

# Structure Review Quick Version

Denne værktøjskasse indeholder følgende værktøjer:

- Introduction: Structure Review Quick Version - Is the Organisational Structure What it Should Be?
- User Guide: Structure Review Quick Version
- Form 1: Problem Description
- Form 2: Invitation to Structure Analysis
- Form 3: My View of the Organisation
- Form 4: This Is the New Organisational Structure
- Checklist: 10 Key Points in Conducting a Structure Analysis of an Enterprise

# Introduction

## Is the Organisational Structure What it Should Be?

This package is about “who does what, when and how” in your business. It will help you get an overview of the way you are currently organized, it will help you focus on inefficiencies, and on the challenges that maybe should trigger some reorganization. You can do it alone, but the effort will have a greater impact, if you involve other key people.

- This tool-kit helps you to explore if the organization structure is appropriate.
- See if you need to adjust the structure and in which direction.
- Use a process where you utilize knowledge and motivation from other key persons.

The prescribed process includes work on the materials provided by this toolkit, sessions using henrikwbendix.dk’s Test Machine up to three times, two advisory sessions, and a local strategy seminar.

## Article

Recommended reading:

Keidel, R.W.: Rethinking Organizational Design, Academy of Management Executive, Vol. 8 No. 4 (November 1994), pages 12-30.

A short and critical overview of some import themes related to designing organisations that fit the business challenges.

## Author

This Tool-kit is written by **Henrik W Bendix**, Copenhagen, Denmark January 2001

If you need advice concerning this theme, do not hesitate to contact [hwb@henrikwbendix.dk](mailto:hwb@henrikwbendix.dk)

Otherwise these toolkits might inspire you:

### *Climate and Structure - How do Goals, Values and Structure Match?*

This package helps you assess the internal climate, whether it fits with the goals set for the organization, and whether the organizational structure goes well together with both. It also helps you decide, when you know the situation, what kind of action to take to influence the climate. You can do it alone, but it will have more impact, if you involve other key people.

Find it at [www.henrikwbendix.dk](http://www.henrikwbendix.dk) Check “Resources”.

### *Structure Review 2 - Is the organisation in shape with general conditions?*

This Tool-kit let you take a helicopter-view of the business from an organizational point of view. Check the general conditions influencing the way the organization must operate: the business environment, the strategy, current leadership, the internal climate, and the technology involved in production and in running the business. You will find out, whether the current structure is a proper response to these conditions.

Find it at [www.henrikwbendix.dk](http://www.henrikwbendix.dk) Check “Resources”.

# User Guide: Structure Review Quick Version

Why is your business organized as it is? Is it because this was the way it was, when you took over? Is it because, this is the way, it is traditionally done where you come from or in your industry? Is it because this is the fashion of the season?

Whatever reason, the organization tends to be modified as time goes. A new business activity is established and a separate organization comes with it. Then a priority concern arises, like total quality and a new staff function may be born. Sometimes two strong individuals in a unit fight continuously. They are both important to the business, so it is decided that the one heads the unit, and the other person is moved into a new “expert” position attached to senior management. The activity is perhaps successful and new people are recruited around this person. A new department is born.

So, at times it is necessary to stop and ask yourself this question: could we be organized otherwise and become more efficient? That is get better results and use less resources getting them. The structure of the organization should support the kind of business you are running.

There are some main principles to be aware of. Then there are thousands of combinations to apply to the specific situation, and the way you do it makes a difference.

## Purpose

- To focus on the success factors in your business
- To make these factors determine the way your business is organized
- To check whether elements of the current organization should be changed accordingly.

## Outcome

- You will be well equipped to revitalize the enterprise
- It will be easier making the structure work for you rather than against you
- In the future you can better check how the organization fits the situation.

## Requirements

- Insight into the ways the organization is working today
- A good understanding of the business in general
- 2 hours at the PC including time to think about inputs and outcomes plus 1-2 days for carrying out the structure analysis, including preparation.

