Reinvent, Redesign or Restructure Your Organization?

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Several years ago, I was meeting with an executive who had asked us to do an organization diagnosis and make improvement recommendations. He began the conversation by emphasizing that restructuring the organization was low on his list of options for how to move forward. He closed the interview with the same message. However, between the beginning and ending message he mentioned multiple times that the current organization structure was "wearing out rather than empowering" those that worked for him. While he was clear that getting work done was very difficult within the current organization, he, nonetheless, had little appetite for restructuring. As I continued asking questions, it became clear he had been part of too many organizational restructuring efforts where changing the structure had far less impact than intended.

This situation is one most, if not all of us, have had. Major investments in time and resources are poured into a restructuring. In the end, the structure changes but almost everything else stays the same. Far too often, organizations are left with a new unfamiliar structure and the same problems.

Given the nature of a competitive and changing world, it is not uncommon for leaders to find that the structure of their organization is getting in the way of productive work. While restructuring for the sake of restructuring rarely achieves positive results, it is also clear that ignoring the impact of structure is a mistake.

Among other things, structure typically impacts:

1. Goals and priorities
2. Performance management and compensation
3. The "line of sight" that people see as the scope of their work

Knowing that time and resources will be spent, it is vital to understand the options for adjusting the structure and carefully consider the solution that is called for in your specific circumstance. In our work, we have found the following three major types of structural changes:

- **Restructuring** is changing the structure and reporting relationships. This is best suited for situations where the structure changes are straightforward fixes that resolve accountability confusion and goal alignment.

- **Redesign**, or transformation, is more comprehensive. Our approach to organization redesign involves multiple facets including: outside in context (customer and external stakeholder assessment), business model and capability clarification, work processes, key roles, support systems alignment, and structure. Organizational redesign or transformation is appropriate when there is significant need for effectiveness and productivity improvement. It is evidenced by an excess number of meetings, lack of alignment, and lack of clarity on what you are optimizing.

- **Reinvention** goes beyond redesign. The change is equally as comprehensive, but the intent is even more dramatic because it often requires new capability and new skills to implement a new business model and a new go to market approach. It is done with an existing business with a focus on changes to compete in a new business context and often with new customers.

While restructuring has a more narrow scope, usually around near term problem solving, both reinvention and effective redesign are forward looking and focused on creating an organization that maximizes value to your customers and investors. They both ignore the common logic of organizing around disciplines (functions) or basing your design around the capability

	Reinvention	Redesign	Restructuring
Context	Outside In with a focus on new customers and a new business	Future oriented with a focus on pleasing current customer and investors	Solving current problems and trying to address short term financial impact
Roles	Based upon new skills and new capabilities	Based upon how work gets done and how work flows	Based upon current leaders and their strengths or functional discipline
Process	Cross functional approach based upon future new work demands	Cross functional look at how work gets done to create differentiation and advantage.	Typically ignored or confined by where work currently reports
Structure	New organization forms that are both strategically and organizationally agile	Work is assembled in new ways that crosses current boundaries	Major works group usually stay intact but change reporting relationship
Support Systems	Flexible and responsive systems based upon new capabilities	Capability and work process needs determine system needs and priorities	Support systems drive work process, roles, and structure
Capabilities	Future oriented advantage creating capabilities drive the process	Future oriented advantage creating capabilities drive the process	Capabilities are ignored or secondary.
Culture	Culture is intentionally created based upon what new customers will want	Culture is viewed as a key outcome and based upon creating customer experience	Culture is largely ignored

and preferences of current leaders. Structural change has its place but changing the structure without considering external demands and trends, work processes, roles and support systems often creates far less positive impact than desired. Effective redesign and reinvention have much greater upside on business results than restructuring. However, both require a muchgreater appetite for disruption and a compelling case for change.With the understanding of these three options for moving forward, executives can compare their needs to the options and assess what step to take next.

There is a time and place for restructuring, redesigning, and reinventing

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