Organization structure

Training workshop

BALADI CAP (Building Alliances for Local Advancement, Development, and Investment – CAP)

Prepared by: Rania Skaine

By the end of this workshop participants will:

1. Learn the different types of organization structures and their main building blocks

2. Gain skill on how to design an organization structure for your organizations based on its mission and strategy

3. Be able to develop a RACI matrix and apply it in project management (define roles & determine tasks, responsibilities & authority across the organization)

Agenda

09:00-09:30	**Welcome and workshop introduction**
09:30-09:45	**Pre-assessment**
09:45-11:00	**Institutional Excellence and Structure: Definition, types and main building blocks of an organization structure** *Objective: Learn the different types and the different elements of an organization structure*
11.00-11.20	*Coffee break*
11.20-12.50	**Organization Structure Design** *Objective: Develop skills for designing an organization structure*
12.50-13.10	*Coffee break*
13.10-14.30	**RACI Matrix** *Objective : Become able to apply RACI matrix in project management*
14:30-15:00	**Wrap-up and post-assessment**

A. Institutional Excellence and structure

Topics

1. Introduction to institutional excellence

2. Definition and types of organization structures

3. Building blocks of an organization structure

Institutional Excellence reflects effectiveness and efficiency of an institution and its ability to develop

1. EFFECTIVE

The right things are done

Key traits of an effective organization

- Strategy adequacy
  - Employees know what the institution's strategic goals are
  - The institution's current organizational structure is aimed at achieving the strategic goals
- Beneficiary/ citizen focus
  - The internal and external beneficiaries and their requirements are known
  - Feedback is requested and implemented
  - The institution sufficiently meets the requirements of internal and external stakeholders

2. EFFICIENT

Things are done right

Key traits of an efficient organization

- Transparency
  - The structures and processes in the institution are known
- Simplicity
  - Responsibilities and interfaces are clearly defined and delimited
- Decision focus
  - Decisions are made quickly and sustainably
- Implementation focus
  - Decisions are implemented quickly and efficiently
- Employee capacity
  - Enough employees with sufficient qualifications and skills

3. ABLE TO DEVELOP

The organization will be able to work effectively and efficiently in the future

Key traits of an organization that is able to develop

- "Beneficiary/citizen"-oriented strategy development
  - Strategy development process is market-oriented, structured and timely
- Flexibility
  - Institution can quickly respond to changes in the market environment
- Employees "can"
  - Employees are well trained and recruitment is targeted
- Employees "want to"
  - The institution fosters employee motivation, commitment, excitement and entrepreneurship

Institutional excellence relies on clearly outlined strategic objectives, transparent org. & solid operations

Reaching Institutional Excellence

Clear Strategic objectives

Transparent organization and governance

Solid operational capabilities & technological infrastructure
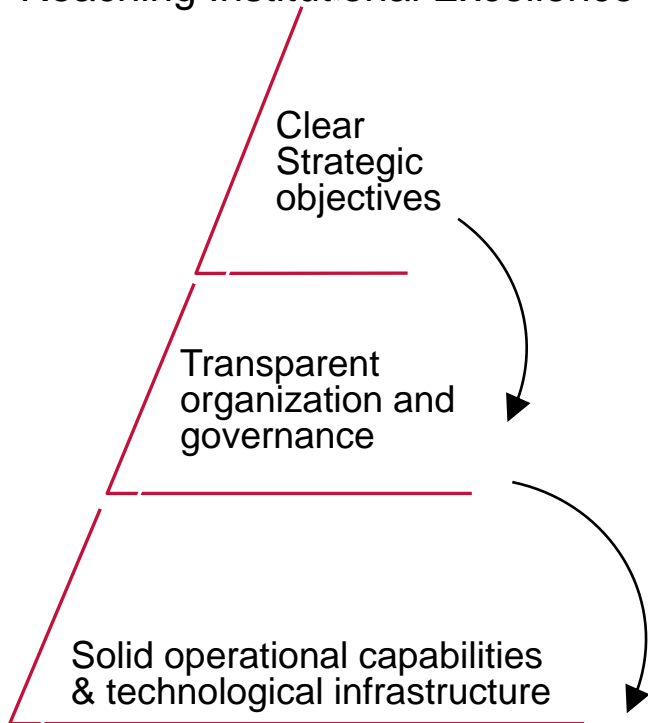
Foundations

