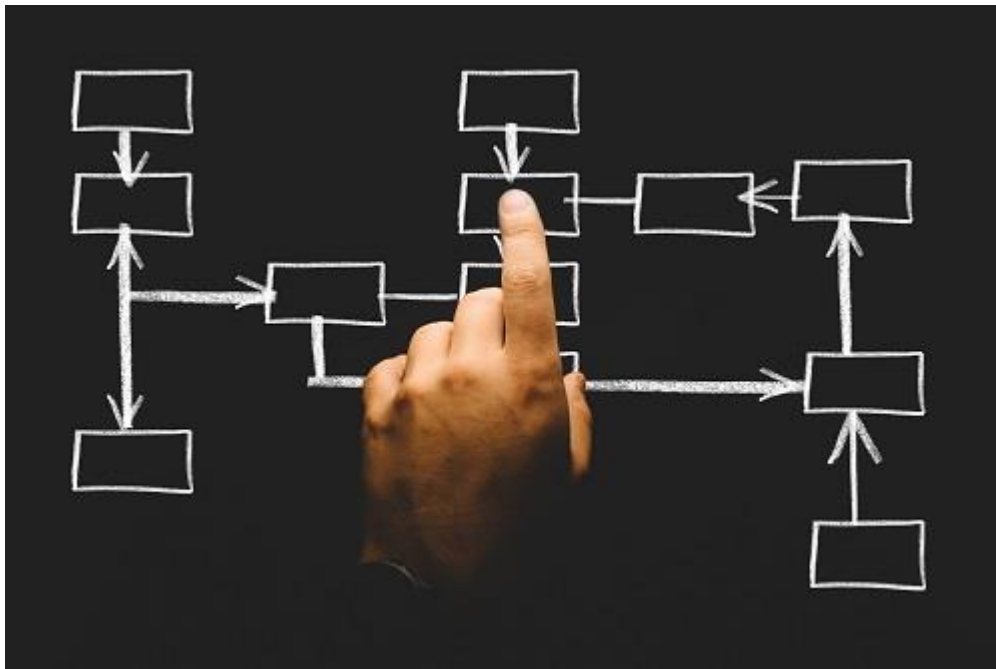


Have you Structured your Company Correctly?

Organisational Structure [encompasses a business's workforce](#) and its lines of authority. It refers to [management and all communications](#) concerning who is accountable and responsible for decision making. A particular focus is on the teams, departments and divisions within a company and covers dynamics such as Chain of Command, Centralisation and Span of Control. Organisational Structure is not a simple topic, and there isn't just one type of structure that suits all types of business.



Businesses have their similarities, but also can operate in entirely different ways, therefore each company will have their own [preferred leadership style](#), communication lines and authoritative figures. In order to understand Organisational Structure in its entirety, let's discuss what some of these dynamics are first.

Dynamics within Organisational Structures

Chain of Command

Chain of Command simply states the line of authority within a company. Starting from the individual(s) with the most authority and decision-making power to the lowest, here is an example:

CEO – MANAGING DIRECTOR – DIVISIONAL MANAGER – REGIONAL MANAGER – BUSINESS MANAGER

Centralisation

Like Chain of Command, Centralisation focuses on the main decision maker as well. However, centralisation differs by simply asking this.

Is the decision maker with the highest authority, one individual or a board of members with equal authority?

If the first scenario is true, your company is centralised as all the business's workforce points to one authoritative member, whereas in the second scenario the company would be decentralised as the workforce will be pointed towards multiple board members.

Span of Control

Span of Control references the authoritative members of a company and how many subordinates they are responsible for. For example, the CEO will be responsible for everyone, but further down the chain of command could be the Marketing Director who will not be responsible for everyone. They will have responsibility for the Marketing Department and all the employees working under that function.

Types of Organisational Structures

The dynamics covered are prevalent in all Organisational Structures, just at different capacities. One business may be a well-established global company with many authoritative figures and divisions and another smaller company with only 5 members currently operating. Structures must adapt to the business.

Flat

Flat Structures have a wide span of control and a shorter chain of command. Whether the company is centralised or not is down to the company's preferences and industry. An example could be an engineering company, where they're more engineers and shop floor workers and less management. This means that each manager is assigned and responsible for more staff.

Fewer managers mean fewer influencers when decision making, communications are overall improved as larger team reports to only one manager. This manager then reports to the director or CEO. Having a three-level command chain is relatively common in this line of work.

Hierarchical

Also known as the pyramid structure, Hierarchical structures have many levels of management and fewer subordinates assigned to each manager, very similar to the military. Probably the most common of structures as it allows companies to divide their organisation in multiple ways. For example, larger companies who are well established and operating globally will have a very long chain of command, a narrower span of control and typically decentralised. These types of companies are likely to have a board of directors, a divisional manager for each country it's operating in and then a manager for each of its stores and so on.

This is beneficial for aligning function and goals. Separating divisions and roles will align teams better with their common goal for their department.

Conclusion

You may be asking, “why is this necessary for me to know?”

Well, if you are a business owner this is incredibly relevant. You may have organised your business by what others have recommended or have structured it in a way that worked before you started a business and worked for another.

Structuring your business and suiting it to best fit its function is incredibly important for both efficiency and quality reasons. It all comes down to communication. Do you have many labourers operating in your company with a common skillset? Or do you have many different [departments or functions to your business that needs to be grouped](#)? Do you know whether your company needs as many managers as it has, or can one manager cover it? It could be the opposite, maybe you have a manager responsible for several areas of the business when it should be split.

Applying these questions to your own business and analysing whether you have the appropriate structure in place is beneficial and can ultimately boost productivity.