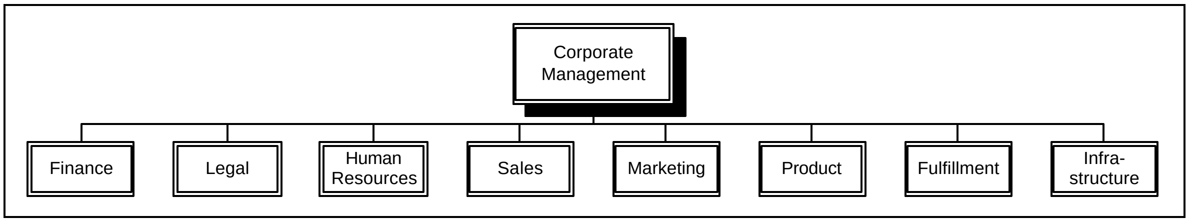
Departments vs Roles

Every industry has a typical setup for corporate departments. For a Software Product & Services company of at least a certain size, a typical set of departments looks like this:



These groups typically handle the following sorts of issues, though the details can vary widely:

1) **Finance**
   - Funding
   - Cash Flow, Debt, Financing
   - Accounts Payable/Receivable
   - Corporate & Tax Filings
   - Internal & External Cost Tracking
   - Budgets, Planning
   - Payroll
   - Equity
   - Business model
   - Deal price model (minimum margins)

2) **Legal**
   - Corporate structure and by-laws
   - Customer master agreements & contracts
   - Purchasing agreements
   - Partnerships
   - Lawsuits
   - Risks

3) **Human Resources**
   - Hiring/Firing
   - Benefits
   - Career development
   - Contractors
   - Counseling
   - Discrimination, etc.

4) **Sales**

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- Prospect relationships
- Customer relationships
- Deal construction
- Revenue projections

5) **Marketing**
   - Sales & Marketing materials
   - Trade shows
   - Press releases
   - Market research
   - Competitive analysis
   - Telemarketing
   - Advertising
   - Corporate web site

6) **Product**
   - Product requirements
   - Product design
   - Product cost model
   - Cost tracking
   - New-product development
   - Existing product upgrade development

7) **Fulfillment**
   - Customer relationships
   - Implementation
   - Support
   - Upsell & cross-sell

8) **Infrastructure**
   - Product platforms
   - Corporate platforms
   - Admin

Many of these items look small, but that's deceptive. "Fulfillment", for example, is the entire delivery organization, while "Legal" might be one outside lawyer.

Even though the bullets sometimes live in different departments in different companies, and even though the departments are sometimes combined differently (e.g., "Sales & Marketing"), it is very important to understand that the issues represented by the bullets exist ***for every company in this industry***, no matter how large or small the company may be. That means that you are constantly confronting issues in the bulleted lists, and need to be able to deal with them.

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By the time a company reaches about 100 people, they generally have someone in charge of each of these departments, and that group reports to the CEO or President, or some of them report to a COO (Chief Operating Officer), or some mix along those lines. In a small company, on the other hand, you can't afford to have an individual running each of these groups as a primary job, because it creates too large an overhead for the revenue to support.

Also, in a small company, you may have folks who are getting the work done splendidly at the group level who don't necessarily have the broader experience of handling all the issues implied in the full-department lists, even though they're the most senior person in the company in that area.

Keep in mind that departments exist first as a way of organizing activities, and only secondly as an implied reporting structure. The reporting structure of individuals doesn't have to map to departments. For example, there might be only a virtual Product department with several product managers who report directly to the CEO, rather than an actual (but not yet existent) head of Product as an intermediary.

Small companies have experimented with a number of ways of handling these organization chart challenges:

1) Make the most senior person currently present the SVP of the department.

Pros:

- Gratifies the ambition of the senior person (and recognizes his hard work).
- Matches the actual reporting structure to the department structure.
- Since departments are identified with issues, it's clear who to go to for issue problems.

Cons:

- The person may be doing a great job at a lower level but not be qualified by his experience for the larger job. Some of the gap can be covered by training. But what do you do when you grow to the size that you need and can afford a more fully qualified person, demote the incumbent?
- What if the most senior person is currently an outsider (e.g., legal)?
- Insufficiently experienced department heads aren't able to handle all the departmental issues, and generally only "own" the ones they're comfortable with. Issues without owners rarely get resolved, or even tracked.

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2) Create ad hoc departments to match the experience and interests of the current managers.

   Pros:
   - Keeps the department structure matched to the actual reporting structure.

   Cons:
   - Creates volatile structures that change with hirings/firings. Difficult to keep track of.
   - Confuses issue ownership.
   - Makes it difficult for outsiders to understand how the company is organized, and harder for them to compare it to peer companies.

3) Treat the departments as a structure for classifying issues, and assign issue ownership to individuals independent of their departmental responsibilities (i.e., give them "roles" instead of "positions").

   Pros:
   - Individuals keep their logical current career title (e.g., Manager or Director) and the senior position stays unfilled until the company is at a different stage.
   - Clarifies issue ownership.

   Cons:
   - Unfilled senior management slots can fuel expectations
   - The issues an individual owns may not be related to his current home "department" (e.g., wearing many hats). This can create prioritization conflicts.

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