BusinessPlus+ Newsletter

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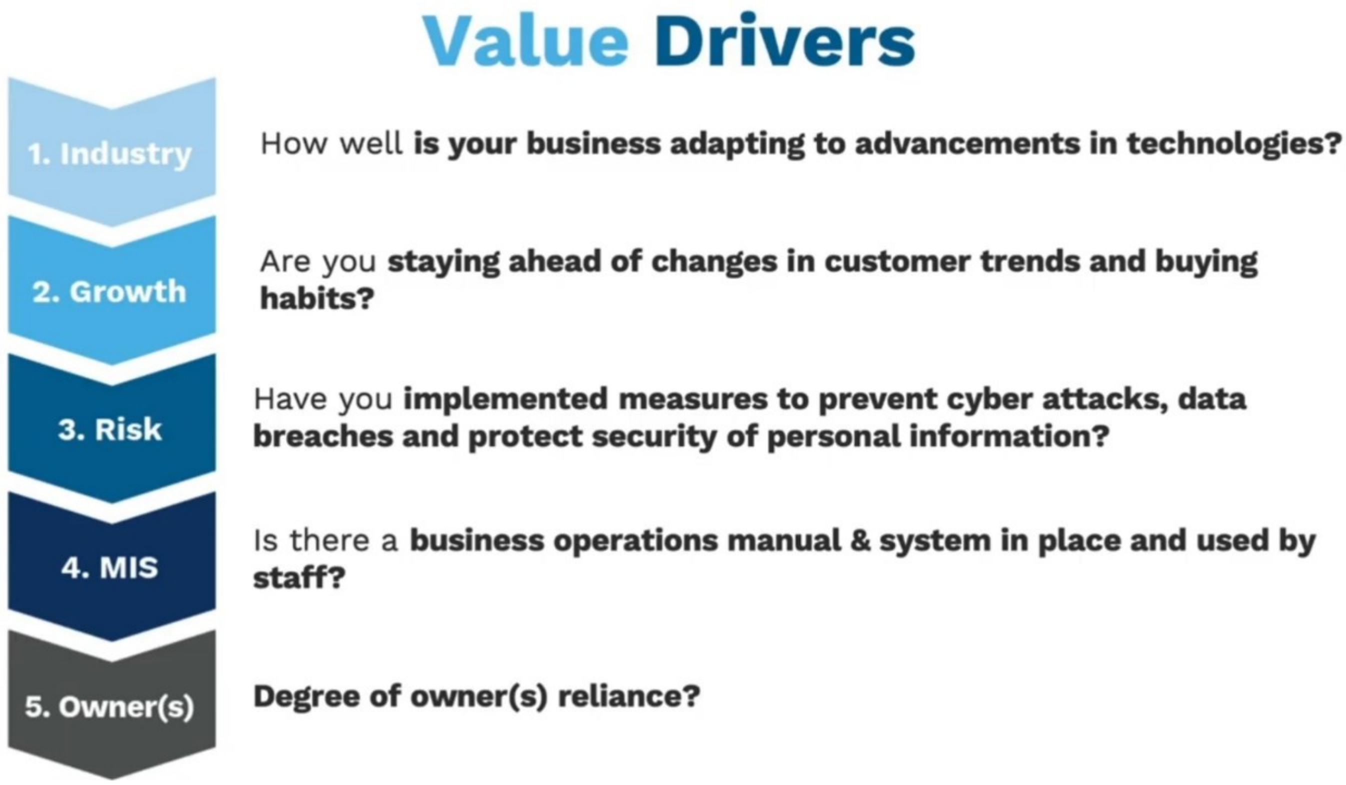
Researched & Compiled by Lyall Bear – Business Advisor

Making the Most of a Business Restructure



With anaemic growth, highly competitive intensity, and deep uncertainty, organisational restructures seem to be the order of the day. Yet they are notoriously difficult to effectively conceptualise and execute.

However, if you are seriously considering restructuring, then it is essential to understand how to make the most of the risk being taken. This article attempts to provide eight insights to today's leading restructuring practices.

Prepare Well in Order to Go Faster

Restructures can reduce costs, empower employees, and reorient the organisation to better match market challenges. However, they are also fraught with risks. They can lead to low morale, loss of key talent, service failures, brand damage and even OH&S risks (to mention but a few). The classic restructure goes through the organisation layer-by-layer, often taking months and months to finish, disrupting operations along the way. There is a better way which entails a little bit more preparation before you start and a much faster execution of the change.