I Clear and endorsed strategic objectives

II Transparent organization and governance

III Solid operational capabilities & technological infrastructure

Issues

Development of a clear and focused mandate and measurable strategic objectives to support institution in evolving towards a best practice organization

Definition of a structured organization with transparent roles & responsibilities and stringent governance mechanisms

Identification of IT and infra-structure assets and definition of key strategic actions that will allow the organization to perform its duties seamlessly at a high performance level

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Topics

1. Introduction to institutional excellence

2. Definition and types of organization structures

3. Building blocks of an organization structure

Whether we are aware of it or not, we have at some stage in our lives belonged to at least one organization

Definition of an organization

Organizations are composed of deliberately selected and deselected people who coordinate their efforts toward a specific goal (Etzioni, 1964).

The ultimate purpose of an organization is to achieve a specific goal or mission.

The people selected (whether self-selected or chosen) are significant in some manner that helps the organization achieve the desired goal.

Definition of organization structure

An organizational structure describes how a company, division, team, or other organization is built; how all of its various components fit together.

More specifically, it is a framework that organizes all of the formal relationships within an organization, establishing lines of accountability and authority, and revealing how all of the jobs or tasks within an organization are grouped together and arranged.

It dictates how the various groups and individuals within the organization interrelate.

There are 3 main types of organizational structures

1 Functional

The **functional structure** divides work and employees of the organization by specialization of activity. For example, all HR professionals are part of the same function and report to a senior leader of the HR function. The same reporting process would be true for other functions, such as finance or operations.

2 Divisional

The **divisional structure** is comprised of multiple, smaller functional structures (i.e. each division within a divisional structure can have its own marketing team, its own sales team, etc.).
Divisional structures can be **product based** (each division within the organization is dedicated to a particular product line), **market based** (divisions of an organization are based around markets, industries, or customer types), or **geographical** (divisions based on geography)

3 Matrix

The **matrix structure** combines both the functional and divisional structure where employees have a dual reporting relationships

1 Functional Structure

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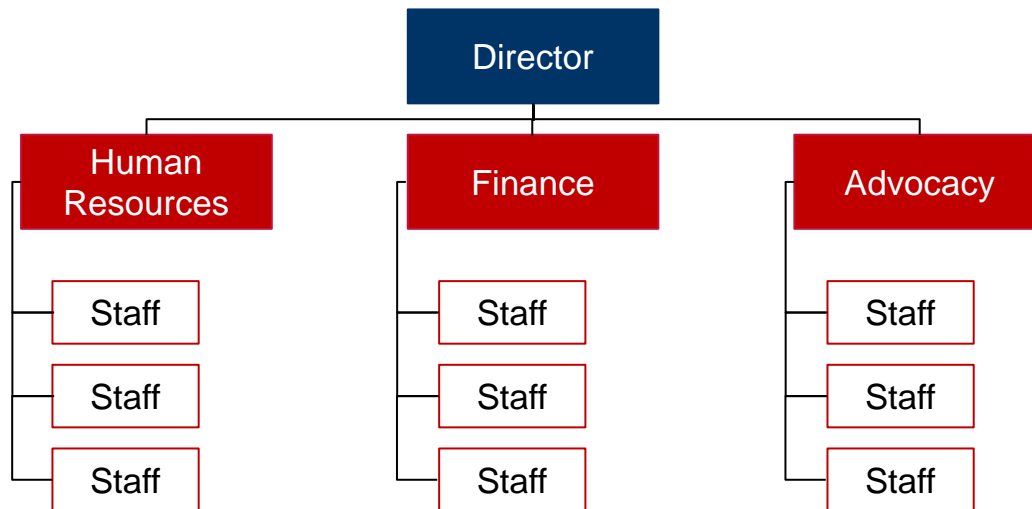
Strengths and weaknesses of a functional structure

