

Organization Structure -- Too Important to Have Just Happen

How is your company or division organized? Does your organization structure make things easier or is it another obstacle you have to overcome to get things done? Now for the really important question. Are you organized the way you are intentionally . . . or did it just happen? Can you remember going through a specific process to identify the best organizational structure for your operation or did your current structure just grow and develop as needed?

If you're not sure, don't remember going through a process or can't believe anyone designed your current structure intentionally, you're not alone. Most organizations developed in the same way as the streets in downtown Boston. If you don't remember the story behind Boston's transportation planning process, read the poem entitled [The Calf Path](#) by Sam Walter Foss. It describes how structure can just happen and then become unchangeable.

Almost every insurance company starts with a functional organization structure. When you look back at what was happening at the time this approach makes a lot of sense. Your new company needed sales, so it hired a sales person to start a sales operation. It had to underwrite business so it found an underwriter. The same thing happened with all of the professions. You needed expertise and you built the company around these key people.

This approach is probably the fastest and might be the best way to get started. Its strength is in its simplicity and its focus. For some areas of the company, especially those where you need to build specific technical expertise, this is probably the best structure. But once you get started and have the core skills you need, the disadvantages of this structure become apparent.

Functional structures are inherently internally focused. They create functional silos, inhibit cross-functional communication, make it difficult to attain a clear customer focus, slow decision-making and change efforts and, most importantly, make business level accountability almost impossible to attain. They are also more expensive than other approaches, in some cases up to 30% more expensive.

So, what's the alternative or alternatives? Most people we talk to almost automatically jump to the assumption that the answer is "teams." The problem with "teams" is that everyone has a different definition of what the word means. Definitions range all the way from multifunctional, customer focused profit centers (which tend to work very well) to leaderless groups of people who sit together.

The answer is not in any specific type of design. The right design for each company or division is specific to your situation, needs and goals. The right organizational structure for you must be tailored for you. Cookie cutter or textbook approaches never create the best results. To design the best organization structure, you need to go through a very participative process where an experienced management consultant helps you do the analysis necessary to create the best structure.

Over the years, we've developed some practical principles of organization design. We'd be happy to share these with you. Or we could help you review your current structure to see the benefits you would receive from going through a redesign process.

We had an article published last month in the December issue of Best's Review entitled [A New Attitude](#). It describes the experiences and results three of our clients had from going through this kind of process. As you will see, they were significant. In an earlier edition, November 2001, we published another article in Best's that described the process. You might find these articles interesting and valuable. You can download them from our website at McDonaldConsultingGroup.Com or you can call me and I'll send you reprints.