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# Operational Excellence Is Not Sustainable Without Appropriate and Holistic Organizational Design

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# What are the 3 things a new leader normally does?

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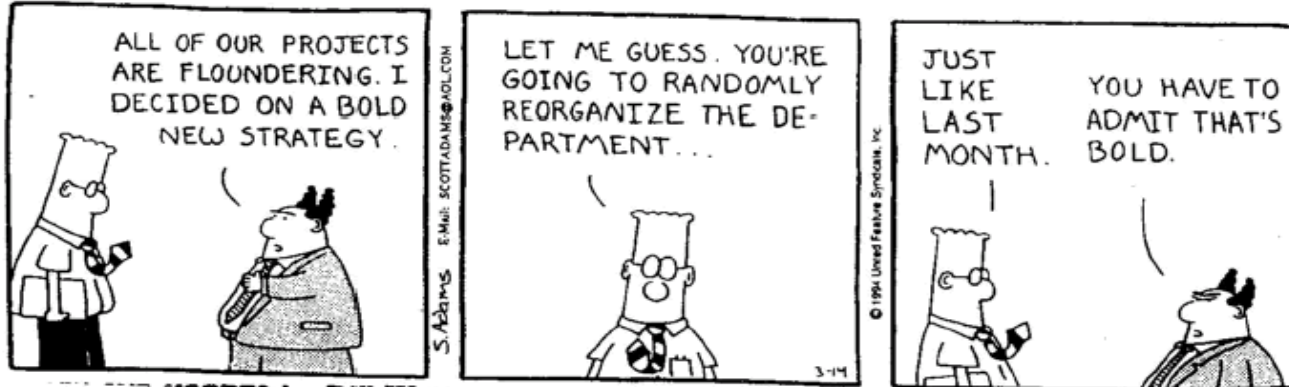


- **Changes the strategy**
- **Changes the structure**
- **Changes a number of their direct reports**
- **Is this an effective, value adding approach?**

# Design or Disaster??

MONDAY, MARCH 14, 1994

**DILBERT** by Scott Adams



Every time we were beginning to form up into teams, we would be reorganized. I was to learn later in life that we tend to meet any new situation by reorganization...and a wonderful method it can be for creating the illusion of progress while producing confusion, inefficiency, and demoralization

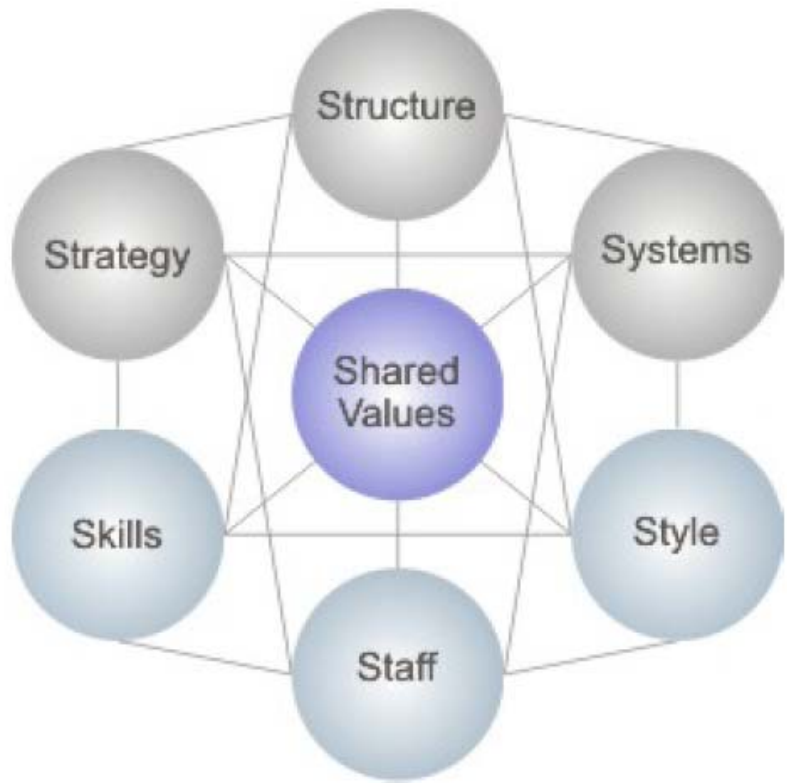
– Petronius Arbitor, 210 BC

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# So, what exactly is Organizational Design.....?

