



Structure Follows Strategy

"Realigning Without a Strategy Could Spell Disaster"

Why do so many executives, especially new CEOs, want to reorganize right away? And why do they go to the white board and start drawing boxes and placing people names in them? They think the exercise is simple and can be done one afternoon between meetings...or maybe even in a meeting on another subject. Back of the envelope organizational design will lead to even more chaos than they can imagine. What some executives don't understand is that organization redesign is as critical as strategy development and needs the proper thoughtfulness.

If organizational realignment or design doesn't start with a strategic plan, it is already off the rails. Structure must follow strategy! What are you realigning for? Just to shift people around? How ridiculous is that?! But the reality is that it happens far more often than you'd think. And as CEO, if you don't have the patience for a full blown plan, then at least have a vision of the future so you can redesign to an aspirational image of your company down the road. Be smart about it to avoid mistakes.



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The mistakes I just referred to are the following:

- Not assessing the strategic needs of the company - short term or long term
- Aligning to no particular strategy or vision for the company
- Just moving people around in boxes
- Not considering modern management techniques and restructuring around older concepts - functional versus market or customer segments
- Doing what's easy versus what's right for the company
- Restructuring to fit people's personal needs not the business needs
- Restructuring without the benefit of proper job profiles making people wonder what their new job really is
- Abdicating organization realignment to the HR department to design

These are only some of the worst ones. But we're all guilty of this. Now in doing it right, I'm not talking about a big bureaucratic process. I am suggesting be patient, do the plan or your vision properly, then align your resources to suit the needs of the plan or the challenges of the future. The main objective is to do it for a reason and not randomly or in a self serving manner.

Like any good process this one needs to start with a clear set of organizational realignment objectives such as:

- ❑ Drive the organization toward a customer focus
- ❑ Reduce the hierarchy
- ❑ Minimize organizational boundaries
- ❑ Achieve deep change throughout the organization
- ❑ Reduce the cost structure

To determine future needs, the existing organization needs to be assessed in terms of its effectiveness and efficiency. This must be done objectively or change simply for the sake of change will occur. At the same time looking at current priorities and the needs for the future must be taken into account. Normally, this requires a complete organizational audit or review of the structure, people and manner in which the business is done. This need not be lengthy, bureaucratic or excessive. But the facts need to be placed out in the open followed by an objective pros and cons analysis.

Many organizational change processes do not consider the following two major aspects:

- ❑ Identification of existing organizational synergies across company boundaries, and
- ❑ Cultural implications of any changes

Done with these in mind the redesign exercise should take into account any major obstacles to could affect transition.

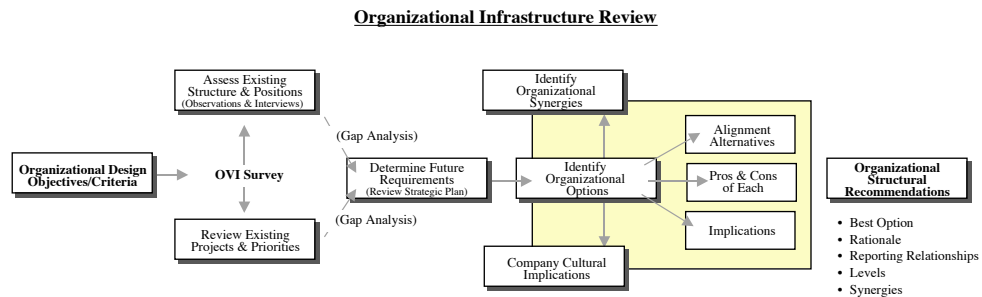
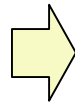
With all of this prep, an effective process should allow for a number of organizational options to emerge and be considered. Each option should include the following:

- ❑ Ability to implement the strategy
- ❑ Clear function definitions
- ❑ Role alignment within each function and across each functional group
- ❑ Clear role definition in terms of a job profile

The pros and cons of each realignment option should be evaluated and compared to each other with one option emerging as the most viable strategically, best suited for the organization and its times, and one that can be implemented with the least disruption. Disruption is inevitable but it should be minimized with a stage rollout plan. Too fast is as bad as too slow.



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The organizational realignment affects people's performance in two major ways:

- ❑ **Organizational realignment can motivate behavior.** Through the definition of jobs, the creation of goals, the development of measures, and the use of reward systems, people can be directed and energized to behave in certain ways.
- ❑ **Organizational realignment can facilitate behavior.** Once someone is motivated to behave in a certain way, the realignment (renewal) can help them do so. By providing methods and procedures, by placing the person in proximity to others with whom the person needs to communicate, and by providing necessary information, the formal organization can help people perform tasks better.

Taken together motivation and facilitation offer powerful tools for influencing individual behavior. When combined in a thoughtful, systematic way the formal realignment can have a positive effect on culture and have an immense impact on the performance of the firm.

So get your directional strategy right then get your organization lined up behind it. Don't rush it and don't cut corners. Done properly your people will embrace the changes and be energized about making the vision come to life. Moreover, you will be positioned to achieve your goals and be a better company.

About

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