## Note

- Your benefits from the analysis will be greater, if you consistently think about your business under a certain set of conditions like “today” or “for the home market”.

- Choose the specific purpose of the analysis: do you want to analyze the past, the current situation, or some scenarios (simulation)? A scenario is a future you imagine, where specific trends you believe in or want to check out are typical.
- When you want to check the organization you should think about all the aspects telling something about how the work is done, not only the formal structure
- This is a process that works, but you may develop endless variations of it or simply other processes that work better for you. It is just a way to start thinking about it in a practical manner.

## **The Process**

Below you will find references to phases, you should follow related to the enterprise or to the people, you want to involve. You will also find references to things you must do related to henrikwbendix.dk in order to get the feed back, you expect.

### **Phase 1: Describe the General Background:**

Use the enclosed form and answer the questions about the organization and about yourself. This way the adviser can better imagine your situation.

### **Phase 2: Describe the Current Situation:**

By answering the questions in Form 1: Problem Description you make a short description of the situation that made you think about the organization and its strategies.

### **Phase 3: Describe the Enterprise As It Functions Now:**

Use the “The Test Machine” input format to describe the way the organization is operating now. Part of this description deals with enterprise strategy. This is an important factor in determining whether you are well organized, or whether the changes you may want to make will be beneficial.

Please beware that we primarily look for the basic things that are relevant at all times and the various projects of the moment, whether they fit the situation or not.

### **Phase 4: Conduct the Dialogue with the Adviser:**

Send the information given in steps 1-3 to the adviser.

Within a full day you will receive a response. Maybe you are done now. Then you can go on to Phase 5.

Maybe you would like to respond to the adviser (we think you should). This must be done within a full week from the moment you received the adviser’s feed back. So, you can think about it or check some information. Again, no later than a full day after you sent your response, the adviser will get back to you with a final response in this session.

### **Phase 5: Involve Key People in the Process:**

By giving the input in phase 3 and by having the feedback from the adviser in phase 4, your own mental preparations are done. Next comes finding out how your key people see it and fitting it all together to see which changes may be necessary.

Involving other relevant people means you will get important information about the situation as they perceive it and they get a chance to influence the structure revision. The result on paper may

not differ from what you could do on your own. Still, you will have more people, who see the same picture and who feel responsible for making any planned changes come true.

We suggest you make a simple investigation of the way the work is organized today, and how well this fits the needs of the business. The opinions about this will probably differ depending on whom you ask, because their perspectives will vary. This is a source of valuable information and a strong argument for dialogue, because several contributions are important to run the business.

However, always bear in mind: when you ask for somebody's opinion, you automatically raise some expectations about the effect. So, if you currently intend to do nothing, this must be very clear to those you invite, and in many cases, it would be better waiting until you are actually prepared to act.

**Form 2: Invitation to Structure Analysis** is a suggested invitation also indicating how you can go about conducting the process.

**Form 3: My View of the Organisation** is a short list of questions about the organization to be filled in by each participant in the enterprise's Structure Analysis.

**Checklist: 10 Key Points in Conducting a Structure Analysis of an Enterprise** helps you prepare and make the analysis.

**Structure Table** is an overview of the characteristics of different organizational types. We suggest you think and talk about some of these characteristics during the workshop and maybe use the table to check models or concepts as your discussions evolve.

<b>Table: Overview of Structural Characteristics</b>				
	<b>Functional</b>	<b>Divisional</b>	<b>Matrix</b>	<b>Network</b>
<b>Division of Labor</b>	By Inputs	By Outputs	By Inputs and Outputs	By Knowledge
<b>Coordination</b>	Supervision, plans, and procedures	Division Manager+ Corporate Staff	Reporting to 2 managers	Cross-functional teams
<b>Decision Making</b>	Centralised	Strategy and Operations Separated	Shared	Decentralised
<b>Importance of Informal Structure</b>	Low	Modest	Considerable	High
<b>Basis of Authority</b>	Hierarchy + Expertise	Responsibility +Resources	Negotiating Skills + Resources	Knowledge +Resources
<b>Resource Efficiency</b>	Excellent	Poor	Moderate	Good
<b>Time Efficiency</b>	Poor	Good	Moderate	Excellent
<b>Ability to Adapt to Changes</b>	Poor	Good	Moderate	Excellent
<b>Ability to Take Responsibility</b>	Good	Excellent	Poor	Moderate
<b>Environment It Is Best Suited for</b>	Stable	Moderately Complex	Very Complex	Uncertain
<b>Strategy It Is Best Suited for</b>	Defensive	Diversified	Analysing+ Adapting	Innovative