Know Where You Are Headed

This "better way" starts with the key insight that the best restructures have a theme that offers much more than cost-cutting. Staff need something to inspire them, and organisational designers need something to help them plan a lean and efficient enterprise. This is where good operating model thinking is worth the effort, because this gives you a considered organisational design which considers much more than structure e.g., governance (including decision-making rights), technology, process, competencies, and policy. When you review your operating model, you are really designing the elements of the organisation you need to achieve your strategic objectives. With the design comes an articulation of purpose and direction. The great news for business owners is that operating model design need not be a long-drawn-out exercise. There are relatively fast ways to review all the pieces of your organisational puzzle which deliver value for your customers. Organisations that have leadership teams committed to the exercise can prepare the core recommendations in weeks.

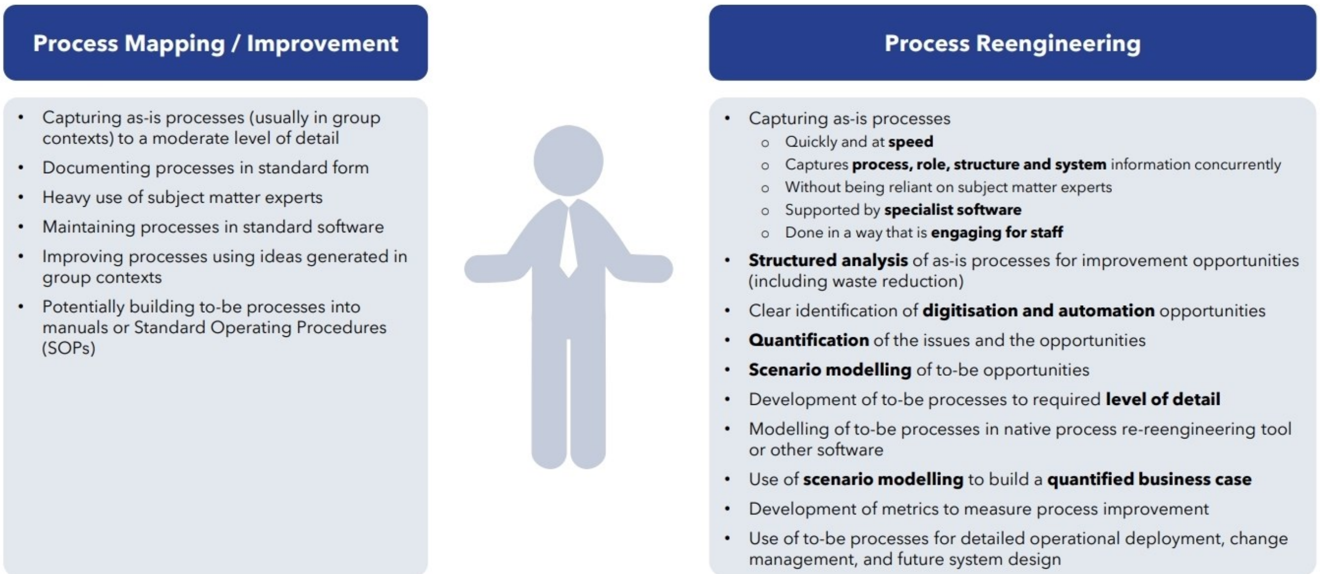
Rationalise and Focus

Your operating model will not just help you with the big organisational design decisions, it will also help you act on long delayed big decisions such as product rationalisation, market entry or exit, service level enhancement and service redesign to take advantage of digital options. Essentially, the model will help you understand what not to do, so you can focus on the right things.

Design Your Organisational Structure to Match Your Strategy

Consultants will traditionally tell you about the half a dozen options on which to base your organisational design, such as organising by product, segment, geography, or function. They are called “pivots” because when you follow a process through an organisation, you often see a “pivot” to a different structure. For example, a geographically based salesforce might have to pivot to deal with technical support teams that are nationally organised along product lines. Getting your pivots wrong will invariably reduce customer service and add to costs. So, getting your “pivots” right is a great way to start.

Remove Work, Not Just People



However, outside of operating model design, there are also a lot of practical organisational design considerations which can make or break a restructure. Firstly, if you are removing personnel from your structure, it is important to use modern methods which also remove unnecessary work. This is particularly true if you wish to maintain your customer service standards. This can be done using “process re-engineering” techniques (which essentially remove waste), or techniques which transfer non-value-adding activity to lower cost personnel, or which automate activity. Once again, modern management science has evolved to the point that leadership can run a rapid review for process opportunities in a matter of weeks.