STRENGTHS

+ Develops depth of skills in a particular function or department (most jobs are functional in nature) – technical expertise are located in one place

+ Promotes functional innovation, scale and lower costs

+ Simple, easy for each department to understand their core responsibilities, and to hold them accountable

WEAKNESSES

- Tends to be resistant to change

- Might lead to focus on function rather than overall organization

- Cross-functional decisions get pushed up for ED resolution

- Cross-functional activity is more difficult to promote
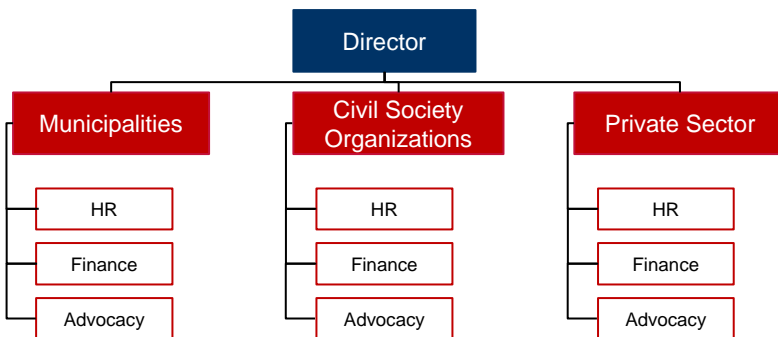
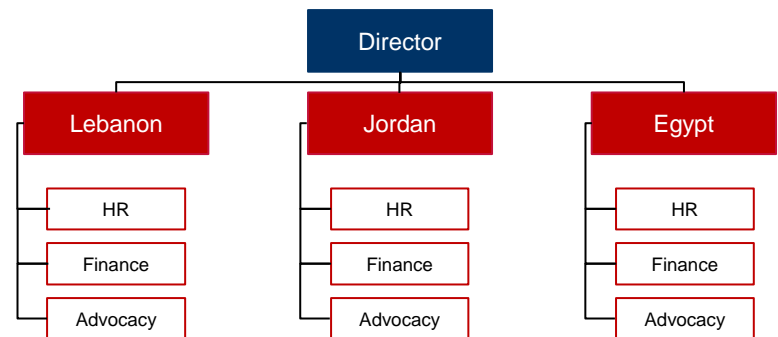## **2** Divisional structure

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Market based

Director
- Municipalities
  - HR
  - Finance
  - Advocacy
- Civil Society Organizations
  - HR
  - Finance
  - Advocacy
- Private Sector
  - HR
  - Finance
  - Advocacy

Geographical

Director
- Lebanon
  - HR
  - Finance
  - Advocacy
- Jordan
  - HR
  - Finance
  - Advocacy
- Egypt
  - HR
  - Finance
  - Advocacy

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Strengths and weaknesses of a divisional organization structure

STRENGTHS

+ Provides more focus and flexibility on each division's core competency and allows for more coordination than the functional structure

+ Resources needed to succeed within a division are available

+ Enables clear focus with accountability for results by division

**+** Enables focus on funding sources which are often product/geography oriented

WEAKNESSES

- Requires strong skills, particularly division heads

- Can also result in a loss of efficiency and duplication of effort because each division needs to acquire the same resources

- Difficult to coordinate common beneficiaries across projects/geographies

- Less interaction between employees with similar technical career paths; there are no centers of excellence

