

Organizational Structure of a Construction Company

[Starting a construction business](#) is going to involve a lot of planning, which can be made easier with the help of preconstruction services. A great way to ensure that the flow of information within your organization is sufficiently efficient is through using an organizational structure. Such a system will outline not just how activities are directed, but also the people responsible for deciding them as well as who is assigned to perform what. It is important to understand how organizational structures work so that you can create one on your own without too much trouble.

Types of Organizational Structures



It is worth pointing out that there are multiple types of organizational structures in existence. What you ultimately decide to go for is going to depend on multiple factors: your personal preference, the needs of your company, and the goals you have for your company. Before starting to work on your project [organization chart](#) or site organization chart, it's a good idea to first review the different types. Written below is a list that contains each variant, complete with its brief description.

Functional Structure

The first organizational structure type to concern yourself with is the functional structure.

- This is where a company's staff is grouped according to the specific skills and knowledge that they possess.
- Each department within the company is structured vertically, with each unit's employee information outlined directly from the president going down. Their [construction employee timesheet](#) is also kept separate from one another.
- The purpose here is to create a stable work environment with several independent operations simultaneously performing their respective tasks as part of a well-directed business.
- Like its counterparts, a functional organization structure will have its respective advantages and disadvantages. For the former, one can expect a relatively high amount of operational efficiency.
- Every group answers to their own assigned management team, which acts as a cross-communication point between each functional area. Essentially, such an arrangement can allow the company to have a greater level of specialization.
- When it comes to disadvantages, the main one would be the possibility of decreased innovation and flexibility if the various functional groups fail to properly communicate with one another. A tunnel vision among the individual functions can also be expected.

Divisional Structure

This is the organizational structure type that sees each function within the company grouped into separate divisions. It may correspond to either geographical reasons or product and service-related reasons.

- What makes the divisional structure attractive to business owners is the fact that the different divisions are not threatened when one fails due to the separation between them.
- A notable disadvantage, however, comes in the form of potential operational inefficiencies stemming from the same separation. A well-organized human resource [management plan](#) will serve to mitigate such a disadvantage. Those who plan to send an employment offer request should first consider these advantages and disadvantages carefully before doing so.
- A common legal structure exists that is referred to as the 'M-form' or the multidivisional form. This makes use of a divisional structure and can be described as when a parent company develops or acquires subsidiary companies, which they then operate under one brand and name.

- Most decisions within this kind of company are made and executed by the autonomous divisions despite the overall control exercised by the central management. Examples of multidivisional companies are those that are big enough to operate on a worldwide scale, such as Virgin Group, which happens to be the parent company of both Virgin Records and Virgin Mobile.

Matrix Structure

This can be described as a hybrid organizational structure, utilizing three different types to provide balance.

- In this type of company, there are usually two chains of command set in place, with staff members answering to two managers.
- It is typical for one of the managers to handle the functional activities while the other acts as a traditional manager. Neither role is fixed since neither one is organizationally defined in the slightest.
- The origins of this type of organizational structure can be traced as a response to the development of large-scale projects in the United States aerospace industry. It was determined that a more efficient way of processing data from those projects beyond a simple progress report was needed.
- Considering how complex a matrix structure can be, it makes sense for business owners to have all the best tools at their disposal, such as [project management](#) software that is capable of creating documents such as a contractor's daily report, task reports, availability [construction reports](#), and more.

Flat Structure

A flat organizational structure is one that features either very little or no middle management level between the company's executives and the staff at all.

- It is expected that each manager is responsible for a large number of people, thereby possessing far more responsibility than their counterparts in other kinds of organizations.
- Another thing to consider is that the managers can also expect to rely less on their superiors for guidance since the numbers of the latter are even fewer. As a result, one advantage provided by flat structures is an immense amount of independence and freedom for their managers.
- There is also the disadvantage of potential indecision and mismanagement caused by having a shortage of leaders within flat structures.
- Business owners who wish to go for this will have to ensure that their management plan is as solid as they are capable of making it, down to the

management timeline featured and the management meeting minutes being recorded for every meeting.

Line Organizational Structure

This is among the oldest and simplest types of organizational structures that you are bound to find anywhere.

- In line organizational structures, one can expect supervisors to exercise their direct authority and responsibility to supervise over their subordinates.
- Another expectation is how the authority flows naturally from the person at the very top of the company's hierarchy to those in its lowest rung.
- Other terms for line organizational structure would be scalar-type organization and military organization.
- As simple as it may seem, there is still room for several plans and analysis to be put into place to ensure a higher degree of success. This includes a risk management plan, a management SWOT analysis, and on a practical level, even an owner and construction manager agreement when engaging in actual projects.

Network Structure

This is one of the newer organizational structure types. Considered to be far less hierarchical than others, it has its focus on flexibility where managers can coordinate and control multiple kinds of relationships.