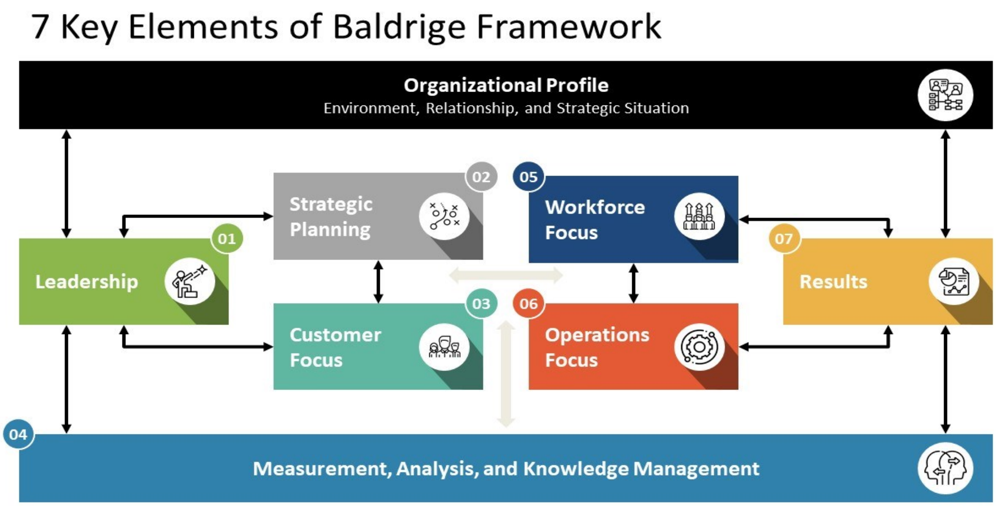
Pace the Restructure to Match the Opportunity

Once the critical opportunities have been identified, these help management decide how fast, and how hard, to restructure. If the study shows that you have plenty of early (say sub-1 year) opportunities, then you may choose to go hard early and take the pain up front. However, you must invest in the process and technology changes to take out work (taking pressure out of the system) as soon as possible after the restructure. Otherwise, you risk major service failures or a bounce-back in costs. This means you will be reinvesting some of the financial gains into sustainable operations. Taking out costs before implementing changes to improve underlying productivity is called a "leapfrog". It is a valid strategy if you can move quickly to change process and practice after the restructure.

Change the Way You Make Decisions

One of the best ways to take advantage of a restructure is to consider how your organisation makes decisions and governs activity. Over time the decision-making of organisations can become clunky and inefficient. When decision rights do not match accountabilities and decision-making is cumbersome, profitable opportunities can be lost. There are several valid approaches to good decision-making that are faster and less hierarchical, however, simply optimising a traditional hierarchical decision-making model to remove redundant steps can deliver real benefits. One of the major advantages of such changes is that you can remove massive inefficiencies in the management layers.

Get the Organisational Layers Right



<u>Source</u>: ***Baldrige Excellence Framework – A Systems Approach to Improving your Organisational Performance 2017-18***

As you redesign your decision-making practices, you have options to set spans and layers in a rational way. In doing so it is important to understand that there is no single "span of control" model (how many staff a manager can lead) that works in all cases. In fact, the number of direct reports a manager has depends on his/her own workload, the complexity of the service, the experience of the staff, and how much change is happening.

Fortunately, there are now well-tested tools to help your leadership teams make these decisions (such as a "Management Toolset" **). Furthermore, there are principles which help guide your appointment decisions. Some of them are as simple as ensuring that a manager can add sufficient value to staff below them, otherwise the layer may not be required (or the manager is the wrong person for the job).

Nonetheless, there are some broadly useful principles (or at least aspirations) with regards to organisational layers – such as having only a maximum of four layers being between the owner/CEO and front-line staff for mid-sized organisations. Many such principles have been around since an organisational scientist named Elliot Jacques (who coined the term "mid-life crisis") rose to prominence 40 years ago. However, these do need to be applied in context, and it is hard to remove layers without changing the decision-making approaches discussed above.

Conclusion

There are many risks in both conceptualisation and execution of a restructure, but there are also many opportunities. Today, many organisations run long and clumsy restructuring programs that suck the life out of organisational morale and have a significant negative impact on customer service. Yet, it does not have to be this way. With proper preparation, which need not be a long, drawn-out affair, enterprises can execute faster and with less risk.