3 Matrix Structure

Definition The **matrix structure** combines both the functional and divisional structure where employees have a dual reporting relationships
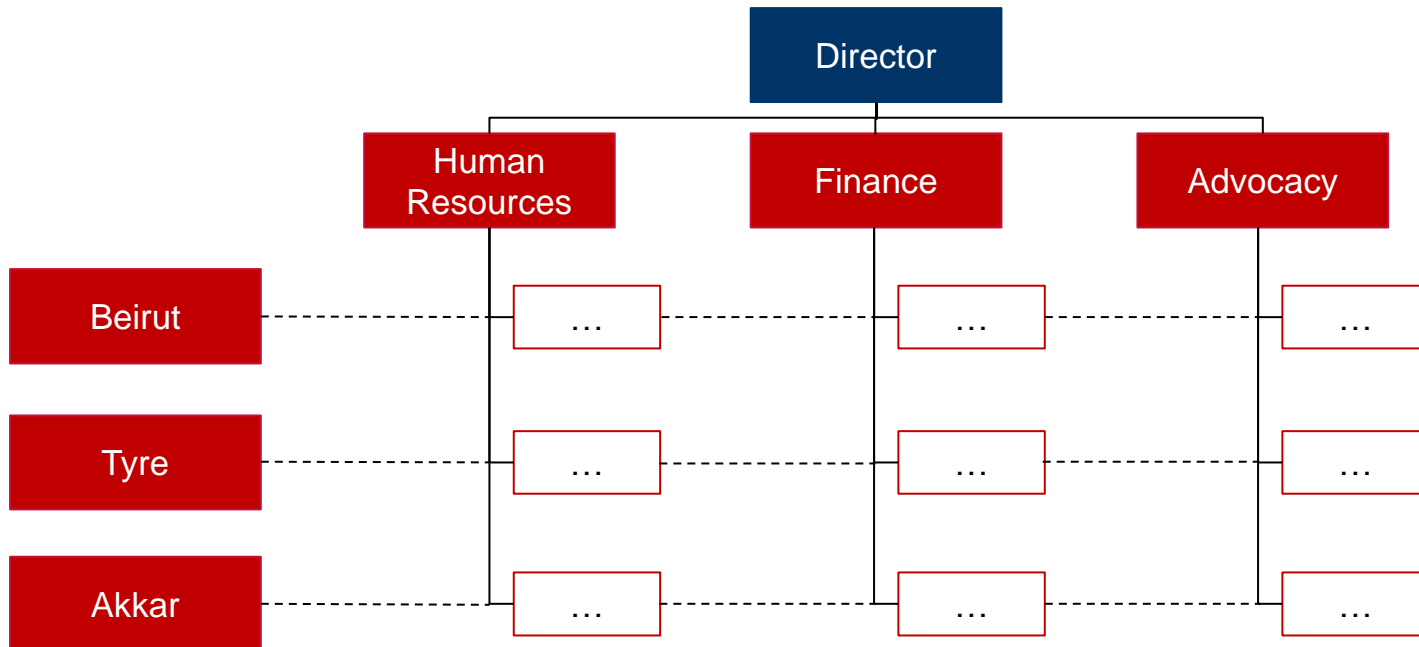
Strengths and weaknesses of a matrix structure

STRENGTHS

+ Leverages economies of scale while remaining small and task focused

+ Focuses employees on multiple business goals

+ Creates a functional and divisional partnership

+ Improves employees' companywide focus through increased responsibility

+ Allows for quick and easy transfer of resources

+ Increases information flow through the creation of lateral communication channels

WEAKNESSES

- Difficult to manage

- Violates the principle that every subordinate should be assigned to a single boss

- Can create ambiguity and conflict

- Requires greater interpersonal competency by organizational staff

- Increases likelihood from resistance to change as employees may attribute the matrix with loss of status, authority, and control over traditional domain

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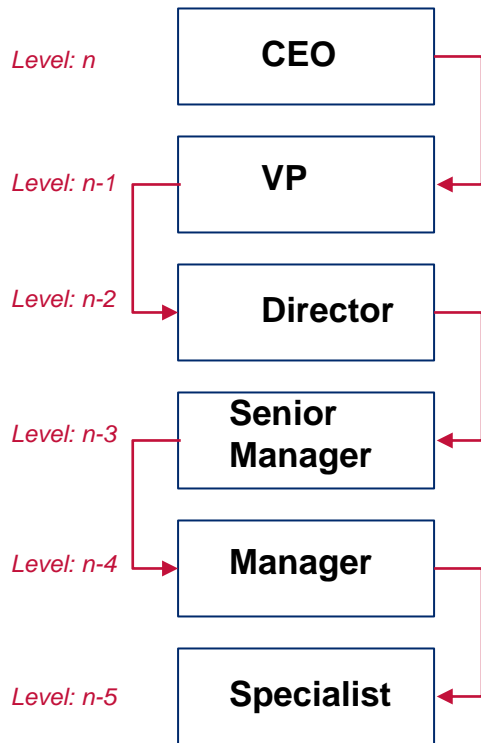
Topics

