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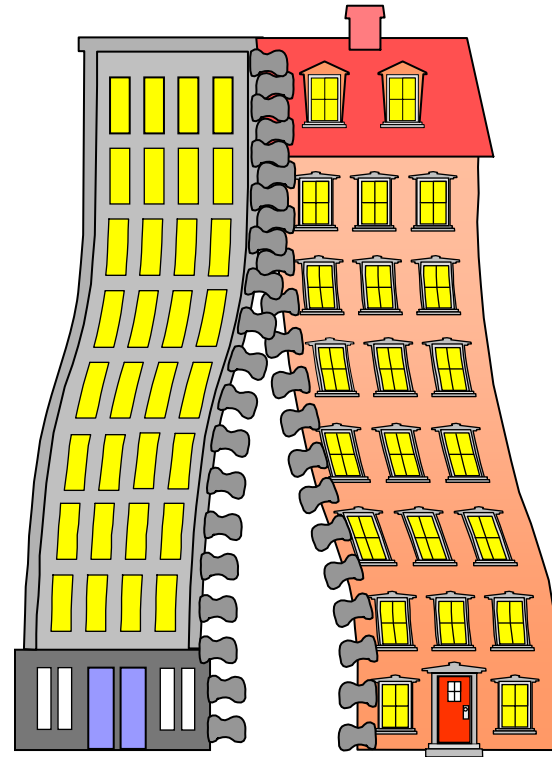
Organization Redesign

Objectives of This Document

- To determine how to best organize the fundamental elements of a company and optimize its performance to achieve specific business integration objectives.
- To determine the best organization architecture for the integrated business end-state concept of operations. The organizational groupings including functions, processes, products/ services, markets, and customers need to be assembled in the best way to achieve the strategic objectives of the integrated business.
- To understand the benefits and risks of several organization designs.

Organization Redesign: Definition

The integration of the structural design, workforce motivation and rewards systems, customer-focus, measurement practices, and information systems intended to influence and direct the behaviors of individuals to achieve the objectives and goals of the firm.



“Business organization rather than technology or capital is the leading sector in bringing about economic growth”

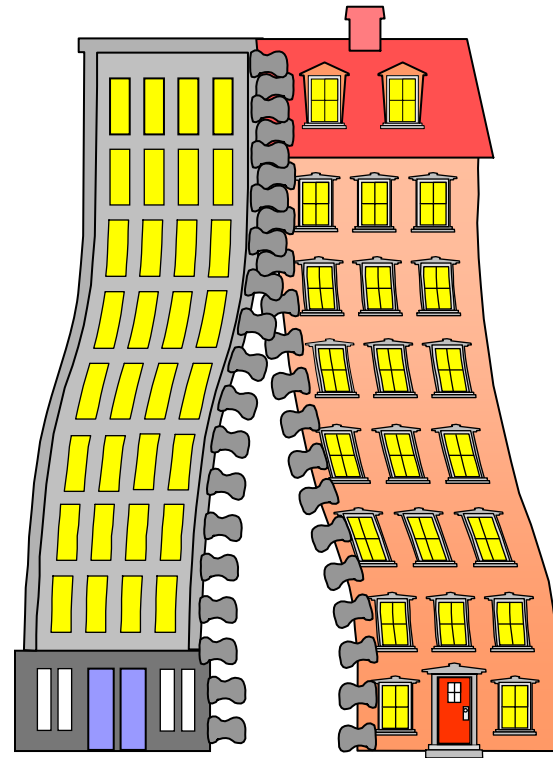
Thomas Cochran

Organization Redesign: Requirements

Balance: To design an organization in which managers can effectively balance the concern for individual fulfillment and achievement with the demands for integrating functions and activities.

Culture: To design an organization which builds a consistent culture of successful employee collaboration and continuous learning.

Efficiency: To design a scalable model that is sustainable, efficient, flexible, and cost effective.

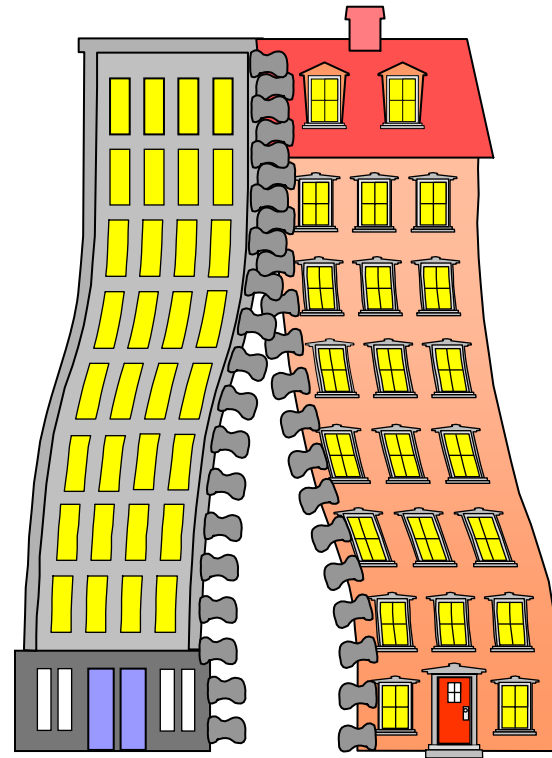


To realize the synergies and growth acquisition and merger the promise, integration efforts often require organizations to undergo significant restructuring.

Strategic Drivers That Influence Organization Design

Eight key drivers, or design criteria, that inform decisions relative to an organization redesign:

1. **Business Cycle Phases**
2. **Complexity of the Business**
3. **Velocity of Change**
4. **Organization Architectures**
5. **Structural Groupings**
6. **Spans of Control**
7. **Value Proposition**
8. **Roles and Responsibilities**



