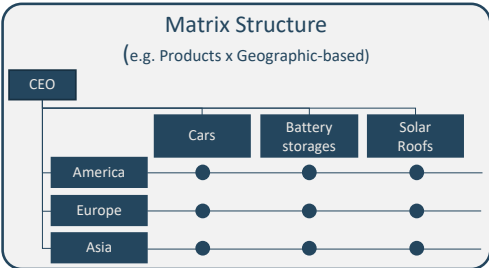
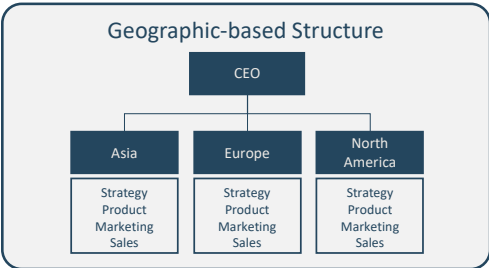
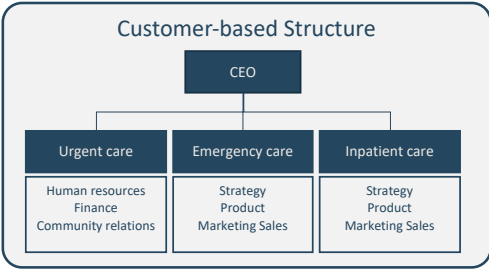
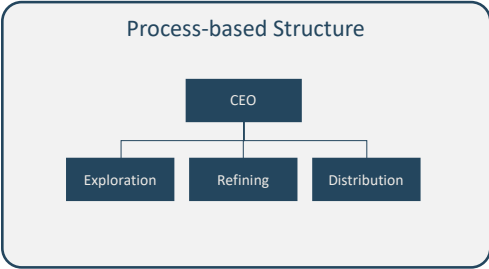
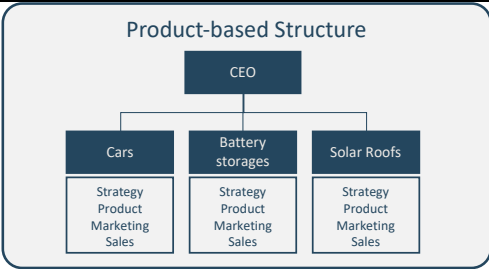
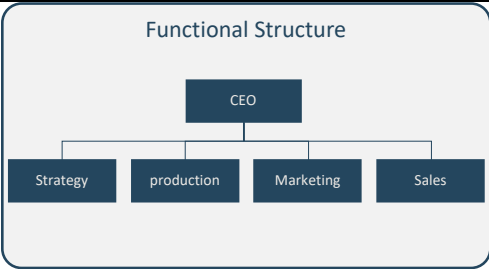


## Tools for SMALL Businesses

Level 1 Question 12: Is our organisational setup supporting our future (1-3year) setup efficiently?

<b>Title</b>	Organizational Design
<b>Why</b>	As your company grows, complexity in your organization evolves. Most companies start in a Functional structure, but soon other models may prove more efficient.
<b>What</b>	Organizational Design is made by taking your strategic drivers into consideration. And designing the organization around it
<b>How</b>	<p>Steps In Organizational Design</p> <ol style="list-style-type: none"> <li>1. Review Business strategy and 3-5 years objectives</li> <li>2. Evaluate current state organization, what works, what constraints do we experience?</li> <li>3. Set an ambition for your new Organizational structure, by defining some organizational Design Principles. A Design principle are used to make decision making easier while designing the new Organization. Examples of design Criterias could be: <ul style="list-style-type: none"> <li>• <i>"Decrease the number of managerial layers in our structure while increasing spans of control to encourage quicker decision making with a shift of accountability downward throughout the organization."</i></li> <li>• <i>"From centralized control points to more local empowerment and accountability"</i></li> <li>•</li> </ul> </li> <li>4. Chose a new organizational Setup based on the design criteria</li> <li>5. Make sure that you are carefull in describing Roles and responsibilities in the new organization in order to reduce confusion when shifting to the new model.</li> </ol>



