Organizational Restructuring Toolkit

Driving Effective Enterprise Change
A Framework for Member Conversations

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OVERVIEW: ORGANIZATIONAL RESTRUCTURING TOOLKIT

Legacy is the term Infrastructure and Applications leaders commonly use to distinguish the older parts of their technology portfolios from more emergent, modern systems. But given the disruptive changes we’re seeing in every technology domain, from hosting to employee computing to mobile applications, more leaders are asking whether the real legacy problem they have is their organizational model and workforce strategy. We’re beginning to see a number of restructuring and reorganization efforts gain traction, along with questions about whether there’s a single right model for the future.

The track record of restructuring efforts, however, suggests that the best approaches are more about concentrating on the journey rather than attempting to nail down the destination up front. In consultation with CEB partners serving heads of HR, we’ve put together this toolkit to help guide your restructuring efforts and answer common questions:

1. **Are we sure the challenges we’re trying to address are rooted in organizational design?** Restructuring or reorganization can be the solution to all Infrastructure problems and can miss other root causes of organizational performance challenges. The immediate danger is that leaders can burn resources and (potentially) put employee engagement at risk when restructuring isn’t the critical need. How do you know when restructuring is the right solution? Run a diagnostic exercise—typically, a structured set of questions you can run with your leadership team—to determine whether performance challenges are a matter of organizational structure, strategy, talent, rewards and recognition practices, or business processes (see p. 4).

2. **If the answer is organizational structure, have you tested alternative solution hypotheses?** The development of solutions can get quickly derailed by organizational politics—in place of vested interests, we need a way to depoliticize and test alternative approaches before landing on a solution. The key is a two-stage value chain or workflow mapping exercise. In the first stage, the leadership team can collectively map a simplified value chain for the function as it presently exists—participants should identify all the activities they own or participate in without associating those activities with a position or name. In this stage, the goal is simply to reveal process strengths and opportunities for performance improvement. In the second stage, the leadership team should simulate the value chain as it would operate under different organizational models (see p. 14).

3. **Are our proposed solutions driven by technology need or business requirements?** New data from heads of Infrastructure are clear; teams that organize primarily around technology platforms tend to be less responsive and less confident in their ability to sustain responsiveness than teams that organize around business requirements or outcomes. Why? Organizing around the business requirement ensures effective resource alignment against rapidly changing business requirements—with an outcome of saving money on development and support costs that simply don’t need to be spent.

4. **Have we involved our customers (and other key stakeholders) in our solution development process?** To the points above, diagnosis and testing should reflect challenges and requirements as articulated by customers and stakeholders, best gathered through an interview and/or survey process. Consider, for instance, including one or two high-potential employees, a key customer, or other outside stakeholder (perhaps a vendor manager) in the workflow mapping exercise outlined above.

5. **Do we know what our solution means for talent requirements, and are we supporting staff through the transition?** Especially in the current technology environment, restructuring is both prompted by and will demand changes in the workforce—whether in terms of bringing new roles into the organization or changing the skills and responsibilities of current roles.

6. **Do we have the right success metrics?** Restructuring efforts need to grade themselves by two yardsticks: key business metrics (e.g., operating expense, customer satisfaction, etc.) related to the initial reason for restructuring and human capital metrics that look at restructuring’s engagement and productivity impact. The latter are often overlooked and often not measured until it’s too late. Frequency is essential. Consider adding human capital indicators (e.g., absenteeism rates) that can be tracked throughout the restructuring process and that offer warning signs for potential disengagement.
ORGANIZATIONAL RESTRUCTURING TOOLKIT

Key Questions
- How do we determine where we have real restructuring needs?
- How do we generate alternatives and new options to address structural challenges?
- How do we test different options for restructuring?
- How do we implement organizational change?
- What metrics should we track?

Components/Activities
- Analyze specific challenges.
- Assess design-strategy alignment.
- Identify the right stakeholders.
- Prepare stakeholders for redesign.
- Conduct gap analysis.
- Conduct simulations.
- Assess implications.
- Weigh long-term redesign implications.
- Segment employees by impact and level of influence.
- Identify indicators of resistance.
- Provide change ownership.
- Design effective messaging.
- Measure restructuring success.

Exemplar Practices
- Organizational Design Diagnostic
- Organizational Redesign Process
- Scenarios to Evaluate Organizational Design Options
- Line Leader Resistance Management Toolkit

