Structure Review

Denne værktøjskasse indeholder følgende værktøjer:

Introduction:
Is the Organisation in Shape with General Conditions?

When it is time for a major review of the organization, this Tool-kit will help you cover a range of important aspects. Within a few hours you will be able to adjust your priorities and identify key focus areas to focus on in the future.

The Tool-kit basically helps you review the organization alone at your desk, or together with a few people, whose judgment you trust and value. At the end of the review, you will also have an opportunity to identify a course of action that reflects the outcome of the analyses.

The first step is to describe the current situation with a couple of forms. Based on this you have a session with a professional adviser. Following that you will be able to continue working with alternative scenarios on our "Test Machine", and finally you should reflect on alternative actions considering the picture you see now.

The User Guide will direct you in these procedures.

If you need advice concerning this theme, do not hesitate to contact hwb@henrikwbendix.dk

User Guide: Structure Review

Sometimes you need to view the "big picture" of the business organization. During daily operations you primarily run the business and make those minor adjustments, which the situation requires. Employing a new person, expanding the responsibilities of another, joining two separate functions to fully utilize resources etc.

At other times big shifts in the general conditions makes it necessary to evaluate the whole situation: new ownership, a bad financial situation, a shift of guard among key people, major changes in the market - or among your customers - or a new product mix.

This Tool Kit supports you in making the overall evaluation. Such an activity can be a major effort involving a lot of resources and much time. Here we propose a process involving only a few people, if necessary only yourself, and a process that has only to last for a few hours.

The process may be simple but the content is not, and it leaves you with an updated understanding of your business, the primary challenges to focus on in the next period, internally and maybe also externally. The benefits will be directly proportional with the insight and critical attitude you apply.

Purpose

- · To give you an overview of the organizational situation
- · To identify some key aspects to monitor in the future
- · To equip management with a framework for defining restructuring activities.

Outcome

- · You will get a set of concepts through which to understand and interpret structural challenges
- · You can produce some key documents to support further planning of change activities
- · You will be able to communicate with the rest of the staff about the development of the organization.

Requirements

- · A broad insight into external business conditions
- · A good feeling for the operating conditions of the different parts of the organization
- · Honesty to yourself and a certain element of discipline in applying it, since a quite lonely process is suggested.

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 current situation, some scenarios (simulation) or maybe another business operation? A scenario is a future you imagine, where you define specific, typical trends

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- When you want to check the organization you should think about all the aspects and tell something about how the work is done, not only s the formal structure
- This is basically a process that goes on in your head and on the PC, but to make it really useful you need to identify resources and plan important actions to utilize your new understanding.

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.

We apply a typical case throughout this guide to illustrate some of the points we would like you to consider as well. Please, take the inspiration from it that you can get.

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.

CASE: EuroGIS I	
Question	***Answer***
What industry is the enterprise operating in?	Management Information Systems (MIS) Geographical Information Systems (GIS)
In which region is your office located?	In the country side
How old is the enterprise in its current form?	7 years
How many people do you employ in average?	75
What revenue do you expect for the full current year?	7.5 million Euro
In which direction is the result moving?	Increasingly profitable
What is your own primary position in the enterprise?	Vice President
For how long have you held that position?	7 years
Will you allow us to keep this information on file for 12 months after this session is ended in order to serve you better next time?	Yes

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Phase 2: Describe the Current Situation:

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

	CASE: EUROGIS II	
	Question	**Your Answer**
1	What raised this issue in your mind?	*EuroGIS has now existed for 7 years, and we have never really found time or found it necessary to think seriously about how we are organized. Still, the company in this period grew from 27 to 75 people. This makes you think that it might be time to reorganize in order to become more efficient.*
2	Why is it important to deal with it now?	*We are having a lot of promising projects, but we spend far too much effort in delivering them…too late.* *The Board discussed this at their last meeting and decided to have the situation analysed.*
3	What kind of result do you want from the process?	*I hope to get an overview, which puts us in a better position to prepare an analysis for the Board. If they approve of the findings, we would like as always to involve some of our key people in planning a new structure based on some of the conclusions.*
4	What time frame do you want to work with here? (How far ahead are you looking – 3 months, half a year, 2-3 years?)	*Probably 1-2 years is a more realistic time frame in our business. Part of it is relatively new. Both technology, business opportunities, and the players change so fast that it is hard to see any longer.*
5	Can you identify 2-3 people who could make a big difference if they were involved in this process? (Write the persons and the motivations for your choice)	*For the time being we would like to limit those involved to senior management, that is, the President, myself, and a new executive assistant. She might spot things that we, the senior executives cannot see any longer, since we built the enterprise together.*
6	Do you already have some ideas about how to modify the organization? If so, please describe and motivate briefly.	*Actually, for a couple of years we thought about establishing a joint sales department from the more commercially oriented people now sitting in the project departments of our two product lines.*
7	Which questions would you specifically like to ask the adviser?	*How do we organize an operation like EuroGIS in the most efficient way?* *Should we establish different divisions for our two*

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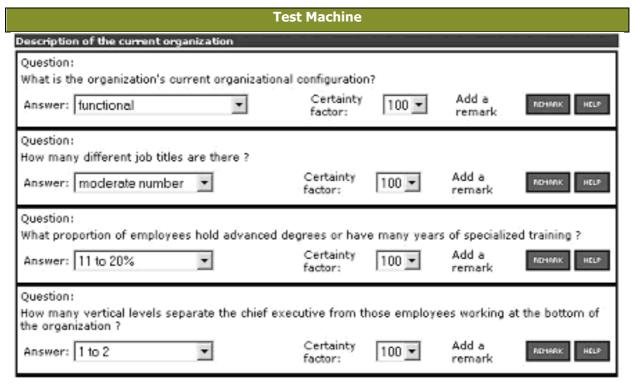|	*product lines or follow the path I indicated above? Is it feasibly to involve the whole organization in the process?*
	How could this be done without wasting too many peoples' time and maybe make somebody anxious or even create conflicts among them?

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 want to make, will be beneficial.

Before you start answering the questions of the Test Machine, you should scan through the checklist with 10 key issues related to a structure review.

If you are interested in how the Test Machine analyzes your input, you can read the short text in the **contingency framework,** which is a brief introduction to the analytical tradition that the Test Machine rests on.

Please note that you should describe the situation in broad terms, but some of the description requires some thinking before answering. If you press the button "HELP" in each question, you will learn something about the concepts applied in that specific section and about the reason to focus on this aspect. So, by never using HELP you risk learning little, while the chance to learn more increases if you often push that button.

Test Machine

Description of the current organization

Question:
What is the organization's current organizational configuration?

Answer: functional   Certainty factor: 100   Add a remark   REMARK HELP

Question:
How many different job titles are there ?

Answer: moderate number   Certainty factor: 100   Add a remark   REMARK HELP

Question:
What proportion of employees hold advanced degrees or have many years of specialized training ?

Answer: 11 to 20%   Certainty factor: 100   Add a remark   REMARK HELP

Question:
How many vertical levels separate the chief executive from those employees working at the bottom of the organization ?

Answer: 1 to 2   Certainty factor: 100   Add a remark   REMARK HELP

Above you see some of the responses related to the EuroGIS case describing the current organization. Allow yourself to spend a little time reflecting on the issue raised by the individual question. If you wish, for each question by pushing "REMARK" you have an opportunity to take a few notes explaining the reasons for your answer.

Most scales in this instrument are relative, so be sure that you measure your organization against the same standard during the whole session. For instance, consistently compare yourself to an average (or the best) company in your industry.

In total you need to answer roughly 40 questions like this. During the same session, you will have four opportunities to use this instrument. This gives you some chances to refine your description of the current situation. So, keep a copy for yourself of the answer. Then it is easier to adjust your response next time to the feedback you get.

Test Machine

Description of the organisational strategy

Question:
Does the organization operate in an industry with high or low requirements?