1. Introduction to institutional excellence

2. Definition and types of organization structures

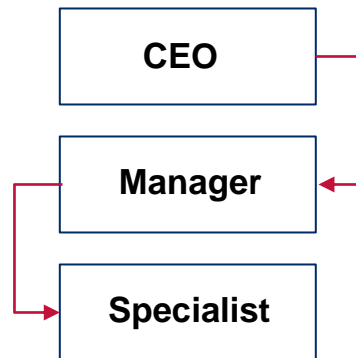3. Building blocks of an organization structure

Chain of command: the number of vertical levels or layers on the organizational chart

Long chain of command

Level: n	CEO
Level: n-1	VP
Level: n-2	Director
Level: n-3	Senior Manager
Level: n-4	Manager
Level: n-5	Specialist

**Short chain of command**

- CEO
- Manager
- Specialist

One of the most basic elements of an organizational structure, chain of command is exactly what it sounds like: an unbroken line of authority that extends from the top of the organization (e.g. a CEO) all the way down to the bottom. Chain of command clarifies who reports to whom within the organization.
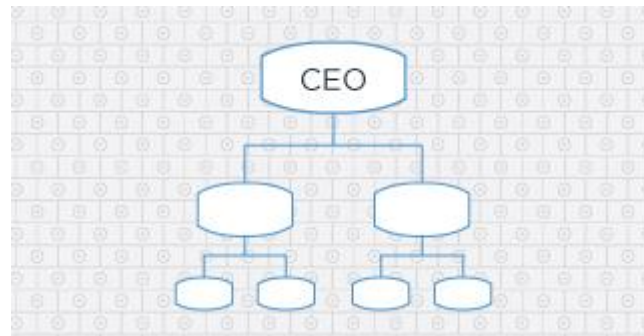
Span of Control: the number of direct reports per manager

Wide span of control
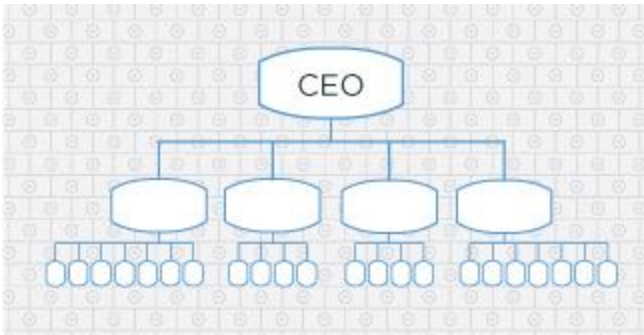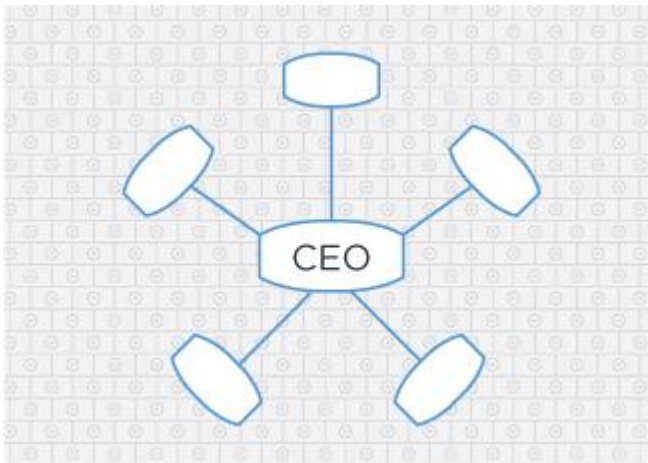
Narrow span of control