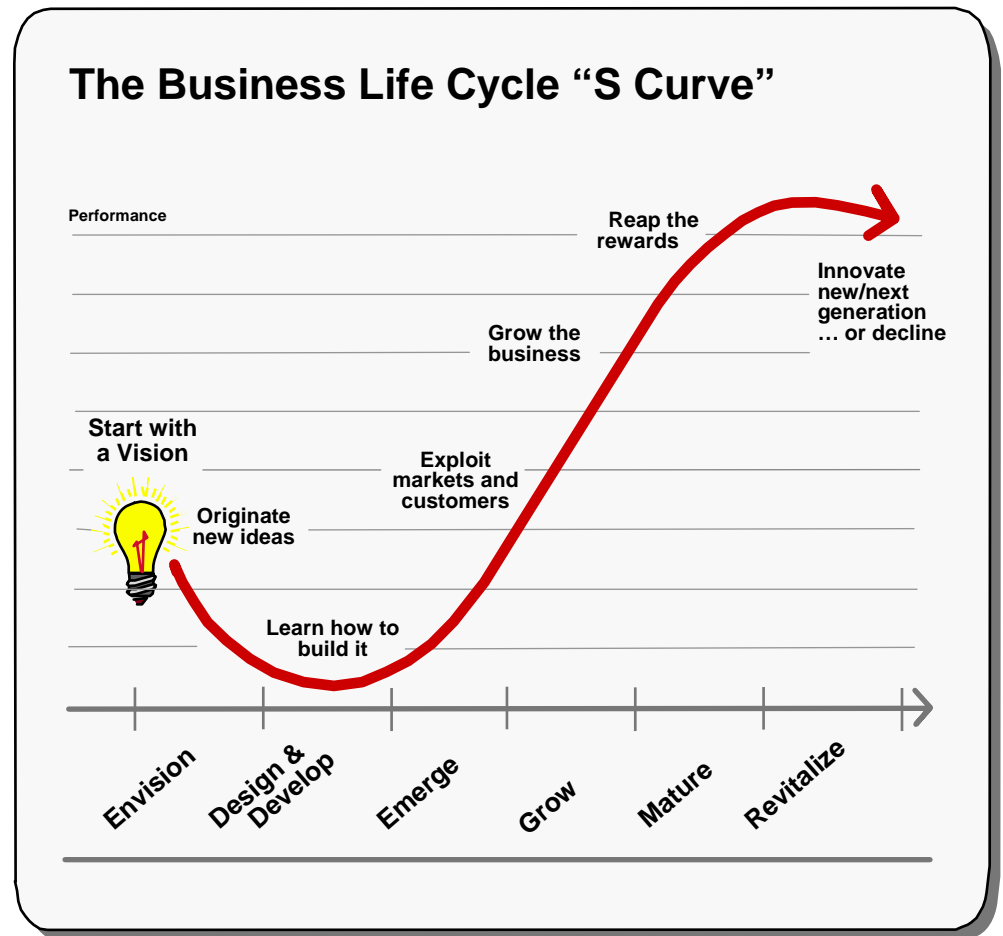
“Recent studies have indicated that there is no one best way to organize. The appropriate organizational form depends upon the human and business situations facing the firm.”

Jay W. Lorsch, “Organization Design”

1: Business Cycle Phase

Determine where the enterprise and its business units currently fit and whether a redesign will advance the combined business to the next cycle of growth.

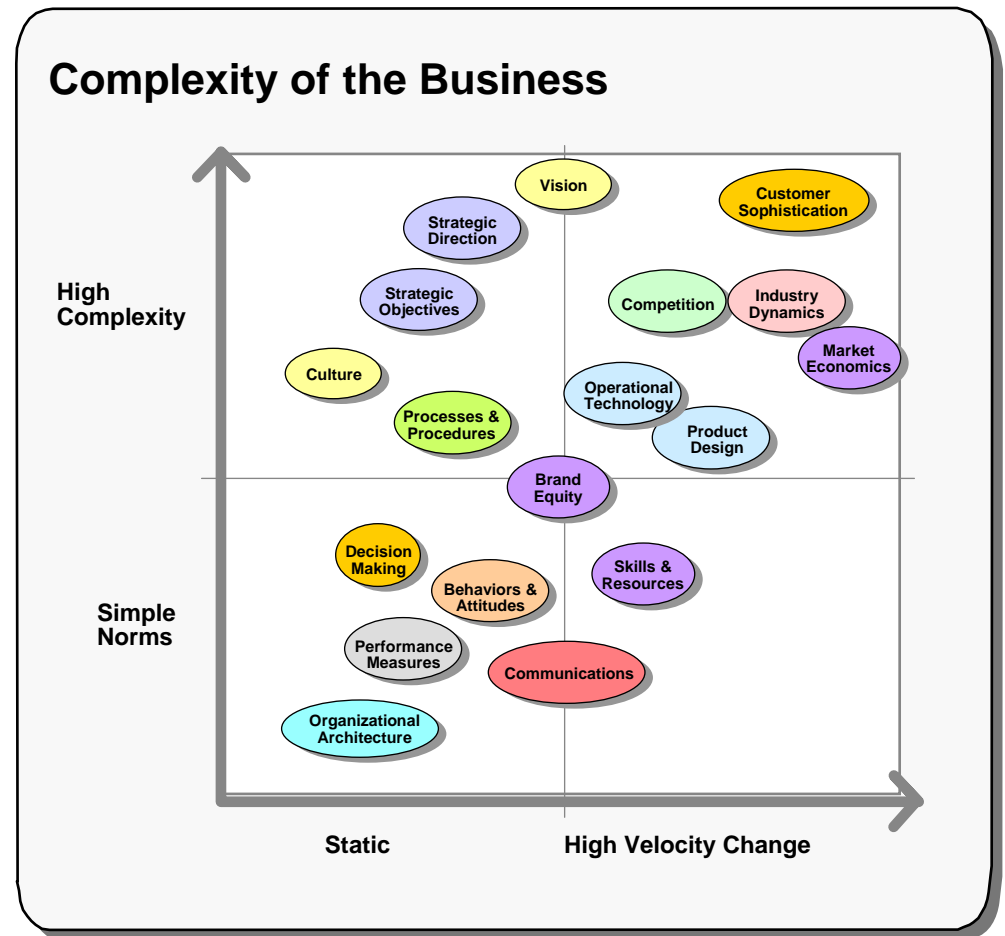
Also, determine the alignment of the combined businesses' life cycle position with the objectives of end-state model.



2: Complexity of The Business

Determine the complexity of the enterprise, its business units, and functional areas.

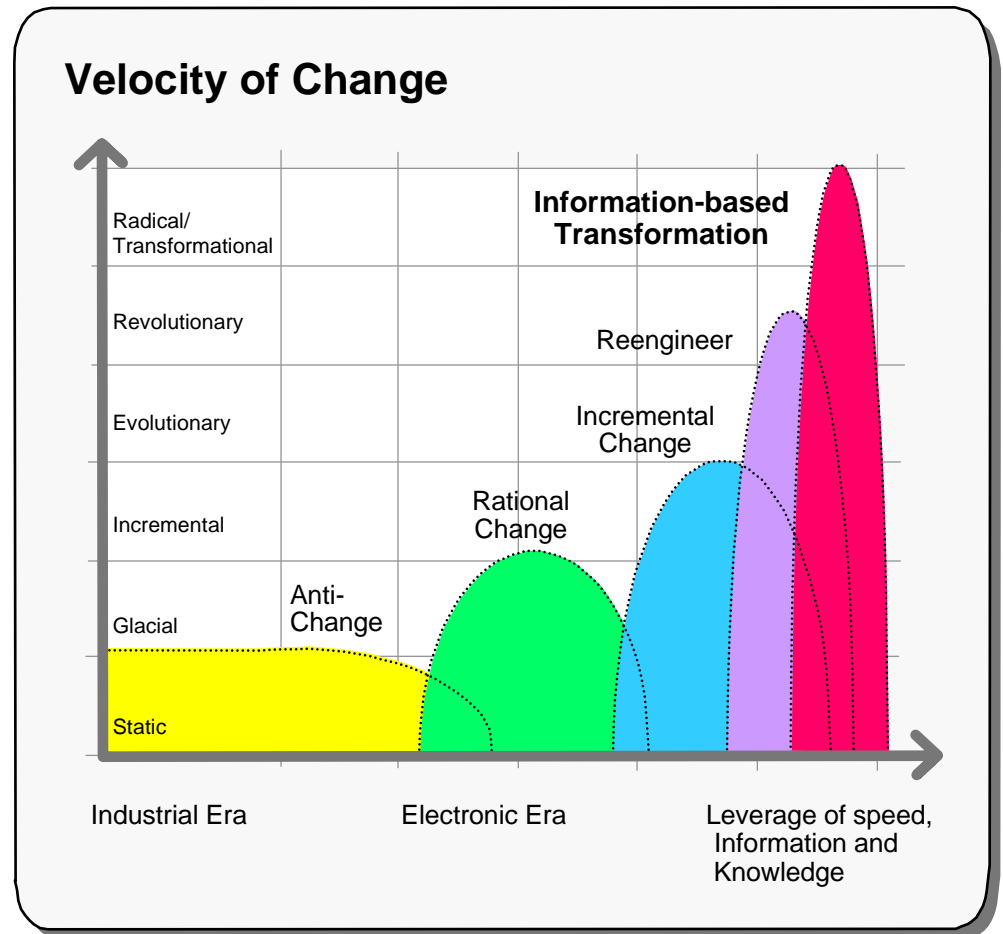
Evaluate the end-state strategy's product roadmap, work processes, resources, technical know-how and other critical business elements to understand the weight of complexity that must be mobilized to meet the integrated concept-of-organization objectives.



