



# Looking Beyond Cost: Practical Guidance For Leaders Contemplating Organizational Change

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## Practical Guidance for Change

Organizational effectiveness is a term often used to thinly disguise downsizing initiatives, but its real value goes well beyond head count reduction to encompass sustainable, profitable transformation. Successful organizational change initiatives implement simple structures that support the value chain and goals of the business. It defines accountability, aligns effort, reduces confusion, and promotes an environment of ownership and collaboration.

Across the globe, companies are making it a priority to run lean organizations in order to navigate today's difficult economic landscape. Management is now, more than ever, tempted to take a "just do it" stance on staffing reductions in order to achieve cost imperatives. Poorly executed cost cutting measures, however, bear drastic operational and cultural consequences. There is a timely call for a more comprehensive approach that quickly shores up current cost positions while at the same time yielding the operational improvements that organizational change can deliver.

## Six Principles

Despite a daunting amount of literature on organizational design and behavior, there is limited practical guidance on how to execute organizational change and make it sustainable. Defining the right structure is vitally important, but the truth is that even the best designs rarely see the light of day. A recent study coauthored by Celerant Consulting and the Economist Business Intelligence Unit indicated that greater than half of all organizational initiatives fail to achieve their expected results. Furthermore, it indicated that they failed from internal issues and resistance encountered during implementation, not from the logic of their design.\* The old adage that "success is 10% inspiration and 90% perspiration" can be rewritten for organizational change as "success is 10% design and 90% implementation."

Below are six guidelines for leaders contemplating organizational change. They were developed with an eye on ensuring success across the entirety of the process.

# Six principles for successfully implementing organizational change

## 1. Begin with the end in mind

A successful program starts when leaders align behind a clear definition of the desired end state. Any fundamental disagreements not addressed up front will emerge as conflicting communications and missteps affecting the entire organization later in the process. It can be uncomfortable for senior management to confront the political issues required to move forward as a team, but it is the first hurdle they must overcome.

A common pitfall encountered at this initial stage is getting mired in lengthy “Mission and Vision” development sessions that yield predictable statements of limited practical worth. In these cases, differences in perspective among the change leaders are rarely resolved. To be effective, these types of workshops must be focused on translating visionary concepts into concrete direction for the program at hand. A clear list of design criteria should be developed to guide the design process and measurable targets should be defined to align the new organization behind quantifiable goals. These results become the foundation for leadership communications and a yardstick by which the success of the change program can be measured.

Prior to launching the initiative, the management team should agree to a set of leadership standards. The pressures of organizational change can drive negative behaviors in even the strongest manager, and correcting this is easier if the team has set mutual expectations in advance. In addition, regularly assessing performance against these leadership standards ensures the unique challenge of organizational change is leveraged for professional growth.

## 2. Organizational design is an internal process

The ever growing volume of “latest thinking” literature available on organizational structure and trends is enough to make any manager cry for help. It’s important to remember, however, that regardless of cutting edge business concepts or technological breakthroughs, effective design is based on human behavior - and that has not recently changed nor is it likely to in the future. The basic principles governing effective organizational design are static, logical, and entirely within management’s control.

Due to the perceived complexity of design, there is a tendency to focus on the search for external benchmarks and “best practices”. Other organization’s diagrams and performance metrics, though interesting, generally lack the context and detail to provide actionable information. Claims of “latest” or “best practice” structures ignore the inherent differences between any two organization’s capabilities and goals. As a simple example, an organization competing as the low cost provider should have an entirely different approach to designing their customer service function than an organization focused on quality or customer satisfaction.

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Invariably, the effort spent on parroting “off the shelf” solutions is better spent on the more valuable process of internal self analysis and alignment. Effective organizational design is not a third party’s intellectual property. It is the result of applying common sense structural principles to a single organization’s unique situation and aims.

### 3. Build a clear framework for high performance

Individuals can only perform when provided with clear roles, measurable expectations, and the tools to be successful. Building this clear framework for each employee is the fundamental goal of performance enhancing organizational change.

Leaders are often frustrated with a lack of ownership and initiative in their people. Some respond with strict policies and enforce compliance with harsh penalties. Others dissolve oversight and structure under the belief that individual initiative is being squashed by excessive “command and control.” Neither response is effective and both actually reinforce the behaviours they are meant to address.

Before leaders set behaviour expectations, they should first provide an environment where their constituents *can* demonstrate the behaviours they expect. Loosely defined roles, undefined expectations, and ineffective practices create a chaotic and frustrating daily work experience. Those who want to achieve become demoralized by the lack of clarity and progress – and those who don’t can easily hide in the shadows.

Implementing a simple architecture with clear accountabilities is the first step in breaking this cycle. Each new role must be aligned with measurable expectations and supported with the tools and methods required to achieve them. Organizational change provides an opportunity to rebuild this framework for each employee.

