UNIT 7

Business operations, Project Management and Organizational Structure

Topics covered here: Establishment of Standard Operating Procedures (SOPs), Project Management methodologies and tools, various organizational structure and role of each position in an enterprise.

What are Business Operations?

Business operations refer to activities that businesses engage in on a daily basis to increase the value of the enterprise and earn a profit.

The activities can be optimized to generate sufficient revenue. *Revenue is the value of all sales of goods and services recognized by a company in a period. Revenue (also referred to as Sales or Income) to cover expenses and earn a profit for the owners of the business.* Employees help accomplish the business' goals by performing certain functions such as marketing, accounting. *Accounting is a term that describes the process of consolidating financial information to make it clear and understandable for all, manufacturing, etc.*

Business operations evolve as the business grows, and the management should plan to accommodate the changes to prevent glitches occurring in the system. For example, as a small business or Small and Medium-sized Enterprises (SMEs), are defined differently around the world. In the country where a company operates, provided the grows, it must be ready to handle arising challenges such as legal, marketing, and capacity issues. If the business does not evolve with the changes in business operations, glitches such as errors and omissions will emerge.

Business Operations in Different Industries

The operations of a business vary across industries, and they are structured according to the requirements of the specific industries. Mastering the operations of a specific industry can help the business achieve success. Here is an analysis of business operations in different industries:

1. Retail industry

One of the main goals of a retail business is to stock products that customers are looking for and at a price that the customers are willing to pay. This means that the business must maintain an efficient inventory system so that it knows what is in stock at any given time, while reducing instances of dead stock. Deadstock refers to products that the company has in stock but that are not in high demand.

In order to maximize revenues, the business should stock fast-moving items like Fast-Moving Consumer Goods (FMCG), also called consumer packaged goods (CPG), refer to products that are highly in-demand, sold quickly, and affordable that customers are willing and happy to pay for. The business should also negotiate friendly credit terms with suppliers so that they can get the required products on credit to prevent stock-outs.

2. Service industry

The business operations of a service business are divided into the front-end and back-end side of the business. The management must ensure that the two divisions are running efficiently to prevent laxity on one side, which can hinder the achievement of the company's objectives. On the front end, the business should focus on streamlining the service delivery to customers to increase their satisfaction. It should also formulate a means of receiving feedback and complaints from customers to know their expectations and how to improve service delivery.

On the back end, the management should employ the right people in each department. For example, the company should appoint trained and experienced staff to prepare forecasts for client projects to prevent the actual costs from exceeding client budgets.

3. Manufacturing industry

Manufacturing companies are involved in turning raw materials into physical products, which are then sold to consumers. One of the things that a manufacturing company can do to achieve efficiency is to source quality raw materials from credible suppliers. For perishable and edible products, the business should look into how raw materials are stored, processed, and shipped to consumers.

The company can also eliminate bottlenecks that increase processing times to save time during manufacturing and shipping. If the company is struggling with shipping logistics, it can outsource shipping and concentrate on other areas of the business that it excels in.

4. Technology industry

The key to streamlining operations of a technology company is hiring the right staff and training them on how to execute the tasks they are assigned. This means that the company should put a hiring criterion in place that helps them hire the best candidates for the job. The company should also come up with an internal training and mentorship program where senior staff works hand-in-hand with junior staff to help them perfect their skills.

Another way of increasing efficiency is by collaborating the different tools such as apps, websites, and systems that the company uses. The company's management should continually monitor internal and external processes to spot any glitches and address these issues quickly.

How to Improve Business Operations

The following are some suggestions that businesses can use to improve business operations:

1. Measure performance

A business should come up with realistic and actionable means of measuring its business milestones. The process of measuring performance starts from the goal-setting stage. The company's management should set achievable objectives with clear targets. For example, the goal of achieving a 30% increase in revenues is more actionable than setting a goal to make more money in the next financial period. The company should then implement a measurement system that determines how well the business is doing against the goal targets.

2. Keep up with the latest trends

A business should stay up to date with what happens in the industry to get ideas on how to get better than the competition. Trends can take the form of new innovation, changing state and federal laws, or changes in the local economy. Knowing the latest trends and changes in operations can help the company find new systems that improve performance and cut costs, or that help the company stay compliant with new regulations.

3. Streamline processes

Another way of improving business operations is to evolve with changes in the industry to increase productivity. The management should continually be on the lookout for new tools, software and equipment that improve and ease critical processes.

