Organizational Restructuring

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An organizational structure is the hierarchy of an organization and how the components of this hierarchy work together to achieve the strategic objectives of the company (Ahmadya, Mehrpourb & Nikooravesh 2016). If the structure of the organization and the underlying design principles which construct it are not in alignment with the core purpose of the organization and its operating environment, then it is more than likely the organization will find it difficult to achieve its strategic objectives (Arabi 2007).

Organizational structure aligns and relates parts of an organization, so it can achieve its maximum performance (Johatch 2014). The structure chosen affects an organization's success in carrying out its strategy and objectives. HR professionals should understand the characteristics, benefits, and limitations of various organizational structures to assist in this strategic alignment.

There are key considerations that managers should think of in designing the appropriate structure, and these are (amongst others):

The organization's strategy - Assess, what are the strategic imperatives for the client? The starting point for the design of the organization process is typically the identification of the main outputs that the organization intends to deliver (Daft1998). You should assist the client to subsequently structure the organization in a way that reinforces the strategic imperatives of the organization. For the organization to achieve its strategic goals and objectives, the organization's structure and strategy should be properly configured.

The organization's size - In developing the appropriate structure, you should consider the size of the organization and headcount for all departments. In doing so, you should watch for duplication of roles and job redundancy. At this point, you should consider which skills the client should have permanently or casually.

The organization's technology - Technology impacts on the structure of the organization. Heavily mechanized organizations tend to be more inclined towards increased productivity. However, if management does not properly adjust its structure, this envisaged result may not be achieved (Rabbinz 2012). One of the reasons attributed to low productivity is the organizational structure that remains mechanistic and not compatible with the technology. Management should properly structure the organization to achieve superior performance and higher productivity through the use of available technologies.

The organization's operating environment - A critical consideration in structuring the organization is the environment in which the company operates. The environment here refers to not only the physical environment but the political and economic environment as well. The environment also refers to the key stakeholders (shareholders, customers, community, government departments & agencies, etc.) that the business interacts with. The company should be structured in a way that assists in effectively managing relationships with key stakeholders. The structure of the company should also assist in efficiently and effectively adjusting to the changes in the operating environment.

The organization's culture - Organizational structure defines how job tasks are formally divided, grouped, and coordinated. Critical to this is the type of culture that management wants to reinforce. The culture of the organization is reflected in the hierarchical relations among members of the organization and is viewed as facilitating interaction and communication for coordination and control of the organization's activities. Management should, therefore, be clear about the culture that the structure will support. Assist them in doing so.

THE IMPORTANCE OF ALIGNING THE STRUCTURE WITH THE BUSINESS STRATEGY

The key to profitable performance is the extent to which four business elements are aligned:

1. **Leadership -** *The individuals responsible for developing and deploying the strategy and monitoring results.*
2. **Organization -** *The structure, processes, and operations by which the strategy is deployed.*
3. **Jobs -** *The necessary roles and responsibilities.*
4. **People -** *The experience, skills, and competencies needed to execute the strategy.*

An understanding of the interdependencies of these business elements and the need for them to adapt to change quickly and strategically are essential for success in the high-performance organization. When these four elements are in sync, outstanding performance is more likely.

The organizational design process is the pivotal connector between the business of the organization (e.g., top-level leadership and organizational strategy and goals) and forms of HR support (e.g., workflow process design, selection, development, and compensation). The strategy must continually drive structure and people decisions, and the structure and design must reflect and enable effective leadership.

Achieving alignment and sustaining organizational capacity requires time and critical thinking. Organizations must identify outcomes the new structure or process is intended to produce. This typically requires recalibrating the following:

- Which work is mission-critical, can be scaled back or should be eliminated.
- Existing role requirements, while identifying necessary new or modified roles.
- Key metrics and accountabilities.
- Critical information flows.
- Decision-making authority by organization level.

STEP BY STEP GUIDE ON ORGANISATIONAL STRUCTURE REVIEW

Step 1. Baseline Survey & Work Plan Development

Undertake a baseline study before the commencement of an Organization Structure Design project. The baseline study should define the critical stakeholders to this project and assess the company's operations with regards to:

1. Strategy
2. Main services provided by the company
3. Main stakeholders of the company
4. Legislation (including statutory instruments), policies and regulators governing the company
5. Trends affecting the company (revenue, costs, industry factors)

Step 2: Value Chain Analysis

At this stage, identify the level of business complexity which inform the optimum number of reporting layers an organization should have. This is the foundation of the requisite organization theory. In the Requisite Organization theory, companies are classified into eight levels of business complexity based on the criteria explained in the table below;