### 4. Focus on the front line

Boardroom leadership and guidance set the tone, but high organizational performance is driven by the quality of the tactical decisions and day to day actions of those who directly impact the value chain of the business.

In this light, the practice of reducing junior leadership on the front lines is a false economy. Some organizations remove it in the name of “team empowerment,” but leadership is a fundamental human dynamic and will naturally occur even in areas where people try to strip it away. Close inspection of any “self directing” group will reveal that someone is setting the tone and driving the decisions, whether they are formally recognized as the leader or not.



Every individual exists within the framework their organization provides for them.

Just as an entire organization relies on its senior leaders for strategic guidance, any group within that organization needs an individual to communicate policy and make the decisions required to align their day to day efforts. Creating front line leaders with real authority and real accountability – and staffing them with the best people – is the surest way of achieving high performance.

Furthermore, the rest of the structure should be aligned around these critical positions. Administrative, coordinating, and technical roles should be designed from the perspective of how they support these leaders and their teams. Senior leadership and management should also be designed sparingly with the understanding that their principle contribution is in the service of those creating direct value for the enterprise.

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## 5. Put the right people in the right roles

The benefits of any design can only be realized by selecting the right people for the right roles. This is where many change initiatives fall short.

The first mistake is designing a structure and roles that fit the existing individuals instead of the aims of the business. Change leaders must be diligent in ensuring that those who are developing the new design are unconstrained in building the best architecture possible. Only after this is done can a true understanding of the gaps and opportunities in the existing talent pool be understood and addressed.

The second mistake is failing to ensure the viability and rigor of the selection process. An effective selection process is truly performance driven. It places high potential individuals in stretch roles and addresses existing performance issues. This sends a game changing message to the organization. Very often, however, internal politics and risk aversion override merit. The result is minimal change to key roles, failure to address known issues, and a clear statement of “business as usual.”

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Quite simply, leaders must find the right people if their new organization is to become a reality. At every turn, there are temptations to take shortcuts in the name of caution or political expedience. It takes leadership commitment and involvement to ensure that performance and merit are the driving considerations in selecting the new team.

## 6. Organizational change is achieved through daily execution

Very few people wake up and review organizational charts before going to work.

There is typically a lot of activity supporting the roll-out of organizational change: new organizational charts are posted, new job descriptions distributed, cost centers changed, offices moved, business cards printed, etc. Soon, however, people slip back into the old, familiar, ways operating. This is referred to as the “informal organization” and it is a shifting mixture of history, friendship, practicality and politics.

Moving beyond old habits and implementing an organization that operates as designed requires building the mechanisms to ensure its consistent, sustained, daily execution. Repetition, time, and experience are necessary for new habits to replace old. This dynamic can be best understood as “acting your way into a new way of thinking.”

Organizational charts and roles descriptions are an essential touchstone for each individual to understand what they are accountable for and where they fit in. Very few people, however, wake up and review organizational charts before going to work.

Daily activities are governed by each individual’s understanding of their work and their ambitions to be successful in measured areas. These are the process and measurement components of the “organizational framework” mentioned earlier and, at a tactical level, these are the mechanisms which drive what the organization actually does. So, beyond communicating new structures and roles, creating a sustainable organization requires aligning each position with the measures that define its success and the methods and tools required to achieve them.

The launch of a new organization should be marked with an intensive period of training and job shadowing to ensure each individual is prepared to execute their new role. Pulling it all together is a management system of meetings and measures where individuals regularly report their performance measures and integrate their issues and activities. Putting this in place is the “90% perspiration” part – but it is, in fact, where the performance benefits are realized and a truly new organization comes to life.

Organizations that are contemplating headcount and structure as areas to achieve rapid cost reduction may understandably feel that there is insufficient time or resources to address these six principles. However, companies are technically, emotionally, and politically complex and there can be serious consequences when transformation is not approached with forethought.

A comprehensive approach to organizational change does not come at the expense of speed and cost -- it enables it. Well planned organizational change will pay for itself within a year, and, because it is sustainable, will continue to provide cost and operating benefits into the future. Companies struggling under cost pressures have a unique opportunity to galvanize their constituents behind a common goal. Profitable organizations, too, should look to organizational change as a means to achieve step improvement and position themselves for the challenges and opportunities of the future.

The central measure of an organization's effectiveness is the extent to which it enables each member to successfully contribute to the achievement of its goals. The six guidelines listed above will help organizations achieve cost targets more rapidly and sustainably, while simultaneously ensuring they are taking concrete steps in this positive direction.



## About the Author

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Thomas began his career with Celerant Consulting in 1999 after five years as an Infantry Officer in the U.S.M.C.. He has spent the last decade working closely with clients to create real, measurable, organizational change. His thought leadership and practical approach to creating high performing organizations has made him a trusted advisor to industry, business, and government leaders. He currently heads Celerant Consulting's Organizational Effectiveness (OE) Capability. Thomas holds a BA in English from Emory University and lives in Newport, RI, with his wife and two daughters.

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