

Organization Design:

Guiding Principles for Optimal Company Structure



USC CONSULTING
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Empowering. Performance.

The Objective

Organization Design is often referred to as “Transformation,” a buzz word so commonly employed it is losing meaning. True transformation is a journey, not a quick-fix project. The Organization Design (OD) methodologies and toolkit used by USC Consulting Group aid the client in their journey using qualitative and quantitative approaches with dual objectives:

1. **Change the business’ cost structure.**
2. **Improve efficiency and synergies of how the work gets done. Effective organizations do the right work. Efficient organizations do the work in the most productive manner.**

Companies create and store value in three primary locations: culture, processes, and intellectual property. USC refers to these pillars as “People, Processes, and Tools.” Executives who understand this realize they must approach reorganization efforts with great care or risk value erosion in all three sanctuaries. Surgical tools for labor reductions can provide opportunity for healing whereas blunt tools bludgeon future growth.





The Problem

Most companies require a “creative crisis,” or a burning platform to provide fuel for change. A creative crisis is most commonly the result of changing competitive forces, merger or acquisition, or bankruptcy and buyout. The newness of an executive team, compounded by the organizational layers between the top leaders and the frontline workers, results in senior leadership who don’t know how the work gets done and find it difficult to surgically reduce the ranks.

Consequently, leaders set reduction targets. Often the targets are spread like peanut butter across the company. This is done in supposed “fairness”; however, peanut butter targets can hurt critical operations while

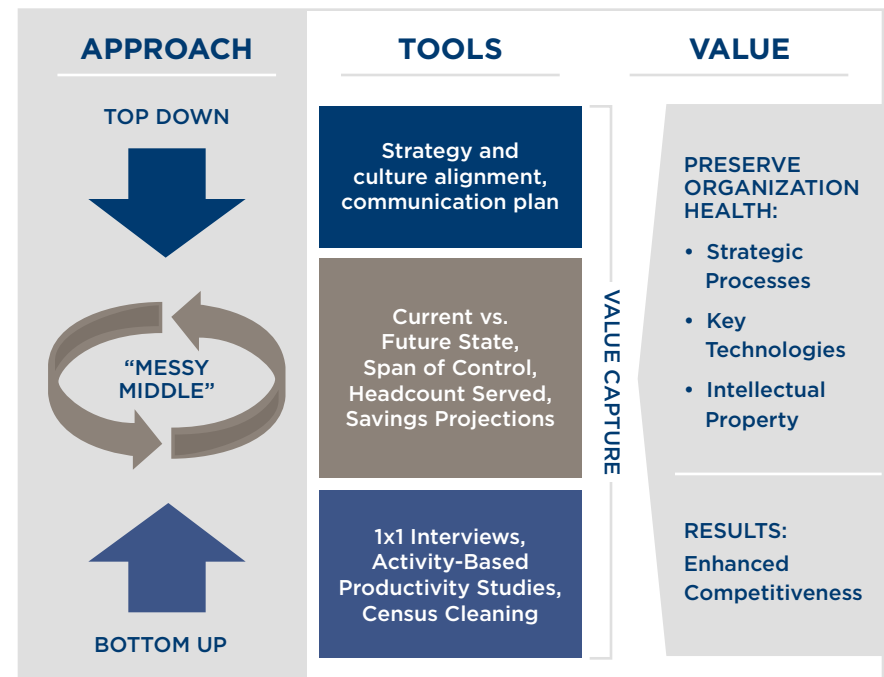
rewarding managers who have overhired and held onto underqualified, underperforming employees for too long. Additionally, lower-level employees are often reduced in higher percentages than the ranks above them, leaving the organization top heavy, putting the ability to get the work done at risk. Often cuts need to be made at the leadership levels.

As leaders assemble departments under them, “Frankenstein” organizations can emerge with poor synergistic fit among disparate teams with redundancies in roles and work effort between departments. Often organizational leaders are incapable of seeing outside their functional box.

Guiding Principles

The OD project identifies how the work gets done at the ground level, what the vision is at the top level, and the sanctuaries where value is stored. The USC Consulting Group team can then provide surgical rank reduction identification, work optimization, and departmental structure recommendations to improve work synergies. The following guiding principles help steer OD consultants as we help clients chart a course for a new company structure.

- ✓ 1. Diagnose before prescribing. Assess the current organization structure against the organizational purpose, core competencies, and strategic position.
- ✓ 2. Design according to the DNA of the company. Design with the end in mind.
- ✓ 3. Measure twice, cut once. Fix the structure last, not first.
- ✓ 4. Engage, retain, and promote top talent through the process.
- ✓ 5. Benchmark sensibly — excessive beauty comparisons result in either vanity or self-disdain.
- ✓ 6. Focus on what is within your control — Utilize strong change management tools.





