

# Structure Follows Strategy – But May not Look Like You Imagined

BY JOHN SUTHERLAND

**In the world of structural design, one size does not fit all. It pays massive dividends to get the structure fit for the purpose and strategy of your very specific business. In this article, John Sutherland discusses the seven structural archetypes and the six guidelines for structural design to make organisations more effective and capable of delivering your strategy.**

**B**rian and his team had come up with their new strategy, after several months of vision setting, market analysis and detailed feasibility studies. Now he needed to ensure he had a structure that was capable of supporting the delivery of their new business plan. At this point many firms reach for the tried and tested line structure, based on a clear hierarchy. But that would not have given Brian what he needed. So he set about designing it from first principles, using the six guidelines laid out here.

## 1. Structure Follows Strategy

The purpose of structure is to organise your resources in such a way that you are able to deliver your strategy. So the first guideline is to ensure you have coherence of direction before embarking on the journey to determine your structure. Tick in the box for Brian and his team here. You must be able to articulate what the structure has to enable in order to build an effective organisation. If, for example, you plan rapid growth or International expansion your structure must be able to scale and cope with multiple time zones. If you need to bring in innovation, into a traditional structure, something will have to shift in the design to enable innovation to flourish, or it will be suffocated at birth by bureaucracy. You could be forgiven for thinking that structures are independent of strategy, when you consider how

many businesses trot out similar versions of the traditional line structure despite having diverse aims and purposes. It saves brain work to reach for the usual line diagram but the reality is that one size does not fit all in the world of structural design. It pays massive dividends to get the structure fit for the purpose of your very specific business.

## 2. Structure Must be Aligned with Values and Espoused Culture

Your structural design will lie at the confluence of your intentions on strategy, values and culture. If your value statements are ever going to be more than just aspirational words on a page, and you want to turn your espoused culture in tangible behaviour, this will have massive implications for your structural design work. If your stated value is to be 'customer focussed' but your organisational design is all internally orientated and lacks an external radar then you are building a fundamental clash of values into your structure and the outcome will be confusion. If you claim that your workforce is your key asset, but your organisation is driven by compliance and control, you will end up with dispirited employees and high churn. Effective structures bring clarity so that everyone can quickly understand how they are to act and relate to others, internally and externally. And they are consistent with the aims and purposes of the organisation, so that everything resonates harmoniously. So how does your structure need to be flexed to be truly aligned with your values and emerging culture?

## 3. Size Matters

With a small business of up to 12 people firms naturally run as a family cluster. Once they reach 24-30 they start to operate as an extended family, and everyone still knows everyone. The big changes start to kick in when the group size exceeds our ability to function like

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a family. The more people, and the more complex the interactions, the more you will need to clearly define how your structure works. By the time you get to 80 people the family feel has been replaced by multiple families, a tribe or has transformed into one of the organising principles discussed in the next section.

Some firms attempt to impose heavy structures on small firms, that are still at the 'family size' end of the spectrum, and this usually leads to problems of unnecessary bureaucracy, slowing down the organisation rather than enabling it. It is akin to trying on your dad's suit when you are still a kid. There is no need to complicate structures too soon.

This article is aimed at organisations in the 80 - 10,000 employee size. For much larger organisations, over 50,000, issues of control re-assert themselves. Some attempt to tackle the problem by imposing a strong command and control culture, aimed at quality assurance, health and safety and budget control. Others allow divisional structures to adapt to suit specific local needs whilst ensuring their reporting structures are consistent and aligned.