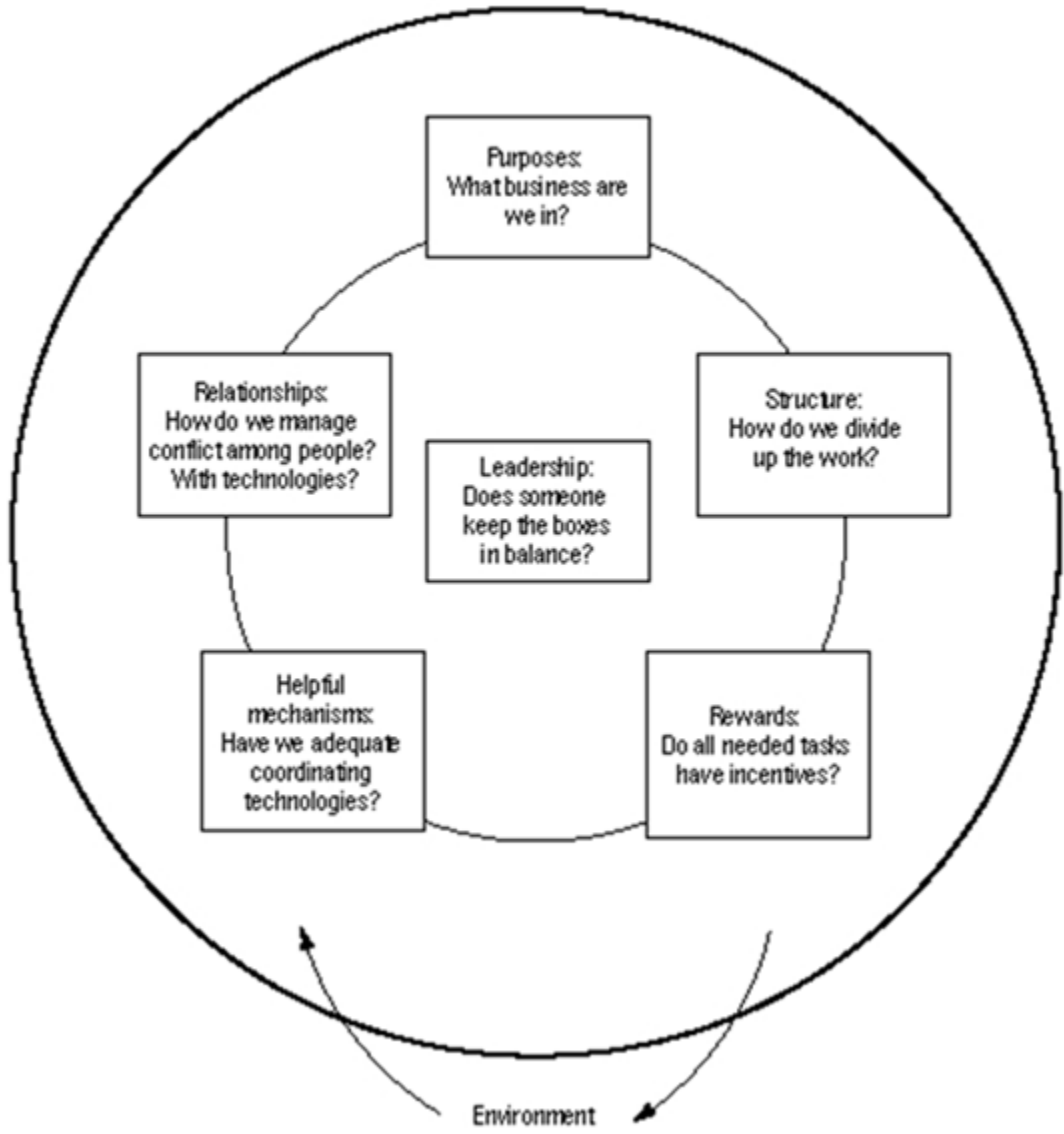
# McKinsey 7S Framework

- **Strategy:** the plan devised to maintain and build competitive advantage over the competition.
- **Structure:** the way the organization is structured and who reports to whom.
- **Systems:** the daily activities and procedures that staff members engage in to get the job done.
- **Shared Values:** called "superordinate goals" when the model was first developed, these are the core values of the company that are evidenced in the corporate culture and the general work ethic.
- **Style:** the style of leadership adopted.
- **Staff:** the employees and their general capabilities.
- **Skills:** the actual skills and competencies of the employees working for the company.