For example, where the business uses manual methods to manage inventory, the management can acquire an inventory management software program that automates most of the processes and saves both time and costs.

What are Standard Operating Procedures (SOP)?

Definition: A standard operating procedure (SOP) is step-by-step instructions guide to help an employee in performing specific operations smoothly.

The main objective of SOP is to ensure uniform and quality output, while simultaneously reducing miscommunication and ambiguity.

A **standard operating procedure (SOP)** document guides new as well as current employees on how to carry out routine tasks and maintain consistency and quality throughout business operations. Since SOPs are crucial documents, we decided to uncover everything there's to know about standard operating procedures and provide you a tool to create SOPs with ease.

Types of Standard Operating Procedures (SOP)

While you can write your standard operating procedures according to your organizational needs, a conventional SOP follows one of the following methods:

1. Checklists

A checklist or the to-do list is one of the simplest methods of writing a standard operating procedures (SOP) document. A checklist can be created on an online note-taking app like Bit or can be printed out and handed over to employees. Checklists are the easiest to create as you can simply create a header (the process you are creating guidelines for) and add relevant checklist items that employees need to follow in order to complete the task.

2. Step-by-Step List

Similar to checklists, a step-by-step bullet list works in the same way where you describe a procedure in relevant, easy to follow steps.

If the task you are creating SOP for is pretty straightforward, these lists can be more than enough to get the job done efficiently.

3. Hierarchical Lists

If your procedures are more complex and need additional info, you can create hierarchical checklists or bullet lists. If you are unable to explain a task in a single step and at the same time, don't want to make the SOP lengthy, adding hierarchical steps can be beneficial.

For example, if your SOP's Step 1 tells an employee to create a new account, then Step 1(a) can say "enter your username", while Step 1(b) can ask them to input their password.

4. Process Flowchart

Flowcharts are a wonderful way to represent how a process works visually and help give better context around the workflow. A flowchart also shows how one step is related to another, helping employees conceptualize the whole concept and have a better understanding of the work they are doing.

Why do you Need Standard Operating Procedures (SOP)?

Some of you may be wondering- *If we are already training our employees to do the tasks they are hired to do, why take on this extra work of* ***documenting operating procedures***? We understand your dilemma, which is why we are going to look at some of the reasons *why every* business should create standard operating procedures (SOP) no matter what…

1. Time-saving

Even though creating SOPs can be time-consuming, they end up saving you a ton of time in the long run.

If all employees perform the same task in different ways, some are going to do it faster while others might take a long time. Having rules and guidelines in place streamlines the workflow, ensuring employees do the task in a set amount of time.

2. Ensure the safety of employees

Standard operating procedures (SOP) make sure that employees perform all tasks and activities in a consistent yet safe manner.

If everyone is doing a task in their own way, it's not only inefficient but can also result in adversities. This puts the business in a tough situation and opens it up for lawsuits and liabilities.

3. Ensures compliance standards are met

Having standard operating procedures in place ensures that industry compliance standards are followed and met properly. SOPs put measures in place so that employees comply with relevant laws, policies, and regulations, and avoid any sort of litigation or risk.

4. Improved communication

Communication is key in business. Still, a whopping 57% of employees report not being given clear directions and 69% of managers report they are not comfortable communicating with the employees in general!

Standard operating procedures make your manager's job easier as they don't have to communicate the policies and procedures to each and every employee individually. Employees too, don't have to go back to their managers or coworkers and ask for guidelines in case they forget as they can quickly go-through the SOP document and get to work.

5. Enhanced accountability

Having standard operating procedures (SOP) in place helps managers gouge employee performance based on the guidelines provided by them.

Without proper work standards, understanding employee performance becomes a matter of personal opinion, which is far from being the right way to judge your employee's hard work.

6. Provides consistency

SOPs provide consistency of operations and ensures a smooth workflow. All employees have the same document which they can go through and know exactly what needs to be done and how. This leads to consistent performance with fewer resources wasted.

7. Maintains Organizational Knowledge

Even if your team can perform all necessary tasks with ease, consistently, and without any external aid or documentation, you still need to create an SOP document.

This is because your current employees are bound to move on to other companies, retire, get promoted, or go on a vacation, taking their knowledge, skill, and expertise with them. Documenting standard operating procedures (SOP) allows you to preserve key organizational knowledge so that knowledge doesn't leave the organization if an employee does.

8. Provides a guiding hand

Standard operating procedures act as a true north for the employees, guiding them in their journey to do amazing work. It acts as a map that employees- new or old- can follow and expect a positive outcome, every single time.