	Appropriate for	Advantages	disadvantages
<b>Functional Structure</b>	<p>Organisations which sell a low price product and need to keep costs down</p> <p>Organisations with stable, undifferentiated markets</p> <p>Organisations with well-understood customer requirements</p> <p>Organisations with one or two product lines</p> <p>Organisations with long product development lifecycles</p> <p>Organisations where there is minimal need for</p>	<p>Resource efficient and maximises margins through leveraging economies of scale and functional expertise</p> <p>Clear functional divisions drive strong accountability and control by function</p> <p>Drives common standards, collaboration, specialism and attention to quality within each function</p> <p>Supports common culture and values</p>	<p>Less responsive and adaptive to market and customer needs</p> <p>Hierarchy and bureaucracy can become rigid and stifling</p> <p>Communication between divisions can be limited and inadequate leading to silo mentality</p> <p>Interdepartmental conflict can occur</p>

		interdependency between functions		
	<b>Product-based Structure</b>	<p>High technology organisations where global product excellence is key</p> <p>Organisations where there are multiple products for different customers</p> <p>Organisations where there are low synergies between the different product divisions (i.e. different distribution channels, purchasing processes, operating requirements, competitive environments)</p> <p>Organisations where product development cycles are key, either because they are typically very short or long</p>	<p>Allows a strong focus on producing high quality products and ensuring short product development cycles</p> <p>Clear product divisions drive strong accountability and control by product</p> <p>Allows products to be divested / added with minimal disruption to the rest of the business</p>	<p>Poor resource efficiency because of duplication of effort and loss of economies of scale</p> <p>Does not support coordination of geographic areas and responsiveness to local conditions and customers may need to work with more than one division</p> <p>Temptation to work in product-based silos</p> <p>Sometimes drives competition between business units for resources</p>
	<b>Geographic-based Structure</b>	<p>Organisations that are spread nationally or internationally, where business environment varies by geography, local value creation is key and customers in different regions have different needs</p> <p>Businesses where it makes sense to produce the product locally rather than transport it</p>	<p>Enables recognition of local cultures and operating conditions through closeness to the customer</p> <p>Clear geographic divisions drive strong accountability and control by geography</p> <p>Easy to add new products into particular geographies</p>	<p>Poor resource efficiency because of duplication of effort and loss of economies of scale</p> <p>Difficult to develop consistent global practices and apply a global strategy. Can lead to inconsistency in product delivery as decision making is based around regions, not products</p> <p>Implementing changes across all divisions can be slow and difficult</p> <p>Can lead to conflict between regions and HQ</p>
	<b>Process-based Structure</b>	<p>Organisations where the value chain can be broken into clear and distinct processes and there are well-defined processes serving different customers</p> <p>Organisations where there is a need to focus on expert knowledge, process efficiency, reducing process cycle times and reducing working capital</p> <p>Organisations where there is little</p>	<p>Supports development of efficient processes, economies of scale and reduction in working capital</p> <p>Clear process divisions drive strong accountability and control by process</p> <p>Skills can be highly refined because experts on processes work together in the same teams</p>	<p>Temptation to work in process-based silos and potential for clashes with HQ</p> <p>Sometimes drives competition between business units for resources</p> <p>Potential lack of alignment of processes and procedures across divisions</p>

		<p>interdependency between core processes</p> <p>Organisations where there are different cultures/workforces between core processes</p>		
	<b>Customer-based Structure</b>	<p>Organisations with a strong marketing and customer service culture</p> <p>Organisations where different customers have very different needs</p>	<p>Drives rapid customer service and product to market timescales</p> <p>Facilitates tapping into customer knowledge</p> <p>Clear customer divisions drive strong accountability and control by customer group</p> <p>Allows swift identification of unprofitable product ranges</p> <p>Focus on delivering to the customer rather than reporting to the boss drives employee job satisfaction</p> <p>Global control of brands and appeal to customers</p>	<p>Poor resource efficiency because of duplication of effort and loss of economies of scale</p> <p>Does not support coordination of geographic areas and responsiveness to local conditions</p> <p>Temptation to work in customer-based silos</p> <p>Sometimes drives competition between business units for resources</p>
	<b>Matrix Structure</b>	<p>Organisations operating in complex environments that need to respond to multiple demands</p> <p>Medium sized service oriented organisations where work tends to be based on lots of very different projects</p>	<p>Drives efficient use of organisational resources and offers innovative solutions through forming and dissolving teams of highly skilled individuals</p> <p>Attention can be paid to more than one dimension, for example, product and geography. Allows a balance of local responsiveness and scale</p> <p>Encourages communication within business and promotes knowledge sharing and a focus on the organisation as a whole</p>	<p>Can lead to confused accountabilities, power struggles, overlapping responsibilities and conflicting demands</p> <p>Can cause duplication of effort, requirement for increased coordination and increased transaction costs</p> <p>Decision making process can be long because of multiple sign off gates</p> <p>Requires strong information systems to help get information to multiple places and reduce bureaucracy</p>
<b>Examples</b>				
<b>Template</b>				