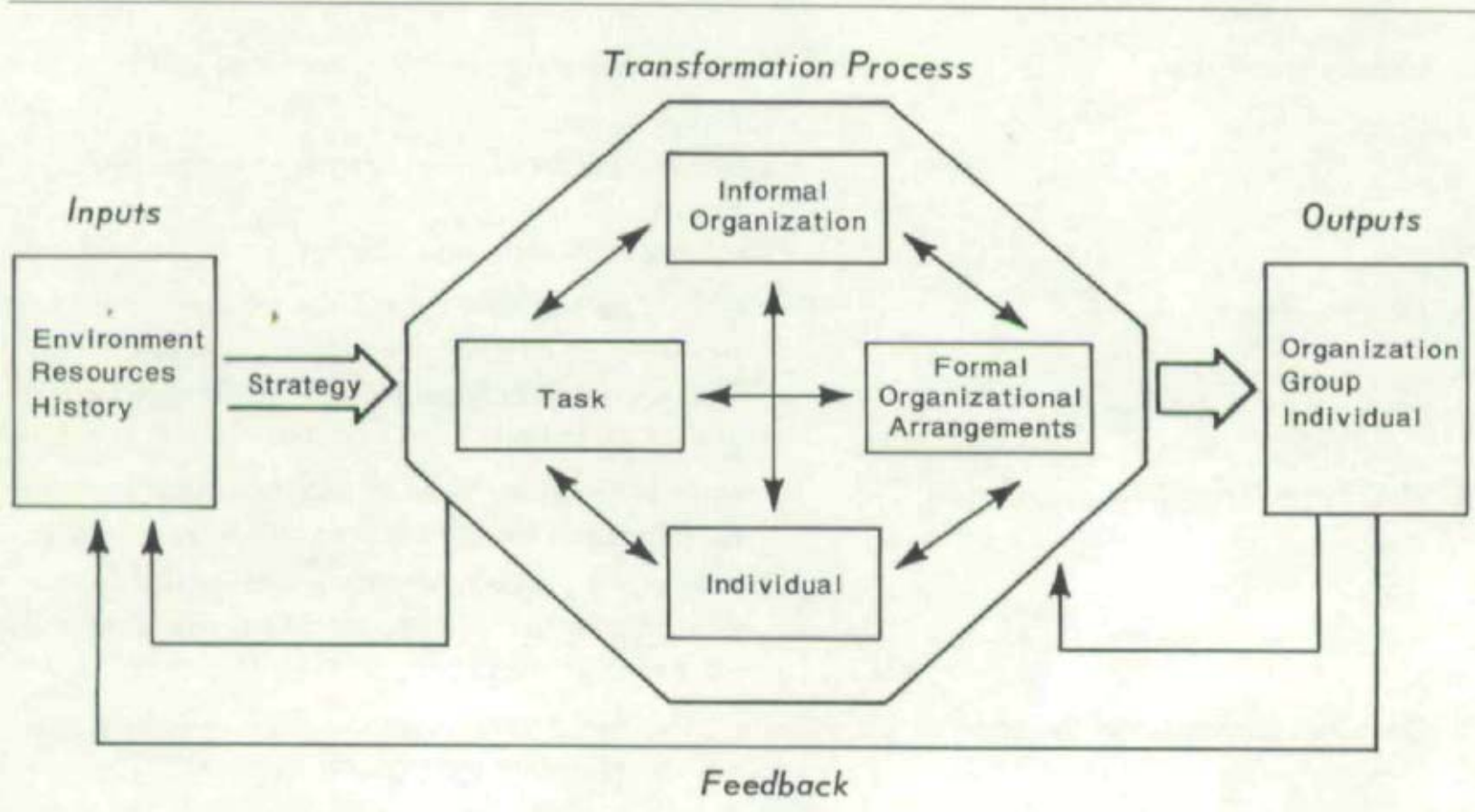
# Weisbord's Six-Box Model

Weisbord's Six-Box Organizational Model

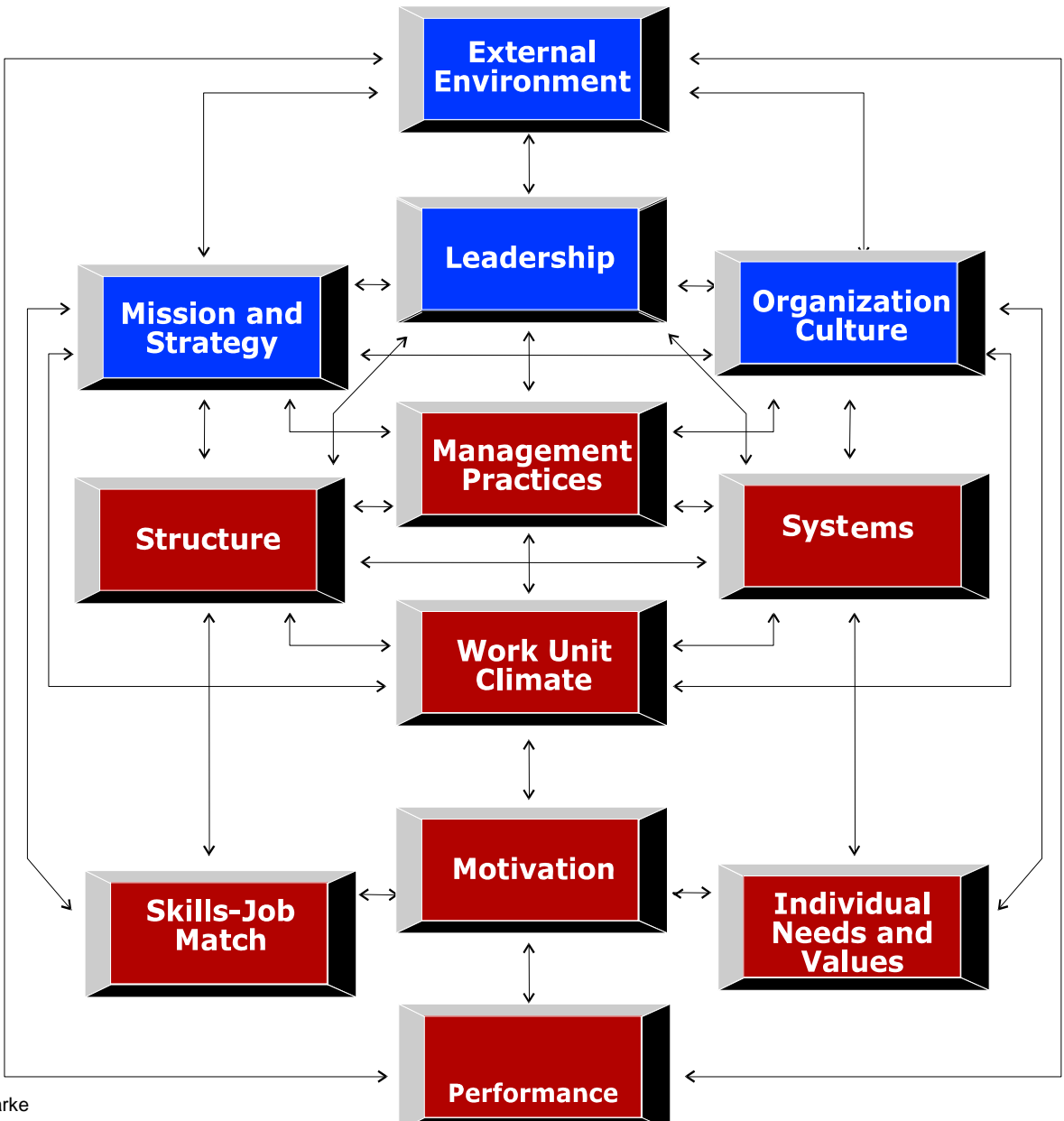