**Phase 6: Formulate the Outcome of the Structure Analysis:**

It is equally important after spending time on a Structure Analysis to fixate the results from it. Everyone may think they remember, but important details are easily lost. Putting down the words and the diagrams is also a way to see if you understand your own conclusions, and whether you agree with them.

**Form 4: This is the New Organizational Structure** suggests a way to put together your conclusions. You can do it yourself, or you can ask a few of the other participants to do it. That would give you an extra opportunity to review the operation from a fresh perspective. The people putting the conclusions together would have a challenge that will make them grow and take responsibility.

**Summing up**

The following instructions for summing up the results of a structure analysis we tried to keep similarly simple. Most descriptions of this kind take up several pages including charts and diagrams. We suggest one page (see Form 4: This Is the New Organizational Structure):

### **Units-Tasks-Responsibility**

In this box should be put a simple diagram presenting the various units, if possible the people involved in each one, and the relations between them.

Alternatively it could be a listing of the units (Production, R&D, Sales etc.), a few key words describing the primary activities of each unit, the name and title of the person in charge of the unit, and maybe an indication of the responsibility given to each unit (credit limits, type of accounts, product range etc.).

### **Management: What and How**

Here you insert the levels and titles of managers in the revised organization. For each type explain the level of authority (how far reaching decisions are they allowed to make?).

Most importantly describe in a few principles what kind of management you expect to be delivered (control, coaching style, consulting style etc.) and a little about how that should be done (for instance how you define “coaching style”).

### **Information-Coordination-References**

A real organization is integrated. Something keeps it together and makes sure “the right hand knows what the left does”. In this box should be the main activities dealing with that. Here you may mention a bi-weekly management meeting coordinating between units, an intranet newsletter keeping all branches up to date about company matters and sales results, or an indication that all project groups are coordinated by (refer to) the technical manager, etc...

Please do not forget that even if a simple description is enough on paper, it does not do it alone. Such a sheet should be distributed to everybody and then explained and discussed in meetings.

If any major change takes place it is very important that all the staff of each unit meets with the manager to interpret the new directives and to plan, how in practical terms they are going to make the idea come true.

Good luck!

# Form 1: Problem Description

	Question	Your Answer
1	<u>What raised this issue in your mind?</u>	
2	<u>Why is it important to deal with it now?</u>	
3	<u>What do you expect to gain by working with the structure issue?</u>	
4	<u>How would you briefly describe the organization as it is today? Who does what, how do they do it, and how is it coordinated? Feel free to attach an organizational diagram with an overview, but please also describe in words.</u>	
5	<u>Which elements of the current organization function the best? Why?</u>	
6	<u>Tell something about aspects you think are missing in the organization today.</u>	
7	<u>What are the greatest challenges for your company?</u>	
8	<u>What are your specific questions for the adviser?</u>	



# Form 2: Invitation to Structure Analysis

## To (PARTICIPANTS)

The situation calls for analyzing the way the enterprise is organized. All organizations must adjust their structure according to the conditions that they work under. Now it is time for us to analyze the situation in order to decide how extensive our organizational changes need to be.

When we talk about “organization”, I think of the way things are done around here, the way we structure our work. This is about:

- How we group the activities together
  - How to divide the work
- Should be in charge of what and of whom
  - Who can make decisions about what
  - How decisions are to be made
  - How to coordinate the various activities
- How people can keep informed about whatever it is they need to know., whatever it is needed they know.

