**DOING THE BUSINESS**

*Roisin Ingle hears how efficient management structures are vital for success*

The need for a *solid structure* within all *business entities* is “absolutely fundamental”, according to Ms. Angela Tripoli, a lecturer in Business Administration at University College Dublin. “Organizational structure concerns who reports to whom in the company and how different elements are grouped together. A new company cannot go forward without this and established companies must ensure their structure reflects their target markets, goals and available technology”.

Depending on their size and needs there are several organizational structures companies can choose from. Increasingly though, in the constantly evolving business environment, “many firms are opting for a kind of hybrid of all of them”.

The most recognizable set up is called the *functional structure* where a fairly traditional *chain of command* (incorporating senior management, middle management and junior management) is put in place. The main benefit of this system is clear lines of communication from top to bottom but it is generally accepted that it can also be a bureaucratic set up which does not favour speedy decision-making.

More and more companies are organizing themselves along *product lines* where companies have separate divisions according to the product that is being worked on. “In this case the focus is always on the product and how it can be improved”.

The importance for multinational companies of a good *geographic structure*, said Ms. Tripoli, could be seen when one electrical products manufacturer produced an innovative rice cooker which made perfect rice - according to western standards. When they tried to sell it on the Asian market the product *flopped* because there were no country managers informing them of the changes that would need to be made in order to satisfy this more demanding market.

The *matrix structure* first evolved during a project developed by NASA when they needed *to pool together* different skills from a variety of functional areas. Essentially the matrix structure organizes a business into project teams, led by project leaders, to carry out certain objectives. Training is vitally important here in order to avoid conflict between the various members of the teams.

During the 1980s a wave of restructuring went through industry around the globe. This process, known as *delayering*, saw a change in the traditional hierarchical structures with layers of middle management being removed. This development was, driven by new technology and by the need to reduce costs. The overall result was organizations that were less bureaucratic.

The delayering process has run its course now. Among the trends that currently influence how a company organizes itself is the move towards *centralization* and *outsourcing*. Restructuring has evolved along with a more *“customercentric” approach* that can be seen to good effect in the banks. They now categorize their customers and their complex borrowing needs into groups instead of along rigid product lines.

Another development can be seen in larger companies, which are giving their employees more freedom to innovate in order to maintain a competitive edge.

Ms. Julia MacLauchlan, Director of Microsoft’s European Product Development Centre in Dublin, said the leading software company had a very flat organizational structure. “There would not be more than around seven levels between the average software tester and Bill Gates”, she said.

Microsoft is a good example of a company that is structured along product lines. In Ireland, where 1,000 employees work on localization of the software for all Microsoft’s markets, the company is *split up* into seven business units. Each unit controls the localization of their specific products while working closely with the designers in Microsoft’s Seattle Headquarters.

It works, said Ms. MacLauchlan, because everyone who works in the unit is “incredibly empowered”. “Without a huge bureaucratic *infrastructure* people can react a lot more quickly to any challenges and work towards the company’s objectives”.

***Exercise 3****. Match these definitions with the four organizational structures described in*

*the text:*

1. A cross-functional structure where people are organized into project teams.

2. A structure rather like the army, where each person has their place in a fixed

hierarchy.

3. A structure that enables a company to operate internationally, country by country.

4. A structure organized around different products.

***Exercise 4****. Match these nouns as they occur together in the text*

1. product a. teams

2. target b. objectives

3. borrowing c. lines

4. project d. units

5. delayering e. company

6. country f. process

7. business g. markets

8. software h. needs

9. company i. managers

**Exercise 5.** Use an appropriate phrase from the text to complete each sentence:

1. Banks need to be fully aware of their customers’………………….. .

2. Silicon Valley is full of ………………………….. .

3. Many companies are now organized along ………………………, in which each

division is responsible for a group of products.

4. A matrix organization groups people into …………………….. .

5. Some companies are divided into different ………………………….., often also called profit centres.

6. A multinational company will often have a number of ………………, in charge of activities in different parts of the world.

**Exercise 6**. Match these terms with their definitions:

1. business entities a. focusing on the customer rather than the product

2. set up b. new, original

3. innovative c. companies

4. flopped d. something that makes you better than other companies

5. outsourcing e. did not succeed, failed

6. customercentric f. structure

7. competitive edge g. getting external companies to do work for your company

**Exercise 7**. Complete these sentences with an appropriate preposition:

1. Organizational structure concerns who reports …………… whom.

2. Depending ………………. its size, there are several organizational structures a company can choose from.

3. Many companies are organizing themselves …………….. product lines.

4. In the 1980s a wave of restructuring went ………………….. industry.

5. Delayering was driven ………………….. the need to reduce costs.

6. Microsoft in Ireland is split ……………… ………………. seven business units.