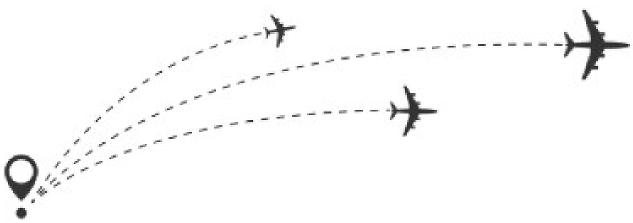
***** A project management toolset can be software and tools that help teams manage projects. Project management software typically incorporates a variety of tools that perform specific functions. Teams using project management software can automate processes, review deliverables, schedule project activities and monitor project progression. These tools and software are not just specific for project managers, they can technically benefit any team of varying size, purpose, and goal.***

Many industries use project teams for delivering products and services. For this reason, there's usually an abundance of project management software that provides specific features for industries or departments.

Using Targets to Set Your Business Success Trajectory

By Stacey Barr **

Should business targets be achievable, or a stretch? And how do we decide? Well, using a target trajectory, we don't have to.



Targets are a tricky thing to set. That's because there are different beliefs about whether they should be achievable, or whether they should 'stretch' beyond what might currently seem possible. There aren't really any guidelines for how to go about setting the right target for any specific KPI or situation. But that doesn't mean we should avoid them. We just need a different mindset about targets, acknowledgment that feelings about targets matter, and fresh way of setting them.

Pretend, for example, your team are measuring *On Time Delivery*, the percentage of times you delivered your product or service to your customers on or before the agreed time, each month. And let's say that currently your *On Time Delivery* averages around 45%. What size of target should your team set for this KPI?

Achievable Targets Feel Safe but Bring Only Tiny Improvements

An achievable target for *On Time Delivery* might be 47% or maybe 50%. And your team might prefer that if they're worried that they don't have enough understanding of how to improve it, or even influence to make it improve.

People believe in achievable targets. They usually have a pretty good idea of what it would take to reach them, and don't have any qualms about giving it a go. It's inside their comfort zone.

Reaching an achievable target is still improving, but is it enough improvement in every case? No, and that's why stretch targets are a thing.

Stretch Targets Can Be Scary but Bring Massive Improvements

Your team could, instead, set a stretch target for *On Time Delivery*, which might be 90% or 95%. Usually stretch targets scare the living daylights out of people. Your team might immediately worry about failing to meet such a stretch target.

It's true that stretch targets can be motivating and inspiring sometimes, but rarely without careful leadership, a strong improvement culture, and an urgent reason! Few teams are in a situation that has all three.

So which type of target should you decide on? Well, why not have both?

A Target Trajectory Is the Best of Both Worlds

Clearly, the size of your target depends on the size of your team's belief in their ability to improve things, to make change happen, to decide on what to fix and execute that decision. But despite that, you don't have to settle on just one target.

For any performance measure or KPI, you can lay out a path into the future using a series of targets paving the way to the level of success you want. That's what a target trajectory is: a series of increasing targets that build improvement over time. It can be as simple as setting just three specific targets:

Target 1: Achievable

The achievable target is a small-step improvement that the team already knows how to achieve. Its value is in building the initial momentum to learn and practice improving a process to lift performance. Achievable targets can be set with short-term achievement dates, because often the improvement action will be simple and fast to implement, like standardising a step, or eliminating unnecessary steps in a process.

Target 2: Intermediate

The intermediate target is a bigger improvement that the team may have some ideas about how to achieve, but it needs more investigation. This is when the team dives more deeply into understanding the design of their work process and finding where some bigger limitations on performance exist. This type of target needs a medium-term achievement date, to allow some time for this extra investigation.

Target 3: Stretch

This is a truly challenging target that is outside the team's current understanding and knowledge about how to achieve it, but it feels motivating and inspiring. It doesn't matter if they don't hit the stretch target, because reaching for it will still bring about bigger improvements than they might have thought possible. But it will need even deeper investigation into the root causes of performance limitations, and potentially a redesign or overhaul of their work process. So, stretch targets often need a long-term achievement date.

For our *On Time Delivery* example, assuming a current performance at 45%, a three-step target trajectory might look like this:

- 6-month target: 50%
- 12-month target: 65%
- 24-month target: 95%

How Many Targets in a Target Trajectory?

The target series follows the trajectory from now to the ultimate place you want performance to be, by starting out small and building momentum that will make each successive target easier to achieve. And that's why you can really set as many targets as you feel you need to build and maintain this momentum. And it will depend on the specific KPI and its current performance, too. Every target trajectory should probably start with an achievable target, and end with a stretch target. But it can have as many intermediate targets as the team wants.