9. Onboarding and training

A study conducted by "The American Society for Training and Development (ASTD)" found that companies that offer comprehensive training have a 218% higher income per employee than those with less comprehensive training. If you have clearly defined standard operating procedure documents in place, it becomes way easier to onboard and train new employees and saves a ton of time and effort.

Steps for Writing a Standard Operating Procedure (SOP)

Now you know what a standard operating procedure is and why your organization needs to create one, it's time to actually get down to business and create one. Standard operating procedures require a ton of effort and planning before you can even begin to document your procedures.

Here are the key steps you need to follow to create a robust standard operating procedure document:

Step 1: Generate a list of your business processes

The first thing you need to do in order to create an SOP is to find out which tasks, processes, or workflows, you need an SOP for. Conduct a survey or ask your employees to fill out a form defining what tasks they do on a regular basis. This will form the basis of your list for the standard operating procedure (SOP) document. Once you have gathered a list, you can review it with other managers and look for any repetitions.

Step 2: Start with why

Once you have your list ready, its time to note down your objectives. Having a clear answer to why you are creating the SOP document should be your number one priority. Asking yourself questions like "how will this document help the employees?" or "how will the SOP impact our bottom line?" are great starting points.

For a more granular approach, identify the pain points or challenges your employees face in their day to day and create your SOP around it. This gives you a solid "why" to go through all that hard work of creating an SOP and also improves employee's buy-in in the whole process.

Step 3: Choose a format

Chances are that your organization already has some SOP documents written for past procedures. You can refer to those documents as templates and guide your current SOP. If not, then refer to our "types of SOP documents" section above and decide whether you want to write a list of steps, create a checklist, create workflow diagrams, or a mixture of everything!

Step 4: Identify your audience

Knowing your audience is key in creating an awesome SOP document. Ask yourself the following questions in order to get an idea about your audience:

- Are they new employees?
- What's the size of the audience?
- What prior knowledge do they have?
- Does an SOP already exist?

The more information you have on your audience, the better you can understand their points of view and create an SOP that will be relevant to them.

Step 5: Collaborate with employees

Standard operating procedures (SOP) are written with the end-user, i.e, the employees in mind. Having employees collaborate with you in this process is a no-brainer. You cannot really understand their pain points and challenges unless you talk to your employees and ask for their honest feedback and suggestions. We recommend using a collaboration software like Bit to bring your entire team inside a common document and collaborate effectively.

Step 6: Get down to writing

Once you have spoken to your employees and have enough data points to start, immediately move to your document editor and start adding your notes. Once done creating the document, you can go through the document with your employees and management and ask for their feedback and input.

This is also a great time to specify who would be responsible for updating and maintaining the standard operating procedures and when will you be conducting a periodic review to gauge engagement.

Step 7: Make it interactive

While SOP documents are text-heavy and boring, they don't have to be. Add screenshots, screen recordings, images, flow charts, videos- anything that's relevant to the step being talked about.

Media like these can help make your SOP's pop while providing a visual aid to otherwise bland steps. Making your standard operating procedures interactive will boost your engagement levels as employees are surely going to find them more useful and even entertaining!

Step 8: Distribution

After you are done creating the SOPs, you've come to the most essential part of the process: distributing them to your employees. It's crucial to find a place to store all your standard operating procedures (SOP) and other training material in one place for employees to access as and when they like.

This is why we recommend using **Bit to store all company documents in one place** and store company assets like videos, images, PDFs, and more in Bit's content library. You can quickly create a workspace in Bit, invite your employees, and share SOPs and more in a robust and safe environment.

Step 9: Make them "living documents"

While many organizations view creating SOPs as a one-time process, that's hardly the case. As processes and workflows are often changing and ever-evolving in the hopes of making them more efficient, standard operating procedures quickly become outdated. This is why SOPs should be converted to living documents that get reviewed periodically (ideally after every six months) so that they don't get out of sync with the process or workflow they are describing.

What an Ideal SOP Document Includes:

The following structural elements are commonly found in most standard operating procedures (SOP) out there:

Title Page: Kickoff your SOP with the title of the procedure, the unique SOP identification number, date of creation or revision, the department/employees/team the SOP applies to, and finally the name and signatures of the parties involved in creating the SOP document.

Table of Contents: Next up is a table of contents. A table of contents helps summarize the document structure and acts as a guide for the reader to quickly jump to sections relevant to him/her. They are particularly helpful if the document is large in size.

