

Managing Your Informal Organization Structure

Every company has two organization structures. The most easily seen and understood is the formal structure. This is the official structure displayed on your company's organization charts. It's the structure reflected in everyone's business cards. It assigns authority and responsibility to individuals, teams and departments and shows the way the company intends to operate. When designed correctly, it puts the right people, responsibilities, functions and talent together so decision-making and communication is fast and efficient.

Regardless of how well you create and implement this design, however, a second "informal structure" will start to evolve almost immediately. This structure is not approved by the company nor is it written down anywhere, but it is just as powerful as the formal structure. It is a structure built on talent, experience and power. Usually it compliments the formal structure. Occasionally it conflicts. It corrects deficiencies and adds value to the formal structure because it focuses on the best and most practical way to get things done.

To understand the informal structure you need to ask "who" questions. Who is best at ...? Who understands ...? Who knows the most about ...? The informal structure does not care about where people sit, or their title or what they happen to be currently doing. It exists because it can get things done faster and better than the formal structure alone.

But, be careful. The informal structure also has a dark side. It includes people you must include or involve (depending on what you are trying to accomplish) because they will hurt your effort if you leave them out or do not show them the proper respect. Careers have ended because executives ignored these people.

No one documents the informal structure. In fact, few ever understand all of it. Instead, fragments are passed from person to person on a need to know basis. It is constantly evolving as people grow and are able to make new and better contributions. The informal structure is also called the "project structure" because it shows itself most elegantly when creating task forces and projects.

The key to getting things done most effectively is understanding how to use both the formal and informal structures so they compliment and build on each other. You need the authority of the formal structure and the energy, experience and talent of others who may be outside this structure. You need the wisdom to understand when to communicate with and involve others, even when it may not be obvious that they need to be a part of your effort. It is better to take a few minutes to communicate than to create an enemy later.

Executives need to understand and monitor the informal structure, not only so they can use it effectively, but also so they determine when it has developed too much. You never want the formal and informal structures to get too far apart. When they do, things start to break. When the informal structure gets too big or powerful, it is time to change the formal structure and incorporate the best of the informal structure into it. In fact, you cannot effectively design a formal organization structure without first understanding how the informal structure works.

If you decide to consider the ideas presented in this letter, please feel free to call me. I'd be happy to discuss how to make these changes in more detail. Also, please visit our web sight at McDonaldConsultingGroup.com, where you'll find further explanations of these ideas (and other exciting ideas) in our Concepts and Ideas section.