Target trajectories also create a kind of improvement trajectory for the team, as well. Just like Sir Isaac Newton said, *"If I have seen farther than others it is because I have stood on the shoulders of giants."* The idea with target trajectories is the same. You will see the way to the next target from the vantage point you achieve through reaching the previous target.

Using target trajectories helps a team feel so much more resourceful than they can with the fear and disillusionment, that too often comes from judging the success or failure of hitting a single, arbitrary target.

*** This article was first published at http://measureupblog.com by Queensland based Australian, Stacey Barr. Stacey is a specialist in organisational performance measurement and creator of PuMP, one of the world's only deliberate performance measurement methodologies. PuMP is known for being practical, logical, and engaging, because it was designed to overcome people's biggest struggles with KPIs and measures. If you like, learn about the bad habits that cause these struggles, and how to stop them, by taking Stacey's free online course "The 10 Secrets to KPI Success" at www.staceybarr.com/the10secretstokpisuccess.*

*Stacey Barr has also written two business books - "**Practical Performance Measurement**" and "**How to Create a High-Performance Culture and Measurable Success.**"*

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Addressing Staff Turnover & Getting Unity of Business Purpose

When staff turnover is high, it's a usually a sign that something is wrong with your company. However, there are lots of reasons why your staff might leave – some bad, some good. If you want to keep your team happy and engaged, then it's important that you address the issues at play proactively.

Positive Staff Turnover

There are a variety of reasons why people leave a company. There's the good leaver, who leaves for a better opportunity elsewhere; the bad leaver, who leaves because he or she doesn't like you/your boss/your company culture. And then there are those who simply move on to something else in their lives—they may have been promoted internally, they might've gotten an offer from another company that they couldn't refuse, or they could've decided to start their own business.

The last category is perhaps the most interesting one to consider when thinking about staff turnover: these are employees who have left to pursue some new endeavour (often one related to your industry). They may not have quit in anger or unhappiness; instead, they might have simply decided that their current position wasn't what they wanted anymore and had no other options available within your organisation.

Negative Staff Turnover

Good leavers are not always a problem. However, bad leavers can be a huge drain on the organisation. These are people who leave because they don't like their manager or the company. These types of staff members tend to be vocal about their experience within your workplace and may even have negative opinions about it—which means that you're at risk of losing other employees as well.

Bad leavers may also be vocal about their poor experience at your organisation externally—this can hurt your brand's reputation, which makes it harder to attract new talent down the road. Additionally, these negative experiences may result in lawsuits over non-compete agreements and other employment issues that could cost you money.

People (usually) Quit a Manager - not a Company

Listening to your staff and responding to their feedback is crucial. When someone quits, it's important to ask yourself why they left. Did something happen that you didn't know about? Did your employee feel like they weren't being heard or supported?

Most people don't quit because of the company; they quit because of their manager. And it's important that we don't ignore issues within teams/departments, so they can be corrected before they become big problems. If you notice something going wrong with one of your team members, be assertive and ask them if there's any way you can help them solve whatever problem is causing this frustration in the workplace. If a person isn't being productive or isn't meeting expectations, it might be time for them to go—and letting someone go doesn't have to feel like a failure on either side of the table (even if it feels like one at first).

Competitive Pay and Benefits

One of the best ways to keep your staff is through competitive pay and benefits. Paying a living wage is an obvious, but often overlooked, way to retain workers. However, it can be more complicated than that. You also need to consider what type of benefits are important to employees—benefits like vacation time, health insurance and other perks will vary depending on your industry or company size. A study by PwC found that 77% of millennials would leave their jobs if they didn't receive these types of workplace perks. Employees should feel appreciated for what they do as well as rewarded for loyalty—especially in industries with high turnover rates, where so many people are looking for work at any given time. You might even consider offering bonuses based on tenure such as "gold" status after five years with the company (in addition to regular raises).

Employee Engagement

Employee engagement is the emotional commitment to the organisation and its goals. It's also a measure of how motivated and connected employees feel to their workplace and their work. **When employees are engaged, they tend to be more productive, perform better at their jobs, and stay with the company longer than those who aren't engaged.**

Engagement can be low because of any number of factors: poor leadership; lack of communication; lack of recognition; or having no clear vision for the future. The good news is that you can increase employee engagement by paying attention to what they are saying, and actively addressing their concerns.

Listen to Your Staff

If you want to improve staff morale and decrease the number of people leaving your company, it's important to listen to what your employees are saying. This means paying attention when they tell you that they're unhappy or frustrated and taking steps to address their concerns. It's also crucial that you ask them what they think about their jobs; how well the job fits with their skills, interests, and experience; and if there are any changes they'd like made. You can also ask them if there are things you can do better as an employer in general, such as improved communication or working conditions improvements.

