

The smart restructure

With the economic outlook brighter, many organisations may need to look at restructuring to better meet the changing landscape. Here are seven broad principles to consider.

Most workers at one time or another have personally experienced or heard about some form of organisational restructure: a small department becomes subsumed into another, lines of reporting are altered, entire divisions are broken up...

As CEO of process and restructure specialists, Bevington Group, Roger Perry has observed the good, the bad, and the ugly of business restructures. Perry believes that business restructures are often tackled by management without them first having a clear view of what people actually did in the business.

“The first error management make is that often a restructure really only involves taking out costs,” says Perry. “When that happens, without a clear understanding of what people actually do, they break the organisation.

“The second error is that they like to wrap the organisational structure around the people they want to keep; often, as a result, they don’t take out the inefficiencies they were hoping to.”

Perry also says that while companies often reduce the headcount, the same amount of work is still there; now just with fewer people to do it.

“This leads to a service-level deterioration and a reduced sales performance; so, yes, while you may have done a restructure, you have also actually shot yourself in the foot.”

Based on experience and practice, Perry offers up seven broad principles to help make an organisational restructure successful.

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 form 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:

1. Design structure for strategy before you design for specific personnel. Organisational redesigns that are a compromise between strategic intent and line-management preferences inevitably add complexity.
2. Avoid making leadership roles too complex (see principle 5).
3. Minimise the use of matrixes. They introduce measurement overheads and a lack of clear direction to the staff.

3 Focus on core activity

Remove noise (inefficiency in processes), and enhance core activities, 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 too light. Furthermore, role design must take into account

realistic groupings of skills. Packing a role with too many distinct skill sets reduces the available 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:

- > the number of staff directly managed or supervised
- > staff ability to perform work without supervision
- > 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.

According to Perry, the seven principles ensure that restructures are thought through and not just kneejerk reactions to circumstances or headcount reduction strategies. [MGT](#)

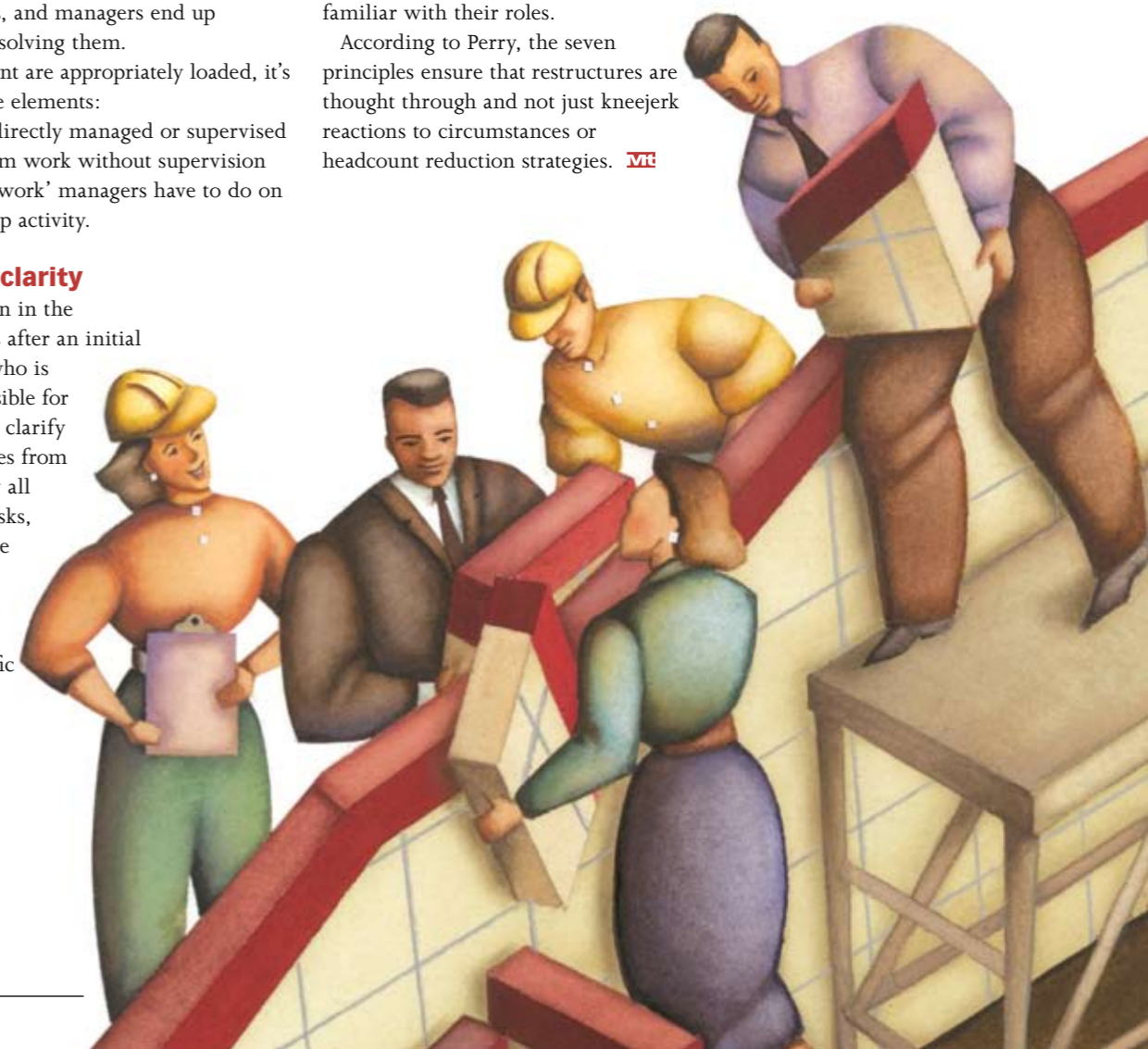


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