Dimension	Explanation
Type of value chain	Assess the activities that the organization performs to deliver a valuable product for the market.
Geographical footprint	The physical presence of the organization i.e. Local, regional, national, international or global
Financial position	The total operating revenue amount
Product portfolio	We assess the organization's breadth of products and market position
Brand	If its image and reputation are key business drivers
Organizational design	If it has several functional departments, corporate services, and shared services
Governance	The level of focus on quality, safety, cost reduction, control, efficiency, and best practices
Strategic intent	**The organization's focus on value control, value creation and improving efficiency**

Step 3: Levels of Work (Determining Role Complexity)

According to the level of work complexity, work in organizations occurs in distinctive layers of increasing complexity that can be easily distinguished from one another. The work required in each layer, called stratum is qualitatively different from work in another layer. The level of work in a stratum, according to Jaques is the "target completion time of the longest task, project or program assigned to that role"**.**

Link **e**ach organizational layer to a specific time-horizon and differentiate by clearly defined work-themes, discretionary capabilities, and varying time-spans for review. Measure the level of work according to the individual's time-span of discretion, i.e. the time horizon measured in months or years. The longer this period, the greater the scope and responsibility.

Step 4: Role Profile Analysis

Assess the nature of all jobs within the manifest organizational structure. Assess the nature of work and how it is divided into roles. Each role is to be analyzed using a role description profile covering:

- Accountabilities
- Authority Levels
- Role Relationships (Vertical and Horizontal Relationships)
- Knowledge/Skill Requirements

Step 5: Functional Alignment

Functional Alignment is one of the techniques for examining the leanness of a structure. Functional Alignment enables you to quantify a population by its location, functions, and professional classifications. For example, in some organizations, jobs in finance, HR, logistics, engineering, and other generic occupations can be found scattered across a wide range of territorial or business unit locations.

Conventional business reporting rarely provides any analysis from this perspective, when such data is exposed for the first time it can reveal a worrying profile of jobs scattered randomly without process logic or functional theme. This can be the key to opportunities for making the organization leaner by realigning the structure so that the same or similar jobs are given more effective managerial cover and perhaps assembled into more robustly designed and effective processes. The ideal proportions are usually thought to be in the region of 70% (Core) and 30% (Support).

Step 6: Organisational Structure Design & Benchmarking

Benchmark the organizational structure of the to other local and regional companies that are in similar industries to that of your client. The key output of this comparative stage will be a benchmark of the current and proposed organogram paying particular attention to the following metrics;

Span of Control - This refers to the total number of people (here, subordinates or employees working under an individual) whom a manager or an administrator can effectively control and supervise. The average span of control is preferred for measuring the span of control. The average span of control is measured using a ratio of the number of managerial nodes and the total population. The ideal benchmark for this is 8-12.

Reporting Layers – This is the hierarchical arrangement of lines of authority, communications, rights, and duties of an organization. Organizational structure determines how the roles, power, and responsibilities are assigned, controlled, and coordinated, and how information flows between the different levels of management. It is useful to test managerial structures against an 'ideal' benchmark.

We usually set this at a maximum span of eight, with an 'ideal' of not more than five layers – usually referred to as the '8 x 5 test'.

Manager to Non-Management ratio – This is a key performance indicator that shows the ratio between the total number of managers and supervisory employees and the total number of full-time and part-time non–managerial (non-supervisory) employees. The ideal benchmark for this is 1:4.

One on One Reporting - This is an effective barrier to proper oversight, communication, and flow of information up and down the chain of command. It may block the main boss's vision of the work being done or not being done.

Duplication - This is the repetition of the same task. Duplication of tasks results in a waste of human resources as the organization is paying employees to do the same task. To optimize operations of an organization's various departments, all duplicated tasks should be identified and appropriate recommendations made to ensure all employees are in positions where they make the greatest positive impact towards achieving the organization's strategic goals.

Organizational structures have evolved since the 1800s. In the Industrial Revolution, individuals were organized to add parts to the manufacture of the product moving down the assembly line. Frederick Taylor's scientific management theory optimized the way tasks were performed, so workers performed only one task most efficiently. In the 20th century, General Motors pioneered a revolutionary organizational design in which each major division made its cars.

Today, organizational structures are changing swiftly—from virtual organizations to other flexible structures. The future will likely bring functional, product, and matrix organizational structures. However, as companies continue to evolve and increase their global presence, future organizations may embody a fluid, free-forming organization, member ownership, and an entrepreneurial approach among all members.

A hallmark of a well-aligned organization is its ability to adapt and realign as needed (Shams & Mahjurian 2010). To ensure long-term viability, an organization must adjust its structure to fit new economic realities without diminishing core capabilities and competitive differentiation. Organizational realignment involves closing the structural gaps impeding organizational performance.

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