# Nadler & Tushman's Congruence Model

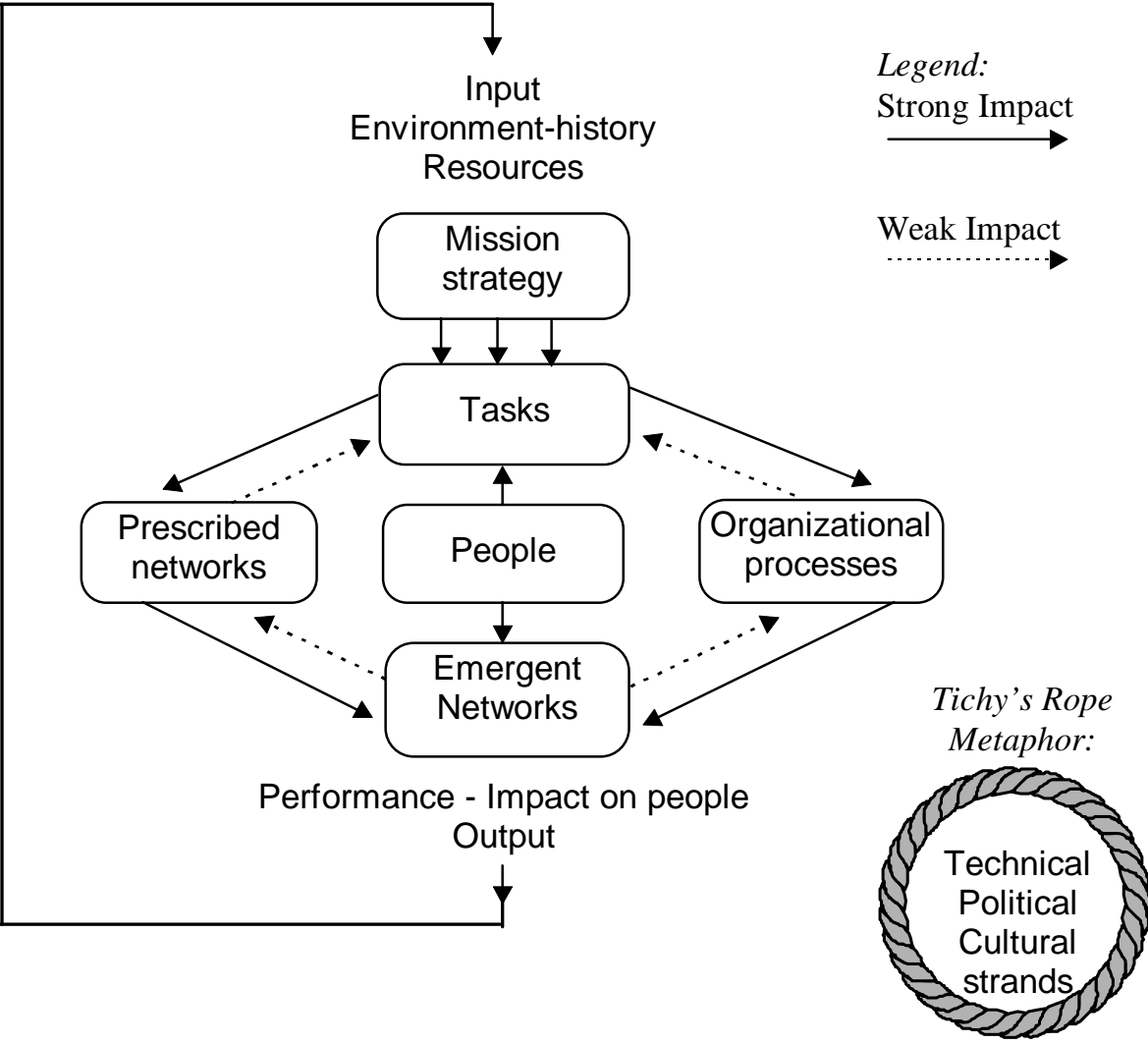
Figure 4  
A CONGRUENCE MODEL FOR ORGANIZATION ANALYSIS