1 Pseudonym.
1A. ANALYZE SPECIFIC CHALLENGES: A DIAGNOSTIC

<table>
<thead>
<tr>
<th>Question</th>
<th>Where to Find This Information</th>
<th>Sample Response</th>
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<tbody>
<tr>
<td>1. What are the most difficult-to-solve business challenges that your organization is facing?</td>
<td>The leader of the business unit in question should be able to provide this information.</td>
<td>Decreasing revenue growth; shortfall of 20% between actual and predicted revenue target</td>
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<td>2. Who is the internal change customer? (Who is asking for your help in addressing this challenge?)</td>
<td>You should be able to answer this question.</td>
<td>Business unit leader of aerospace division</td>
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<tr>
<td>3. What does success look like for the customer? (What is the goal of addressing this challenge?)</td>
<td>The leader of the business unit in question should be able to provide this information.</td>
<td>Increase revenue growth by x% for profitable aerospace products by Q3 and by x% in Q4.</td>
</tr>
<tr>
<td>4. What is the customer’s proposed solution to addressing this challenge?</td>
<td>The leader of the business unit in question should be able to provide this information.</td>
<td>Increase revenue growth through by the organizational structure of the business unit to reallocate resources in the aerospace division from the unprofitable aerospace products to high-growth products.</td>
</tr>
<tr>
<td>5. What happens if we do nothing?</td>
<td>The leader of the business unit in question should be able to provide this information.</td>
<td>Revenue shortfall of x% within fiscal year, increasing to x% in 20XX and x% in 20XX</td>
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<tr>
<td>6. Does the organization strategy in place support the realization of the stated goal (as defined in response to question 3)?</td>
<td>The leader of the business unit in question should be able to provide this information.</td>
<td>No; the organizational strategy is to focus on increasing market share in already existing product segments, but that market is close to saturation, thus making growth difficult to achieve.</td>
</tr>
<tr>
<td>7. Do the current talent capabilities of the organization/division support the realization of the stated goal (as defined in response to question 3)?</td>
<td>Conduct or refer to competency assessments or a skills inventory of employees. The leader of the business unit in question may also be able to provide this information based on his or her experience and perception.</td>
<td>No; the employees in the unprofitable aerospace products departments do not have the expertise to work on the products produced in the profitable division, nor do they have the business acumen to properly understand the market needs and create relevant products, thus making growth difficult to achieve.</td>
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<tr>
<td>8. Do the outcomes and behaviors that are rewarded and recognized support the realization of the stated goal (as defined in response to question 3)?</td>
<td>Ask managers what outcomes and behaviors they reward in their employees. Speak with the compensation department to identify for what outcomes and behaviors formal rewards are provided. If possible, refer to employee survey results to determine if employees believe rewards and recognition are aligned with the formal and informal goals they must achieve.</td>
<td>No; employees are told they will be rewarded for innovative products that meet customer demand, but they are penalized for innovative products that fail in the market, thus making them cautious of innovation and making revenue growth difficult to achieve.</td>
</tr>
<tr>
<td>9. Do the critical business processes in place support the realization of the stated goal (as defined in response to question 3)?</td>
<td>Review process maps or conduct process mapping.</td>
<td>No; the flow of information from the market analysis team to the research and development team has too many steps and slows the time between identifying market demand and releasing products to meet that demand, thus making growth difficult to achieve.</td>
</tr>
<tr>
<td>10. Does the organizational structure in place support the realization of the stated goal (as defined in response to question 3)?</td>
<td>Refer to the organizational chart.</td>
<td>No; the head of each product segment manages separate R&amp;D, market analysis, and manufacturing groups, preventing economies of scale and knowledge sharing between the functional groups of each product segment, thus making growth difficult to achieve.</td>
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Source: CEB analysis.
1B. ASSESS DESIGN–STRATEGY ALIGNMENT

Use the following questions to help you think about the structures, business processes, and talent capabilities that will enable your business area to support corporate objectives in the short and mid-term (one to three years). Consider the following:

<table>
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<th>Key Questions</th>
<th>Solution Guidance</th>
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<td><strong>Structure</strong></td>
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<td>1. Which functions and departments within your business area no longer align with the organization’s strategic objectives?</td>
<td>▪ Eliminate or reduce numbers of employees in this area over time.</td>
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</table>
| 2. Which new functions or departments will your business area need to create to support the strategic objectives? | ▪ Consider the value this function will add, the decisions it will be responsible for, and its location in the organizational structure.  
▪ Evaluate the redeployment of staff from non-growth to high-growth functions and departments. |
| 3. How do you plan to allocate decision making authority to ensure strategy-impacting decisions are made within the right functions/departments and at the right level of the organization? | ▪ Centralize functions that own high-level, strategy-affecting decisions and decentralize the implementation of those decisions.  
▪ Identify if the right leaders currently own the right decisions to support future strategy. |
| **Business Processes** |                  |
| 1. Which functions or departments in your business area will need to collaborate more closely to support future business strategy? | ▪ Consider structures that enable closer collaboration between these areas, (e.g., a single leader to oversee these areas). |
| 2. Which business processes no longer support future strategy? | ▪ Eliminate process handoffs and role interdependencies that may slow down strategy-affecting decisions in the future. |
| **People** |                  |
| 1. Do senior leaders have the right capabilities to support future business strategy? | ▪ Redeploy leaders who do not have the right capabilities to support future business strategy.  
▪ Remove redundant layers of leadership. |
| 2. Does your business area require new leadership capabilities that currently do not exist in the organization? | ▪ Consider the new competencies leaders will need to deliver on strategic goals.  
▪ Identify future successors that could fill leadership capability gaps. |
| 3. What talent capabilities that made us successful in the past do we need to reduce or eliminate to succeed in the future? | ▪ Eliminate roles that no longer align with future strategy. |
| 4. What capabilities that were not critical to success in the past do we need to build to be successful in the future? | ▪ Invest in new roles and critical positions to support strategic goals. |

Source: CEB analysis.
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