

Business functional structure

It is a truism that there is a lot to do in business.

Businesses of more than one person need to be confident that:

- each person knows their responsibilities
- each person knows what each other person is responsible for
- each thing that needs to be done is one person's responsibility
- nothing is, inadvertently covered by more than one person.

(Sole traders also have a need to ensure that everything is covered, as well, even if they have to do it all!)

Responsibility not doing

The key point about the above is the word responsibility.

In large organisations there will be many people doing most activities (nursing in a hospital, selling in a retailer, and so on), but here should be one and only one person responsible for the service the nursing staff, of all types, provide; one person responsible for the level of customer service offered by the store.

This all might seem too obvious to state, but I challenge any business owner to reach for a file and show an up to date written statement of who is responsible for what in their business; a statement of how the business knows that this is an appropriate division of duties; and evidence that this information is widely known by, or at least available to, staff.

There are a few rules:

- each area of the business is precisely one person's responsibility
- the responsible person does not have to do the job
- it is for the business to identify its functional structure; ie, what the appropriate areas of the business are.

The two examples given above illustrate the second of these. Clearly the person responsible in a store, let alone a chain of stores, doesn't do all the serving him- or herself!

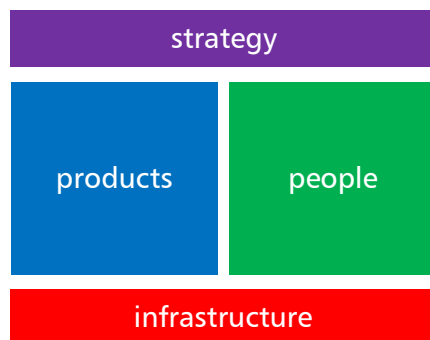
But, for some reason this becomes less clear to people in small businesses. In one of my clients, responsibility for the business's IT lay with a particular individual. However, he was one of the business's main revenue earners and was often out of the country. When the IT failed and he was in Japan, the IT didn't get fixed (or, at least, didn't get fixed very promptly while

everyone else muddled through). Interestingly, this state of affairs came about because the IT was this person's hobby and he liked doing it. My view was that this business should subcontract IT support to a reputable third party. Someone in the business (preferable not the MD) should be responsible for the relationship with the IT service provider.

The risk of not having this is that one or more areas of the business are no one's responsibility or, possibly worse, that two people think they are both responsible for the same area. These are, presumably, not good for the business.

Outline structure

It doesn't really matter what the structure is, provided it has been reviewed and is recognised as being, and can be proved to be, suitable for a business's development. One approach is to consider our fundamental groupings. At this level, it is clear that every activity in the business can be allocated to one (and only one) of these four groups.



Products/services

If a business doesn't have anything to sell, it isn't likely to get far. This group of tasks includes development of products and services, creation of products and services, and delivery of products and services.

People

Businesses need clients, partners and staff. This group covers all the activities needed for these people, including sales and marketing, staff development and relationships with stakeholders.

Infrastructure

With products, services and people, the business needs some underlying support organisation

Strategy

With the other three areas in place, without some strategic idea of purpose and outcomes, let alone a plan to translate these into actual performance, the business will stagnate.

Detailed structure

By definition, the following is an theoretical example. Each business needs to work out for itself what works best. The following is not intended to be complete:



Jeremy Marchant

© Jeremy Marchant Limited 2014