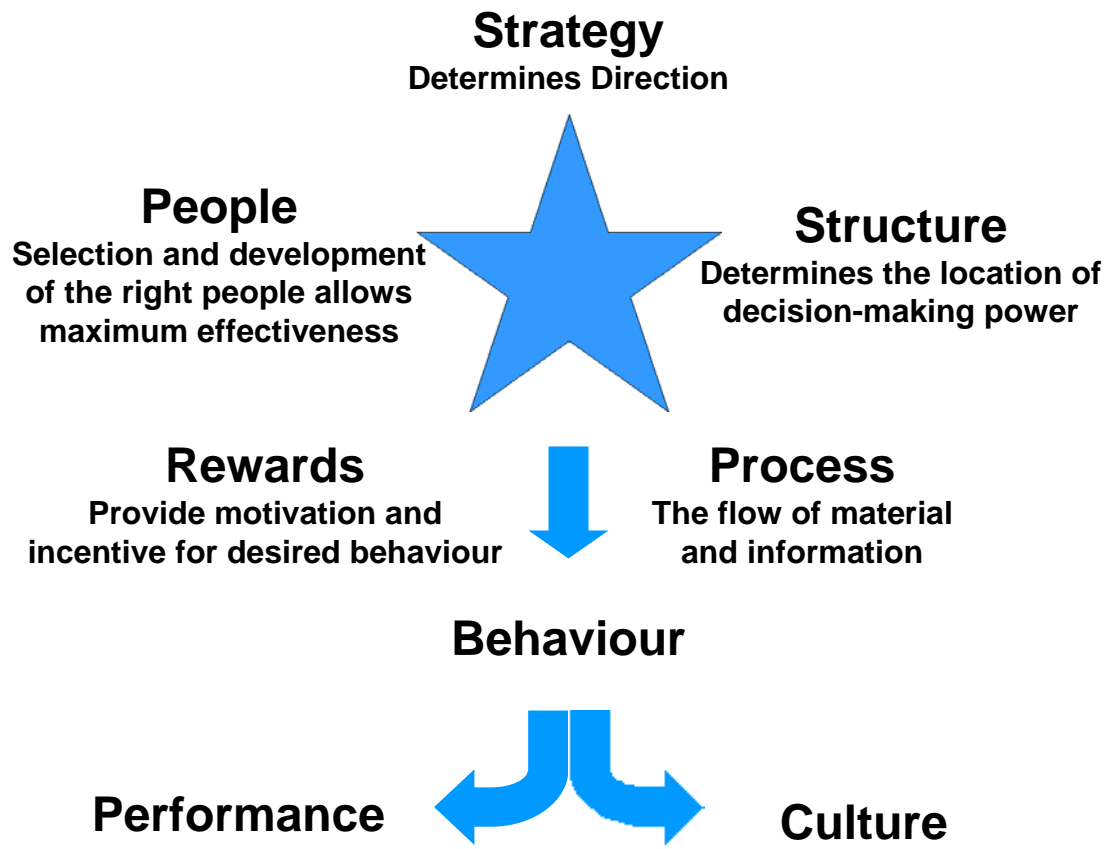
# Burke-Litwin Causal Model



# Tichy's Technical, Political, and Cultural Model



# Galbraith's Star Model



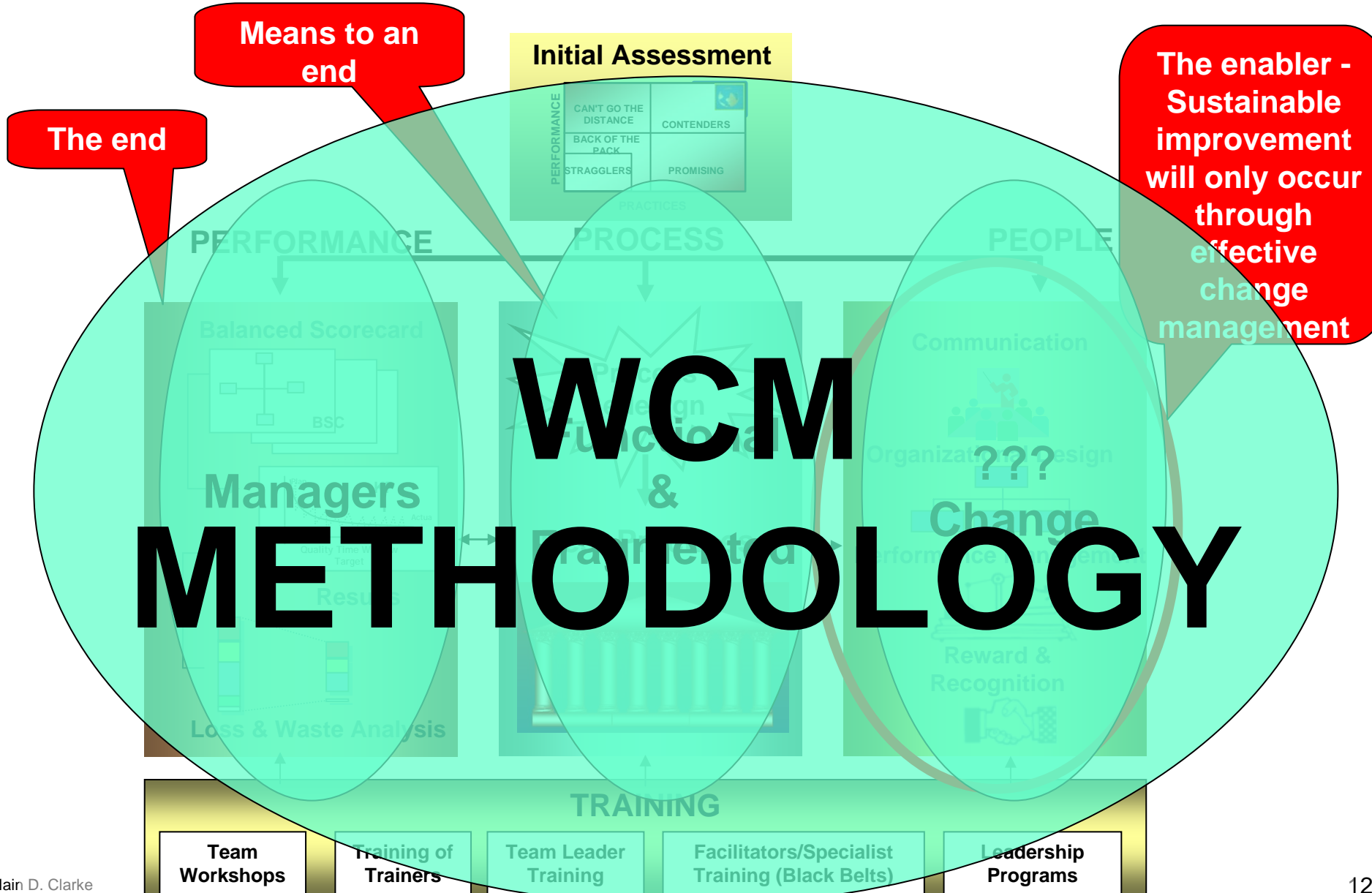
- Organizational design is more than just structure.
- Different strategies lead to different organizations.
- For an organization to be effective, all parts of the star must be aligned

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**And why is Organizational Design  
important.....?**



# World Class Best Practices are a means to an end. (Organizational capability/performance are the desired outcomes)



# Organizational Principles have changed over time

Old Logic Principles		New Logic Principles
The organization is a secondary source of competitive advantage	→	The organization can be the ultimate competitive advantage
Bureaucracy is the most effective source of control	→	Involvement is the most effective source of control
Top management and technical experts should add most of the value	→	All employees must add significant value
Hierarchical processes are the key to organizational effectiveness	→	Lateral processes are the key to organizational effectiveness
Organizations should be designed around functions	→	Organizations should be designed around processes, products and customers
Effective managers are the key to organizational effectiveness	→	Effective leadership is the key to organizational effectiveness

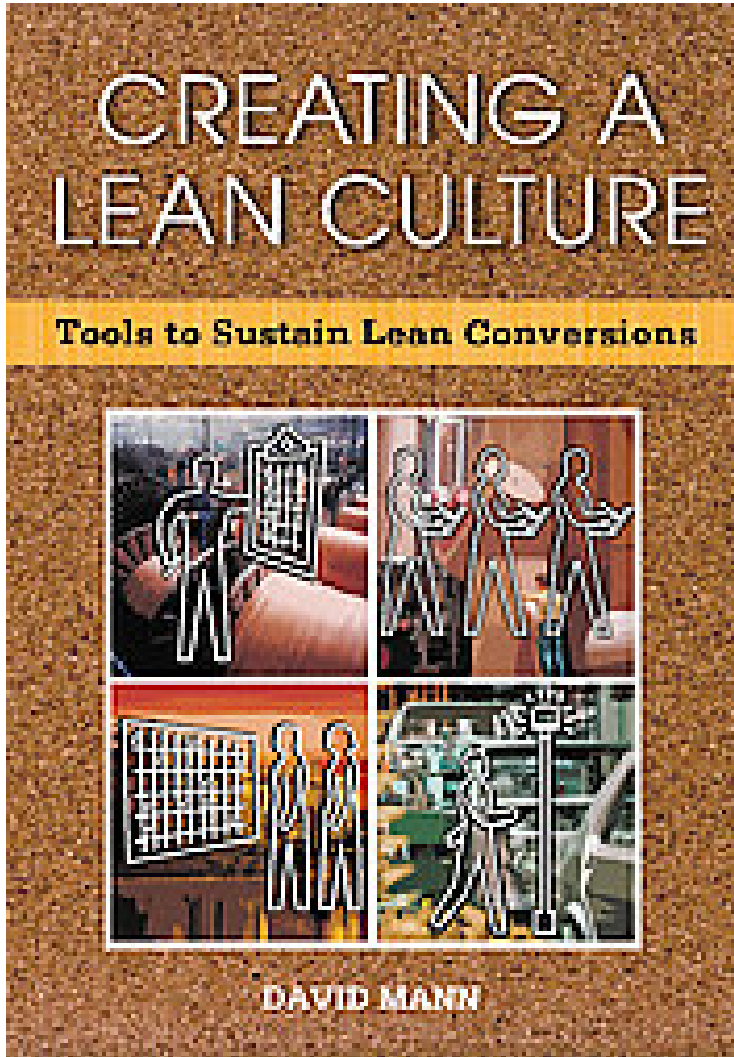
# What does a consistent organizational design provide?