Purpose: Describe the goals and objectives of creating the document and how it will benefit the user and the organization.

Scope: Project scope describes the limits of the document and helps the reader understand the boundaries of the SOP. It clearly states what the document is about and what it accomplishes.

Glossary: It's helpful to include words, abbreviations, or acronyms you may have used in the document that may not be familiar to your audience.

Roles and Responsibilities: Identify key stakeholders (employees, managers) who have to follow this SOP and what responsibilities they would have. This helps avoid confusion and keeps everyone accountable for their actions.

Procedures: This will form the bulk of your SOP document as this section will describe the step-by-step explanations of how to perform tasks and any additional information needed to complete the tasks.

Related Documents: Include a list of related training materials or reference guides to your SOP.

Health and safety warnings: Your SOP should have a separate section describing the things your employees need to avoid and perform the operations in a safe environment. This not only protects your employees from potential dangers but also keeps your company away from liabilities.

Revision History: Add a revision history to ensure your readers that the SOP they are reading is the latest one.

Approval Signatures: If your company requires an authorizing officer to sign off on SOPs, don't forget to get it approved by them before sharing it with your audience.

Standard Operating Procedures (SOP): Best Practices

Here are some tips to keep in mind while writing your SOP document:

Be clear and concise: Since standard operating procedures are text-heavy, it helps if they are written in simple language for your audience to go through it quickly. Avoid technical jargon, wordiness, and ambiguity, and remember to keep it simple.

Make it scannable: Make your SOP's scannable so that employees can quickly go through them and find what they are looking for. Don't go on and on in a paragraph and make sure the length of every paragraph doesn't exceed 3 lines.

Take input: Take input from your employees and understand their pain points before you begin writing your SOP. What are the areas they need help with? What processes are complex and require a lot of time? Focus on challenges and write an SOP that helps them overcome those challenges.

Choose your tool wisely: While there are many editors on the market, using a collaboration platform like Bit makes sure you have a single place to write, store, share, and track all your SOPs and workplace documents easily.

What is a Project Management Methodology?

A project management methodology is a set of principles, tools and techniques that are used to plan, execute and manage projects. Project management methodologies help project managers lead team members and manage work, while facilitating team collaboration.

There are many different project management methodologies, and they all have pros and cons. Some of them work better on particular industries or projects, so you'll need to learn about project management methodologies to decide which one works best for you.

We'll go through some of the most popular project management methodologies, which are applied in many sectors such as software development, R&D and product development.

Top 10 Project Management Methodologies

If you manage projects, you need to learn about project management methodologies. Here's a quick overview of the most commonly used project management methods that you can use.

1. Waterfall Methodology

This may be the most straightforward and linear of all the project management methods in this list, as well as the most traditional approach. The name is apt, as the waterfall methodology is a process in which the phases of the project flow downward. The waterfall model requires that you move from one project phase to another only once that phase has been successfully completed.

When to Use It: The Waterfall approach is great for manufacturing and construction projects, which are highly structured, and when it's too expensive to pivot or change anything after the fact. The waterfall method makes use of Gantt charts for planning and scheduling; an example is below.

2. Agile Methodology

What It Is: In a nutshell, Agile project management is an evolving and collaborative way to self-organize across teams. When implementing the agile methodology, project planning and work management are adaptive, evolutionary in development, seeking early delivery and are always open to change if that leads to process improvement. It's fast and flexible, unlike waterfall project management.

The agile methodology offers project teams a very dynamic way to work and collaborate and that's why it is a very popular project management methodology for product and software development. That's because what we think of as agile really appeared in 2001 with the publication of the "Manifesto for Agile Software Development," authored by 17 software developers.

When to Use It: The practice originated in software development and works well in that culture. How do you know if agile is for you? It has been applied to non-software products that seek to drive forward with innovation and have a level of uncertainty, such as computers, motor vehicles, medical devices, food, clothing, music and more; and it's also being used in other types of projects that need a more responsive and fast-paced production schedule, such as marketing.

3. Scrum Methodology

What It Is: Scrum is a short "sprint" approach to managing projects. The scrum methodology is It's ideal for teams of no more than 10 people, and often is wedded to two-week cycles with short daily meetings, known as daily scrum meetings. It's led by what is called a Scrum master. Scrum works within an agile project management framework, though there have been attempts to scale Scrum to fit larger organizations.