3. Velocity of Change

Determine the velocity of change across served markets, shifting industries, blurring product/service lines, emerging technologies, competitor dynamics, and customer preferences.

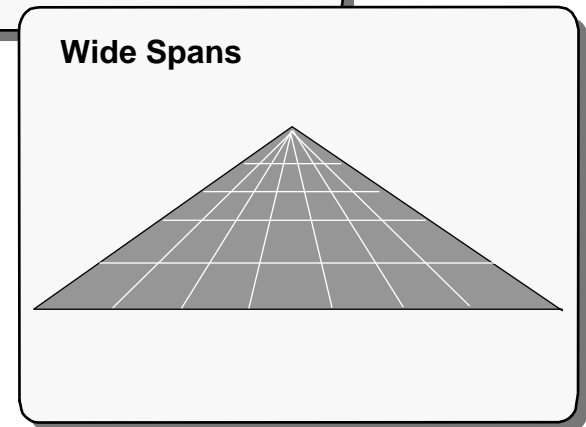
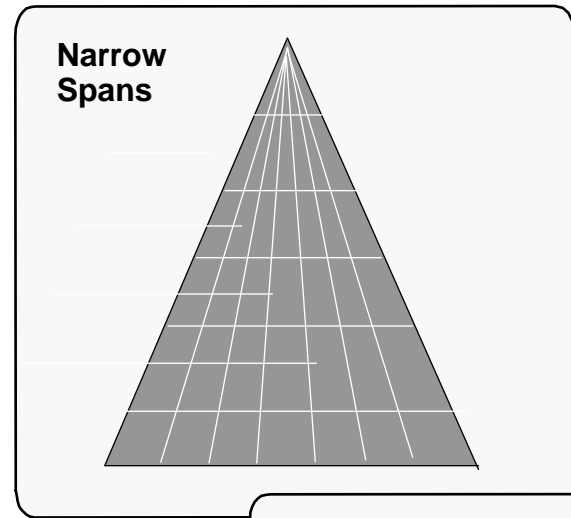
Can this integration move us fast enough in the direction we have chosen?



Velocity of Change Can Suggest Spans of Control

Tight (narrow) spans make sense when a manager's job has **activities well defined** by the technology and the product specifications, the work is highly certain, routine and predictable. Easy to measure tasks with an emphasis on holding standards are managed with tight controls and prescriptive procedures. Too much ambiguity and/or confusion can stop everything.

Wide spans of management control make sense when the velocity of change is high, many **workers will be customer-facing**, and they must be empowered to make on-the-spot decisions. Technology systems must give them the information they need to sort through ambiguity and make knowledgeable decisions.

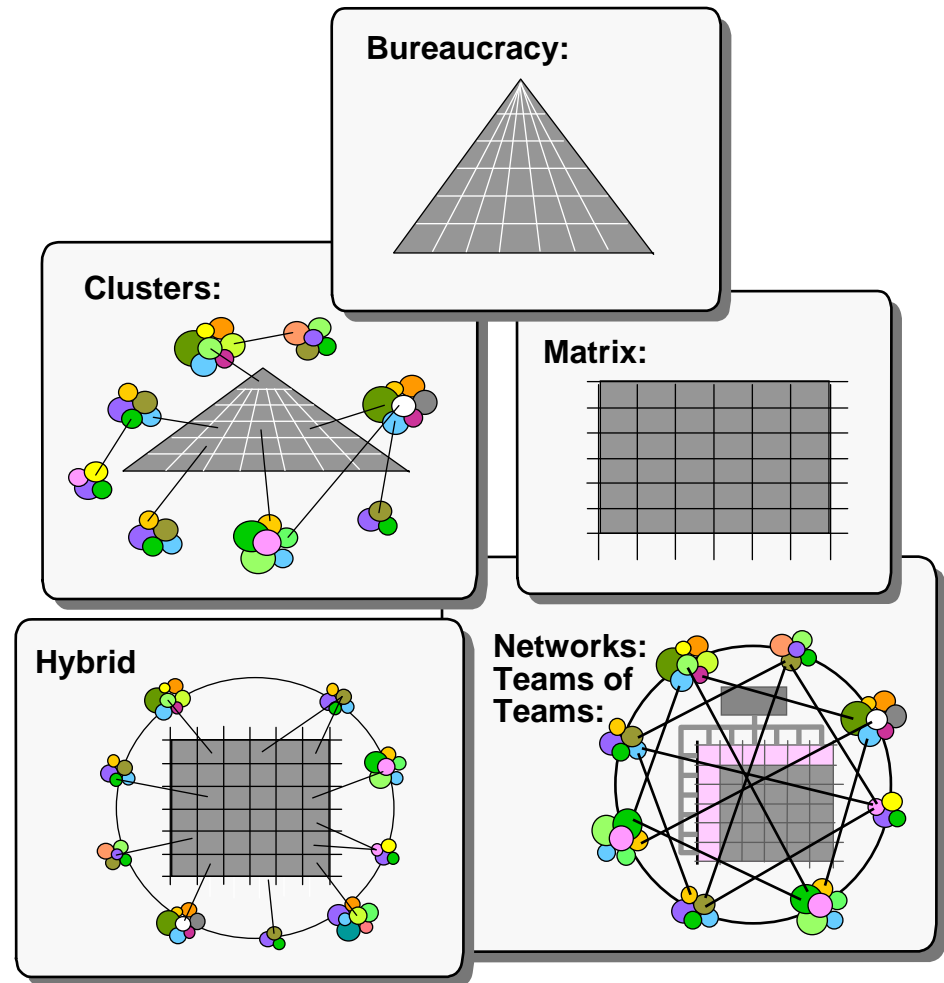


4. Organization Architecture

Determine the current organizational architectures of the enterprise, its business units, and functions.

