

PAPER

# Business Process Management -informed Organisational Redesign

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Business Process Management

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**It is a rare enterprise that has not undergone some degree of change in structure in the past five years. As internal and external circumstances change, enterprises must change themselves to better suit those circumstances, most commonly by changing their organisational structure, hopefully to some kind of conscious design. Conscious or not, employees and managers alike will attest that restructuring or redesigning (or recovering from change which has been imposed without a design) can be one of the most difficult, stressful work experiences, full of uncertainty and difficult decision-making. However, as the drivers for these restructures are increasingly seen as just part of the normal business environment, the redesigns themselves can be seen as expected, regular events in the life of an organisation.**

This article proposes some approaches to organisational redesign based upon business process management (BPM) techniques that have emerged from our recent project experiences. Specifically, it explores the ways in which a process architecture and coordinated set of value chains can help with organisational design and the implementation of new structures.

## Organisational structure

For this discussion, we will treat the organisational structure as the hierarchy of reporting that groups and links functional divisions within a large enterprise. 'Restructuring' can sometimes be taken to mean changes to the structural nature of the business (i.e. what lines of business it conducts, what markets it operates in, how it is legally composed). Changes to the business structure often overlap with, or necessitate changes to, the organisational structure. For this paper, we focus on the people and reporting sense of organisational structure.

'Organisational structure' is frequently used as shorthand for the network of roles and responsibilities allocated to individuals and teams, often presented as an organisation chart that illustrates the chain of command. The structure is intended to provide leadership, day-to-day managerial organisation, and financial delimitation to functional groups in an enterprise. Because organisational structures act as management structures for functions and responsibilities, we can see that they are deeply concerned with what sort of work is done by the organisation.

This paper argues that organisational structures are inextricably linked to business processes. Therefore, business process management can offer insights into the challenges that restructures are likely to face, and how they can be successfully met.

## Why restructure?

No organisational structure is unchanging. Through natural growth and attrition, and changes in markets and regulatory environments, organisational structures constantly evolve.

Periodically, however, a larger, non-organic shake-up of the lines of reporting becomes an organisational imperative. Restructuring is an organisational response to one or more of the following situations:

- A budget crisis requiring the dramatic reduction of expenditure, resulting in the loss of staff and (potentially formerly) productive assets.
- The desire to improve performance by changing the lines of reporting so that poor performing divisions are brought under new managers.
- The merger or acquisition of another enterprise where close integration is desired, and requiring parts of the new organisation that perform similar roles to be brought together under one reporting line. It should be noted that many merger or acquisition strategies are premised on the idea that cost reductions can be achieved by reducing the overall headcount of the newly consolidated entities through 'efficiency gains' or 'synergies'.
- The creation of a new line of business that requires its own reporting paths and organisational structures.
- A change to the nature of the business to align organisational divisions with a strategic direction. This could include giving particular units a higher priority in the hierarchy, or grouping units together differently.
- A change to the geographic location of organisational units, causing alterations to organisational ownership. Frequently, this is done for cost or strategy reasons, such as following geographical market trends.

In each of these situations, whether the desired outcome is to reduce the number of employees, improve performance, or expand the business, the outcome from a business process point of view will always involve one or more of the following:

- Modifying a business process by reallocating responsibilities from one role or team to another

- Removing a business process entirely (potentially leaving open questions about whether other business processes are affected by this removal)
- Adding new business processes (potentially leaving open questions about whether they duplicate or overlap with existing business processes).

In other words, regardless of what drives a restructure, the outcome will always have an impact on business processes. Well planned and managed, a restructure can be the impetus for process improvements. It is important to note, however, that restructuring is not the same as process improvement – without attention to processes, new organisational designs run the risk of failing to address the drivers that prompted them.

## Why processes matter to organisational design

Human-operated business processes fundamentally depend on the roles and positions (and in some cases, the individuals) that carry them out. So, any change to the organisational structure will change business processes, even if only by changing those responsible for them. In addition, a restructure not only changes who carries out a process, but also, in many cases, how processes link together. This can introduce a number of issues:

- Lack of clarity over who is responsible for which processes
- Reduced process performance due to the unfamiliarity of new operators
- Breakdown or disruption of cross-functional processes because of a lack of clarity over where hand-overs should occur
- Process breakdown or disruption due to a mismatch between the volume of work and the resources available.

In each of these cases, it is apparent that knowing more about the business processes affected by the restructure *before* it is designed and implemented is critical. In other words, restructures can tell you much about business processes that you didn't know, but it's rarely going to be good news. Even in more moderate situations where the restructure is designed to reinvigorate a team by providing new leadership, the 'shake up' in reality must encounter the processes, not just the people. Simply throwing new leaders at broken processes will not produce results.

In an ideal world, the first thing the team charged with constructing a new organisational design would do is consult their up-to-date repository of process information; they would then run reports detailing the processes of interest for all the roles and organisational units affected by the proposed restructure. The linkages between processes would be made explicit, so that new or reshaped teams could see who they depend on, and where the outputs of their work goes

to. A detailed and accurate set of process metrics would describe exactly how many human and other resources are required to carry out the processes as currently configured. This way, changes to the size of teams could be understood by their impact on the amount of work able to be performed, or the cycle times for each process. Where entire lines of business are being retired, an analysis of linked processes would show which of them need to be decommissioned, and whether this would have any upstream or downstream effects.

If the analysis of process capability shows that the current process is unable to meet requirements with the new level of resourcing, processes would be redesigned and/or technology initiatives put in place to bring those capabilities up to requirements.

