

## Value Drivers



How well **is your business adapting to advancements in technologies?**

Are you **staying ahead of changes in customer trends and buying habits?**

Have you **implemented measures to prevent cyber attacks, data breaches and protect security of personal information?**

Is there a **business operations manual & system in place and used by staff?**

**Degree of owner(s) reliance?**

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

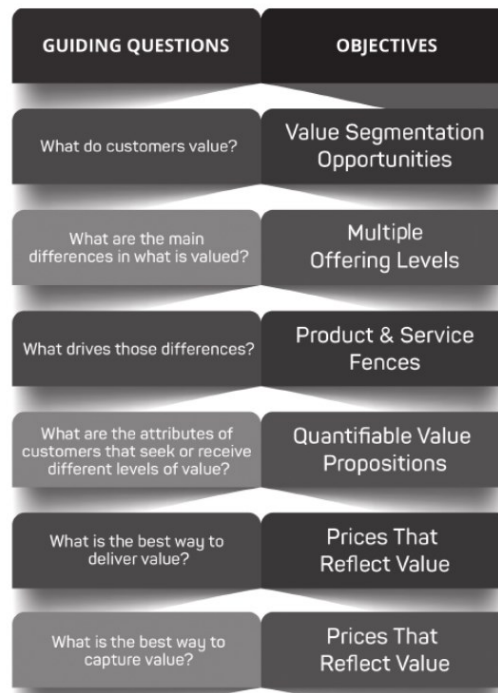


This “better way” starts with the key insight that the best restructures have a theme that offers much more than cost-cutting. Staff need something to inspire them, and organisational designers need something to help them plan a lean and efficient enterprise. This is where good operating model thinking 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

### Process Mapping / Improvement

- Capturing as-is processes (usually in group contexts) to a moderate level of detail
- Documenting processes in standard form
- Heavy use of subject matter experts
- Maintaining processes in standard software
- Improving processes using ideas generated in group contexts
- Potentially building to-be processes into manuals or Standard Operating Procedures (SOPs)



### Process Reengineering

- Capturing as-is processes
  - Quickly and at **speed**
  - Captures **process, role, structure and system** information concurrently
  - Without being reliant on subject matter experts
  - Supported by **specialist software**
  - Done in a way that is **engaging for staff**
- **Structured analysis** of as-is processes for improvement opportunities (including waste reduction)
- Clear identification of **digitisation and automation** opportunities
- **Quantification** of the issues and the opportunities
- **Scenario modelling** of to-be opportunities
- Development of to-be processes to required **level of detail**
- Modelling of to-be processes in native process re-engineering tool or other software
- Use of **scenario modelling** to build a **quantified business case**
- Development of metrics to measure process improvement
- Use of to-be processes for detailed operational deployment, change management, and future system design

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.

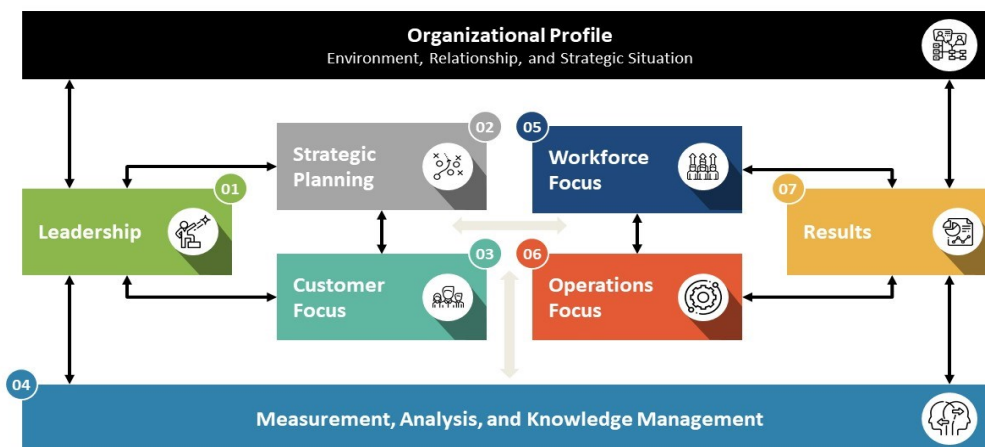
## Change the Way You Make Decisions



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

### 7 Key Elements of Baldrige Framework



**Source:** *Baldrige Excellence Framework – A Systems Approach to Improving your Organisational Performance 2017-*

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.**

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