Understand the personalities, politics and practical realities that first created, and now drive, their respective status quo.

Consider functional, process, geographic, and product groupings that the concept-of-organization has determined to be preserved, leveraged, integrated or consolidated.

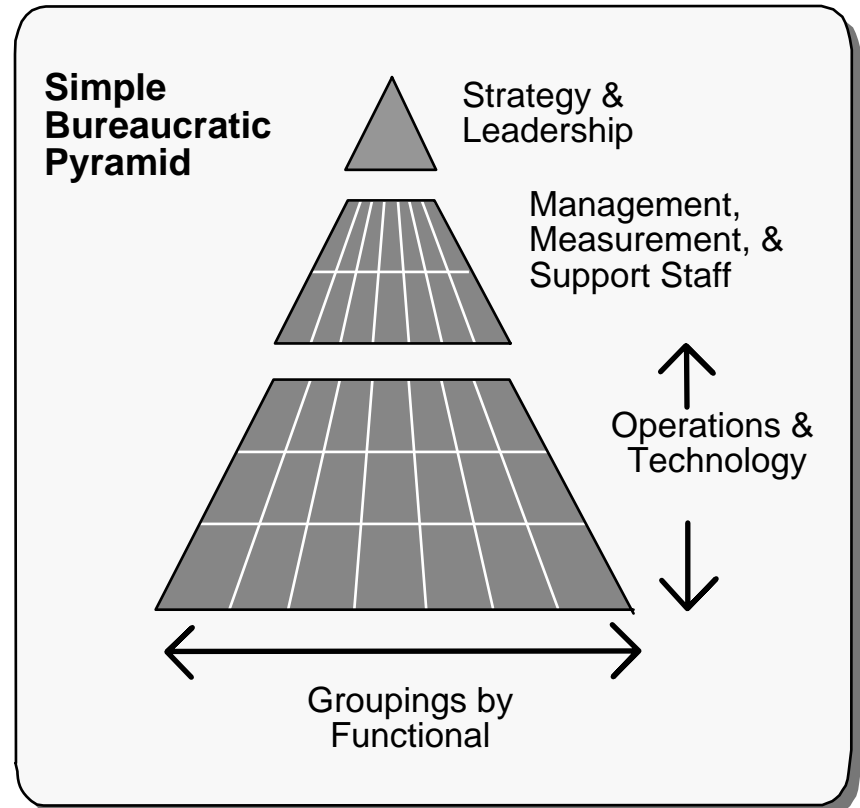


Key Characteristics: Simple Bureaucracy

4. Organization Architecture

Bureaucracies must leverage technology to free-up and distribute knowledge commonly concentrated in deep layers of middle-management.

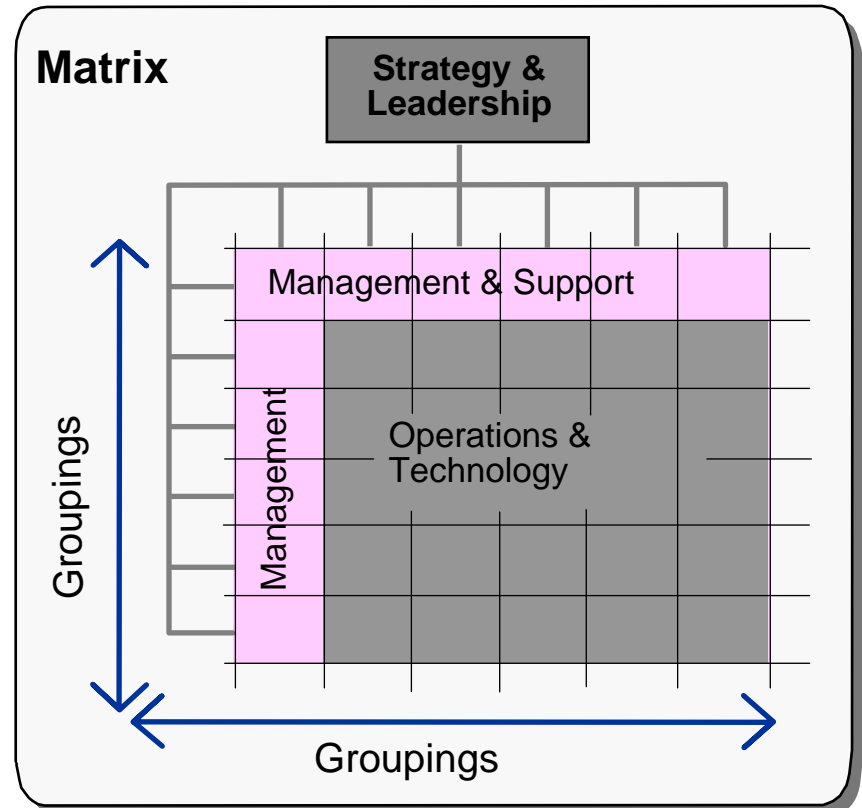
Information-based systems challenge managers that have coveted knowledge to justify their self-serving power-centers.



Key Characteristics: Matrix

4. Organization Architecture

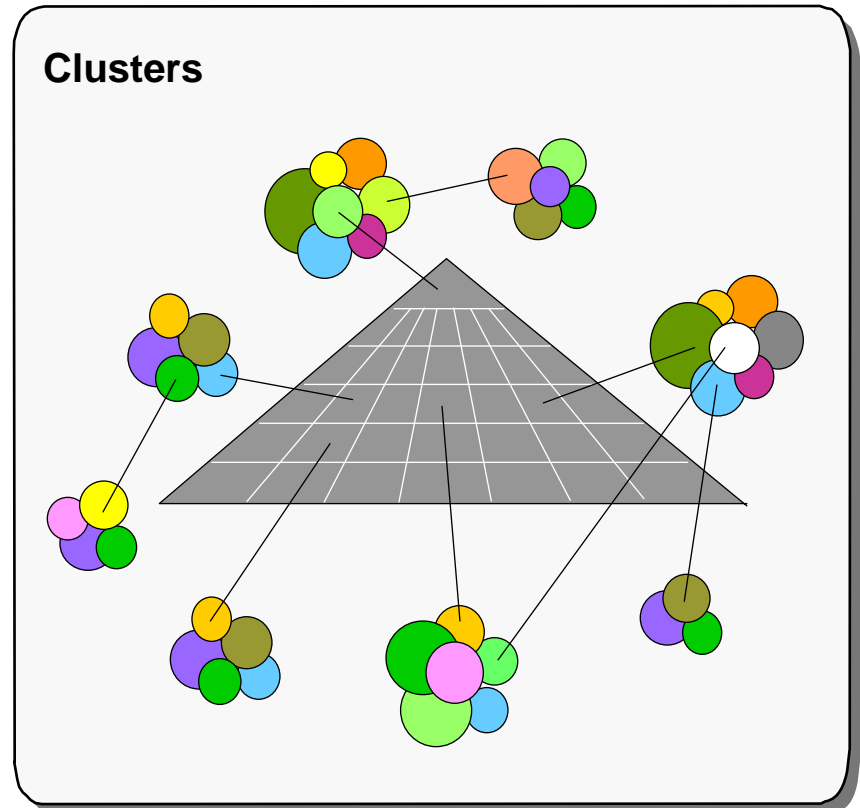
Matrix organizations must leverage technology to enable workers with several reporting relationships to access multi-sourced information critical in performing complex, specialized work assignments.