#### 4. The Organising Principle and Structural Archetypes

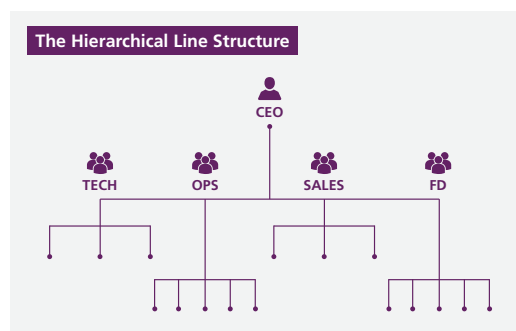
Behind every structure is an inherent organising principle. As Yuval Harari helped us understand, in his wonderful book *'Sapiens: A brief history of human-kind'*, as a species we are in a constant search for an organising principle around which to cluster. Our rise to dominance, on this fragile planet, is in large part attributable to our ability to organise very large numbers of people around a compelling idea, such as a belonging to a tribe, region, political party or sporting club. It gives us a massive advantage over other species. Millions of people follow Manchester United Football Club even though the majority seldom get to Old Trafford to watch a match in person. Organising principles are powerful catalysts and, of course, are also active in our working lives. So the fourth principle in structural design is to match the organising principle of your structure to the needs of your strategy. Here are seven archetypes to stimulate your thinking.

##### THE HIERARCHICAL LINE STRUCTURE

Let's start with the one we all know. Here the organising principle is positional authority. I am in charge of you and you are in charge of them. The vast majority of organisations assume that their new structure will be some variant of a hierarchical organisational chart.

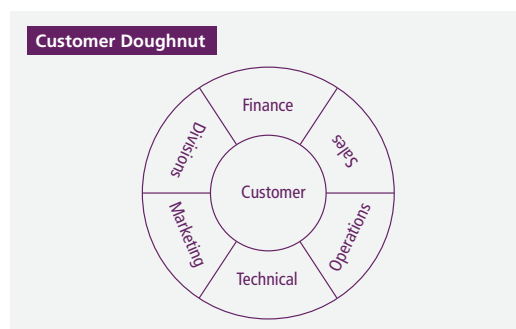
This became popular in the days of the 'mill owner' industry, where there was a clear boss who (hopefully) knew more than everyone else about what to do and how best to do it. But few organisations today have a boss who knows more or can perform better than their 'subordinates'. In fact many managers pride themselves on their ability to hire people who are better than themselves.

Recently, line structures have developed dotted reporting lines, in an attempt to reflect the more complex organising patterns that are actually at play than a simple command and control chart can convey. Wherever you have a line drawing with a multitude of dotted reporting lines you can safely assume that hierarchy is the wrong organising principle for your firm. Time to move on.



##### THE CUSTOMER DOUGHNUT

Another popular concept, although more frequently described than actually used as the basis for the true design. Here the organising principle is customer focus. Everything we do needs to make sense of what the customer needs or can be encouraged to want, so we put them in the middle of our 'doughnut' and ensure that all are activities and resources are co-ordinated around their discernible current



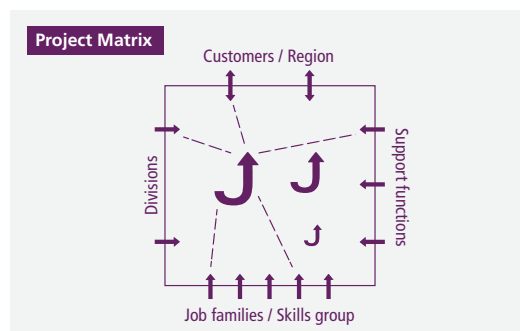
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and future needs. Some organisations extend the model to think about how to view all staff as 'customers', with operations being the customers of the sales team, and so on.

### THE PROJECT MATRIX

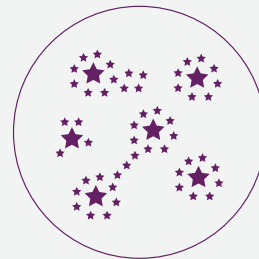
Matrix organisations tend to get a bad press as it can be hard to make them work effectively when superimposed on a traditional culture. But the key to unlocking their potential, at least in my experience, is to understand that the organising principle behind them is to focus on the larger scale projects that are required to give the customer what they need. Arrayed around the matrix are the organisational strands of customer interface (North plane), divisional strands of internal organisation (West plane), 'job family' strands of skills clusters (South plane) and support functions (East plane). Once a customer project has been identified the appropriate resources to deliver that project are drawn from the West, South and East planes for the life time of that project, and then return to base awaiting the next project. The senior team's role is to ensure the constituent parts of the matrix remain just ahead of the emerging customer's need.



