

Organizational Structure Checklist

This form is a checklist of certain issues that need to be considered when determining which of four basic dimensions—functions, products, geography or customers—should be used as the basic for the organizational structure model. A functional structure is most useful and appropriate when an organization has a single product line that is relatively stable and which has long development and product life cycles. In that situation a functional structure is the best way to achieve standardization, specialization and economies of scale. A functional structure becomes outmoded, however, when organizations begin to diversify and expand their products and markets. If the organization is moving toward multiple product lines a product structure can accelerate product development cycles, develop and maintain specialized expertise in innovative product areas and reduce the challenges that arise when it is necessary to coordinate with multiple functional departments. A geographic dimension for the organizational structure becomes important when opportunities in the domestic market begin to slow down; however, the challenge is determining just what changes in product design and sales/marketing strategy are needed in order to be successful in foreign countries. Finally, customer-focused divisions are important when the organization has identified important customers that want a single point of contact for reviewing and purchasing the offerings of the various product- and market-focused divisions. The questions in this checklist have been adapted from Kates, A. and Galbraith, J.R. *Designing Your Organization: Using the STAR Model to Solve 5 Critical Design Challenges*. San Francisco: Jossey-Bass, 2007.

I. Factors Indicating a Functional Structure

- Is the organization engaged in a single line of business serving one set of customers?
- Is the size and scope of the activities of the organization relatively small?
- Does the organization have a strong need for depth of expertise and specialization in order to carry out its business activities and realize its competitive advantages?
- Are common standards important to the quality of the organization's products and services?
- Do the organization's products require a high level of specialized knowledge?
- Do the organization's products have long development and life cycles?
- Is the organization considering expanding its product line and/or entering new geographic and/or customer markets?

II. Factors Indicating a Product Structure

- Do the products offered by the organization have short product life cycles?
- Is the organization seeking to emphasize rapid product development, new product features and being first in the market as important elements of its business strategy?
- Is the organization offering multiple product lines to separate market segments and/or which have different underlying business models?
- Is their sufficient volume of activity for particular product lines such that creating a separate product division would be efficient from a scale perspective and the advantages would outweigh the costs of possibly duplicating functional resources?
- Is it possible to create and enforce procedures for sharing of information and technology among product divisions?
- Is it possible to create linking mechanisms that can support the requirements of customers and/or geographic markets such as making sure that customers are able to easily review and purchase products from two or more divisions from a single sales source?

- Is the parent unit committed to ensuring that managers and employees in each product division share values and operating practices that are common to everyone in the organization?

III. Factors Indicating a Geographic Structure

- Is it costly to transport products to customers?
- Is it considered especially important to be able sell and render after-sale services locally?
- Is there a strong need to localize products, services and sales/marketing strategies based on culture and language differences in particular geographic markets?
- Is it important to develop and maintain strong governmental and community relationships in order to be successful in a particular geographic market?
- Can the organization recruit experienced local managers who can oversee operations of geographic units while maintaining effective communications with other business units within the organizational structure?
- Can the appropriate balance be struck between the need to maintain control over global issues such as branding and quality and the need to allow country managers to have sufficient autonomy to be successful in their local markets?

IV. Factors Indicating a Customer Structure

- Does the organization key customers that demand customization and special attention and which offer significant volume sales opportunities for the organization?
- Is extensive knowledge of the needs and preferences of particular customers considered to be an important competitive advantage?
- Is it possible to identify and different customer segments that have their own unique requirements with respect to the products and services offered by the organization?
- Is the organization large enough so that it can create and maintain customer-focused divisions efficiently and without excessive unnecessary additional costs due to redundant functional resources?
- Is the organization able to create and enforce lateral processes that ensure communication and cooperation between customer- and product-focused divisions?
- Is the organization willing and able to launch and maintain information technology tools that can provide managers in customer-focused divisions with timely and adequate information about product-related developments?

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