

Doing the business

Róisín 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. 'Organisational 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 organisational 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 recognisable 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 organising 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 organises 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 organisations that were less bureaucratic.

The *delayering* process has run its course now. Among the trends that currently influence how a company organises itself is the move towards centralisation and outsourcing. Restructuring has

evolved along with a more 'customercentric' approach that can be seen to good effect in the banks. They now categorise 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 organisational 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 localisation of the software for all Microsoft's markets, the company is split up into seven business units. Each unit controls the localisation 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.'

From The Irish Times

Company structure

Before you read

Discuss these questions.

- 1 How many different ways of organising or structuring a company can you think of?
Think about departments, products and markets.
- 2 If you work for a company or organisation, how would you describe the company structure?

Reading tasks

A Understanding main points

Read the text on the opposite page about the different ways in which companies are organised and answer these questions.

- 1 Four main kinds of organisational structure are described in the article. What are they?
- 2 Is one kind of organisational structure more common than the others?
- 3 When did 'delayering' take place?
- 4 What were the reasons for delayering and what were the results?
- 5 How does Julia MacLauchlan describe Microsoft's organisational structure?

B Understanding details

Match these definitions with the four organisational structures described in the text.

- 1 A cross-functional structure where people are organised 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 organised around different products.

C Understanding expressions

These words and expressions are used in the text to describe different aspects of organisational structure. Which are positive and which are negative?

- 1 clear lines of communication (line 32) *positive*
- 2 bureaucratic set up (line 35)
- 3 speedy decision-making (line 36)
- 4 traditional hierarchical structure (line 77)
- 5 customercentric approach (line 91)
- 6 freedom to innovate (line 101)
- 7 flat organisational structure (line 107)

Vocabulary tasks

A Collocations

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 layering | e) company |
| 6 country | f) process |
| 7 business | g) markets |
| 8 software | h) needs |
| 9 company | i) managers |

B Complete the sentence

Use an appropriate phrase from Exercise A to complete each sentence.

- 1 Banks need to be fully aware of their customers' *borrowing needs*.
- 2 Silicon Valley is full of
- 3 Many companies are now organised along, in which each division is responsible for a group of products
- 4 A matrix organisation 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.

C Definitions

Match these terms with their definitions.

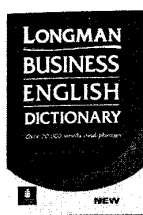
- | | |
|-------------------------------|---|
| 1 business entities (line 2) | a) focusing on the customer rather than the product |
| 2 set up (line 25) | b) new, original |
| 3 innovative (line 51) | c) companies |
| 4 flopped (line 55) | d) something that makes you better than other companies |
| 5 outsourcing (line 90) | e) did not succeed, failed |
| 6 customercentric (line 91) | f) structure |
| 7 competitive edge (line 102) | g) getting external companies to do work for your company |

D Prepositions

Complete these sentences with an appropriate preposition.

- 1 Organisational structure concerns who reports^{to}..... whom.
- 2 Depending its size, there are several organisational structures a company can choose from.
- 3 Many companies are organising themselves product lines.
- 4 In the 1980s a wave of restructuring went industry.
- 5 Delaying was driven the need to reduce costs.
- 6 Microsoft in Ireland is split seven business units.

E Using a dictionary



A dictionary such as the *Longman Business English Dictionary* can help you to expand your vocabulary. Try these two exercises.

- 1 The word *business* is used several times in the article combined with another word which comes after it, e.g. *business environment* (line 21). It can also be combined with words that come before it, e.g. *big business*. Try to think of as many word combinations using *business* as you can, then look at the entry for *business* in the **Longman Business English Dictionary**.
- 2 Do the same exercise with the words *company*, *management*, *manager* and *product*.

Over to you

- 1 The functional organisational structure has clear lines of communication. In contrast, where things are organised along product lines or with a matrix structure, people often report to two people at the same time – their boss in the functional structure and their manager or team leader in the other structure. What, if any, problems could you imagine in the second case?
- 2 Do you think people from certain cultures would favour one kind of organisational structure over another? Can you think of some examples and give some reasons.
- 3 Either use your own company's organisational structure, or select one from a company's annual report, and give a presentation of it to your colleagues.