If employees feel like they have a voice at work, then they'll likely be more engaged by what goes on around them, which will lead them to being happier overall with their jobs.

Offer Opportunities for Growth

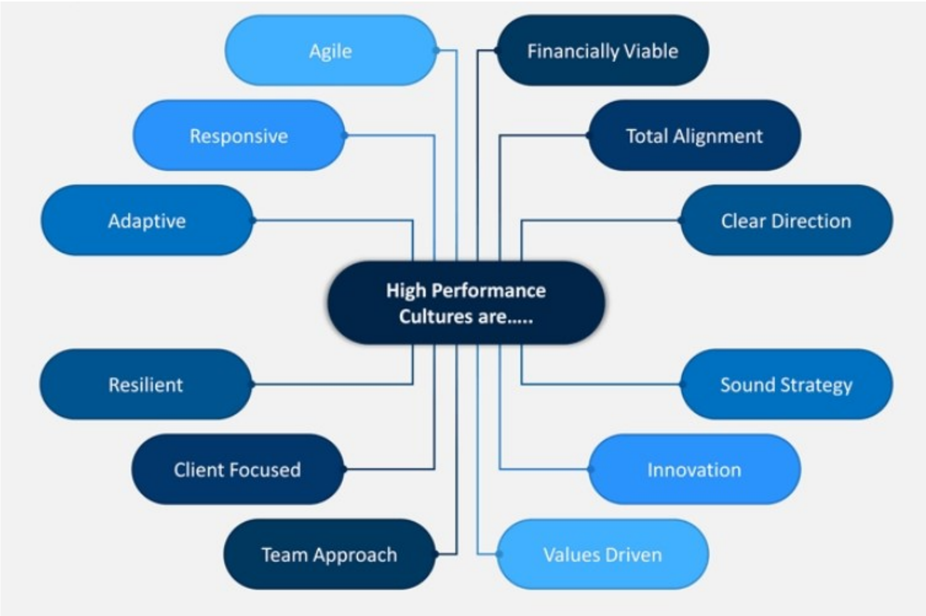
Offering opportunities for growth is one way to keep your employees happy and engaged. You can do this by providing them with a chance to try new things, encouraging them to take on new responsibilities and giving them the tools they need to succeed. Make sure that they know what is expected of them and give them the resources they need (both money-wise and timewise).

Offer Work Life Balance

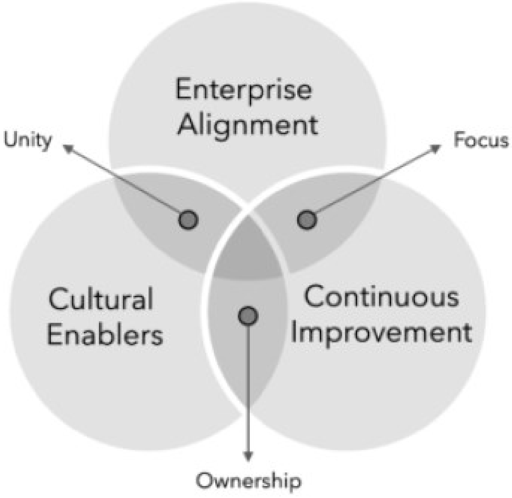
Work life balance is important for employees and can be achieved by offering flexible working hours and locations, as well as days. Employees that can strike a healthy balance between their personal lives and the office will feel happier with the company they work for, which will increase productivity, retention rates and overall employee satisfaction. While this may seem like an obvious benefit of flexible working arrangements, many companies fail to grasp how valuable it really is in terms of retaining talent.

Unity of Purpose

Some of the key objectives in a business transformation are to establish alignment, enable people, and build a culture of continuous improvement.



