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One of the most popular management approaches to improving organizational performance is reorganizing. If you've been in the workforce for more than a couple of years, you've undoubtedly been part of an organizational restructuring. Managers regularly restructure their organizations in an attempt to improve efficiency, scalability, and accountability. Whether keeping up with change or fighting complacency, restructuring is commonplace. Even when companies are enjoying success, many managers reorganize anyway. They consider it good practice to simply shake things up on a regular basis, or as General Colin Powell said "throw a wrench in the works" to challenge the status quo.

There are two more reasons for regular restructuring. First, there has never been a single definitive perfect structure. No one has ever proved that aligning an organization around product offerings is the absolute right structure any more than anyone has proved that organizing by geography, route to market, or business function is the perfect structure. Therefore managers continually strive to find the best structure for their circumstances. The result is a constantly changing hybrid of structures which creates the proverbial matrix organization that sometimes isn't any better than a single hierarchical one.

Second, and perhaps the most challenging for managers, is what to do with resources that are shared. The most typical approach to organizing highly specialized employees who are shared across multiple functions is to pool them into their own organization. These cross-functional overlay resources are then allocated based on dotted-line reporting structures to other business units or assigned on an as-requested basis. This creates three new issues. A) Employees who are shared receive direction from multiple people which often causes confusion and conflict. B) Extra communication is required which causes extra meetings, more updates, and redundant reports. C) The benefit of having a team focused on a specific specialization creates a corresponding loss of affinity to the dotted-line business unit they are supporting. So while specialists maintain fluency in their discipline, they lose fluency in the business unit they support.

So the question remains – what is the best way to organize? Is there a structure that minimizes the matrix tax of added communications and minimizes the confusion associated with having multiple bosses? Is there a structure that maintains functional fluency as well as business unit affinity?

My view is that smaller more focused teams with well-defined outcomes and dedicated resources are generally more efficient, innovative, accountable, and collaborative. Their downside is that they don't scale. Larger organizations that do scale, however, become slow if not bureaucratic. They lose their customer focus. Large organizations seem to naturally add positions that contribute little value to developing, producing, selling, or delivering products and services.

While a perfect organizational structure will remain elusive for years to come, reorganizing doesn't have to be unscientific. Here are five principles to consider that provide some objectivity to the otherwise "stir things up and see what happens" approach that often creates more issues than it resolves.

- 1. Your Objective** – What are you trying to accomplish? Improved collaboration or scalability? Faster execution or higher quality? Or smaller spans that allow for more management attention, more innovation, or better use of specialist resources? For example, if speed is your primary objective, don't create an overlay organization where resources have to be requested and requests have to be prioritized. Instead, create smaller more nimble teams that have dedicated resources. Or if maintaining a few highly specialized resources is more important than speed, pool the resources into a team that is shared. If you need consistency in execution and scalability such as common in call center operations, consolidate your call center representatives into a single organization.

What Managers Don't Consider When Reorganizing

- 2. The People** – What is going to enable the highest level of employee engagement? How is your structure going to impact people's work-life balance? What about their work schedule flexibility, career advancement opportunities, or job satisfaction? For example, if you organize your sales team based on industry specialization instead of geographies, consider that you will dramatically increase the travel required. If you consolidate all your developers across your divisions into one development organization, realize that you could dramatically decrease people's perceived opportunities to advance their careers within their division.
- 3. The Big Picture** – What is best for the overall company? Ignore for the moment what makes your job easier or makes you look important on an organization chart and consider what is best for the overall organization. If you are a business unit leader, would it make more sense to add a level and a new team within your organization, or move some of your resources to another organization? Or if your organization isn't growing, wouldn't it make more sense to add "additional responsibilities" to existing roles rather than create a new level in the organization. For example, rather than create a new quality organization, designate one person as the quality conscious of the organization who supports all the quality resources across the organization.
- 4. Unintended Consequences** – After considering what is best for you, the people, and the overall organization, consider what else you might be losing or gaining. If you are splitting organizations apart to increase innovation, are you losing the collaboration that comes with a single team identity? If you are consolidating organizations, are you moving people farther away from where real value is created? Or if you are adding a level in the hierarchy, are you also adding bureaucracy and slowing down decision making.
- 5. Other Options** – Lastly, consider other options to achieving your desired outcome. Would changing incentives, providing training, defining roles more specifically, establishing repeatable processes, or tracking activity metrics be more effective than restructuring? If your objective is to foster innovation, rather than carve out some of your best people into a skunk works organization, consider embedding innovation best practices into your strategy formulation and product development process. Or if your objective is to speed up decision making, consider empowering people with more decision making authority at lower levels in the organization.



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