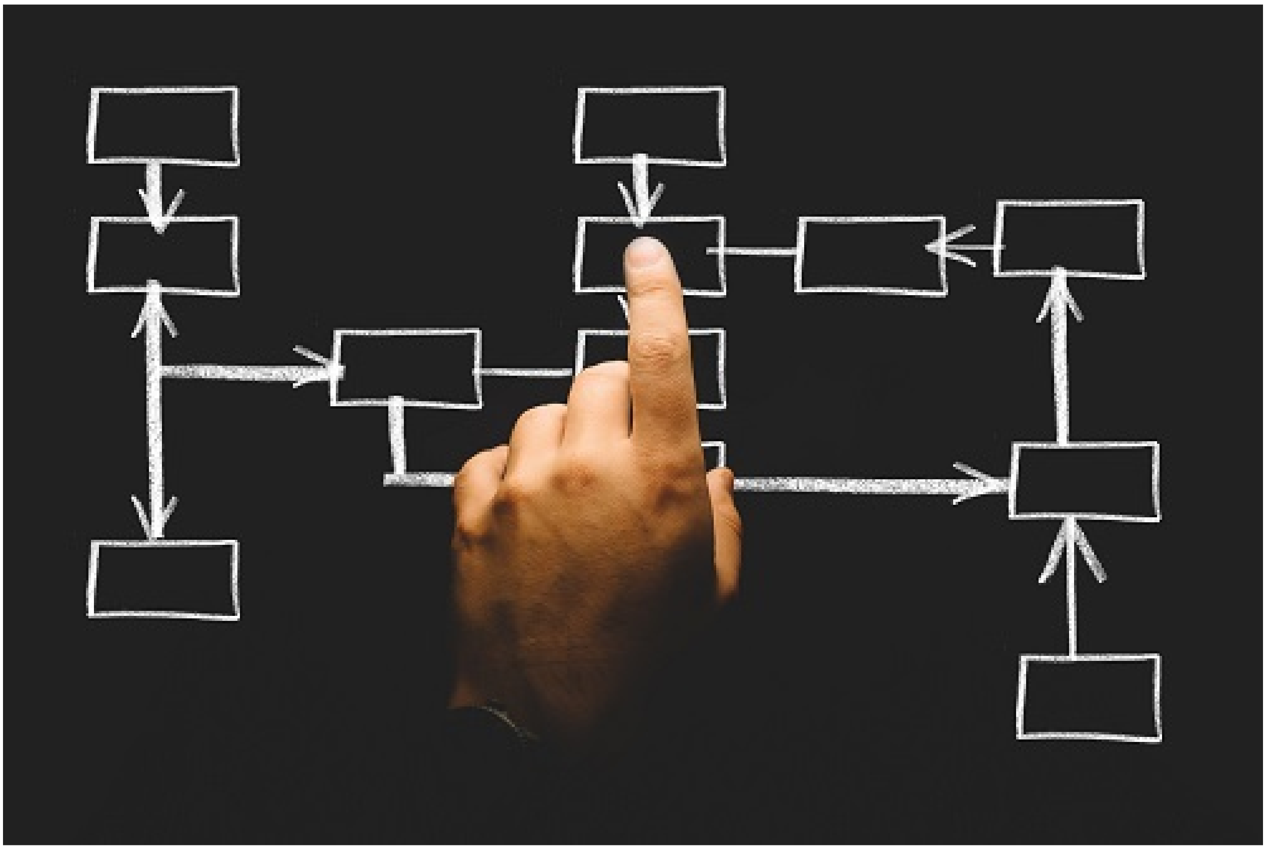
BUSINESS STRATEGY & GROWTH

Have you Structured your Company Correctly?

By Leyla Hussein • 11 February 2019



A business owner once showed me his org chart with real pride. Neat boxes, clean lines, everything in its place. When I asked why it was built that way, he paused and admitted he had simply copied the structure from the company he used to work for, a business ten times the size of his own and in a completely different trade. It fitted him about as well as a borrowed suit. Structure is not something you inherit. It is something you design for the company you actually have.

Organisational structure **covers your workforce** and its lines of authority. It is about **management and communication**, who is accountable and who holds the decisions, with a particular focus on the teams, departments and divisions inside a company and the dynamics between them: chain of command, centralisation, span of control. It is not a simple subject, and there is no single structure that suits every business. Companies share similarities but often operate in entirely different ways, so each one will have its own **preferred leadership style**, its own communication lines and its own authority figures. To understand the whole thing, start with the parts.

The dynamics inside a structure

Chain of command is simply the line of authority, running from the person with the most decision-making power down to the least. Picture it as CEO, then managing director, then divisional manager, then regional manager, then business manager.

Centralisation also concerns the main decision maker, but it asks a sharper question. Is the top authority a single individual, or a board of members with equal say? If it is one person that everyone ultimately points to, your company is centralised. If the workforce answers to several board members, it is decentralised.

Span of control is about how many people each authority figure is responsible for. The CEO is responsible for everyone. Further down, a marketing director is not, they own the marketing department and the people working under that function, and no more.

Types of structure

Those dynamics show up in every structure, just at different intensities. One business might be a global company with countless divisions and authority figures. Another might be five people in a room. The structure has to fit the business, not the other way round.

Flat structures have a wide span of control and a short chain of command. Whether they are centralised depends on the company and the industry. Think of an engineering firm, heavier on engineers and shop-floor workers than on managers. Each manager looks after more staff, fewer managers means fewer voices muddying a decision, and communication actually improves because a large team reports into a single manager who reports up to the director or CEO. A three-level chain like that is common in that world.

Hierarchical structures, the pyramid, have many layers of management and fewer people under each manager, much like the military. It is probably the most common form, because it lets a company divide itself in several ways at once. A large, established, global business will tend to have a long chain of command, a narrow span of control and a decentralised board, with a divisional manager per country and a manager per store beneath that. It is a structure built for aligning functions and goals, because separating divisions and roles lines each team up behind the objective that belongs to them.

Why this matters to you

You might be wondering why any of this concerns you. If you own a business, it concerns you a great deal. You may have organised your company on someone else's recommendation, or borrowed a shape that worked somewhere else, like the owner with the borrowed suit. Structuring your business to fit its actual function matters enormously for both efficiency and quality, and it all comes back to communication. Do you have a lot of people with a common skillset, or a range of **different functions that need grouping**? Do you have as many managers as you truly need, or could one cover the ground? Or is it the reverse, one manager stretched across areas that should really be split? Ask those questions honestly of your own business, look hard at whether your structure fits, and you may well find a straightforward way to lift your productivity.