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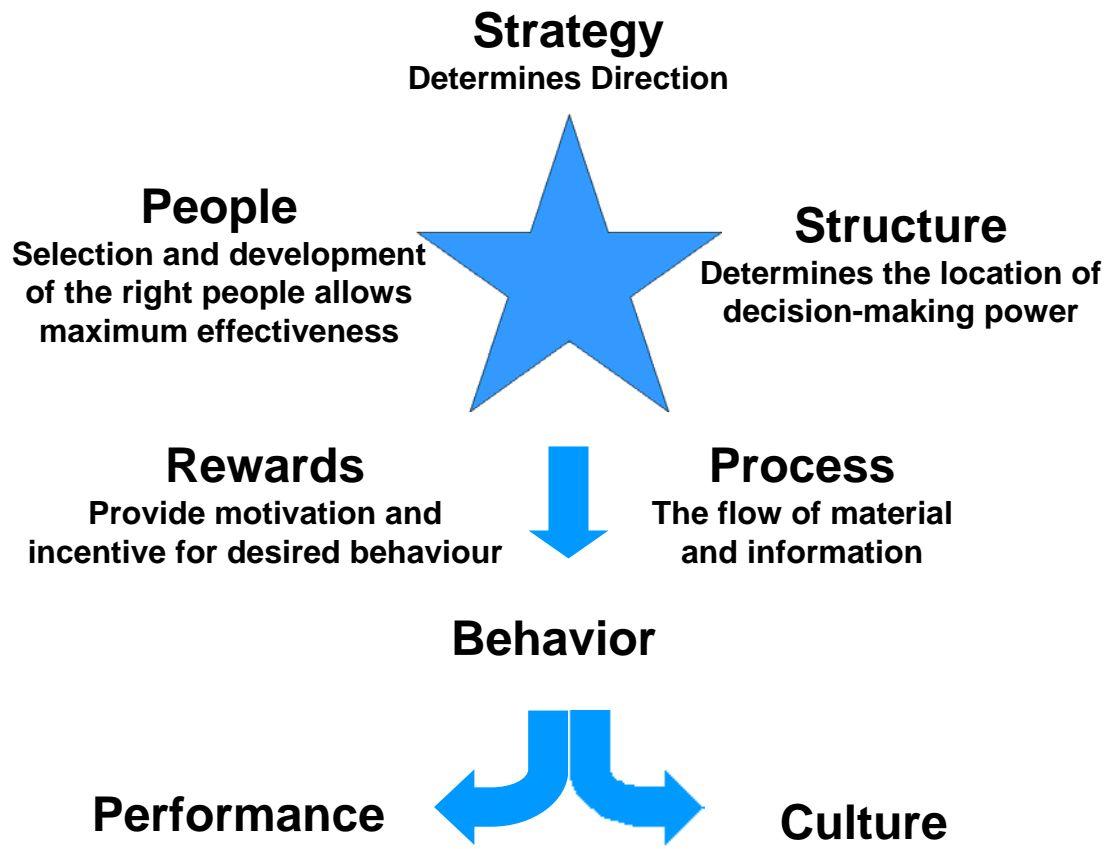
- **Better defined roles for everyone in the organization**
- **Less duplication of effort**
- **Higher, more focused emphasis on development of skills**
- **Move from a functional to a process based focus**
- **More consistent terminology & culture**
- **Clear career path definitions**
- **Better alignment of support structures to the world class journey**
- **Elimination of non-value added activities**
- **Improved visibility to the specific challenges operations teams and leadership face day to day**
- **A common understanding of where the organization is headed**
- **Far more effective benchmarking & knowledge transfer**

# Creating a Lean Culture



- Acknowledges the need for a Lean management system
- Four principle elements:
  - Leader standard work
  - Visual controls
  - Daily accountability process
  - Leadership discipline
- Process focused

# Going back to Galbraith.....



- **Organizational design is more than just structure.**
- **Different strategies lead to different organizations.**
- **For an organization to be effective, all parts of the star must be aligned**

# Strategy

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- **Vision, Mission & Values**
- **Governance**
- **Competitive Advantage/Formula for winning**
- **What not to do**
- **What (Business Proposition) –**
  - Objectives, goals, profit, cost, growth, market share, etc.
- **Where –**
  - Product lines, geographies, markets, etc.
- **How –**
  - Success factors, competitive advantage, unique processes/technologies, etc.
- **Alignment with other points of the star**

# The Evolution of Manufacturing's Strategic Role



## STAGE 1

### “Internally Neutral”

Minimize Manufacturing's Negative Potential

External experts are used in making decisions about strategic manufacturing issues; Internal management control systems are the primary means for monitoring manufacturing performance; Manufacturing is kept flexible and reactive

## STAGE 2

### “Externally Neutral”

Achieve Parity (Neutrality) With Competitors

“Industry practice” is followed; The planning horizon for manufacturing investment decisions is extended to incorporate a single business cycle; Capital investment is regarded as the primary means for catching up to competition or achieving a competitive edge

## STAGE 3

### “Internally Supportive”

Provide Credible Support to the Business Strategy

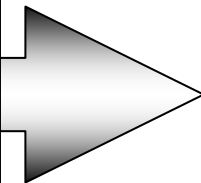
Manufacturing investments are screened for consistency with the business strategy; Changes in business strategy are automatically translated into manufacturing implications; Longer-term manufacturing developments and trends are systematically addressed

## STAGE 4

### “Externally Supportive”

Pursue Manufacturing Based Competitive Advantage

Efforts are made to anticipate the potential of new manufacturing practices and technologies; Manufacturing is centrally involved in major marketing and engineering decisions; Long-range programmes are pursued in order to acquire capabilities in advance of needs



# Components of Manufacturing Strategy

DECISION TYPE	DECISION CATEGORY	DECISIONS
STRUCTURAL	CAPACITY	Amount, timing, type
	FACILITIES	Size, location, specialisation
	TECHNOLOGY	Equipment, automation, linkages
	VERTICAL INTEGRATION	Direction, extent, balance
INFRA-STRUCTURAL	HUMAN RESOURCES	Skill level, wage policies, employment security
	QUALITY	Defect prevention, monitoring, intervention
	PRODUCTION PLANNING/ MATERIALS CONTROL	Sourcing policies, centralisation, decision rules
	NEW PRODUCT DEVELOPMENT	Concurrent development, involvement
	PERFORMANCE MEASUREMENT & REWARD	Individual, organizational, measures
	ORGANISATION	Structure, control/reward systems, role of staff groups

# Core and Support Strategies

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- **Core Strategies**

- MANUFACTURING
- SALES AND DISTRIBUTION
- MARKETING
- MANAGING THE ENVIRONMENT

- **Support Strategies**

- HUMAN RESOURCES
- TECHNICAL
- FINANCE
- INFORMATION SERVICES
- PLANNING

- **Support strategies only have relevance to the extent that they drive or support the core parts of the business**