Organization Design Toolkit

- **Census Cleansing:** USC uses state-of-the-art software to update current state organization charts that can be backfed to the client's HRIS system, rapidly correcting errors in the HR data.
- **Interviews:** Supervisors and management are interviewed to thoroughly document how the work gets done by all employees in the department. Senior Management is likewise interviewed with the objective of understanding strategic processes and technologies, the workstream and governance structure, and centralized services. The interviews are documented in an encyclopedia identifying redundancies, operational improvements, and recommended structure changes.
- **Activity Value Studies:** Task-based workers are studied to determine value-added vs non-value-added work activities and time requirements to complete tasks. Some of the more common analyses done by USC are Resource Utilization studies, Detail Studies or "Days in the Life of" studies (DILOs), and Process Task Analysis.
- **Span of Control Studies (SoC):** SoC studies are used as a "topography" to show discrepancies in reporting structures and observe hierarchy imbalances. Internal benchmarks (between business units or regions) and external benchmarks may be applied. Headcount served assessments are used for service organizations. Optimal span of control is determined based on the specific work requirements and growth plans of the organization.
- **Consolidation Opportunities:** Identify opportunities for restructuring how and where the work gets done. Typical opportunities include creating Shared Services organizations, Regional Consolidation, and Low Cost Jurisdiction work arrangements.
- **Organization Structure Sandbox:** An agile methodology for quick organization structure, future state planning and visualization. The sandbox is employed with Senior Leadership to test organizational constructs. Once the improved structure is defined, the sandbox becomes a stable visualization tool for a path forward.
- **Savings Opportunities with a Project Plan to Implementation:** Savings opportunities are prioritized for implementation based on difficulty and value. Near-term, roadmap, and deep-cut recommendations are identified. A detailed project plan guides Legal, HR, and Finance through implementation.
- **Synchronized Communications Plan:** The Synchronized Communications Plan floods the communications channels with targeted messages designed for specific audiences. The objective is clarity, quantity, and customization — at times mass communications, other times micro communications. Repeat the messages again and again to reinforce meaning and minimize misinterpretation.



CASE STUDY:

THE CLIENT:

A privately held, multi-billion-dollar food processing company.

THE CHALLENGE:

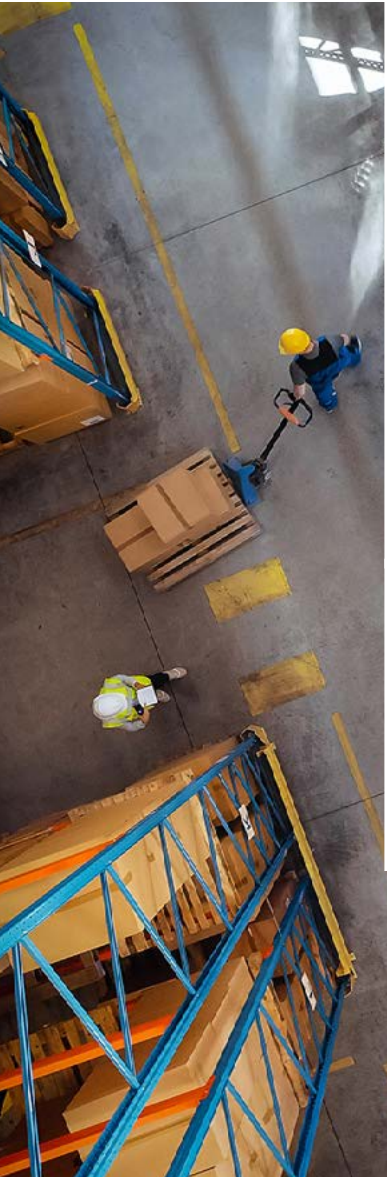
Rapid margin collapse in the aftermath of Covid as competitors slashed prices to regain lost market share. Senior Executives required headcount reduction plans from department leaders with little to no effect. The company structure was top heavy, and several departments had significant “role blur,” with work activities being performed by departments lacking core competency or with conflicts of interest.

THE SOLUTION:

USC Organization Design projects follow a PLAN, DO, CHECK, ACT project plan. Preliminary census data was incorrect and new organization charts were developed. Three key departments were chosen to be in scope based on Senior Leadership’s estimation of their utilization. A million-dollar target was established as a minimum threshold for savings. More than seventy interviews were conducted, as well as Span of Control and headcount served, and work activity studies provided the content for a comprehensive encyclopedia of the work that Senior Leadership could act upon.

THE RESULTS:

Project finding yielded 12% in labor reduction opportunity. Reductions in force were prioritized with Senior Leadership and the majority were acted upon. Dozens of operational improvements and structural recommendations were identified to align work activities with functional core competencies to improve cost control and reduce wasted time. A sandbox organization structure was collaboratively built as a roadmap to the future. The findings from the project are the foundation for the organization redesign journey the client has embarked on.



USC's approach to Organization Design provides detailed information from the bottom up, alignment from the top down, and insightful analysis in the messy middle. Careful communications to the organization are critical to ensure support for the process to preserve organizational health and minimize value loss in People, Process, and Tools sanctuaries. We hope you will engage with USC Consulting Group's organization design experts and our well-established tools and methods to guide your company through a successful, custom-made transformation journey.

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