Span of control refers to the number of subordinates a superior manages. The higher the ratio of subordinates to superiors, the wider the span of control.
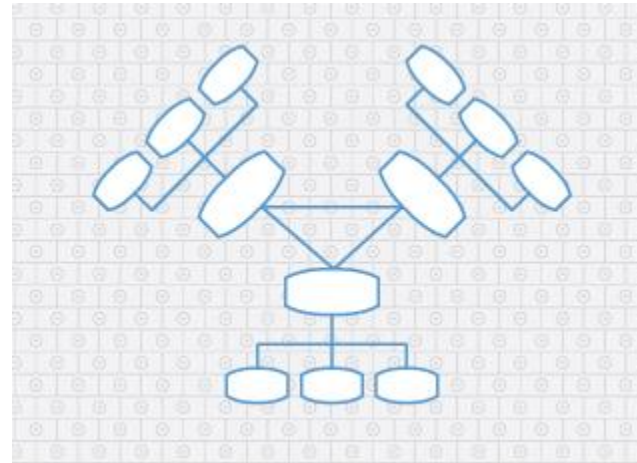
Centralization: Degree to which the authority to make decisions is located at the top of the mgmt. hierarchy

Centralized

Decentralized

- Who makes the decisions in an organization? If decision-making power is concentrated at a single point, the organizational structure is centralized. If decision-making power is spread out, the structure is decentralized.
- While a decentralized structure promotes a more democratic decision-making process, it can also slow down the decision-making process, making it harder for organizations to operate efficiently.
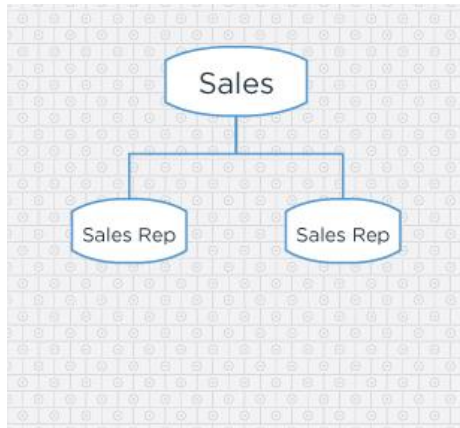
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Specialization: Degree to which an organization's activities are divided into specialized roles

High specialization
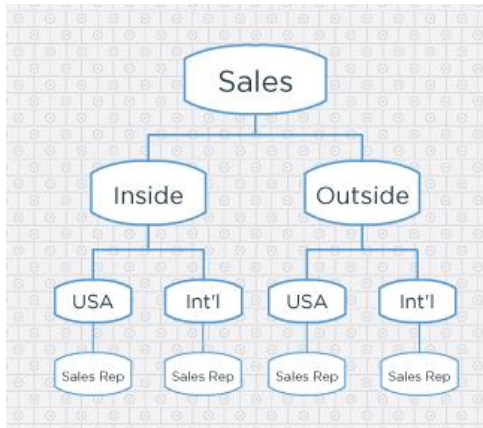
Low specialization

- Also known as division of labor, specialization is the degree to which activities or tasks in an organization are broken down and divided into individual jobs.
- High specialization can be beneficial for an organization, as it allows employees to become "masters" in specific areas, increasing their productivity as a result.
- However, low specialization allows for more flexibility, as employees can more easily tackle a broader array of tasks (as opposed to being specialized for a single task).

Departmentalization: process of grouping jobs together to coordinate common activities and tasks

Rigid Departmentalization
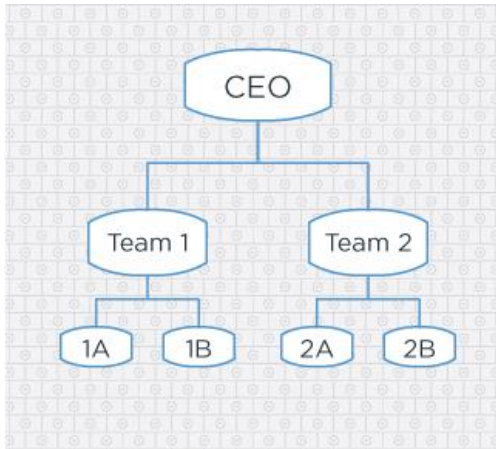
Loose Departmentalization
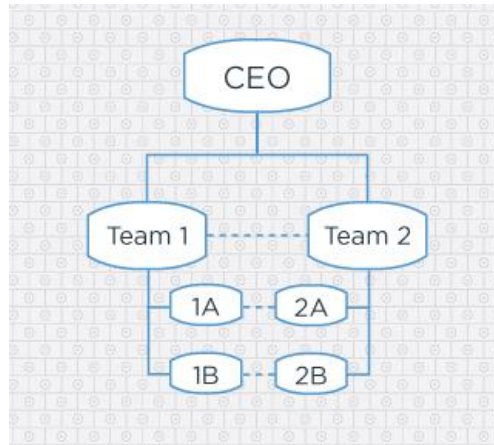
- If an organization has rigid departmentalization, each department or team is highly autonomous, and there is little (or no) interaction between different teams. In contrast, loose departmentalization entails that teams have more freedom to interact and collaborate.

