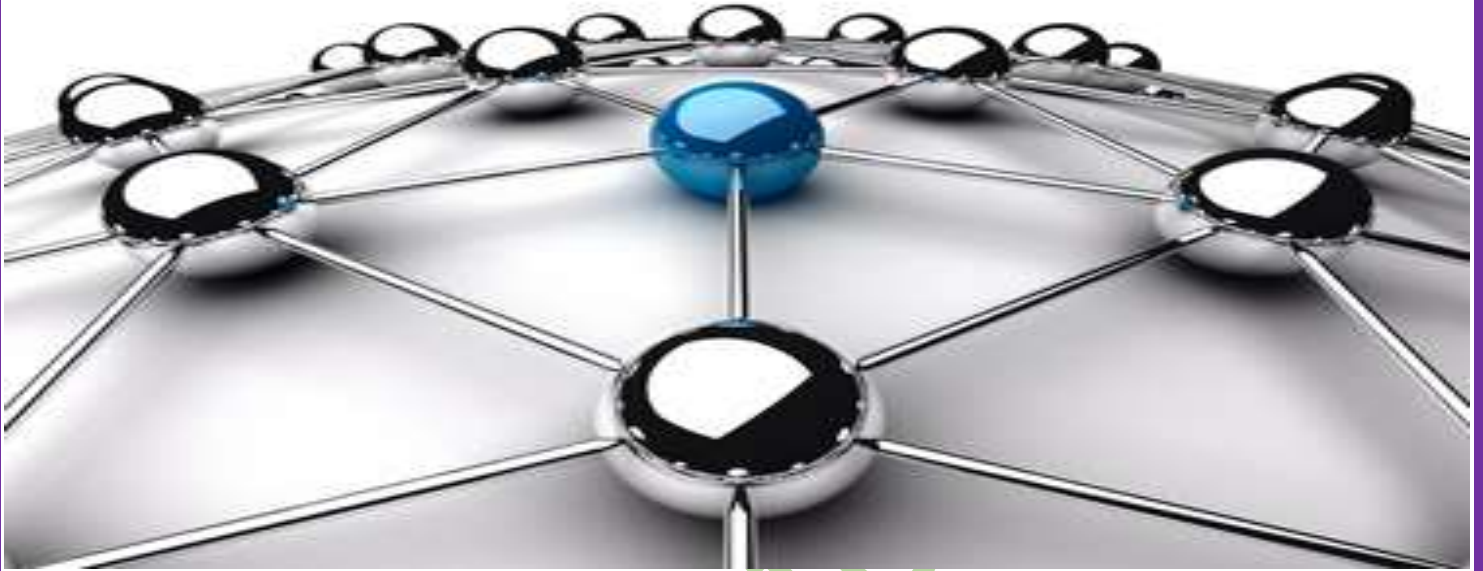




SOW
Professional Services Ltd

RC 1516645



ORGANISATIONAL DESIGN AND ITS IMPORTANCE

An Important Tool to Navigate Through COVID-19
Pandemic

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INTRODUCTION

Organizational design is the process of creating the hierarchy within a company. It is a step-by-step methodology which identifies dysfunctional aspects of work flow, procedures, structures and systems, realigns them to fit current business realities/goals and then develops plans to implement the new changes

For most companies, the design process leads to a more effective organization design, significantly improved results (profitability, customer service, internal operations), and employees who are empowered and committed to the business. The hallmark of the design process is a comprehensive and holistic approach to organizational improvement that touches all aspects of organizational life, so you can achieve

Purpose of Organisation Design:

1. Internal or external factors require a reaction

The most common trigger for organisation design (or re-design) is when internal or external factors become significant events in the journey of an enterprise. These could include a new competitor in the market, a change in legislation that requires a significant alteration in the way the organisation works (external influence), or the introduction of new technology, or needing to significantly reduce operating costs due to reducing profit margins (internal influence). It can also be triggered as a result of public health issues, such as COVID-19 pandemic

2. The organization's strategy, goals or purpose changes

Organisations change over time, and at points may change direction by altering their strategy, goals or purpose to align with a new vision for the future.