# Processes

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- **Materials & conversion**
- **Information**
- **Decision making**
- **Financial**
- **Networks**
- **Integration roles**
- **Resource allocation (people, funds, time etc.)**
- **Planning/Budgeting**
- **NPD/PLM**
- **S&OP**
- **Order fulfillment**
- **WCM**
- **Maintenance**
- **Quality, etc.**
- **Alignment with other points of the star**

# Structure

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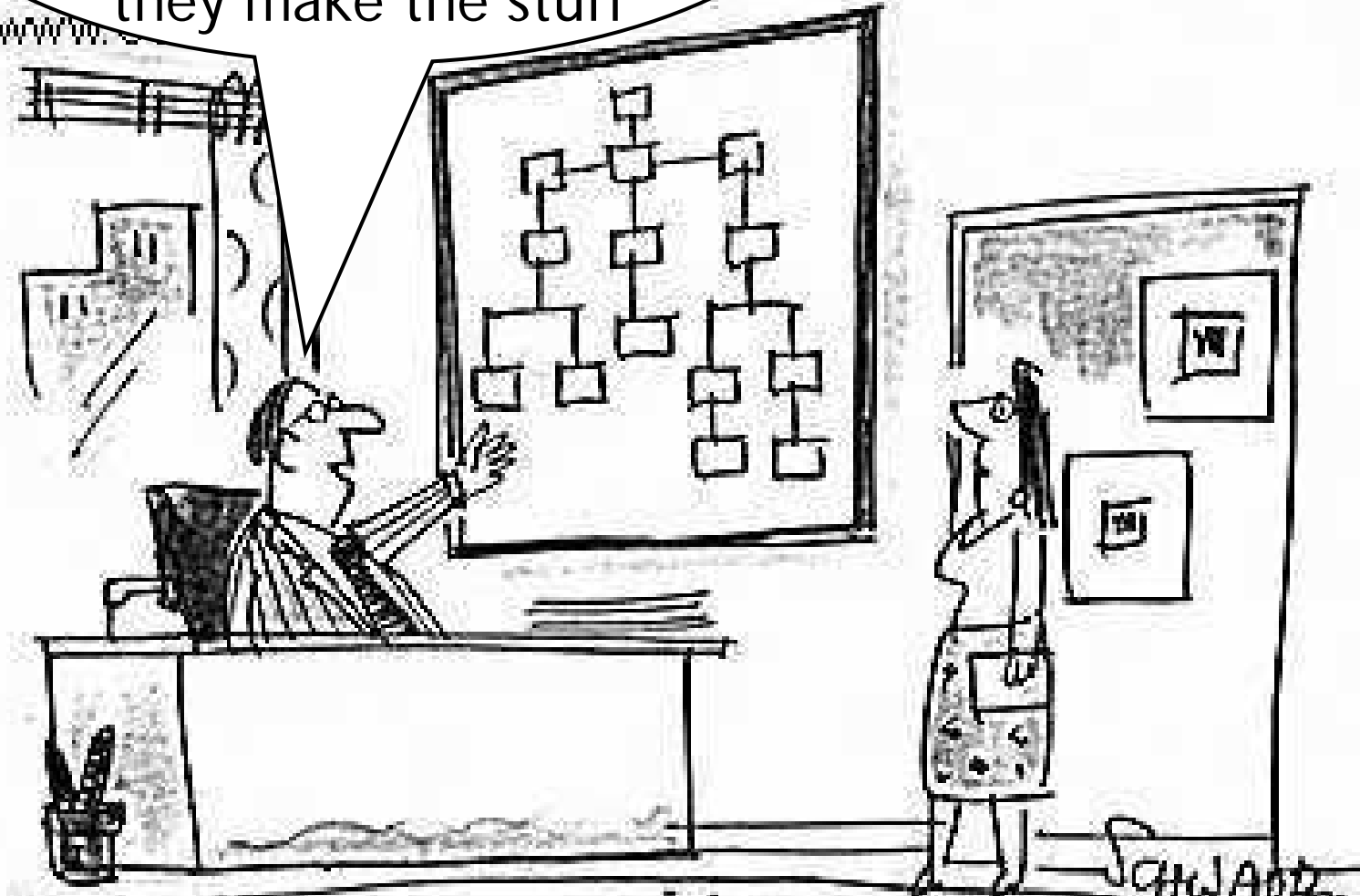
- **Distribution of Power – centralization/decentralization, decision-making & authority**
- **Shape – Scope, depth (levels) and span of control**
- **Levels**
- **Responsibilities**
- **Roles**
- **Basis for design/departmentalization**
  - **Geographic**
  - **Functional**
  - **Process**
  - **Product**
  - **Customer**
  - **Matrix**
- **Specialization – type and number of job specializations**
- **Alignment with other points of the star**