Answer: low   Certainty factor: 100   Add a remark   REMARK   HELP

Question:
Does the organization have a high or low product innovation?

Answer: high   Certainty factor: 100   Add a remark   REMARK   HELP

Question:
Does the organization have a high or low process innovation?

Answer: medium   Certainty factor: 100   Add a remark   REMARK   HELP

Question:
Does the organization have a high or low concern for quality?

Answer: high   Certainty factor: 100   Add a remark   REMARK   HELP

Question:
How does the organizations' price levels compare to those of competitors?

Answer: medium   Certainty factor: 100   Add a remark   REMARK   HELP

When you use this Test Machine, you will receive some feed back about behavior, the way the organization performs, and the way the top management acts. This is another way of telling that you will not get any feed back to the written or official strategy, only to the strategic behavior of the enterprise.

Maybe the test result will indicate that there are some differences between actual strategic behavior and strategic intentions of the enterprise, which is quite relevant information. In the long run the

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actual strategy may be possible, but systematically saying something else creates either falling trust in the management or at least less attention.

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: Make your own simulations
After having feed back twice from the adviser you can use the Test Machine another two times, and then get the automatically generated response from the machine. This is to give you more opportunities to learn from the response; but it is also to give you a chance to analyze different "scenarios" or "what if…" situations. That way you can analyze the consequences of making some organizational changes or maybe changing some strategic behavior.

Maybe you analyze the possibility of going from pricing at market level to generating more volume and profit by lowering prices substantially. The machine will not tell you about the financial consequence. Instead it will tell about the strategic effects in the market.

As we said previously, you could do all of this alone. Alternatively, you could choose – at least at this phase – to enter a dialogue with a few trusted friends or co-workers about the structural situation. You can help each other interpret the questions of the Test Machine and find your answers together. Alternatively, each person could make her/his own analysis, compare results, and then together try to find the reasons behind possible differences in results.

In doing this, it is not be advisable to give too many detailed instructions to the other participants. Rather, we recommend that you encourage them to read the most important "HELP" pages for themselves. You could also make the explanations as you go along with the input format.

This will probably add some relevant nuances to the test result, and at least it will expand the dialogue in the management team.

Phase 6: Decide the Actions to Follow the Analysis
Now it is time to analyze the lessons from the testing, from the dialogues in the management team, and from the dialogue with the adviser.

Do not forget that you should maintain at least 50% of the energy for the implementation phase. All too often most of the management energy is spent in the strategic phase of a project, and when it comes to implementation and follow-up, attention is directed to other focal areas.

If you can, you should leave the results from the analyses for a few days to let you own reflections on them mature.

Try to "translate" the comments and the recommendations from the Test Machine to the situation in your own company.

Going through this process potentially leaves you with very much information about the general situation of the enterprise. It tells you whether the structure of today is internally consistent, it tells you whether the organization fits the situation as such, and finally it tells you whether the various factors describing the situation are fitting each other.

For instance, in the EuroGIS case, the analysis conducted indicated that the organizational procedures were not formalized enough given the functional structure of the organization.

The case also demonstrated that there was too much room for middle managers to make their own decisions (follow their individual policies for their own departments). The enterprise, in spite of its relatively small size, wasted a lot of individual efforts due to this low discipline.

Finally, the EuroGIS case showed that the current strategy (a rather innovative strategy) did not fit the situation in the environment, where the market trends did not develop very fast.

Enclosed you find **Forms 2** and **3**. Use them to specify, in a few words, the general conclusions you make from the analysis. This helps you recall the outcome and focus on your decided actions. In order to keep the results brief and operative, let the forms help you in keeping the action plan simple by splitting them in three relevant, but different focus areas:

Form 2 helps you focus on initiatives towards the market. That might be like the EuroGIS enterprise considering to form one sales organization, because this way sales people could also become specialists, and they could make sure less sales opportunities were lost because the "right hand did not know what the left did".

Form 3 is intended to focus some of your change efforts towards the internal situation. For instance the EuroGIS management decided to spend a considerable effort in becoming more visible to the many new people in the organization. This way they hoped to stimulate a more cooperative work climate among the employees in the two engineering departments.