This is a future-focused organizational re-design, and will often involve a review of the existing operations to identify what can be kept (because it is already aligned) and what needs to be changed or implemented to bring about the required new way of working. There's usually a need to adapt operational level practices to enact this high-level change.

The challenge many organisations face is that linear strategy and long-term plans have worked well so far, but the increasing pace of change and transformation means organisations are now trying to re-design themselves to allow them to respond to emerging changes without having to implement large re-design programmes - see the concept of reconfigurable organisations.

3. Consolidation and reconfiguration

The third trigger is more discrete, and is where organisation design overlaps with organizational development.

Organisations usually operate and change over long periods. With time, developments and practices may reach a point where they are no longer fit with each other or with the strategy that they are trying to implement, and end up causing a range of difficulties. Although the impact may appear to be small, an organisation design review could reveal if the impact is significant, or if an improvement in one area requires changes in others.

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Six Elements of Organizational Designs

There are six elements of organizational designs and they help business leaders establish the company departments, chain of command and overall structure. The process focuses on improving both the technical and people side of the business.

Work Specialization

Work specialization is the first of the elements of organization structure. Business leaders must consider the job tasks and specific duties associated with given positions. Dividing work tasks among different jobs and assigning them to definite levels, is the role of work specialization elements.

Leaders should be careful to not overly specialize in any one job because this can lead to boredom and fatigue. This results in slower work and even errors. Managers may have jobs assigned and adjust the roles depending on how specialized the job in one area is.

Departmentalization and Compartments

These are two other components of organizational design. Departments are often a group of workers with the same overall functions. They are often broken down by broad categories such as functional, product, geographical, process and customer. Common departments include accounting, manufacturing, customer service and sales.

Compartments might have teams with different department members that are put together for efficiency. For example, a company delivering IT services to other businesses might have teams assigned to

each company. Each team might have a project manager, a graphic designer, a coding specialist, a security specialist, a client rep and service provider.

Chain of Command

The chain of command is what the organizational chart typically illustrates. It shows who reports to who in the company's human resources structure. Some companies have a more traditional hierarchy with very clear department leaders and executives in charge. Other companies use a more fluid chain of command and structure where more people are considered part of the same level of command on a cross-functional team.

Span of Control

The span of control is the organizational design element that considers the capacity of any manager. There are limits to the number of people one person can oversee and supervise. The span of control addresses this design element. If a manager has too many people to oversee, he might lose his effectiveness and not recognize problems or successes.

A span of four means that for every four managers, sixteen employees can be effectively managed. Other industries might use a span of eight or another number that describes how the human resources directors need to disburse managers.

Centralization and Decentralization

Centralization and decentralization are organizational design elements deciding the degree which decision-making is made at one central level or at various levels by employees. For example, all major budget decisions would filter to the chief executive officer and chief financial officer in a centralized fashion. Customer service

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decisions might be decentralized giving those interacting with customer directions on how to handle issues but the authority to make certain decisions.

Formalization of Elements

Smaller organizations tend to have informal elements where large organizations formalize roles more specifically. The reason smaller organizations use less formal standards is that employees may serve multiple roles as necessary. Bigger organizations need to formalize elements to ensure the right stuff gets done on time and correctly.

Formalization might also be seen with specific job duties. For example, there may be a very specific way that payroll is done to ensure that everyone gets paid on time, with the correct withholding. The sales department might not be very formalized, and might allow each representative to find his organic process so that he may succeed.

Samuel Omofojoye is the Director, Strategy & Operations at SOW Professional Services Ltd and Director of Centre, [International Centre for Tax Research & Development \(ICTRD\)](#). He is an Author, Management Consultant and a Public Speaker on Tax, Business Development, Corporate Governance and Digital Disruption. Visit our blog:

<https://www.sowprofessional.com/our-blog/> for more in-depth information on tax and business improvement matters

Connect with us:



07038254989



care@sowprofessional.com



07038254989



[@sowprofessional.com](https://twitter.com/sowprofessional)



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