Excerpts taken from “Growing Pains: Transitioning from an Entrepreneurship to a Professionally Managed Firm

By Eric G. Flamholtz and Yvonne Randle

“As organizations grow, they tend to add jobs and levels in a piecemeal manner to meet current needs. If this process continues, the entire organization develops an ad hoc character...At this point, it is necessary to review the entire organizational structure in light of these overall changes in the level and scope of business activities. “(page 195-96)

“The guiding principle underlying the organization of all the various roles that constitute the structure of a firm is that form should follow function. This means that the form of the structure of the organization should be designed in such a way as to maximize the likelihood of achieving the overall functions that that structure is intended to perform. “(page 189)

“As suggested earlier, the divisional organizational structure tends to group together related clusters of products and customers. A division may be set up to focus on a particular customer segment and to produce and market products that are designed for that group.” (page 192)

“...it is important that if an organization decides to adopt a divisional structure, it must invest in growing true general managers who understand not only how to run a “business within a business” but also how to be an effective member of the overall corporate management team. “(page 194)