THE PREDICTIVE INDEX

EBOOK

How to align your organizational model with your business strategy

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Introduction

The fourth activity of talent optimization is “select your organization’s structure.” If companies hope to achieve their desired business results, they need to choose an organizational model that enables them to execute their business strategy. When a business’s structure and strategy are in conflict with each other, a host of problems crop up.

Top companies select their organization’s structure intentionally, ensuring alignment with their strategy. But many times, leaders don’t understand org model best practices. Because of this knowledge gap, they choose a structure that’s at odds with their business strategy—some leaders even allow their structure to be shaped passively over time. Either way, they end up with a hierarchy that doesn’t fit their needs. And this has deadly consequences.

Why misalignment between organizational structure and strategy creates risk

Imagine this scenario: Two truckers are tasked with delivering freight across state lines on a tight timeline. Driver one gasses up and heads out. Driver two works for a company that requires all drivers to have their starting mileage inspected by a manager before a trip; but management is tied up in a meeting.

This example illustrates how productivity can be disrupted when the organization isn't structured to support the business strategy. In this case, span of control and existing workflows are slowing employees down. Clearly, this is a company that needs to move fast to succeed. But since drivers aren't given the autonomy to document their own starting mileage, they can't make deliveries on time—the company has inadvertently created operational risk.

Select an organizational structure that supports the business strategy

If company A's business strategy requires it to innovate to bring new products to market quickly, the best organizational hierarchy is a flat one. Without layers of middle management to slow things down, communication is smooth and decision-making is rapid.

If company B's business strategy requires it to maintain compliance in a highly-regulated space, it would benefit from an organizational structure with more hierarchy. With a long chain of command in place and multiple layers of sign-off and approval, risk can be mitigated.

While company A is willing to take calculated risks, company B isn't. And while company A values speed above precision, company B can't afford to make mistakes—it's willing to trade speed for accuracy. In this way, organizational design reflects a company's risk tolerance, too.

Common steps to take in structuring (or re-structuring) the org model

Selecting a structure that maps to business strategy also involves the following steps:

- **Creating new jobs**
- **Considering how jobs relate to one another**
- **Defining span of control**
- **Defining workflows and systems**
- **Understanding behavioral requirements of roles**

Since company A is focused on innovation and speed, the behavioral requirements of the organization's roles will tilt toward risk tolerance and speed of processing. Employee names shouldn't be part of the conversation at this stage; focus on roles, not people.

Many companies make the mistake of building teams and whole departments around individuals, but that can cause problems. An individual-first approach is not replicable or sustainable. Should that person leave the organization, the role would be difficult to fill because it wasn't built around a job description but rather an individual's strengths and weaknesses.

Sometimes it makes good business sense to restructure a department—even if that means a senior leader is no longer a level up from certain subordinates.

When to update organizational structure—and why

Companies must see organizational structure as an ongoing practice, not a one-time event. Sometimes the need to adapt company structure arises from a milestone—e.g. an acquisition, a new product, or a division that's ballooned in size and can't keep functioning as is. Just as people must adapt to changing times, companies must too.

Great leaders realize that their company's structure can influence employee behavior. For example, to enhance employee creativity, an organization could choose to flatten its hierarchy; a wider job scope combined with less oversight means employees have room to spread their wings and innovate. This is how top companies turn their org model into a competitive advantage.

Conclusion

Leaders ask "Do we have the right strategy?" and "Do we have the right people?" But unless they're also asking "Do we have the right organizational structure?" they could be preventing their company from growing—and exposing it to risk.