

The 7 principles of a successful restructure

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Chances are, you've had to make some changes to your company's internal structure in response to the economic downturn (and in preparation for the slow recovery). As with everything in business, restructures can be done well and they can be done poorly. Here are seven principles to help you avoid unnecessary complications.

Even as the economic outlook appears to brighten, the fact remains that many organisations can no longer operate as they had been. A key feature of this changing landscape is the need for organisations to restructure.

Here are seven broad restructuring principles to help make any restructure a successful one.

1. Align structure to strategy

All restructures must align to strategy. This may seem self-evident, yet a significant number of organisations fail to do so. For example, if local conditions are a predominant factor, then stress local sales and marketing functions rather than a centralised behemoth that then tries to matrix with local elements.

2. Reduce complexity

Simply put, complexity costs. Whether it is a complex organisational structure, a complex product offering or complex transactional processes, the added cost of complexity can be a drag on performance.

To mitigate complexity, there are three considerations that help with organisational design:

- Design structure for strategy before you design for specific personnel. Organisational redesigns which are a compromise between strategic intent and line management preferences inevitably add complexity. So, while internal political intrigue is unavoidable, at least start with a clean and clear design that matches to strategy.
- Avoid making leadership roles too complex (see principle #5).
- Minimise the use of matrices. They introduce measurement overhead and a lack of clear direction to the staff.

3. Focus on core activity

Remove noise (inefficiency in processes) and enhance core *before* restructuring roles. This means that you will need to know what people are doing today by obtaining a detailed understanding of tasks by role. This ensures that no value-added activities are thrown out when removing a role. Similarly, duplication and redundant activity can be removed at the time of the restructure.

4. Create feasible roles

Don't overload roles - restructures generally leave an organisation with fewer people to do the same amount of work. When restructuring to reduce headcount, make sure you understand the current workload of employees.

This will help to ensure you design roles that are neither too heavily laden nor indeed too light. Furthermore, role design must take into account realistic groupings of skills. Packing a role with too many distinct skill-sets reduces the pool of durable candidates.

5. Balance 'own work' and 'supervisory load' of managers

The case of leadership or "management loading" can be particularly troublesome in restructures. Often, the inability of managers to focus on leadership tasks due to increased output requirements can create significant problems for an organisation. For example, time spent mentoring and coaching staff drops off, staff become disengaged, more issues arise due to staff errors and managers end up spending more time resolving them. To ensure management are appropriately loaded, it's critical to balance three elements:

1. The number of staff directly managed or supervised.
2. Staff ability to perform work without supervision.
3. The amount of 'own work' managers have to do on top of their leadership activity.

6. Implement with clarity

Often there is confusion in the first weeks and months after an initial restructure. After all, who is supposed to be responsible for what? The answer is to clarify roles and responsibilities from the beginning, identify all functions (activities, tasks and decisions) that have to be accomplished for effective operation, clarify who should be involved and be specific about accountability.

7. Maintain flexibility

Finally, it is important not to cut your resources too fine. If the organisational change is material, you will need resource flexibility in the first few months. So even as you strive to operate more efficiently, be sure to give yourself some wriggle room in your staffing. Flexibility applies not only to staff members, but to staff capability.

Leave yourself and your leadership team some room to respond to capability gaps in the new structure.

Common ways to do this include: a staged transition so there are fewer capability gaps to manage at a point in time, and a *temporary* use of contract resources until in-house staff become familiar with their roles.

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