Key Characteristics: Clusters (Task-Teams)

4. Organization Architecture

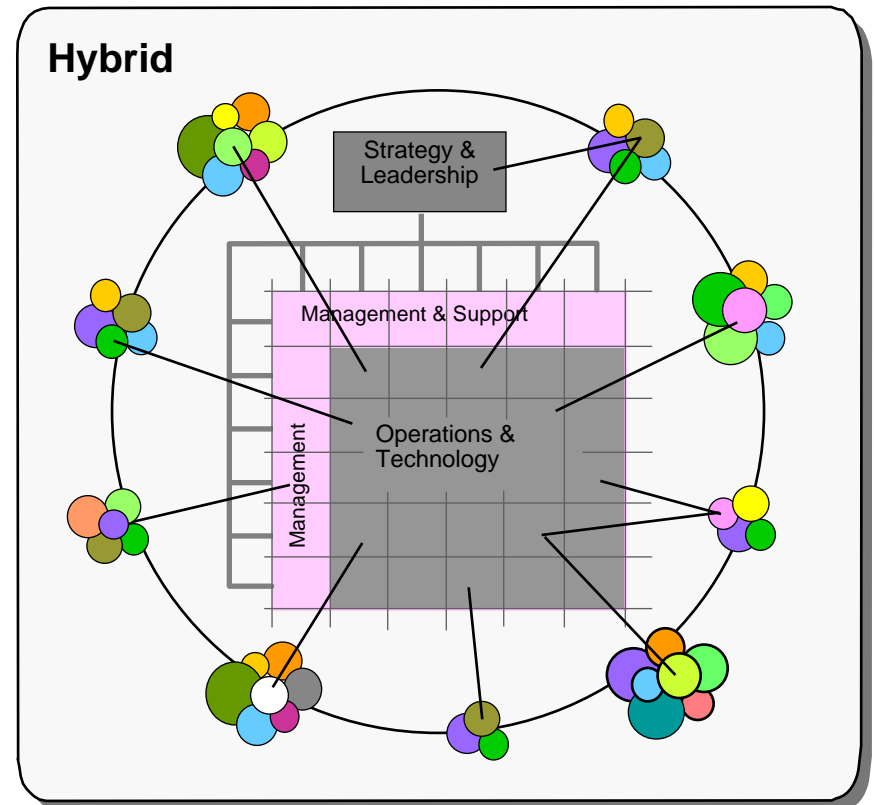
Top-down organizations must leverage technology to enable non-hierarchical teams with the knowledge they need to do their jobs. Information-systems also counter the threat of information becoming bottlenecked between leadership and multiple front-line operations.



Key Characteristics: Hybrid (Adhocracy)

4. Organization Architecture

When organizational data-generating capabilities are enabled as true knowledge systems, layers of management will become redundant and market/customer understanding and sensitivity will become enriched.

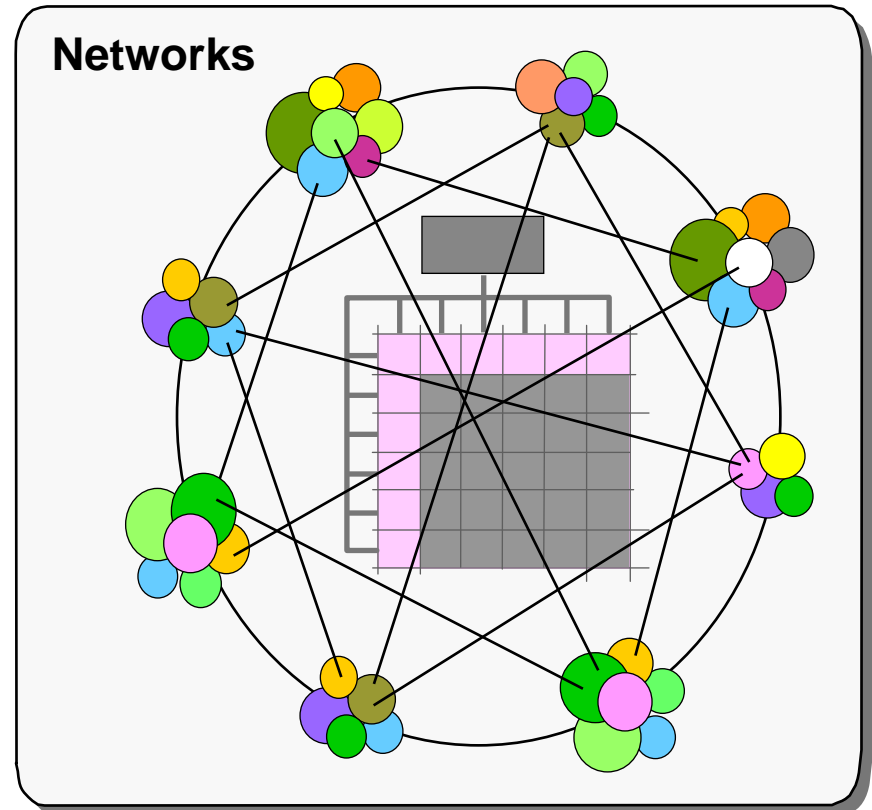


Key Characteristics: Networks

(Teams of Teams, Info-Based Organizations)

