

Strategy-Structure Alignment

Ensuring that organizational structure supports the execution of corporate strategy

An important management responsibility is to design and implement the strategic organizational form best suited to the demands of its marketplace, customers, and business model. Since your competitors essentially have access to the same information and may have developed similar strategies, it is important to consider organizational design as one of your most powerful strategic weapons.

What *organizational strategy* do you need to execute your business strategy? How can the organization itself (by virtue of its design and operating capability) be a source of competitive advantage? The simple answer is that the organization can effectively act upon its business strategy only if management has actually designed the ways it can compete. Strategy-Structure Alignment is a systematic methodology for designing these capabilities in a fully rational and informed way.

Identifying the pain points

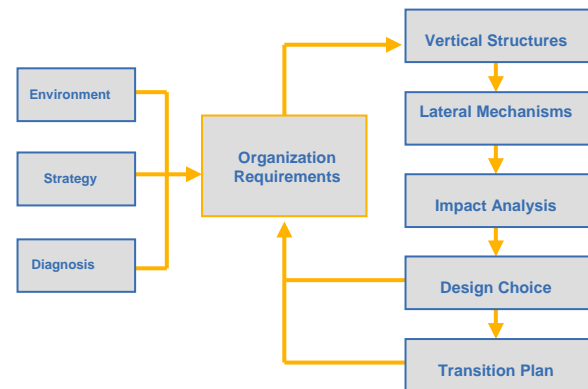
The types of problems that can be addressed include:

- Changes in strategy causing poor alignment with the original organization design
- Needing to restructure parts of organization due to competitive pressures, introduction of new technology, etc.
- Organizational growth is causing a re-examination of the organization design
- Poor execution and organizational effectiveness

Approach and Framework

Strategy-Structure Alignment is strategy-driven and performance-oriented. It begins with a reaffirmation (and sometimes recalibration) of business strategy, explores the implications of that strategy for organizational structure, considers changing conditions in the environment, and through diagnosis identifies organizational problems and performance gaps. A sequential design process generates alternatives for organization design. A

preliminary transition plan of a preferred alternative and its alignment then follow. The figure below illustrates the process:



Method

Strategy-Structure Alignment follows four phases:

Assessment: Data is gathered on strategy, organization and the business environment using interviews, archival research (of planning documents, performance studies, etc), and observations. Data is organized into issue categories and fed back to management in a way that supports validation and learning. Management reaches an agreement on key issues and problems, causal factors and organizational requirements.

Design: The design process goes through a series of design steps including scale and leverage assessment, the design of vertical alternatives and lateral processes and structures, impact analysis, etc. Each step is geared to execute strategy and address organization and cultural issues.

Alternatives – Choice: Changes in organization are based on a selection from among a set of alternatives. Because any organizational structure calls for trade-offs, the alternatives are worked through discussions that focus on the advantages and disadvantages of each, their fit with requirements, and the impact of implementation, etc. Frequently the organizational design that is

finally chosen is a synthesis of two or more alternatives.

Architecture design and Implementation: The new organization structure leads to further organization architecture design - clear roles and responsibilities to insure unambiguous and fast decision making; the development of values and norms for cultural alignment with strategy; design of rewards and metrics, and the identification of key capabilities (skills and knowledge) required to execute strategy. A preliminary transition plan is developed to develop design steps within the context of a change management agenda.

Expected Outcomes and Results

The primary objective in Strategy-Structure Alignment is for management to design and decide upon an organizational structure that best supports its strategy and to develop a preliminary transition plan for next steps.

Next Steps for Consideration

1. Draw upon our design experience and have an informal conversation why you feel strategy-structure may be an issue you need to address.
2. Request a more formal overview of the Strategy-Structure process and benefits.
3. Conduct an organizational diagnosis to identify design-related problems and their root causes.

Case in point

Hewlett Packard's new storage strategy resulted in the need to consolidate and restructure two existing business unit into one. By aligning their structure with their strategy they were able to design a new operating model that they could effectively execute, consolidated product development, manufacturing and sales resources into a new structure with clear roles, accountabilities and operating norms and designed new metrics and rewards to enable effective collaboration and execution.

About InnovationPoint

InnovationPoint is a non-traditional consulting firm that helps its Fortune 1000 clients take a strategic approach to innovation. InnovationPoint blends traditional and unconventional methodologies to identify breakthrough opportunities, develop growth strategies and consumer-inspired new products, and to align organizational strategy and design in a way that supports sustainable innovation. InnovationPoint's clients include HP, Cisco Systems, Kimberly-Clark, PepsiCo, Frito-Lay, Philips, Disney, Charles Schwab, Visa, and Yahoo!, among numerous other leading organizations.