Of course, you ideally want an aligned organisation. But to be successful we need unity toward that alignment. Similarly, we want to enable a culture to improve. But to be successful we need people to have ownership of those improvements. Finally, as much as we want to build a culture of continuous improvement, we benefit more from creating focus. In other words, **benefit more from creating meaningful problem solving and meaningful improvements that are focused on what we are aligned to.**



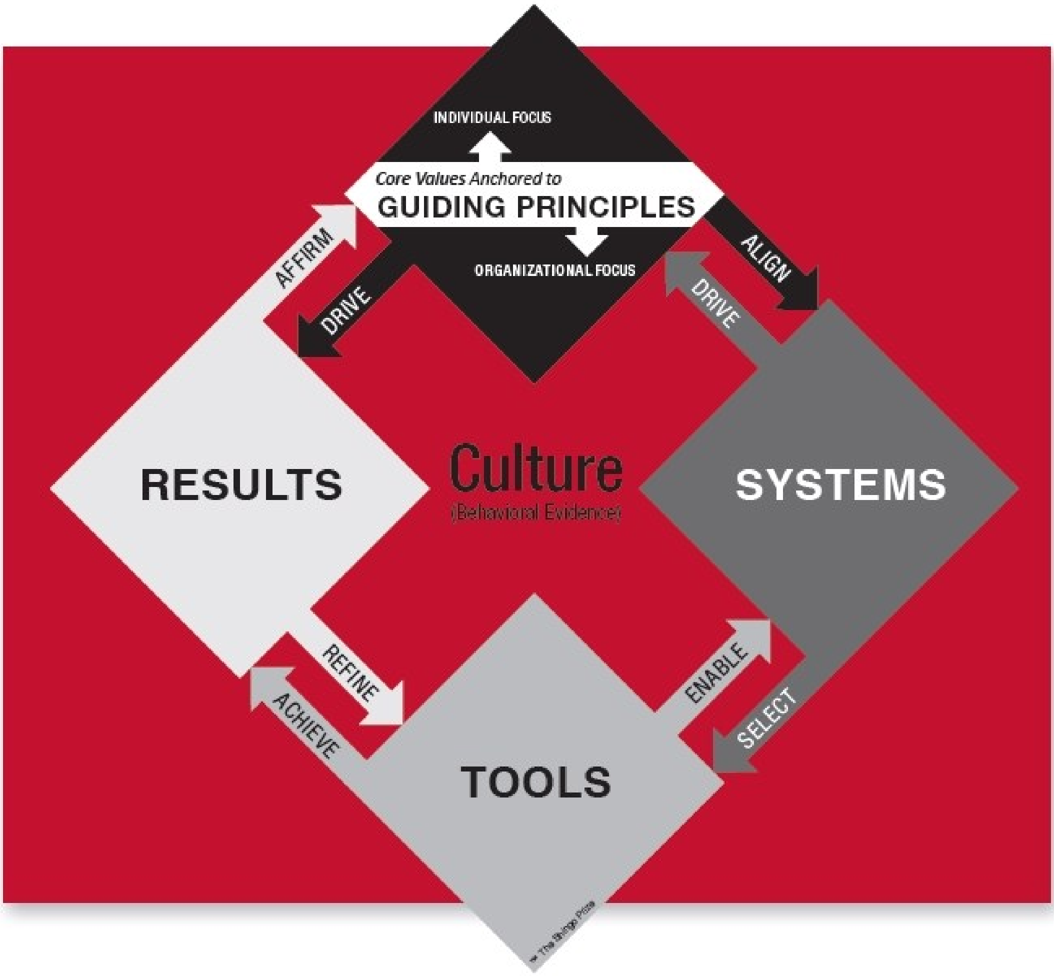
Consider the relationship between these dimensions:

ALIGN + ENABLE = **UNITY**
The best goal is difficult to achieve if people's hearts aren't connected to it.

ENABLE + IMPROVE = **OWNERSHIP**
We can never build a culture of improvement if management owns the improvements.

IMPROVE + ALIGN = **FOCUS**
The difference between improvement and meaningful improvement is having a defined goal.

The Shingo Model's guiding principles, illustrate the interrelationships extraordinarily well, as shown in the diagram below.



Conclusion

The key to reducing staff turnover is keeping the right people and ensuring they are happy. You need to make sure that your company culture is one that employees want to be a part of. It's important that your company offers competitive benefits and salaries, so people are happy with their remuneration package; it also helps if there are opportunities for career growth or flexibility in scheduling work hours, so they feel like they have control over what happens at work each day.
Finally, it's vital that owners and managers listen when employees share concerns about their job satisfaction, because by having those conversations, should lead directly to addressing issues at hand.

Additional Resources

A useful resource that explains the importance of having and developing a positive culture in your business, from Australian author Jeremy Nichols CEO, at Composure Compass – "***Shaping your Culture***", can be accessed HERE.
For a copy of the business insight "***Performance Based Culture***" please click HERE.
For a copy of an explanation of the Shingo Model – please refer to the "***Shingo Model Handbook for Operational Excellence***".
That handbook can be accessed HERE.