4. Organization Architecture

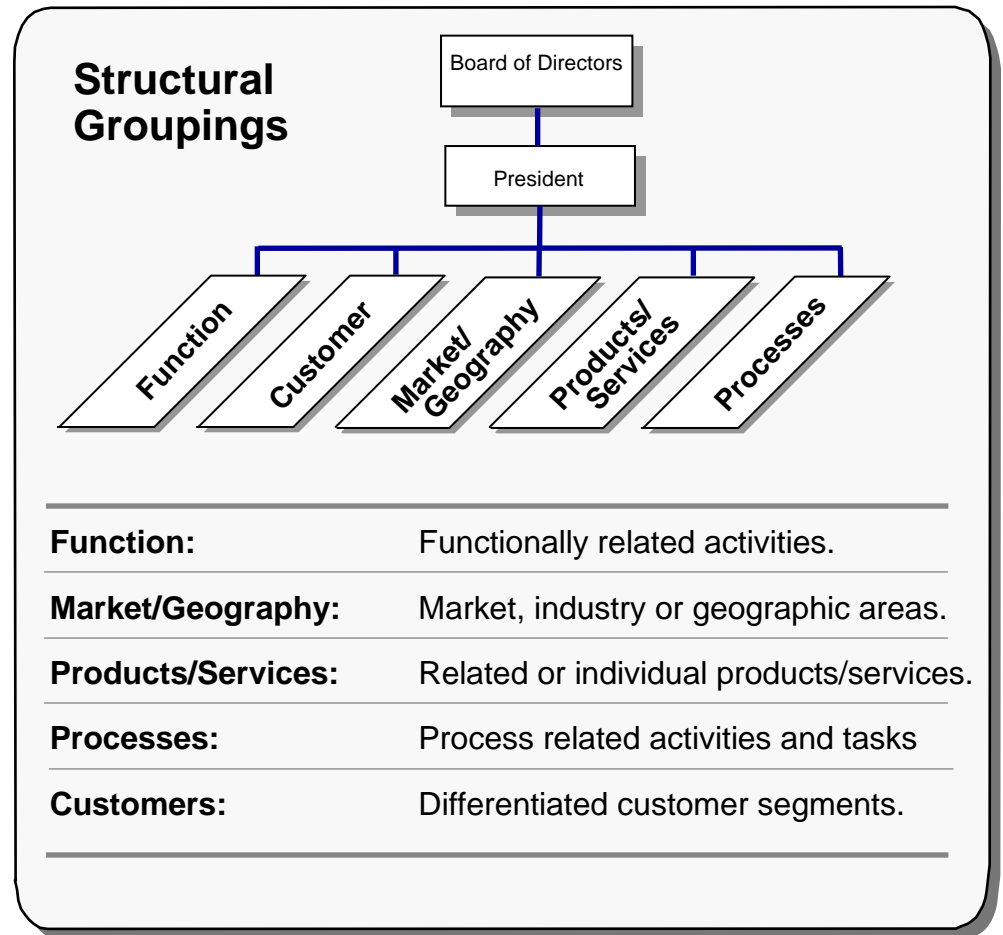
In an IT-enabled organization, information becomes a distributed commodity. Market/customer understanding becomes real-time and Centralized Services become virtual. Multi-divisional groupings become networked, agile and expandable in keeping one step ahead of market/ customer movements .



5: Structural Groupings

Determine if the Structural Groupings by which today's organizations are designed are faced off against the right business drivers for the combined business.

Are the enterprise's current groupings compatible together or does an altogether new model need to be re-crafted to align the unified business with the end-state-model?



Grouping By Functions

5. Structural Groupings

An Up-Close Look:

Characteristics	Strengths:	Weaknesses:
Strategy	Optimized to achieve functional objectives	Functional objectives may not be aligned with overall business objectives
Decision Making	Directive, linear and internal within the functional hierarchy	Top-down, intra-functional decision making can be slow, complex and self-serving
People	Clear division of labor and well defined roles & responsibilities	Long standing, function-centric teams reward compliance and entrenched status quo
Processes & Procedures	Optimized to achieve, functional objectives	Long standing work patterns become Resistant to cross-functional integration
Behavior & Culture	Strong, independent functional identities	Functions become stovepipes with parochial cultures that are slow to change
Skills & Competencies	Encouraged to specialize around professions	Traditional, Long standing, static jobs become resistant to change
Performance Measurement:	Independent, functional goals	Functional measures may not be aligned with the overall business objectives
Communications	Common languages within functions	Functional independence leads to barriers in bottom-up and x-functional communications
Key Advantage	Functional Organization promotes cost management and product quality	

Grouping By Products or Services

5. Structural Groupings

An Up-Close Look:

Characteristics	Strengths:	Weaknesses:
Strategy	Optimized to satisfy product quality/quantity	Long range business strategy takes back seat to near term customer pull
Decision Making	Power is linear and clearly articulated	Decisions are made by managers only, slowing down front-line response time
People	Long term assignments and consistent roles	Long term assignments build stovepipe loyalties and resistance to change
Processes & Procedures	Product innovation is paramount and proactive	Must overcome momentum of product delivery focus to introduce proactive process innovation
Behavior & Culture	Traditional / familiar patterns build a strong, consistent culture	Traditional / familiar patterns can drive an inclusive culture resistant to change
Skills & Competencies	Sustain generalist skills and build intimate knowledge of products	Generalist skills & intimate knowledge of products slows adoptions of new skills
Performance Measurement:	Easiest to measure quality/ quantity and contribution to bottom-line	Product/service bias discounts customer expectations and business goals
Communications	Formal patterns are well established	Communications cascade compromises message integrity. The grapevine rules.
Key Advantage	Product/Service Organization promotes technological innovation and consistent product/service quality	

Grouping By Processes

5. Structural Groupings

An Up-Close Look:

Characteristics	Strengths:	Weaknesses:
Strategy	Optimized to satisfy customer expectations	Optimized to satisfy process owner's expectations
Decision Making	Power pushed down to where rubber meets the road	Customer-compelled decisions to over-deliver may be costly
People	Efficient utilization of resources	Continuous process improvements means continuously changing R & R's
Processes & Procedures	Optimized to fulfill, customer expectations	Contribution to business may take back seat to satisfying customers
Behavior & Culture	Expert perspective and savvy of Big Picture	Elitism/ competition between teams. Gaps between boss & customer expectations
Skills & Competencies	Economy of scale and critical mass of talent	Transfer of knowledge. Reskilling to meet demands of new tools/technologies
Performance Measurement:	Easy to measure the individual & team contribution	Mis-alignment of process objectives with objectives of the business
Communications	Common languages across all processes	Conflicts with supporting and provider process teams
Key Advantage	Process Organization prioritizes customer-centric activities and continuously improving process quality.	

Grouping By Markets and/or Geographies

5. Structural Groupings

An Up-Close Look:

Characteristics	Strengths:	Weaknesses:
Strategy	Business is organized by targeted long-range strategic markets	Strategy is growth, customer and margin driven at a time when new visions may be requisite
Decision Making	Decision powers are decentralized to market/ geography-facing teams	Market-responsive decisions may become blind to operational realities
People	People are focused on localized areas and familiar market issues	Decentralized market groups can duplicate resources & compromise economies of scale
Processes & Procedures	Optimized to respond to market/ geographic issues	Responding to market needs may discount proactive operational improvements
Behavior & Culture	Market-facing cultures become synchronized with customers	Market-facing cultures can become myopic to overall business trends and issues
Skills & Competencies	Specialized industry skills balance general business competencies	Specialized industry skills can supersede and/or ignore good business practices
Performance Measurement:	Measuring market growth/share offers feedback to each group	Measuring market growth/share may not reflect overall performance of the business
Communications	Similar market groups openly share communications	Disparate market groups can become inclusive and reluctant to communicate
Key Advantage	Market/Geographic Organization prioritizes centralized business support services over decentralized agility and decision making.	

