

The Science of Organizational Structure: how to design entrepreneurial, customer focused, team-oriented organization charts

N. Dean Meyer

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Many executives don't realize that there's a science of organizational structure. But the truth is, once you understand some basic principles, you can read between the lines of any organization chart. You can see who's fighting with whom, who is not achieving his/her objectives, and who has ulcers! And, of course, those principles can guide you as you design new organizational structures.

The first, and most important, principle of organizational design is so important that I call it the "Golden Rule" of organizational design: authority and accountability must match. If ever they're separated, then the person with authority becomes an unconstrained tyrant, while the one with accountability is disempowered and can't get the job done.

Second, consider that people can only process a finite amount of information per day. We can only know so much. We can use our precious brain-cycles to know a little bit about everything – the generalist, a jack of all trades and master of none. Alternatively, we can focus our brain-cycles on a specialty, and perform far better – higher quality, lower costs, quicker, more flexible, and more innovative.

The very reason organizations exist is to allow people to specialize. (An organization of generalists performs little better than an equal number of individuals.) Great organizational structures focus people on clearly defined specialties, and build the cross-boundary teamwork processes that make specialization possible.

Third, boundaries must be clear. If boxes on the organization chart are defined in vague terms, and, as a result, boundaries are unclear, you're paying people to fight with one another.

Fourth, the way you define people's specialties is critical. A high-performance organization empowers its staff as entrepreneurs, running little businesses within the business. A healthy structure embodies this philosophy by defining boxes based on lines of business (not "roles and responsibilities" or tasks and processes).

There are five types of business within organizations:

- "Service Providers" keep things running. This includes manufacturing, service delivery, customer support, and internal support functions.

- “Engineering” are engineers who design, build, repair, and support solutions.
- “Coordinators” help others come to agreement on policies, standards, plans, and responses to crises.
- “Sales and Marketing” is the customer-facing function, as important to internal service providers as it is to companies; internally, they might be called “business relationship managers.”
- “Audit” inspects and judges others. If this function is necessary, it must never be confused with any of the above customer-focused service functions.

Of course, there are many specific lines of business within each of those five categories. Those lines of business are the “building blocks” of an entrepreneurial organization chart.

Four questions will tell you whether an organization chart is getting in people’s way:

1. Gaps: If any necessary lines of business are missing, or are fulfilled by many groups but without anybody’s full-time attention, they probably aren’t happening reliably, or with world-class effectiveness.
2. Rainbows: Imagine color-coding an organization chart by line of business. A “rainbow” group is one fulfilling multiple lines of business. At a minimum, it will be stretched to deliver excellence in any one. Furthermore, this may expose staff to conflicts of interests. Examples include mixing up operations and innovation, or business-driven sales and product management.
3. Scattered campus: If a line of business scattered among many groups, no one leader is looking after it in its entirety. This often results in missing specialties (gaps) or overlapping domains (paying people to fight).
4. Inappropriate substructure: The way you divide jobs at each level of the chart tells people what they’re supposed to be good at. If you choose a basis for sub-structure that differs from their line of business, you’ll reduce specialization.

These same diagnostic questions can help you design a great organization chart that helps everybody succeed.

In addition to the organization chart, teamwork is an essential part of any restructuring. The science of structure includes a [teamwork method](#) to flexibly combine talent onto teams, producing well-defined processes that are tailored to the needs of each project/service.

Learn more about the science of organizational structure [here](#).

Dean Meyer is the author of [Principle-based Organizational Structure](#), as well as seven other books on organizational *design*. He’s a consultant, speaker, and executive coach on how to implement the business-within-a-business paradigm. More at [ndma.com](#).