Actions in Organization (EuroGIS Case)	Priority	Timing	Resources
Establish a joint sales department by taking commercial staff from the 2 project departments	1	*Nov 1*	President and VP, newly appointed department head
Development interviews with all project staff to identify their future job preferences	2	*Oct*	Department heads and VP
Introduce project management policies and procedures	3	*Dec 1*	Project Department heads, project engineers John, Ann, Peter, Kim, technical assistants Eva and Bo

Training of joint sales staff on-the-job and through an externally delivered program	**4**	*Jan-Mar*	HR-manager, Sales Department head, Sales engineer Elsa, ProMotor Training
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Both forms allow only five items, which is to indicate that this is usually an absolute maximum of activities that can gain and maintain attention during a certain time period. It is better with few priorities at a time, to have them finished, and then to focus on some new priorities.

Now that you and maybe a few people around you have a better overview of the situation, the possibilities and the challenges, the next step should be to involve a larger part of the organization in implementing the decided action. This way you utilize their expertise in making the structure better, plus they will involve themselves more and take more responsibility.

Form 1: Situation Description

	Situation Description	
	Question	**Your Answer**
1	What raised this issue in your mind?	
2	Why is it important to deal with it now?	
3	What kind of result do you want from the process?	
4	What time frame do you want to work with here? (How far ahead are you looking – 3 months, half a year, 2-3 years?)	
5	Can you identify 2-3 people who could make a big difference if they were involved in this process? (write persons and the motivation for your choice)	
6	Do you already have some ideas about how to modify the organization? If so, please describe and motivate briefly.	
7	Which questions would you specifically like to ask the adviser?	

Form 2: Actions Towards the Market

Actions towards the Market			
Activity	**Priority**	**Sequence**	**Resources**
	1		
	2		
	3		
	4		
	5		

Form 3: Actions in the Organization

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Actions in the Organisation			
Action	**Priority**	**Timing**	**Resources**
	1		
	2		
	3		
	4		

The Contingency Framework

Many students of organizations share a common understanding of what organizations should be, and why they should be structured in one way or another. According to this school of thought, organizations in some respects are like living organisms.

From research in natural ecology we learn that any living organism must somehow adapt to the environment it exists in. The elephant has its thick skin to protect it against the heat, moss developed an ability to utilize moisture from the air, the salmon produces millions of eggs to make sure at least some survive to become mature fish etc.

Depending on which studies you apply, the factors determining the right structure in organizations will vary. Here we present a model developed by Richard Burton and Børge Obel.

According to this model, six different factors
should be taken into account, when you check
if the organization is adapted to the situation in
the best possible way. These factors are called "contingencies".

The model rests on the idea that organizations
are systems that basically survive by being efficient in processing the information they receive from the surroundings and the information, they generate themselves.
The six contingencies or factors all influence what it takes to process information well.
We will get back to these factors. First, we will take a look at the organization that they influence.

Factors Determining Effective Organizations

Strategy

Environment

Leadership

Climate

Technology

Size

The Structure Elements

When we describe organizational structures, we could limit the dimensions to the four described below.

Configuration is the overall model of the organization, like the functional, the divisional, the matrix, the bureaucratic, the professional bureaucracy, or the project structures. Each of the models has their own specific traits, advantages, and disadvantages, depending on the circumstances. Usually, real life organizations represent variations of these models.

The **functional** model is based on the principle of functional specialization for handling a large volume of stabile activity. This is the traditional model for a medium scale industrial operation. This is the kind of organization that the case enterprise resembles thus far.

The **divisional** model represents delegated authority, which is optimal when local decision-making and commitment is essential. Large service organizations are often divisionalised or split into a number of relatively independent profit centers.

When the market demands are complicated and require integration of many competencies, the **matrix** model becomes relevant. Large, international corporations often are matrix organizations.