Grouping By Customers

5. Structural Groupings

An Up-Close Look:

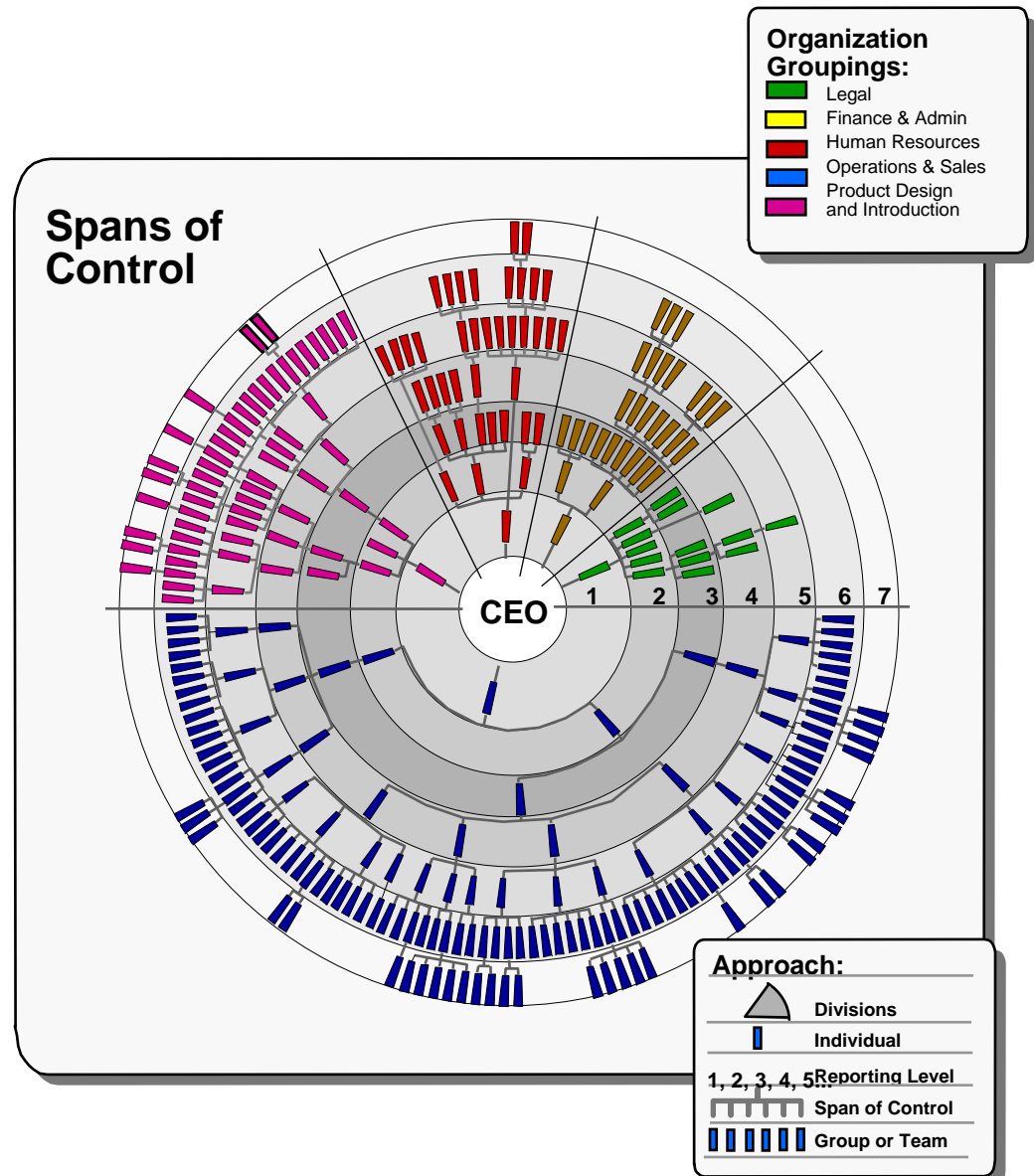
Characteristics	Strengths:	Weaknesses:
Strategy	Optimized to fulfill customer expectations	Visions and aspirations do not extend beyond fulfilling the customer's immediate expectations
Decision Making	Power pushed down to customer-facing worker	Customer-responsive worker decisions may conflict with strategic objectives
People	Collaboration, relationship and teamwork skills are highly valued	Continuous customer-focus duplicates resources & compromises economies of scale
Processes & Procedures	Optimized to respond customer expectations	Responding to customer expectations may discount proactive initiatives
Behavior & Culture	Entire organization becomes internal/external customer-centric	Conflicts between mgmt-worker-customer expectations put worker in the middle
Skills & Competencies	Balance Customer Relationship Mgmt and operational skills	Managing customers must also include managing customer expectations
Performance Measurement:	Easy to progressively track customer satisfaction	Over-delivery and expanding value propositions can be costly to deliver
Communications	Customer-focus balances top-down, x-functional, bottom-up comm's	Conflicts between message priorities
Key Advantage	Customer-Focused Organization prioritizes customer satisfaction and long term customer relationships.	

6. Spans of Control

Determine if the Spans of Control for the enterprise, its business units, and functions.

Quantify management levels. Determine how far down team and employee empowerment is pushed.

Is the current-state organization flat enough and nimble enough to support the end-state concept-of-organization. And, how hard will it be to make the changes required to build the end-state model. Should we build it in stages or phases.