The term scrum was introduced in a "Harvard Business Review" article from 1986 by Hirotaka Takeuchi and Ikujiro Nonaka. It became a part of agile when Ken Schwaber and Mike Beedle wrote the book "Agile Software Development with Scrum" in 2001. Schwaber formed the Scrum Alliance in 2002, a certified scrum accreditation series. Schwaber left the Scrum Alliance in 2009 to start a parallel accreditation organization called Scrum.org.

When to Use It: Like agile, the scrum methodology has been used predominantly in software development, but proponents note it is applicable across any industry or business, including retail logistics, event planning or any project that requires some flexibility. It does require strict scrum roles however.

4. Project Management Body of Knowledge (PMBOK)

What It Is: This is the granddaddy of methodologies, if it's a methodology at all. The Project Management Institute (PMI) is a not-for-profit membership association, project management certification and standards organization.

This organization produces a book called the "project management body of knowledge" or PMBOK. The PMBOK provides definitions and guidelines for project planning, scheduling, executing and controlling. For example, the project management process groups describe the project life cycle while the 10 project management knowledge areas explain how to manage a project.

First off, PMBOK® is an acronym for Project Management Body of Knowledge. It's a book, published by PMI, that collects the processes, best practices, terminologies and guidelines that are the accepted norm in the industry. It was first published in 1996 and is about to publish its sixth edition in the fall of 2017.

When To Use It: Almost any project can benefit from PMBOK, as all projects big and small are going to go through the various stages outlined in the book. It's a great way to keep everyone on the same page, so to speak, and offers a clear definition of how a project is managed.

The Project Management Institute it's also the organization that grants the PMP certification, which is the gold-standard among project managers, and recognized all over the world. PMBOK is a great traditional framework to run a project.

5. Critical Path Method (CPM)

What It Is: In the critical path method (CPM), you build a model of the project, including all the activities listed in a work breakdown structure, the duration of those tasks, what if any task dependencies there are and marking off milestones to indicated larger phases of the project or points in which your project deliverables are due.

With this information, you can identify the longest sequence of tasks to finish the project, which is called the critical path. You'll need to keep an eye on those tasks, because if one of them is delayed, the whole project will be delayed.

The critical path method was developed in the late 1950s by Morgan R. Walker of DuPont and James E. Kelley, Jr., of Remington Rand. DuPont was already using a precursor of CPM as early the the 1940s, and it was applied to the Manhattan Project.

When to Use It: CPM works better with smaller or mid-sized projects. The larger the project, the more difficult it can be to take all the data you need to diagram and make sense of it without project management software.

6. Critical Chain Project Management (CCPM)

What It Is: In CCPM, you're focusing on resources that you'll be using to complete the project, such as teams, equipment, office space, etc. It's a less technical method of project management that doesn't put as much emphasis on task order or scheduling, but rather on balancing resources and keeping them flexible.

First introduced in 1997, in the book "Critical Path" by Eliyahu M. Goldratt, it has been credited with making projects anywhere from 10-50% faster and/or cheaper.

When to Use It: Can be applied to both large and small companies, and for projects that include industries such as construction, software development and tech research and development.

7. Kanban Methodology

What It Is: The Kanban methodology is visual approach to project management. The name is literally *billboard* in Japanese. It helps manage workflow by placing tasks on a Kanban board where workflow and progress is clear to all team members. The Kanban methodology helps reduce inefficiencies, and is a great project management tool for many purposes such as lean manufacturing or agile projects.

Kanban project management has been around since the late 1940s, when it was studied by Toyota to use the rate of demand to control the rate of production of its vehicles. The car company applied it to their lean manufacturing model, known as the Toyota production system.

With the dawn of visual planning boards in software in our era, like Trello, there are now new uses for Kanban tools and Kanban methods. Agile teams use Kanban boards for story-boarding user stories and for backlog planning in software development.

When to Use It: Another process developed initially for manufacturing and for software teams, the Kanban method has since expanded and has been used in human resources, marketing, organizational strategy, executive process and accounts receivable and payable. Almost anyone can plan with Kanban boards, adding cards to represent project phases, task deadlines, people, ideas and more. Kanban software makes this methodology especially accessible.

8. Extreme Programming (XP)

What It Is: It sounds like some dangerous sport the kids are into, but in fact XP is a type of agile software development with short development cycles and multiple releases to improve productivity. Customer requirements are sought and can adapt the course of the project.

Created by Kent Beck while working on the Chrysler Comprehensive Compensation System payroll project, he literally wrote the book ("Extreme Programming Explained") in 1999. But many of its practices have been around for awhile.