# People

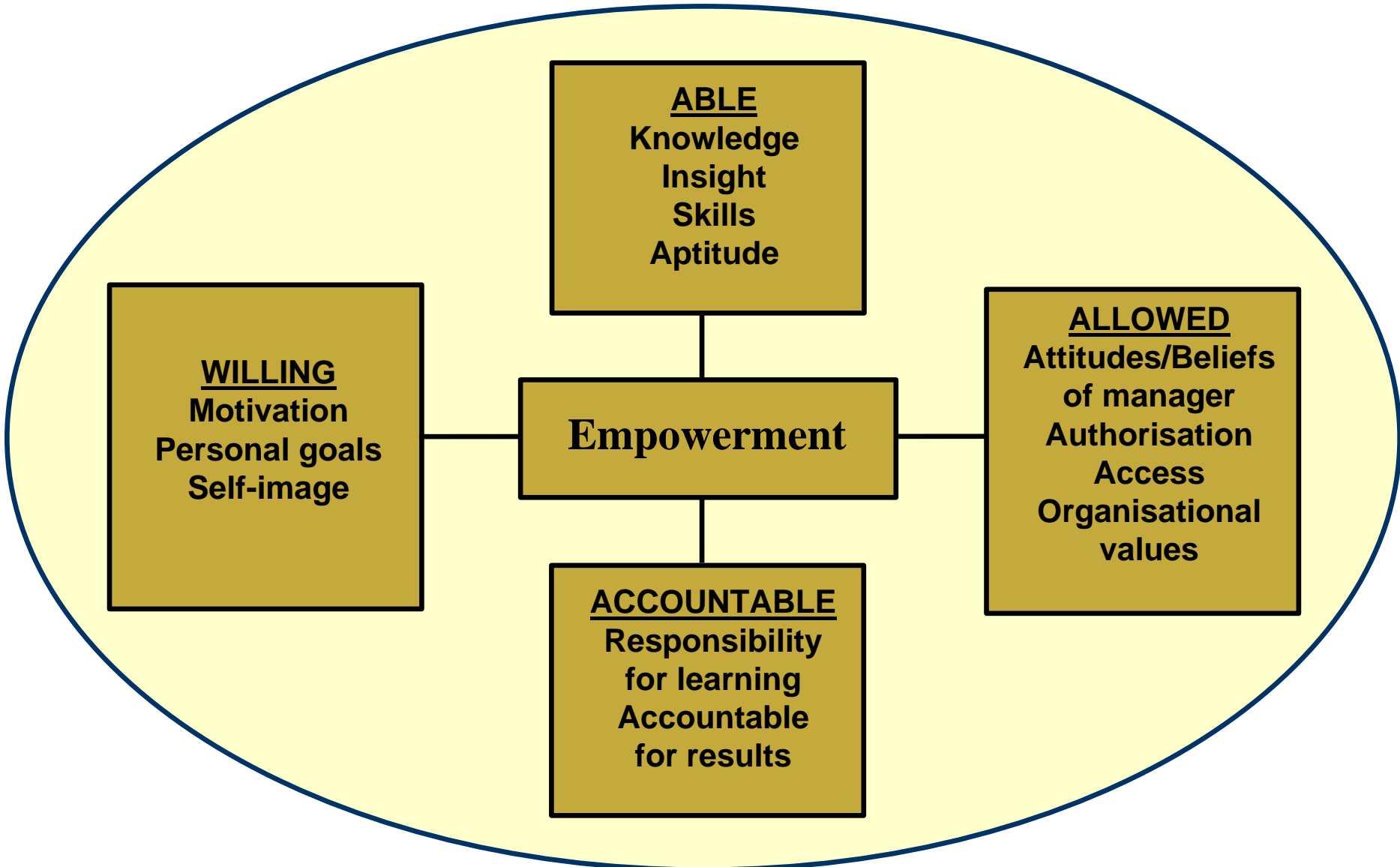
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- **Recruitment, Selection & Retention – education, experience & attitude**
- **Training & Development**
- **Competency models & assessment**
- **Rotation/movement**
- **Policies & procedures**
- **Flexibility**
- **Specialists/generalists**
- **Jobs consistent across facilities**
- **Career path opportunities in place and understood**
- Leadership, Communication and Information
- Work Organization
- Diversity Management
- Change Management
- People “Flow” & Flexibility
- **Alignment with other points of the star**

I've discovered the secret to improving productivity... It's these people down here - they make the stuff



# True Empowerment



# Reward

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- **Performance management**
- **Compensation systems**
- **Grading**
- **Recognition**
- **Goal alignment (employees/organisation)**
- **Motivation/incentives (Maslow's Hierarchy)**
- **Salaries**
- **Promotions**
- **Bonuses**
- **Development/employability**
- **Profit sharing**
- **Stock options**
- **Incentive schemes**
- **Alignment with other points of the star**

# Behavior

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- **Mind-sets**
- **Co-operation**
- **Motivation**
- **Entitlement**
- **Collaboration vs confrontation**
- **Hidden agendas**
- **Short-termism vs. strategic**
- **Measurement and tie to performance management**

# Performance

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- **Productivity**
- **Cost**
- **Quality**
- **Delivery (Flexibility, Reliability etc.)**
- **Safety**
- **Morale**
- **Etc.**

# Culture

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- **Norms of behavior**
- **Conduct**
- **Dress**
- **Rituals/Symbols**
- **Systems of belief**
- **Expectations**
- **Traditions/Customs**
- **Differences**
- **Value systems**

# An example of WCM principles

- Performance management systems effectively applied (with “line of sight” measures) & employee accountability for performance
- Decision-Making devolved to the lowest possible level
- Problem solving to root cause
- Multidisciplinary work teams with different time horizons at different levels:
  - shop floor concentration on day to day activities (1-7 day horizon)
  - departmental focus on systemic solutions and improvement (1-52 week horizon)
  - managerial focus on long-term strategic issues (12-156 week horizon)
- Employee contributions recognized and valued, regardless of position or job
- Employees enjoy their work, are engaged and feel “ownership” of performance
- Employees enabled to get things done - make decisions, work in teams, self-managed
- A continuous improvement ethic - quality, productivity (cost), service (reliability, flexibility) and people (safety, morale)
- A proactive, life-cycle approach to asset care, with ownership at source
- Ownership of quality at source (operational teams) with “quality gates” at handoff points and effective application of SPC techniques
- Everyone in the business is a coach, and work is a continual learning experience
- A clean, safe and well organized workplace
- A focus on the voice of the customer (internal and external)
- Effective two-way communication with true sharing of information - information gathering for team decision-making rather than just management reporting
- Multi-tasking roles resulting in flexibility, job enrichment and therefore more engaged employees
- High asset utilization through techniques such as V-profiling, focused factories.....
- Reliable processes result in high schedule compliance and inventory reduction
- Integrated scheduling optimizing the whole supply chain
- Recognition of the interdependence between Brewery Operations and other functional units
- Flat, lean organizational structures with clear roles and responsibilities
- Support structures in place to ensure functional integrity/consistency, and also provide coaching, auditing and advanced problem solving support
- Standardization when and where appropriate

# Group Exercise

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- **Break into groups – 3 or 4?**
- **Select a scribe and a spokesperson/s**
- **In 30 minutes:**
  - **Discuss the list of world class manufacturing principles you have been given & highlight those which will be enabled through effective organizational design**
  - **Share where your organization has been successful or ineffective with putting in place such principles and what can be learned from this**
- **Reconvene and present feedback to the plenary session: 5-10 minutes per group**

The Star Model shows the levers that managers can control, and as a result, can affect employee behavior. By “designing in” the desired behavior, managers can influence the organization’s performance as well as its culture.