- It's worth noting that the way in which an organization departmentalizes is often used as a proxy for the overall type of organizational structure that organization has. For example, an organization that departmentalizes by function (i.e. marketing, sales, services), is said to have a functional organizational structure.

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B. Organization structure design

Topics

1. Methodology to design an organization structure

2. Group exercise

When to redesign

Changes in the external environment:	e.g. regulatory environment, legislation, amount of funding available; sources of funding; technology;
Externally imposed restructure	This can occur when two or more organizations are merged to create a new one, or else a function is transferred from one organization to another
Change in organizational strategy	This can include moving from changing type of beneficiaries to geographies covered among changes in strategic direction
Failure or compelling opportunity	This can be a failure to deliver results expected of the organization, or a compelling opportunity to deliver better results. Or else, it can be the failure to use resources as efficiently as required, or a compelling opportunity to use resources more efficiently

Start with strategy

Structure follows strategy and processes

People follow structure, and not the other way around

Strategy	→	Structure	→	People

An organizational structure is not an end in itself, but a means of achieving a particular strategy or delivery of outputs (goods and services). The rationale for any structuring intervention should be to address a strategic need or to improve the performance of the organization.

A structured approach will be used to select and detail the target organizational structure

Determine all the org.'s activities based on strategy

Determine optimal location of activities with-in organization

Benchmark orga. structure of similar organizations

Develop optimal activity configuration

Detailing of new organization structure

- Set transparency on all required activities by the organization Evaluate situation through mainly through process blueprinting

- Evaluate required activities and determine optimal location within organization
  – Function
  – Department
  – Position

- Review organization structure of similar organizations
- Assess the strengths and weaknesses of benchmarked structures

- Determine options for aggregating activities within concerned function
- Assess implications of various options and select optimal configuration

- Develop high level organizational structure with a adequate span of control
- Develop roles and responsibilities of organizational divisions

Topics

1. Methodology to design an organization structure

2. Group exercise

C. RACI matrix

Introduction to RACI method

- In project management it is important for all stakeholders to understand the responsibilities and accountabilities of each person

- While smaller teams have more informal rules to keep track of responsibilities, in bigger teams with cross department and inter-organizational collaboration, it is essential to create a more formal process to track responsibilities

- Applying the RACI technique will help to reduce confusion and leads project to faster completion

What is a RACI method?

- A technique used to identify decisions or activities and the individuals or groups involved by answering the questions:
  - What has to be done?
  - Who must do it?

Purpose of RACI

- To clarify roles, responsibilities and authority within the teams
- To help the teams:
  - Design or redesign processes more efficiently by highlighting decisions
  - Clarify overlapping, redundant, "bottle-necked", or inconsistent responsibilities
  - Structure and distribute responsibility and authority
  - Establish clear lines of communication; reduce duplication of efforts

The RACI matrix helps define roles & determine tasks, responsibilities & authority across the organization

R (responsible): those who do the work and are responsible for the result. They report directly to the person accountable.

A (accountable): the one ultimately responsible and authorized to hold accountable those responsible.

C (consulted): those whose opinions are sought before decisions or steps are taken to achieve the result (two-way communication).

I (informed): those who are informed after decisions have been made or results have been achieved. They have no influence over the result.

The RACI matrix answers the following questions

R

Responsible
- Who is/will be doing this task?
- Who is assigned to work on this task?