The overall purpose of our efforts is to move in the direction of the set targets and to produce the planned results on the way. We should do this without spending too many resources and in a way that everybody involved can maintain their self-esteem.

More specifically, the purpose of our organization is.....

Based on this definition of “organization” I invite you all to contribute to an important process that we will go through in the near future.

Enclosed you will find a simple form. I would like you to fill it in to the best of your ability and return it to me

**No later than (DATE/MONTH/YEAR).**

I would like to know who wrote which form.

Then, I will put together the general picture for us all in a workshop

**At (PLACE) on (DAY, MONTH) from (STARTING TIME) to (ENDING TIME).**

By doing it this way, we can economize with resources as well as give everyone the opportunity to voice their opinion after they had time to think about the issue. We will also have the benefit of finding out how similar our views of the current situation are.

This also provides us with a better chance to identify the most important challenges to the enterprise and thus jointly talk about the best ways of meeting them.

### **The Purpose of the workshop**

To gather the people, who know the situation and who are responsible for carrying out the possible changes. You are the ones, who should know our business, and you are the ones who should make sure, we jointly make the very best out of it.

### **The Agenda is this:**

1. Introduction
2. Today's organization as we see it
3. What may be the most difficult challenges to the organization in the near future?
4. How do we best meet these challenges as an organization?
5. In this light: what is good and must continue/what is not good and should be improved?
6. Action planning: Where do we go next?
7. Evaluation:
  - Are the results ok?
  - How did we work?
  - What should we do differently next time?

The outcome, hopefully, is a revised organizational structure, a plan to realize it, and not least a far better understanding among the participants of the various aspects of the business, everybody's role in the plan, and the best way of going about succeeding.

I look forward to an important and inspiring effort for all of us.

(SIGNED)

The Management

# Form 3: My View of the Organisation

Question		Your Answer
1	How would you briefly describe the organisation as it is today? Who does what, how do they do it, and how is it coordinated?	
2	Please, mention three things this organization supports:  Examples: quality work, customer service, self- protection, continuity, good relations among colleagues, innovation etc.	
3	What are the good aspects of the organization as it is now? Are there any aspects that we should maintain, if we change the structure?	
4	Which aspects of today's organization should be improved? Why?	
5	Please explain in a short form how you would like the organization to be changed. How should activities be structured instead, and why do you suggest this?	

**Name and Date:** \_\_\_\_\_

# Form 4: This Is the New Organisational Structure

Units-Tasks-Authority

Management: What and How

Information-Coordination-References

# Checklist: 10 Key Points in Conducting a Structure Analysis of an Enterprise

## **1. Structure is more than a diagram, it is the pattern of the way work is done**

When we are asked to describe an organization, most of us present an organigram (organizational diagram) with boxes and lines of reference between them. Most of us also realize that this is not enough. There is more to the organization than the drawing. However, if we are asked to present the real organization, it becomes difficult, and we may disagree over a number of issues.

This is because the organization means different things to different people. To the top management it may be the machine that produces the financial results, to the newly recruited engineer it may be a playground for exploration and learning, to the experienced secretary it may be a battlefield for local princes in endless fights, and to the foreman in the shop it may be a second home, a source of pride, the place that most of all brings meaning to his life.

These different people spot different aspects of the pattern. When we describe it to other people, we must decide from which angle: for instance from the technical, the administrative, or the social? Usually, we focus on these aspects, and the choice may depend on the purpose. If we want to improve output and profit, we look at the technical aspects. If we need to improve quality, we may choose to look at a combination of administrative (information flows) and social (motivation) aspects.

## **2. Structure should follow strategy or: an organization should fit its purpose**

Next observation is that the required structure depends much on the purpose and the operating conditions of the enterprise. For example an electric company may see opportunities in becoming an industrial operation focused on controls and monitoring systems for a specific growth industry, like wind power technology. If so, it should develop its capacity for proto-typing and it should streamline production facilities.