On the other hand, when legitimate authority and controlled decision-making is required, the structure should resemble the **bureaucratic** model. Traditionally, many insurance and financial companies are organized like that. A variant of this model, the **professional bureaucracy** is advisable for organizations', where having a highly skilled staff is critical to successful operation. The traditional engineering company or the law firm best exemplifies this style.

The **project** organization has adaptability and optimal combination of resources as its primary advantages. Many construction companies and some modern engineering companies organize operations like that. This is a model to consider for the case enterprise, EuroGIS.

Finally, the **simple** configuration is for the small enterprise, where the structure is basically attached to a few key people with individual sets of responsibility, like a store or small workshop.

Complexity is one of three general characteristics across organizations. The more hierarchical the more functional units, and the more geographically spread out the organization is, the more complex it also is.

Centralization tells about the kinds of decisions being taken locally and centrally. The fewer important decisions taken locally, the more centralized is the organization.

Formalization is the last general concept. The more formalized an organization is, the more of its policies, and procedures are automated or at least described in writing.

Centralization and formalization are interrelated concepts, because the policies and procedures in writing are normally decided centrally. Thus, no organization should be both very centralized and very formalized, or the opposite for that matter. That would be "over-kill".

The Contingencies: 6 Determining Factors

The environment is all around the enterprise. It is the market with customers, competitors, suppliers etc., it is the local society, and it is the "big" society with the political, the legal, and the economic factors influencing business. In the current case, all factors count, because the enterprise was recently privatized, but it is still fully owned by public institutions and authorities.

The more stabile and well defined the environment is, the more centralized and formalized structures are advisable. To many people this goes against their own views. Recommending a

formalized structure is contrary to the popular trend. However, when everything is predictable, you can automate to a large extent and that is the same as formalizing! From an efficiency point of view, that is the right thing to do.

The strategy is the overall goals and the methods to reach them. Sometimes it is written down, and actions may even fit the written strategy. A strategy may vary from very innovative to very defensive. When the strategy is innovative and expansive, tight control of the company is less important and distributed competence is much more important. When strategy is very defensive, the organization should be able to rely to a larger extent on centralized decision making capacity and insight.

Leadership is one of the factors with the heaviest individual influence on what the organization should be like. If the top manager is very much a "leader", who looks after the long perspective and maybe represents the organization among others, then there has to be somebody close by focusing on day-to-day operations.

If, on the contrary, the top manager is a "control freak", then the structure has to be very centralized leaving less freedom to local units. It is interesting to note that in the EuroGIS case both top executives were less control oriented, so they and everybody else accepted that there were some very structured people minding daily routines close to the center.

Technology is a very broad term in this model, and it covers the way the enterprise processes information. Simplistically, you could also call it: "The way we do things around here". Some of the first contingency studies focused on technology and identified a relationship between the kind of technology used by a company and the configuration and complexity most suitable for it. For instance a processing type of technology used by an oil refinery would require a more complex organizational structure.

A technology can be more or less routine in its tasks. The more routine the technology, the more specialized and functional the organization should be in order to exploit its opportunities for large-scale output and high efficiency.

Size is not a factor or contingency that can determine the organizational structure of a company in itself pointing to a specific way of organizing. It is rather a "moderator", a factor that strengthens or reduces the impact of other contingencies. For instance the larger the organization under turbulent environmental conditions, the more decision making authority should be pushed out locally in order to be sufficiently flexible and able to quickly react.

On the contrary, in a smaller organization under the same conditions, more power can be centralized! Intuitively, we all know this. We know how much difference a strong and decisive entrepreneur makes in a small organization. If he knows what he is doing, the small operation can readily adapt to a dramatically changing situation.

Climate is describing the work relations between people in the organization. Climate always represents a balance between the values of rivaling groups in the enterprise. Two dimensions in combination form basis for understanding climate: to which extent is the organization externally or internally oriented? The other dimension is concerned with the need for control or for flexibility.

Out of these two dimensions come four types of climate: A developmental climate, which is flexible and outward oriented; a rational climate, which is control but outward oriented; an internal process climate being internally and control oriented at the same time, and finally a group climate being internally oriented but flexible.

