in the process of conducting or preparing for their strategy review sessions. However, strategy alone will not drive business productivity. Most organisations make the mistake of not reviewing their organisational structure to ensure effective utilisation of resources. Organisational structures enable organistions to bring together functions, people and other resources together to enable the achievement set objectives. Therefore, without putting in place a supporting organisational structure, organisations are unlikely to realise an increase in productivity.

An organisational structure is a grouping of related units into manageable functions for the purpose of achieving the objectives of an organisation in the most efficient and effective manner. The primary forms of organisational structures are departmentalised by function, process, product, market, customer, geographic area and even flexible project-based teams.

As companies grow, downsize or change strategic focus, they should periodically review their organisational structure to make sure that the current structures are aligned to the strategic objectives of the organisation. I want to share a couple of thoughts on the value of properly designed and documented organisation structures.

Firstly, organisational structures help establish a clear chain of command and dictate reporting lines. Characteristically, a good organisational structure should outline who reports to whom so that all job incumbents have a clear idea of how and what they are held accountable for?

Secondly, organisational structures improve efficiency. Employees need to understand their role in an organisation to perform their part well. In a number of organisations, you find functions with several people performing unnecessarily overlapping tasks resulting in inefficient utilisation of labour resources. A good organisational structure will define departments, jobs, and roles around the tasks an organisation needs to be executed.

Thirdly, organisational structures help employees standardise the work they do by identifying their duties and accountabilities. Separation of duties allows for specialisation over time as job incumbents become more efficient in executing their tasks. In addition, organisational structures allow employees to fit in a suitable job family for maximum efficiency.

Lastly, a good organisational structure provides a context for decision making and facilitate collaboration. Structures assist job incumbents to understand their reporting relationships in support of business processes and work routines. Organisational structures facilitate communication and interdepartmental collaboration between employees in support of the organisation’s objectives.

Now that I have briefly explained the impact of having the right organisational structure, it is important for organisations to know what makes a good organisational structure. Organisations need to benchmark their organisational structures against five (5) benchmark indicators namely span of control, reporting layers, manager to non-manager ratio, one on one reporting and duplication of responsibilities.

The span of control refers to the total number of people whom a manager can effectively control and supervise. The ideal benchmark for average span of control is eight (8) subordinates. It is important for organisations to strike a balance between having a wide and narrow span of control. A good span of control should provide enough autonomy for subordinates to execute their tasks without being micromanaged by their supervisors.

Reporting layers are the hierarchical arrangement of lines of authority, communications, rights and duties within an organisation. Reporting layers determine how information, power, and responsibilities flow between the different levels of the organisation. Organisations should not have more than five (5) reporting layers. Having many reporting layers results in the slow movement of information and the impact is usually a bureaucratic structure with slow response to changes in the operating environment.

Manager to non-management ratio is an indicator that shows the ratio between the total number of managerial and supervisory employees and the total number of non–managerial employees. The ideal ratio is 1:10. Any deviation from the benchmark may result in an imbalance in the organisation's functional alignment. These are instances were an organisation is top-heavy or having inadequate managers to effectively lead and control work.

One on one reporting is a barrier to proper supervision of the work, communication, and flow of information within an organisational structure. Organisational structures should not have one on one reporting. The impact of having one on one reporting is an increase in reporting layers within an organisation and a reduction in the average span of control below the recommended benchmark.

Duplication is the repetition of the same task. Duplication of tasks results in a waste of human resources as the organisation is paying multiple employees to do the same task. Through an organisational structure review exercise, organisations need to optimise operations in such a way that duplicated tasks are eliminated to ensure all employees are in positions were they make the greatest positive impact towards achieving the organisations strategic goals.

Organisations with the right organisational structure are better positioned to achieve their strategic objectives. Ultimately, the expected output of an organisational restructure review exercise is an improvement in productivity, efficient use of labour resource and an enhanced ability for the organisation to adapt itself to a changing environment.

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