- These relationships may be part of the company internally or could be external, and therefore not an official part of the business.
- The concept for this is derived from social networks where reliable partnerships and open communications are considered key factors of success.
- Due to the 'agility' of this structure, one can expect fewer ties, a greater control span over the project management timeline, and a bottom-up flow concerning decisions and ideas that govern things like a management plan and a [marketing plan](#).

Team-Based Organizational Structure

Another one of the newer kinds of organizational structure, this is where employees of the company are grouped into different teams with each one meant to cover different functions.

- Project tracking is made much easier when it comes to team-based structures because most teams within this kind of company tend to operate independently from one another.
- The conducting of particular functions such as a marketing analysis for a construction company is done by a specific team for a specific time, just like product management is done by another team whose knowledge, skills, and talents are better suited to it.
- Yet another noted advantage would be the balance created by this kind of organizational structure. The teams, although different, also tend to complement one another. Each one can be expected to not only be action-oriented but also people-oriented, encouraging the development of greater productivity for the company all in all.

Varying Structure of A Construction Company

When it comes to deciding the right structure for your construction company, the choice is truly up to you. Taking into account the details of each one when trying to come up with the decision will allow you to see just which type will serve you and your clients best. To help you make a firm decision, a case can be made for the application of a functional structure. It is a popular choice due to the variety of roles that a construction company will require. Each one is going to need professionals with comparable knowledge and skills within a specific area.

Therefore, grouping those professionals together can help ensure that your operations are made more efficient, especially when a quality control plan is set in place. Another thing is that a functional structure can ensure each department can develop much faster, leading towards better business being done. It isn't unlikely for a construction work proposal and a business [construction contract](#) to follow one after the other when a functional organizational structure is successfully set up.

Management Levels



On the topic of management levels, it is important to identify and differentiate one from another since the vast majority of organizational structures will make good use of each one to illustrate who reports to whom. There are three different levels, each with its own general set of responsibilities and expectations to deliver. Below is a shortlist specifying the three with their appropriate and detailed description.

Top Level Management

When you talk about those who are a part of the top-level management of any company, what comes to mind will immediately include the president of the company, its vice president, and the chief executive officer. However, this can also include the board of directors, as well as the chief operating officer, and the chief financial officer. These are the people responsible for overseeing the company as a whole. They get to decide what the HR policies are, along with the management policy, and the [strategies for construction](#). Due to the immense level of responsibility on their shoulders, these are the ones who will be held accountable to the general public and the company's shareholders.

Middle-Level Management

Moving on to those occupying middle management positions, these would be the department managers, branch managers, and the general managers of any particular company. These are the men and women who are held accountable by those occupying top-level management positions for their respective functions and responsibilities. Compared to their superiors, these professionals are known to devote more of their time towards the directional and organizational duties of the company. Within construction companies, examples of their duties include:

- The creation of a risk management plan.
- Conducting a performance review of each staff member on a regular or semi-regular basis.
- The development of a performance management plan for the benefit of the staff.
- Performing both a project analysis and an equipment analysis.

Lower Level Management

Lastly, we explore the lowest rung of a company's management levels, aptly called lower-level management. These are the supervisors of any company, along with the section leads, and even the foremen of construction companies. Their main focus is on directing those who are immediately below them in the company's hierarchy. Among their responsibilities include, but would not be limited to assigning their employees their tasks, providing daily guidance, providing recommendations, coming up with a work estimate and a [labor worksheet](#), and compiling the daily report of the staff.

Advantages and Disadvantages of Using an Organizational Structure

Now that you know more about what organizational structures are, one of the last things to consider would be the advantages and disadvantages of it to your business. Here are a few points related to that topic that you should consider:

- The first thing to talk about would be the order that a proper structure can provide your company. Without one, there would be no way for you to accomplish what your clients want from you and they'll be forced to take their business elsewhere.
- In addition to creating order, it will also help clear up any confusion that both management and staff may have regarding who does what and why. Top-level management, for example, should not be left to handle the work of those in the low-level management tier. Creating divisions will also keep the workers focused

on very specific tasks so that their talents will be utilized in the most effective way possible.

- For the disadvantage, there will be the added complexity that must be dealt with, especially as the [construction company grows](#) larger and larger. There may also be issues communicating, particularly for those in the bottom rung who may have something to say to those in the top tier of the company. The disparity in rank may also lead to discrimination, opening up the possibility of harassment, abuse of power, and other unfortunate circumstances.

Conclusion

By now it should be clear that succeeding in construction business management can depend heavily on the proper use of your company's organizational structure. Although some types can be quite complex, any choice you make with the different types is guaranteed to help you achieve your goals with greater ease and efficiency in the long run. Now that you are more aware of what each organizational structure brings to the table, you can now make better-informed decisions, especially when it comes to [construction bidding](#). So what are you waiting for? Stop hesitating and put your new knowledge to good use today!