Wilson Perumal & Company's

Insights to Action

Success Stories from Leading Companies

When rapid business growth led to embedded process and structural complexity, re-aligning the operating model was the only way to realize step-change operational efficiencies

When effective, reliable operations aren't enough

After 10 years of successful growth, a leading global technology company (TechCo) began to experience decreased operating margins, despite no apparent dip in operating performance—all functions seemed busy and customer needs were being addressed as effectively as ever. With this challenge, TechCo set out to examine and potentially improve their processes to keep pace with increasingly strong competition.

Embedded organizational complexity

TechCo quickly found that it was difficult to quantify and address process efficiency with almost three dozen departments involved in Product Development and Operations. Moreover, operational performance indicators were non-existent, let alone tracked (a result of their fast, organic growth). However, exercises to reconcile resource allocation and processes revealed significant discrepancies between output and effort applied from one department to another.

Further investigation began to uncover the complexity that had evolved in the organizational structure and division of work. There was overlap and ambiguity in accountability for customer interactions and significant duplication in both product development and maintenance & upgrade process areas. These overlaps and blurred roles were in fact, the reason why overall productivity was lower than expected.

Organizational Activity Map

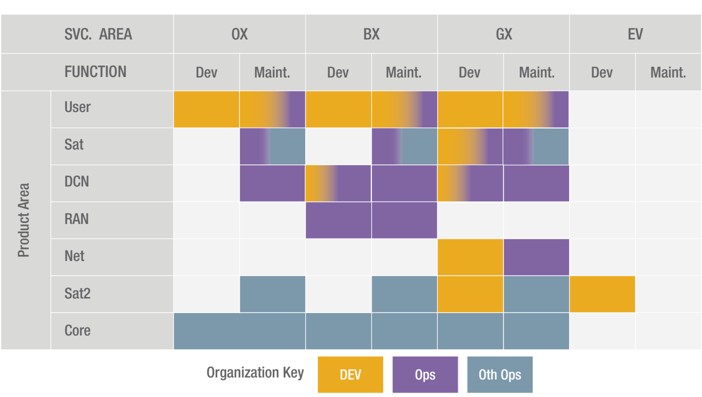

Figure: Division of work between organization blurred accountability and efficiency

Achieving step-change efficiencies required a fundamentally different operating structure

In order to address performance, TechCo needed to come up with a very different organizational structure that would not have been appropriate at earlier stages of their growth. Given the degree of potential changes, a set of design principles was developed to guide decision-making:

- The structure must clearly support the firm's strategy
- All organizations will be required to have clear goals, KPIs, accountabilities and reporting structures
- There will be clear differentiation between functions based on objectives, deliverables, and customer proximity
- The structure should create healthy competition for resources

A more focused, accountable, streamlined operating structure

The new design focused on business priorities and performance expectations—expectations against which the new organizations would be tracked and measured. Organizations which focused on long-term development (e.g. R&D) were separated from functions with a short-term focus (e.g., Sales). Similarly, functions measured on effectiveness (e.g., Development) were disentwined from functions measured on efficiency (e.g., Manufacturing). Lastly, organizations with low customer proximity (e.g. Finance) were completely centralized while functions with high customer proximity (e.g., Service) were empowered to operate more autonomously.

Results

TechCo expected to quickly capture $15M+ of benefits by restructuring, removing duplication, and clarifying functional delivery. Benefits came not only in efficiency savings, but also from a new customer-oriented Product Development organization and a Service Team much closer (figuratively and literally) to the market.

Are your transformation efforts clearly driving efficiency? Is an embedded legacy structure stifling process improvement effectiveness?

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