Without effective communication, it can be difficult to make meaningful connections and build a high-performance workplace. Effective communication is a complex skill. Like driving a car; you must know how to control the wheel, use the pedals, and shift gears to reach your destination safely and innovatively. All of this while watching around you.

An Example

Bob, the operations manager, was increasingly frustrated; his attempts of effective communication had been failing. Bob realised he needed to sharpen up his communication skills if he wanted to get his message across to the team. In exploring what was working and not working for his leadership, one could discuss the ways in which he communicated with team members and might find out he was too rushed and too brief in his messaging. Usually, it can take quite a while for an individual to accept this sort of feedback. In Bob’s case, he needed to pay more attention to his nonverbal behaviour and be more ‘human’ with his staff.

Important Communication Skills

Be An Active Listener

Active listening is a communication skill that involves both hearing and understanding. It’s not just about hearing what someone says, but also about fully engaging with them. A good listener also shows that they are interested in the speaker by encouraging them to continue talking. You need to actively look like you are listening.

Empathy

Empathy is the ability to see things from someone else’s perspective. This involves showing an interest in understanding how others feel and think, as well as recognising their emotions. Being empathetic will help you build high performance relationships. This means developing a strong EQ.

Express Yourself Clearly

Being able to express yourself clearly means having good verbal, nonverbal and written communication skills. It involves making eye contact and speaking in a way that others can understand, as well as writing in a way that others can relate to. It means observing and understanding who you are communicating with.

Respect

Respect is about recognising other people and showing you value them in some genuine way. This can be much harder with some people.

Be Assertive

Being more assertive at work means expressing yourself in a way that is confident and firm, without being aggressive. Being assertive can be friendly and help you get what you want. It builds trust and confidence in a relationship.

Understand Nonverbal Messages

Body language and nonverbal communication refers to the messages that are sent without words. It involves communicating through your body language, tone of voice, and facial expressions. This means paying close attention to what others say and do, as well as thinking about how your expressions and gestures are interpreted by other people.

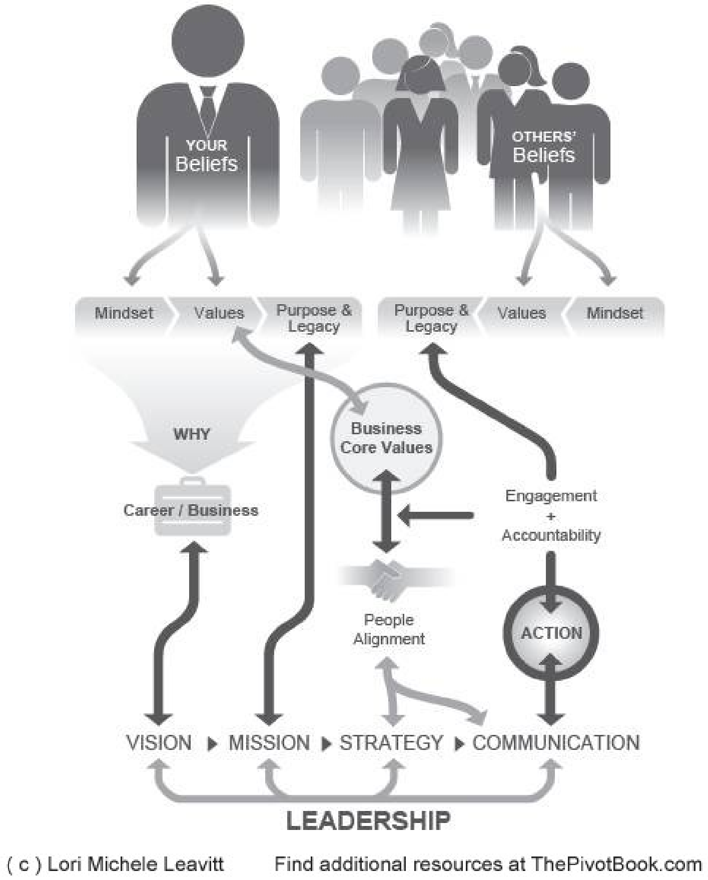
Conclusion – Top Leadership Communication Tips

This communication stuff requires more active observing and flexibility than you might expect. However, the time it saves in misunderstandings and conflict is more than worth it. It does need some training and practice though.

- Be decisive, yet also reflective.
- Create confidence in others.
- Admit when you do not have all the answers.
- Clearly and firmly communicate your expectations of others.
- Show empathy and compassion.
- Make people feel seen and heard.

Additional Resources

To access a useful detailed guide titled "***The Leadership Communication Model***" produced by The Humphrey Group Inc., please click HERE.



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