

Getting organized: Making 1 + 1 = 3

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Senior managers at large companies and owner/managers at smaller enterprises have two primary responsibilities:

1. Developing a competitive strategy
2. Building an effective organization for achieving the strategy's key objectives.

A competitive strategy defines a company's theory of business — who its customers are, what products and services are offered, and how the firm will entice those customers to buy that offering. As such, a strategy delineates a company's objectives and key actions required to achieve them (For more on strategy and key success factors see the January and April 2003 editions of Raymond's View). Why is organization so important? Organization is required to achieve objectives that cannot be accomplished acting as single individuals. The vehicle that transports a company to its objectives, that fulfills its strategy, is its organizational structure.

Why question your org chart?

In today's changing world, the who, what, and how of your business is, most likely, continually evolving. It follows that your organization must adjust too.

Management theoretician Alfred Chandler said, "Structure follows strat-

egy." Discharging the two responsibilities in the opening paragraph requires that setting strategy be the first task. Designing your company's org chart is second. The focus of this design process is to set up an organization that achieves your key success factors. If your company's organizational structure is mismatched to those objectives, what was intended will not happen.

The adjective *key* in the phrase

Is your org chart

To test the effectiveness of your present organizational structure, try this test:

1. Are you directing sufficient time and talent on the sources of your profits? First you must know where profit derives. Then you must have outstanding people in the key positions required for your company to make money. In addition the chief executive must be devoting full attention to long-term strategy.

2. Are the jobs in your company doable? A job description must not require an unusual group of skills. Filling such a job is difficult at best. You should ensure that replacements, especially for key jobs, can be easily hired or developed internally. In fact you should arrange your human resources so that you can do without key people in an emergency.



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“key success factors” is important to remember. Organizational design should be concerned with the key activities of a company. What processes and operations must be done well in order to succeed? Think Pareto’s Law. Remember that 80 percent of your results are produced by 20 percent of your activities.

Today’s typical manufacturing business is not your father’s. For many, creating value now involves more elements outside the four walls of their plant than within them. You are relying on processes and people not under your direct control. The boundaries of your activities extend deeper and deeper into your suppliers’ and customers’ operations. Your supply chain is probably global. And you may sell products that you don’t ever touch. In that world, a simple, functionally organized org chart might not cut it.

The number-two U.S. furniture maker La-Z-Boy’s recent reorganization recognized the growing importance of their global supply chain and

lessening reliance on its domestic production assets. Traditional determinants of value and advantage like location, cheap labor and hard assets are losing significance. Competitors who can take your market share without substantial investment can appear from thin air. Intangibles like the organizational skills to manage a global

value chain are now increasingly more important than depreciable plant and equipment.

What structure is best?

Business textbooks are full of ways to organize people — by function, by product, by market. No one way is

continued

broken?

3. Does authority accompany responsibility throughout your company? A degree of command and control is a necessity in all organizations.

4. Are the key parts of your organization collaborating effectively? Success is only achieved when the different units/functions work smoothly together.

5. Are you adequately working around internal weaknesses? Most companies have an organizational Achilles’ heel. A bad information system or an ineffectual employee can cause compromise until a remedy is in place and working.

Ultimately the test of your organizational structure’s success is accomplishing your key success factors. If a company is not performing well, its organization design may be at fault.

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right. Nor will today's solution remain optimal for long. You should draw your org chart in pencil.

However one fact is certain: an organization plan must be restrictive. If people are to combine their individual

efforts to benefit the group, some form of control or "harness" is required.

Today's communication technology has raised lots of talk about the virtual company, a free-form organization that lets people "do their own thing." How-

ever, to think workers can operate without structure, with no command and control, is patently wrong. What if the members of a football team made eleven separate decisions for each offensive play? The punter would get lots of playing time. In short, workers in a company, whether slotted in a formal job or on some ad hoc group, must "do the *team* thing." A virtual company is possible but not without organization.

A key aim of a sound structure is to provide the optimal flow of information. In today's extended value chains, getting the right product to the right place at the right time requires getting the right information to the right place at the right time. The majority of a firm's workers are no longer confined to the plant floor. In many cases employees are scattered across time zones working alone and making critical decisions that affect success. Information in such a situation is the glue that binds individual workers into a well-oiled machine.

Who's job is it?

Shaping an effective organization is a top-down effort. But by definition managers at all levels direct people. Every manager then must structure the activities within their sphere of influence to accomplish their assigned tasks effectively. Organizational skills are a trait of a good manager no matter the rank.

Those responsible for organizational structure must always remember that strategy comes first. An org chart is not a strategy but rather the manifestation of the strategy, a tool for achieving the strategy's key success factors. Forming a sound strategy takes lots of thinking and analysis, but this work is essential to success. You can't fix a bad strategy by reorganizing your company.

Bottom line: Once you have defined your theory of business, don't put off getting organized. A well-designed and executed organizational structure is a primary building block for success. ▲

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