

Are You Effectively Managing your Informal Organization Structure?

A friend of mine, a Claims VP for a medium sized insurance company, recently left his company of almost 30 years. His departure wasn't entirely voluntary. He wasn't sure why, but over the last few years he found it more and more difficult to be effective. It was almost as if he spent all of his time trying to swim upstream. Things that used to be obvious and easy became difficult. And he couldn't understand why.

His problem was, unfortunately, a fairly common problem within companies. He failed to understand and manage the informal organization structure within his company. As he learned, this can be a fatal flaw to managers, especially senior ones.

Every company has two organization structures, regardless of what people tell you. First, there's the formal structure. This is the one everyone talks about. You can see it on official organization charts. It shows who reports to whom, who is responsible for what and how everyone is supposed to communicate with each other. But then there's another organization that few talk about but is at least equally important. It's the informal organization within the company. It's the structure you follow when you don't have the time to do it the right way. It's based on who knows what, who gets things done, who has influence and power, who must agree before an idea can be effectively implemented.

Formal structures are the way a company wants things to work. Informal structures describe the way they really work. Efficient and effective companies recognize this and management makes sure they are never very far apart. They understand that if they are too far apart for too long something is going to break. The problem is that it is difficult to predict what will break. My friend found that out when he failed to include and listen to other key executives, some of whom he thought had nothing to do with what he was changing, as he moved forward with an important series of initiatives.

There are two lessons to be learned from my friend's experience. The first is rather obvious. Every manager and employee should understand that informal structures exist in companies, that they are not bad and that they must be understood and used appropriately. Ignoring them is done at your own peril. The second lesson is more fundamental. Companies need to periodically look at how things are done, how they are organized and make sure their formal and informal structures are not too far apart. Your formal structure needs to recognize and incorporate the needs that the informal structure is meeting. If you don't like what the informal structure is doing, you can change it. You just need to be careful and fully understand why it is doing what it is doing.

Designing an organization structure for a company is like trying to manage a river. You can make changes to help the water move faster or slower in certain areas so traffic, decision-making and communication can be more efficient. But you have to pay close attention to the way the river wants to act naturally. If you don't, the river will always win. Organizational structures that are ineffective fail because employees are too smart to make them work. Instead, they find a better way.

In our management consulting practice we spend a lot of time helping companies ensure their organizations are "naturally effective." These are structures that accomplish your goals without a lot of unnecessary or inefficient activity. They are structures that include the practical efficiency of previous informal structures. We can help you understand these situations and become more effective. Our firm is dedicated to helping companies like yours become more effective and efficient. Please visit our website (McDonaldConsultingGroup.com) for other topics of interest.