### THE STAR PERFORMER CLUSTER

A variation of the matrix archetype is to cluster resource around a small number of 'brilliant' star performers, rather than client projects. As in the matrix, the resources are used in an agile and mobile way so that the unfolding needs of the enterprise can be flexed as the stars' work evolves. This structural principle can often be found in fast paced technology development companies, such as software houses or hi-tech engineering firms. It tends to work best when the resources are all in the same building so they can move fluidly between 'stars' and begins to creak at the edges when the work crosses locations and time zone.

### Stars Performer Cluster

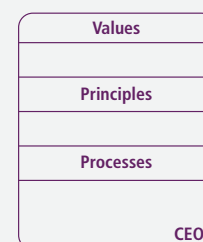


### THE CONSTITUTION

A number of organisational designs are, essentially, empowerment structures where an agreed set of guidelines, values or meta processes become the organising principle. This allows the work force to crack on with tasks unimpeded by the need to gain permission and sign off for their work. As long as they abide by the constitution they are free to act. A well worked through example of this is 'Holacracy', as described by Brian Robertson ([www.holacracy.org](http://www.holacracy.org)) but there are many others based on the same principles. Whenever you hear that an organisation is values led or is a meritocracy you know that there are a set of agreed guiding principles that steer actions day by day. It is the constitution, rather than the hierarchy, that provides the rules of engagement. What Robertson has shown is how the system also leads to governance, which is a useful development.

At present some 'values led' organisations also have a residual line structure, as if not able yet to fully commit to this form of structure. In most cases we have come across this has only served to confuse people who, when push comes to shove, revert to authority to satisfy their felt need for control. If you are going for a constitutional paradigm it needs to be the dominant and deciding force.

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You are not finished when you have the structure design neatly laid out on a sheet of A3. That is often just the start of a journey. The next step is to ensure the senior team **understand and abide** by the inherent organising principles in the structure and 'walk the talk'.

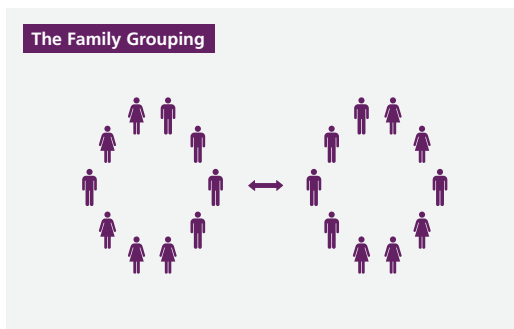
### THE AMOEBAE

How much do you remember from your biology classes at school? The amoebae has the ability to slowly change shape to suit its purposes and the environment it finds itself in. Adaptability, if not agility, is the organising principle here. There is a nucleus, aka the senior team, that governs the overall shift of evolution and rate of adaptation – not so fast that the inherent structure is lost – not so slow that it fails to capitalise on changes in the environment. Because of the inherent flux in the structure the amoebae principle requires the organisation to have the ability to articulate its current and future structure requirements on a regular basis, usually once a quarter.



### THE FAMILY GROUPING

Evolution has hard wired us to do well in groups of up to 12 as a family or 24-30 as an extended family. So some organisations use 'family' clusters as their organising principle. There may be a technology cluster and a key account cluster but each has their own space in the organisation and develops an inherent sense of belonging. I work with a market research organisation that is successfully structured in this way. Outside of the work environment Churches, Mosques and Temples often use this structure, so that each person is a member of a study or house group, allowing the overall size of the organisation to continue to grow without losing the sense of family grouping.