If on the other hand there were better opportunities in specialized installation and service of advanced low-tension systems for the construction industry, the focus should be different. For example it should focus on effective project management and on cultivating the strong individuals, who could carry such projects through successfully.

So, when you make your structure analysis, the clearer you all see the strategy of the enterprise, the more focused the analysis can become. If this is a problem, you can turn to the Strategy Review Tool- Kit.

## **3. Whether the organization fits its purpose, depends on three issues**

When is the organization successful? When everybody is happy, when it generates a lot of money, when there are no conflicts with the surroundings?

From the basic economic point of view, you may set up three relevant criteria to judge the organization. In the short time perspective (months, a few years depending on the kind of industry

you are in) what really matters is whether the organization utilizes its resources well (efficiency), and whether it produces the results expected of it (effectiveness). In the longer time perspective (2-5 years) the key issue is, whether it is able to survive various challenges (viability).

The viability focus also includes cultural and political aspects, like the ability to stay attractive in the eyes of the workforce, if that is in short supply, or the ability to stay out of the public spotlight if it is an environmentally sensitive production (heavy metal foundry etc.).

Some organizations are not related to a market place or meet only limited competition. For example public services in some countries or large, natural monopolies. They should be judged by other criteria like politics. A big hospital ward may be very successful and able to survive for a long time, if it produces spectacular research and cures a few very important people, even if it is very inefficient in utilizing its resources.

Which are the success criteria of your organization?

#### **4. The key people should agree on the key issues, not necessarily on all issues**

Traditionally, we think that conflict is bad and should be avoided. Especially, it should be avoided among managers or other key people. If we talk about the fundamentals, we agree. The key people must be in agreement about the main objectives and the main principles for reaching those objectives, methods or “the rules of the game”.

Competition is a kind of conflict. In the marketplace there is regulated competition. Often it is good to bring some of that competition into the organization, because many people like to compete, and so it may result in better efforts. Sales departments for different products or regions for instance may compete about generating the best sales.

Conflicts at a certain level also bring more information out into the light. This is the case, when political parties are in conflict about power in society. So it is, too if there is a certain possibility of conflict for instance between a sales and a production department. To some extent their natural interests are opposed, and allowing some conflict to happen or even building it into the organization of work, will often make the struggle to generate results in both places more intense.

Internal competition and conflict can be regulated via information systems, the types of sanctions applied, and the values practiced by managers on a day-to-day basis.

#### **5. Structure is very much about power, and the boss cannot decide that everybody forget this for a while**

The idea of introducing/accepting some competition or conflict may sound strange. The point is to be realistic about this fact of life. To let it take place in the open and based on principles of fairness, so the consequences could be controlled.

Similarly, we must realize that the power element in organizations will always be there and play a significant role. In most organizations people struggle to reach the top positions. This is a struggle for power. It may result in a waste of energy on “non-productive” issues. But so may a lack of struggle for power. In some organizations the top positions are unattractive to most people. For example, in the health and educational sectors, where demands on leaders are high and salaries low. In the longer run, it is a high risk because we end up with more bad leaders in those positions!

The point to be made here is that you - wanting to work for the well being of the whole organization - might want to ask people to forget about power and conflict when they participate in restructuring the company. You may even be able to mobilize quite an amount of team spirit! Still, do not trick yourself into believing that conflict and power aspects will disappear. They are only resting or played down for a while.

#### **6. Involve the right resources in the process; the more the better ..... and the more difficult**

Involvement usually generates motivation and better contributions. If you involve the people knowing the business best or other key people, you will also profit from having a more qualified basis for your restructuring process.

Since organizations are more than one-person armies, the only rational thing to do is to involve people. Involvement is not, however, without costs. It costs time and energy, which usually is easily paid back by increased motivation.

Another potential cost is reduced confidence if you are involved in the beginning, but loose interest or trust in the people and finish the work yourself. There is a risk of making the process more difficult if it opens for an intensive conflict between some participants. See below about this.