A

Accountable
- Who's head will roll if this goes wrong?
- Who has the authority to take decision?

C

Consulted
- Anyone who can tell me more about this task?
- Any stakeholders already identified?

I

Informed
- Anyone whose work depends on this task?
- Who has to be updated about the progress?

Why is a RACI matrix useful?

✓ Clearly understood individual expectations

✓ It lets the organization know if some people are assigned with too many or too few responsibilities.

✓ It keeps everybody on the same page on who is accountable for a particular task.

✓ Keeps all the necessary people in the loop and reduces miscommunications.

✓ It helps you develop a simple communication system to keep those in the "I" category informed (through email or IM), while involving only those in the "C" categories for meetings and interactive communication. This saves everybody's time.

Example

Anthony, the executive director of organization X asked Zeina to write a proposal to submit to the Japanese Embassy. Zeina doesn't have all the information she needs so she requested from Maria, the Monitoring and Evaluation Expert, to provide her with the latest statistics that she has. Adam, the Finance director, has to develop the budget for this proposal based on the technical proposal provided by Zeina.

Answer

For the activity "Write technical proposal", in this case, **Zeina** is "**Responsible**",

Anthony is "**Accountable**",

Maria needs to be "**consulted**", since she the accurate data,

and **Adam** needs to be just "**Informed**" so that he can proceed with the budget.

Step by step procedure to create RACI Charts

STEP 1: Determine the functions, decisions, tasks and activities that will make up the process or project.

STEP 2: Identify who will be the project's participants.

STEP 3: 1,2 will make up the rows and columns of the RACI chart.

STEP 4: Identify how each participant is involved with each function, decision, task, activity.

STEP 5: Fill out the grid with the letters R(responsible), A (accountable), C (consulted), or I (informed)

RACI matrix is constructed by clearly defining business processes and functional roles

How to make the RACI work better?

Make sure that every task has at least one person assigned for "R" and "A" roles. In some cases both the roles might be taken by the same person (if the task is simple and non-critical).

Make sure that every task has only one person assigned as "A". Though responsibilities can be shared, accountabilities have to be fixed to a single person.

If there are too many people in the "C" category, figure out if all of them need to be in the loop. Consider moving some of them to the "I" category. Also keep the "I" category to a minimum to reduce the noise in communication.

When the RACI matrix is populated, analysis shall be done both horizontally and vertically (1/2)

VERTICAL ANALYSIS

A lot of R's	Is it possible for the individual(s) to stay on top of so much? Can the activity be broken into smaller, more manageable chunks?
No empty spaces	Does the individual(s) need to be involved in so many activities? Are they a 'gatekeeper' or could management by exception principles be used? Can consulted be (R)educed to (I)nformed, or can things be left to the individual's discretion when something needs particular attention?
No R's or A's:	Should this functional role be eliminated or have processes changed to an extent where resources could be reassigned?
Too many A's	Does a proper 'segregation of duties' exists? Should other groups be accountable for some of these activities to ensure checks and balances and accurate decision making throughout the process? Is this a 'bottleneck' in the process. Is everyone waiting for decisions or direction?
Qualifications	Does the level of the person fit the requirement of this role? Are too many senior personnel involved for routine decision making that could be deployed downwards?

When the RACI matrix is populated, analysis shall be done both horizontally and vertically (2/2)

HORIZONTAL ANALYSIS

No R's:	Who is doing the job and getting things done? Are there too many roles waiting to be approved, be consulted or informed. Whose role is it to take the initiative?
Too many R's:	Is this a sign of too many activities?
No A's	Why not? There must be an 'A.' someone must be accountable for the thing happening - the buck stops with this person.
Too many A's	Rule #1 in RACI charting: There must be one, and only one, "A" for each action or decision listed on the chart
Every box filled in	If too many people are involved, usually too many C's and I's, it can dramatically slow things down.
A lot of C's:	Do all the functional roles really need to be consulted? Are there justifiable benefits in consulting all the roles or is this just covering all the bases?
A lot of I's	Do all the roles need to be routinely informed or only in exceptional circumstances? Too many in the loop can slow the process down.

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For more information

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