A developmental climate may support an organization working with many projects or generally a complex but less formalized organization, like the matrix.

The rational climate supports divisionalized or functional organizations, where responsiveness to the environment and structured operations are important.

Not surprisingly, the internal process climate supports the bureaucratic type of organization spending some resources on making sure that internal procedures are handled correctly.

The group climate supports project organizations and simple structures, where the personalities count and where the structure is unique and closely related to the specific mixture of people present.

Literature:
Burton, R.M. and Obel, B. (1998): Strategic Organizational Diagnosis and Design, Boston: Kluwer

Nadler, David A. and Tushman, Michael L. (1989): Organizational Frame Bending – Principles for Managing Reorientation, The Academy of Management Executive, Vol. III (3): pages 194-204.

Checklist: 10 Key Points
When Reviewing the Business Operation

1. Scan the business environment
To set the scene, think it over for a while. How do you see the competition, the customers, market trends, government regulation, technological developments, etc.? Take a broad view and sum up the most important elements to yourself.

2. Define the kind of business you are in
This is important in determining where to focus your attention. Are you in a fast consumer driven business, in a technology driven market, are you in a highly regulated market etc.? When you have decided, try to establish a few key factors making the difference between success and failure in that business.

3. Decide the major strategic concerns
Now it should be easier for you to focus on key issues. Maybe it is cost control, maybe recruitment and developing new talent, or perhaps it is developing and nursing smooth, sophisticated logistics? This will be important, when you need to decide for restructuring or refining the organization.

4. Identify the nature of your operations
Is there a specific "pulse" of the business? In some industries it is obvious. For instance in news media or in publishing, much effort is focused on meeting the deadlines. In emergency services and in police forces it is maintaining a sufficiently alert staff that is always be prepared for major, critical events. In agriculture, seasonal change and demand controls the market. Such factors have an important influence on effective organizing.

5. Describe to yourself the overall structure of your organization
Easily one thinks of the traditional models: functional organizations, matrix, project structures etc. Usually, however organizations are combinations. How are you organized, and why did it happen that way? Because it was standard in the industry, because it was "fashionable", or did the enterprise structure just occur from marginal modifications?

6. Identify key characteristics of the way you run the operations
This is about the style of the top management of the organization. Which behavior among managers and the rest of staff is encouraged and which is not? How are operations monitored, how are people encouraged to do better, how are activities coordinated, how does information flow to the places, where it is needed? All this and more tells about the things, the organizational chart does not explain.

7. Think about the signs you regularly register of the well being of the organization
Now we are talking about the "sounds" and "smells" of the enterprise. Is it humming and noisy and in which way, are the smells fresh or stale? When you talk to people or walk through the corridors, what do you see and hear? Usually, when you are busy minding the business, you may not register many signs, but they are always there, and in a simple way they can tell you a lot about the health situation in the organization.

8. Select the most valuable resources or qualities of your company
Forget about the clichés! Of course the people are as important, as a good brand or attitudes for making good quality, if not more.. Try to go beyond this, and spot the real "gold". Is it some key customer relationships, is it a creative R&D department, is it fighting spirit, or maybe some crucial patents? You need to be clear about this, because the resources are never unlimited, so priorities and focus are necessary.

9. Define the most important stakeholders and how they see things
Now you have followed a long train of thoughts and made many valuable reflections. But you are not a one-person army. So, before making any conclusion you should include some thoughts about the views of other key forces. Maybe key shareholders or investors, the local union, or a public regulatory authority? How would they see the situation? What are their interests in the enterprise? How could they support or work against reform ideas you may have?

10. Now look around again: compare with other players; is there anything about them that you envy?
Only now, just before ending your reflections, it is time to scan for ideas or practices that are worth learning from. It is dangerous starting here, because the things you might envy or want to copy are irrelevant for your enterprise or would not work there. However, when its clear in your mind about the general situation of the enterprise, you are in a better position to select some important ideas from the outside, you could or should bring inside.