### 5. Descriptive and Prescriptive

The fifth structural design principle is that the structure has to genuinely say something predictive about the observable behaviours in your organisation. Anyone can draw a new structural diagram, that is relatively easy, but to have that actually influence day by day actions and decisions is much harder. Sometimes an organisation will base their structure on the behaviours that actually take place in the real world of work, rather than attempt to change culture. Petra's organisation was a case in point. They wanted to bring in a new CFO and had had difficulties finding a suitable match to the existing senior team as the ones they found were used to more traditional structures. Although they had never articulated it Petra's organisation was running as a matrix with a constitution, and had been doing so since the early days of its formation. Everyone knew the rules of engagement but they were never written down. Fine when you have been there a number of years but confusing if you are joining from a different mind-set. So we wrote down the key rules they actually ran the organisation by, which were to do with meritocracy (the best idea wins regardless of 'rank') and organising around main projects. Once 'described' these rules were then 'prescribed', as the constitution and matrix through which they worked.

It follows that in your structural design work you are not finished when you have the format neatly laid out on a sheet of A3. That is often just the start of a



journey. The next step is to ensure the senior team understand and abide by the inherent organising principles in the structure and 'walk the talk'. In fact I usually suggest the senior team try the new structure out 'for size' to see if they can live by it before announcing to the rest of the organisation. Less embarrassing that way.

## 6. Compliance and Independence

One of the most intriguing aspects of structural design makes up the final principle. All structural designs have to cope with holding opposite forces in balance. Some are well known, such as the tension between sales and operations, where the need for flexibility of sales offering is held in creative tension with the need for operational efficiency. Others are less well articulated, of which the most common in our experience is the compliance and independence conundrum. The organisation needs its members to comply with a number of key performance constraints, for example health and safety policies and 'just in time' processes. Set against that need is the fact that individuals usually want to feel empowered to achieve their objectives their own way, and find their energy inhibited if 'managed' too closely, not only being told what to do but also how to do it.

Most organisations I have worked with have needed to find a way to do both/and – set clear parameters within which people must work and free up the talent to produce excellent results. Some structural designs emphasise control and compliance, such as the hierarchical line structures. Others emphasise independence, such as the constitution. But you are likely to need both in your design. How will you reconcile the competing needs in your organisation, especially if you are a person who has a felt need for control?

## Integrating Your Structural Design

I find it helps to draw the different strands of structural design out on one page, as we did with Brian's engineering organisation. The plan was to grow from £20 to £100m over five years in a business focussed on providing commercially focussed technology development for its clients. The business was now too big (over 100) to be a family structure; it had become a tribe. He required clear governance but also needed resources to be flexibly clustered around their star performers. And he wanted to underscore the strong Northern pride that was alive and healthy in the business. People needed to want to work there. It was more than just a job.

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Putting it all together Brian's call was to have a mix of a constitution and star performer clusters as their organising principles. The constitution focussed around a specific meta process that applied to all internal and external projects, allowing each person to know what stage gate they were at. The star performers worked on varied aspects of their clients technology development projects. As befits a company focussed on commercial technology development, Brian had designed a structure that was inherently 'state of the art', matching the culture in his organisation. An old style line based hierarchy would simply not have worked for them. They were too fleet of foot for that.

So what about your structure? When you reflect on how you are organised is it aligned with the needs of your business plan, values and culture? Most businesses have structures that lag behind their strategy and have the net effect of slowing down progress against plan. Getting the structure exactly right is like taking the hand brake off. You will be amazed at the difference it makes. **EBR**

## About the Author



**John Sutherland** is the Director of Strategic Resource, which assesses and develops senior teams in order to support them achieving their business plan. He is also the Director of the Leadership Initiative, which provides bespoke in-house programmes focussed on the specific skills required for each unique organisation.