“CEO-Centric or Hierarchical Organization Map

6. Spans of Control

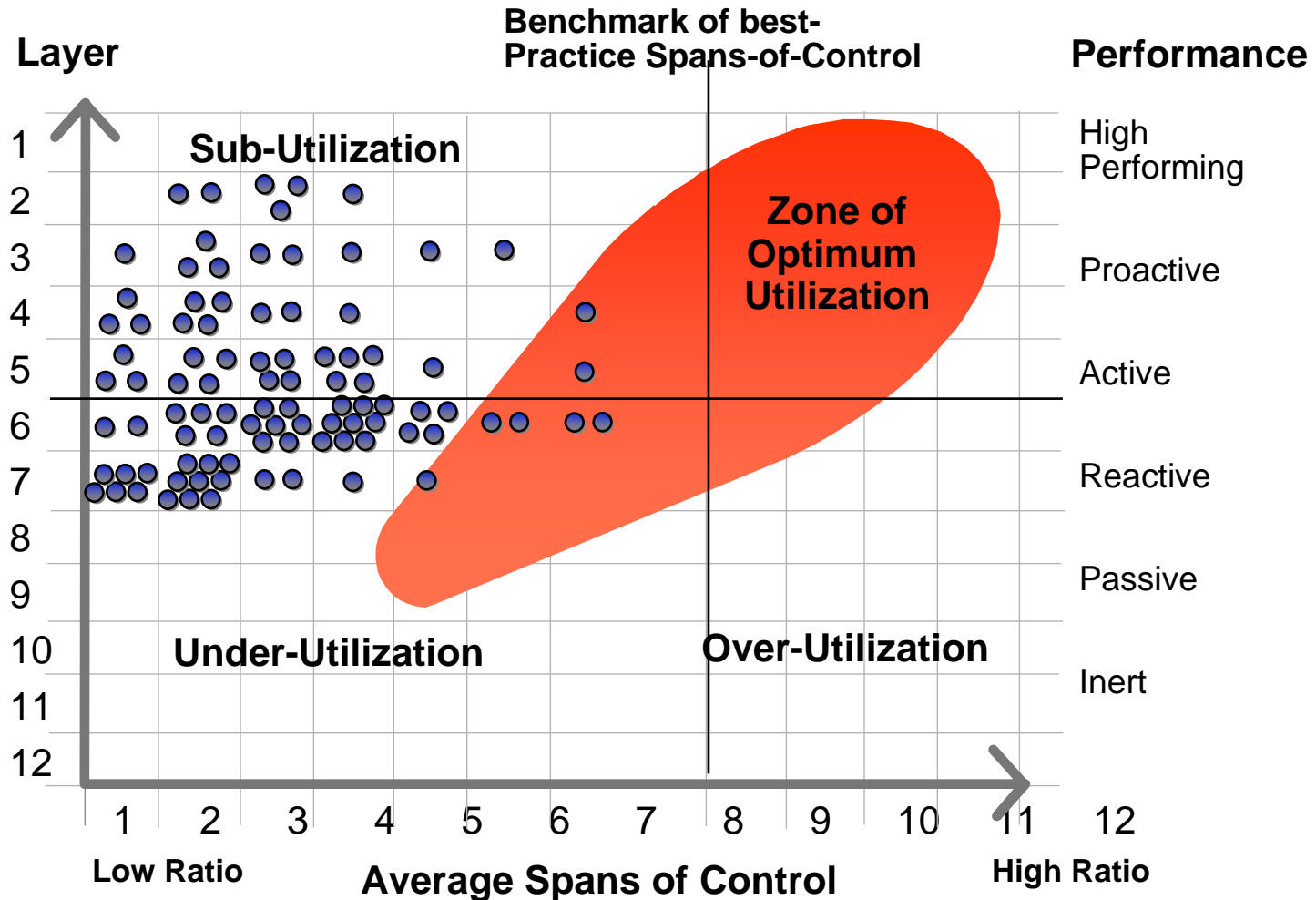
Examining Spans-of-Control illuminates opportunities to streamline and improve the integrated organization architecture



Spans of Control Observations: A Close-Up Look

6. Spans of Control

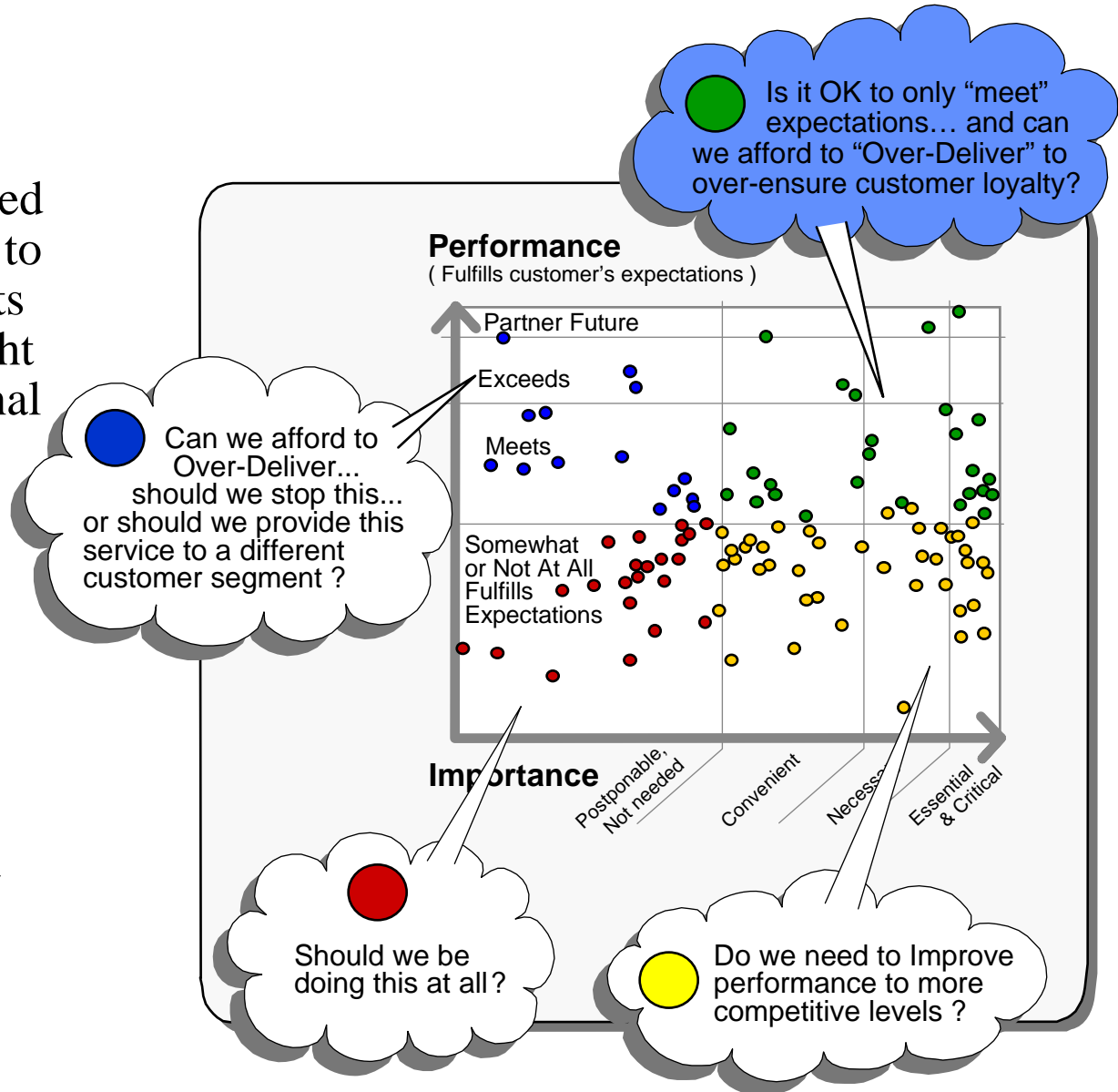
An Example: BU of a major pharmaceutical company



7. Customer-Focused Value Proposition

Determine if the combined business will be capable to provide the right products and services with the right quality to the right internal as well as external customers at the right price/ performance value proposition.

Is today's organization capable to do the right things to preserve the customer portfolio while striving to integrate the organizations?



8. Roles and Responsibilities

Understand the core and incidental skills and competencies of the enterprise's employees. Can the employee pool map the right resource to the right positions (rather than design the position for the resource)?

Will the resources of the combined business support the end-state concept-of-organization?