When to Use It: When requirements change frequently, then you'll want to use a methodology such as XP. It's good for when your customer doesn't have a clear idea of what they want.

9. Lean Methodology

What It Is: Lean project management is what you'd think it is from its name: a way to cut waste and in so doing increase value in projects and manufacturing processes. So, lean focuses on eliminating waste from key processes to continuously be impacting positively on the value stream. It does this by optimizing separate technologies, assets and verticals.

Lean project management goes back to Henry Ford and his flow production for automating the process of building cars. Toyota picked up on the idea, as well, extending their idea beyond manufacturing to the continuous improvement of the product development process.

Today, software development teams run lean processes to focus on end user feedback and increased value, which means Lean methodology has taken on a new meaning, particularly with the publishing of Lean Startup, by Eric Ries, who advocates for rapid prototyping, end user feedback and early and rapid product delivery.

When to Use It: Lean project management was first developed by Toyota and is obviously a great methodology for manufacturing. In fact, it's also referred to as lean manufacturing, but it has been adopted by construction and education industries, among others in the manufacturing space and countless startups and software development firms looking to drive products focused on the end user.

10. Six Sigma

What It Is: Introduced by engineers working at Motorola in the mid-1980s, Six Sigma works to improve quality by identifying what is not working in the project. It applies quality management, including empirical statistics, and employs personnel who are experts in these disciplines. There is also a Lean Six Sigma that adds lean methodology to eliminate waste.

As a doctrine, it says that continues efforts to achieve results that are stable and expected are most important to success. Processes can be defined and improved. It takes the whole organization, from the top down, to sustain quality in a project.

When to Use It: This methodology works best in larger organizations. Even companies with a few hundred employees are likely too small to take advantage of its benefits. It requires a certification to practice. Learn about six sigma certification here.

11. PRINCE2

What It Is: PRINCE2 stands for Projects IN Controlled Environments, and is a structured certified methodology. It was initially created by the UK government for IT projects. PRINCE2 is not like other traditional methods like waterfall, in that it's not a one-size-fits-all solution, but follows seven principles, themes and procedures.

When the UK government adopted standards for IT systems in 1989, they called in PRINCE. PRINCE2 came about in 1996 as a more general project management method. It is now a popular project management methodology throughout all UK governmental agencies and the United Nations.

When to Use It: Adopted by many other country's governments, PRINCE2, so, as you can imagine, it's not always suitable for smaller projects.

To ensure operations are running smoothly, many businesses follow an organizational structure that best supports their size and business goals. Having and communicating a clear organizational structure helps your employees understand their roles and corresponding expectations and informs goal-setting. In this article, we define 10 common types of organizational structures along with their pros and cons to help you choose the right one for your business.

What is an organizational structure?

An organizational structure, also known as “organogram structure” or “org structure,” outlines the hierarchy within an organization and describes the roles, responsibilities and lines of command that exist to achieve the organization's business goals.

By establishing clear relationships between departments, organizational structures provide clarity, focus and efficiency to employees so that they know who they report to and what their goals are. To visually explain the company’s reporting and accountability structure, business often create “org charts.”

10 most common types of organizational structures

Here are 10 types of organizational structures commonly used by businesses with pros and cons for each:

1. Hierarchical structure

In a hierarchical organizational structure, employees are grouped and assigned a supervisor. It is the most common type of organizational structure. Employees may be grouped together by their role or function, geography or type of products or services they provide. This structure is often depicted as a pyramid because there are multiple levels or authority with the highest level of leadership at the top, their direct employees below them and so forth.

Benefits of this type of structure include:

- Establishing clearly defined levels of authority
- Promoting teamwork and department loyalty
- Fostering employee development and promotion opportunities

Potential disadvantages include:

- Limiting collaboration
- Restricting innovation
- Creating bureaucracy that must be managed

2. Functional structure

In a functional structure, the organization is divided into groups by roles, responsibilities or specialties. For example, within an organization you may have a marketing department, finance department and sales department with each overseen by a manager who also, has a supervisor that oversees multiple departments. A functional structure can be beneficial because departments can trust that their employees have the skills and expertise needed to support their goals.