Simply involving other people will generate debate and reflection, which, in turn, enriches the process. It also takes time and may make the picture less clear. This usually can be dealt with, but it requires experience in organizing the process, too. If you have that: fine! If you do not: bring it in!

#### **7. Design an organization for your own purpose, not for fashion**

In the business world there are always a lot of suggestions about the ultimate cures or tools. When you have spent a few years there, you see all these fashion waves roll over the enterprises, both private as well as public.

In most of the fashions are some important elements. Some of these have been around for a long time, and a few of them are genuinely new. There are always reasons why a specific approach becomes fashionable, although it may be difficult to see. For instance the Total Quality Management wave rolled over the US, because many traditional industries suffered from tough Japanese competition being superior precisely in that area.

However, we should never forget or ignore the points 2 and 3 above. If we do, we risk wasting valuable resources, de-motivating the people involved and creating disappointment in the long run. A simple example: Even if a doctor prefers to work with medicine and give injections, she should not treat a broken arm that way!

#### **8. Make sure you get the conflicts, you deserve**

We already said that some level of conflict usually is productive. Changing the way work is organized almost automatically generates conflict or tension. Basically, most people want to feel safe or comfortable. They do so at work if they know “their place” and the rules of the game.

Many will say: “we want change, we want new challenges”. Ok, that is good, but sometimes what happens is not the kind of change or challenge, they expected. Or simply: they are not themselves in full control. Then again, this may create some tension.

A new structure means new “places” for people and new rules of the game. More or less so depending on how radical the change is.

Sometimes the organization needs a reel shake-up to stop wasting efforts on unimportant things or to start doing some more important things. That will generate a lot of conflicts: people becoming afraid of losing income, their job or job satisfaction, prestige etc., people fighting about “turf” (territory), people arguing about goals and methods and so on.

So, decide the level of conflict you and other key stakeholders are ready to accept. Also decide the kinds of conflicts you will accept, and those you will not. How to practice that? Reflect about the situation of the people involved: what can they do, what will they do? Inform very clearly about the purpose of analyzing and maybe changing the structure. Be very clear to everybody also about the rules of the change process: what kind of behavior is acceptable and what not. Finally, involve only the part of the organization where you clearly expect the benefits to be bigger than the costs.

### **9. Spread the word – involve the other stakeholders**

Even if you try to limit the process to the part of the organization you want to focus on, it may somehow influence others indirectly. Your customers may suffer some from it before the benefits come about. So may your other business partners. If you are part of a larger organization, other departments may be influenced, because people here will start to think and talk about it: will this happen at our place as well?

The reasons to involve other stakeholders are to secure their support or at least understanding. Support may be in the form of active backup, it may be in giving you relevant input about what they see or hear, their experience, or they may give you valuable feed back as the process goes along.

Involving them goes from informing them well in advance to asking for their ideas or active participation. For instance: good customers telling your staff how they experience working with your enterprise usually is a very strong stimulation for thought and reform.

### **10. Keep the new structure alive: regularly evaluate progress and performance**

If your structure analysis leads to reform, it is important to be persistent and maintain focus for a while.

One of the most difficult things for managers is to follow through. Once they make their minds and put things in motion, other matters easily distract them. Either because they know there are other very important things to look to, or because they are impatient/restless.

However, please recall the definition of organization from the beginning of this checklist: it is a pattern. For a pattern to be established from people’s behavior, and for that pattern to be observed, understood, modified, and accepted, it takes some time. So, if the efforts are not kept up, the risk is that the new pattern is never really established.

You do not have to maintain your own attention all the time, but then you have to clearly delegate it to another key person. Not anybody will do. Furthermore, you will have to set some milestones, where you re-focus. This is to make sure the process is in progress and to make sure those in charge get good feedback.



Evaluation may be a very formalized review. It can also be simply stopping to look at what is going on, reflecting on it alone or with others and deciding which action is required, if any.