A detailed map translating the old roles to the new ones would be created, a draft RACI matrix for processes produced, the process models describing the new to-be landscape circulated and various rounds of review and updating would be conducted. An agreed organisational chart linked to a set of processes for every unit and role would then be published. Implementation would then proceed on the basis of conducting the people and process changes in a coordinated way so as to ensure that everyone knew what they were responsible for and how the processes work.

## The value of process architecture

In many cases, an organisation undertaking a restructure is not living in the ideal world. Where the pressure for change is motivated by financial crisis, the need to restructure is frequently urgent, and the organisation does not have the requisite process information instantly at its disposal. Put simply, there's no time to conduct an intensive 'as-is' discovery and a calmly considered 'to-be' design. In other cases, the intent may be to conduct a more radical transformation of the organisation, and detailed information about its current state is considered irrelevant, or actively harmful. In either circumstance, while a concern for current process may be considered a theoretical nicety, there are concrete, practical steps that can reduce the risk of process failure in the new structure.

One of the most useful steps in an organisational redesign is to develop and agree on a 'process architecture' for the enterprise (if one does not already exist). Defining the set of organisational functions to a logical level (not necessarily down to the physical procedures and tasks) is the foundation to understanding what the organisation does; and this can be completed in a relatively short timeframe. This then provides a concrete, agreed representation of the processes that can be allocated to different organisational units to operate and manage. Being able to

refer to a common, stable of processes is fundamental to ensuring a good understanding of responsibilities. Applying those responsibilities in a RACI (responsible, accountable, consulted, informed) format to activities carried out in the real world cannot be done without reference to processes. Keeping the architecture to a logical level avoids being caught up in lengthy process discovery, while providing enough on-ground facts to ensure that structural decisions are made in an informed way.

The next step is to assemble those processes into a set of critical organisational value chains. Seeing how the processes link together to deliver value to customers is immediately useful for organisational redesign, because it illuminates the upstream and downstream consequences of processes – thus, it informs the teams where they need to hand over to each other. This can be translated into information for newly formed (or reformed) organisational units to help them navigate unfamiliar processes and new organisational relationships. This helps to prevent gaps appearing in processes, and mitigates the risk of processes stalling, breaking down, or endlessly looping while the correct owners of the work are located.

## Process remediation and improvement

Having established the process architecture and top-level value chains, the organisation is more capable of carrying out process improvement during and after implementation, and is better prepared for designing and implementing the new structure. It is common to find restructures resulting in some form of emergency management, on a triage basis, for a short period after implementation. In these cases, recovery can be slow, and process improvement is impossible in the face of complete process breakdown – the answer is often a clean sheet of paper.

The advantage of using an architecturally informed approach to designing a new organisational structure is that it also puts in place the mechanisms for gathering and dealing with feedback on process performance after it is launched. Put simply, if the new structure has clear process ownership, problems can be clearly traced to particular processes, and the scope and boundaries of those problems more clearly established. This enables faster, more certain resolutions without disrupting processes that are not affected, or are only inheritors of upstream issues. Remediation can then be better targeted.

One of the more critical factors in a restructure is the ability of staff to rapidly re-orientate after the new structure comes into effect. This is important, not only so existing processes can be operated immediately, but also so problems and opportunities for improvement can be detected. In the tumult of a restructure, it is very easy for overwhelmed staff to see deficient processes as normal and not worthy of improvement due to unfamiliarity, insecurity or the

sheer cognitive strain of taking in new processes and responsibilities. In addition, organisational attention is stretched during restructures, and improvement ideas can seem like distractions or 'nice-to-haves' when the enterprise is focused on surviving day by day.

In fact, having fresh eyes on processes is a valuable opportunity for gathering process improvement ideas. For this reason, one of the most useful things an organisation can do before a restructure is to build the method for gathering process improvement ideas into the restructure. Again, a design aligned to a process architecture and value chains is very helpful in this regard. Building improvement logs against the already-established value chains provides a natural owner for the proposals (the process owner for each step of the chain, or the chain overall), and a natural location for investigative work to begin. It is wise to set aside contingency funds for post-implementation remediation and improvement work to assist with building staff goodwill, and ensuring the implementation generates benefits. And, in the final analysis, the success or failure of a given organisational restructure can only really be judged using artefacts and metrics that enable the comparison of 'the way we did things' with 'the way we do things now'.

## Conclusion

Organisational restructures can be great opportunities for process improvement. The need to create a functioning enterprise along new reporting lines can be a valuable source of motivation to examine business processes where previously they were seen as a fruitless academic exercise. A few practical process interventions, such as creating the process architecture, and aligning value chains with organisational owners, can make the difference between a successful restructure and an ongoing disaster.



## About the Author

Darren Wright is a Senior Consultant, and has been working with Leonardo for 3 years. Darren's experience has spanned business analysis (including process engineering and design, process modelling, user requirements gathering and system specification), software package management (including supporting projects from start-up through to vendor selection, partnering arrangements and implementation), technical development work (including technical solution architecture, software development and configuration management) and business architectural development (including development of business and process architectures from scratch and integration of business architectures with existing Enterprise Architecture frameworks).

Darren has subject matter expertise in the tertiary education sector, and has significant experience in the government and financial services sectors. He has been involved in the implementation of systems (and supporting processes) for clients in Australia and the US, ranging from whole-of-enterprise ERPs to lightweight web apps. He is capable of engaging the business from C-level executives through to the shop floor

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