Benefits of this type of structure include:

- Establishing clearly defined roles and expectations
- Facilitating improved performance and productivity
- Allowing for skill development and specialization

Potential disadvantages include:

- Creating barriers, or silos, between functions
- Limiting employees' communication and knowledge with other departments
- Inhibiting collaboration and innovation

3. Matrix structure

The matrix organizational structure resembles a grid in which employees with similar skills are grouped together and report to more than one manager. This often includes a functional manager who oversees projects and their progress and a product manager who is responsible for the company's strategy and success regarding product offerings. The matrix structure is typically used by large, multinational organizations and promotes the sharing of skills and knowledge across departments to complete goals.

Benefits of this type of structure include:

- Enabling a flexible work environment
- Fostering a balanced decision-making process
- Promoting open communication and shared resources across the business

Potential disadvantages include:

- Creating confusion about authority
- Tracking budgets and resources can be difficult
- Limiting efficiency of key performance indicators (KPIs)

4. Flat structure

In a flat organizational structure, most levels of middle management are removed so there is little separating staff-level employees from upper management. Employees are given more responsibility and decision-making power without the usual hierarchical pressures or supervision and can often be more productive. This type of structure is mostly used by small companies and early-stage start-ups because they often have fewer employees and projects to manage. It may also be referred to as a “horizontal structure.”

Benefits of this type of structure include:

- Reducing budget costs due to lack of middle management
- Building relationships between staff and superiors
- Facilitating a quicker, easier decision-making process

Potential disadvantages include:

- Requiring extensive planning to be effective
- Causing confusion over who makes decisions
- Requiring contingency plans to resolve conflicts

5. Divisional structure

In a divisional structure, organizations are split into divisions based on specific products, services or geographies. For this reason, this structure is typically used by large companies that operate in wide geographic areas or own separate, smaller companies. Each division has its own executive leadership, departments and resources. For example, a large software company may separate its organization based on product type, so there's a cloud software division, corporate software division and a personal computing software division.

Benefits of this structure include:

- Allowing divisions to work independently
- Meeting individual divisions' needs more quickly and specifically
- Promoting focus of specific products or services

Potential disadvantages include:

- Scaling limitations
- Duplicating resources or activities
- Decentralizing decision-making

6. Network structure

In a network structure, managers at an organization will coordinate relationships with both internal and external entities to deliver their products or services. For example, a retail company will just focus on selling clothing items but will outsource the design and production of these items in a partnership other companies. This structure focuses more on open communication and relationships than hierarchy.

Benefits of this type of structure include:

- Giving the organization more agility and flexibility
- Allowing the core company to focus on what it's best at
- Helping lower costs through outsourcing

Potential disadvantages include:

- Duplicating services and resources
- Creating confusion about specific roles and job functions
- Growing too complex and difficult to manage

7. Line structure

In a line structure, authority within the organization flows from top to bottom and there are no specialized or supportive services. It is one of the simplest types of organization structure. The organization is typically divided into departments that are overseen and controlled by a general manager, and each department has its own manager with authority over its staff. The departments work independently to support the organization's primary goal.

Benefits of this type of structure include:

- Fostering effective communication and stable environment
- Providing clearly defined responsibilities and lines of authority
- Adapting easily to changing conditions or situations

Potential disadvantages include:

- Limiting specialization
- Becoming rigid and inflexible
- Giving too much power to a manager

8. Team-based structure

In a team-based organizational structure, employees are grouped into skills-based teams to work on specific tasks while all working toward a common goal. Often, this is a flexible structure that allows employees to move from team to team as they complete projects. This structure focuses on problem-solving and employee cooperation.

Benefits of this type of structure include:

- Helping streamline an organization's processes by breaking down silos
- Enabling more decision-making power with minimal management
- Increasing flexibility by focusing on experience instead of seniority

Potential disadvantages include:

- Decreasing organization consistency
- Limiting contact with other functions
- Increasing potential for conflict

9. Circular structure

A circular organizational structure relies on hierarchy to depict higher-level employees within the inner rings of a circle and the lower-level employees along the outer rings. Seated at the center of the organization, leaders do not send orders down the chain of command, but rather outward. While many of the other structure types contain different departments that work independently with individual goals, this structure removes that strict separation and looks at the bigger picture with all departments being part of the same whole.

Benefits of this type of structure include:

- Encouraging communication across all levels of staff
- Promoting free flow of information across the business
- Collaborating amongst departments, rather than separation

Potential disadvantages include:

- Causing confusion over who to report to
- Requiring more resources and training
- Causing slowdown in decision-making

10. Process-based structure

In a process-based structure, the organization is designed around the flow of its processes and how the duties performed by its employees interact with one another. Instead of flowing from top to bottom, this structure outline services from left to right.

An executive at the top of the structure oversees the departments below, which represents the different processes, but each process cannot start until the one before it has finished. And each department will have its own management and team working to fulfill their duties so that the business can move onto the next task and eventually reach its ultimate goal, such as selling a product to consumers.

Benefits of this type of structure include:

- Improving business' efficiency and speed
- Encouraging teamwork between departments
- Adapting easily to meet industry changes

Potential disadvantages include:

- Erecting barriers, or silos, between groups
- Limiting communication
- Requiring more resources to achieve process optimization

Lead Management Positions

Chief Executive Officer (CEO) or President -- This person will be the driving force behind the company; he or she will make things happen, put together the resources to support the company and take the product to the market place.

Chief Operating Officer (COO), Vice President of Operations or General Manager -- Whether called an organizer, an inside manager or an operations person, this person is the one who will make sure company operations flow smoothly and economically. He or she is responsible for making certain that necessary work is done properly and on time. An understanding of details of the business and an enjoyment of handling details are necessary.

Vice President of Marketing or Marketing Manager -- Few businesses can be successful without marketing their products to the customer. The individual in this slot must have both marketing and industry experience.

Chief Financial Officer (CFO) or Controller -- You may wish to establish two positions or combine both roles into one. The responsibility of one role is to seek money; that is, to look for investors and deal with banks, lenders, etc. This function also could be assigned to another team member, such as the CEO or the General Manager. The responsibility in the Controller role is to manage money and watch over the assets of the company. It is not uncommon to have the same individual seek money and manage money.

Vice President of Production or Production Manager -- Good production managers with specific industry knowledge and experience are sometimes difficult to find. In the beginning, you may subcontract some production.

Key Personnel: Other important positions

In a small business there often are few staff people with many duties. Because some people must wear "several hats", it is important to clearly identify the duties and responsibilities of each of the "hats". Below is a sample outline of some of the key personnel in a business. Because the focus of businesses varies greatly, the number of key personnel and organizational structure can also vary substantially. However, most businesses will have many of the key personnel listed below.

Key personnel in a value-added business and their duties include:

Operations manager. This individual is the leader for the operation and has overall responsibility for the financial success of the business. The operations manager handles external relations with lenders, community leaders and vendors. Frequently, this individual also is in charge of either production or marketing for the business. This person will set in motion the vision, strategic plan and goals for the business.

Quality control, safety, environmental manager. This is a key function in any industry and, in particular, one that deals in food products. In a small business, one person generally will be responsible for handling OSHA compliance, EPA compliance, monitoring air and water quality, product quality, training of employees in each of these areas and filing all necessary monthly, quarterly and yearly reports.

Accountant, bookkeeper, controller. This is another key function. The individual filling this role has the responsibility for monthly income statements and balance sheets, collection of receivables, payroll and managing the cash. The key aspect here is managing the cash.

Office manager. The person in this slot also may serve as human resource director, purchasing agent and "traffic cop" with salespeople and vendors. This employee, in general, will oversee everything not involved in production and may also handle some marketing duties.

Receptionist. Sometimes called the "front-line" person, the receptionist handles phone calls, greets visitors, handles the mail, does the billing and performs many other tasks as required by the office manager.

Foreperson, supervisor, lead person. This individual is the second-in-command in the shop and will oversee production in the absence of the owner, general manager or president. This position usually will have an overall understanding of all aspects of the business and also will handle working with new employees, including setting up training and schedules.

Marketing manager. If finances permit, a marketing manager may be on staff to handle all aspects related to promoting and selling the product. The top management person often handles this duty in a small business.

Purchasing manager. Duties of this position may be filled by either or both the general manager/top management person and the office manager. The supervisor or lead person often also is involved.

Shipping and receiving person or manager. This may not be a full-time position in a start-up business. Someone, however, needs to be assigned the task of packaging, ordering transportation for delivery, receiving incoming material and warehousing of finished goods and stock. Several people may be involved in this, including the office manager, foreperson or accounting clerk.

Professional staff. Instrumental in each company, new or existing, are the firm's professional staff resources. These include an accountant (CPA), a lawyer, an information technology (IT) consultant and, possibly, a local doctor or access to a medical facility. Although perhaps not outlined as full-time staff positions in your organization, these roles should be considered a part of the management team and discussed in the development of the business plan.

For any query, kindly write to: **innodesk1@gmail.com**

Follow us on social media: **@innodeskzone**