

PART 3 – Leadership Development for Organizations in Transition (EFFICIENT STRUCTURE)

This is the third in a series of five related articles dedicated to the four puzzle pieces of Leadership Development for Organizations in Transition. We've described them as:

1. *Evolving Responsibilities*
2. ***Efficient Structure***
3. *Effective Practices*
4. *Executing Plans*

Obviously, these short articles barely scratch the surface on those four major areas. They are only intended to give leaders who are approaching, or in the middle of this critical stage, a glimpse of what lies ahead. (this article's topic in particular is worthy of a series by itself!) Too often, businesses and nonprofits grow successfully in early stages, then "for no apparent reason" begin to falter and decline. Addressing these four areas will greatly improve their chances of developing through adolescence.

The previous article highlighted the leadership team's evolving responsibilities and why they needed to evolve. With that mindset, we move to more tangible transitions, starting with organizational structure. Organizational structures can simply be viewed as "tools." Rather than use the tool at hand, leaders need to step back and ask - what are the most efficient tools (structure) for this stage of our development? We have stated that in a growing organization, leaders need to begin working more "on" the business, rather than just "in" it. What does that actually mean? Much of it centers around more structured internal communication and better dissemination of critical information. In essence, a structure that clearly defines: *Who should be doing What? How they should be doing it? And Why?*

To keep it simple for this brief article, I will bucket this complex topic into four areas for transitioning to a more efficient organizational structure:

- People (the Who)
- Processes (the What)
- Policies (the How)
- Plans (the Why) *Covered more thoroughly in the final article of series*

Earlier in an organization's lifecycle, much is accomplished through trial and error. People also helped with tasks that were not always in their area of expertise, but it needed to be done. Often, leaders simply assumed employees "should just know" what needs to be done and how. This may be the case in a smaller organization where employees work closely with the founder/owner daily. As the organization grows and gets more complex, that is no longer the case. Everyone focused individually on "doing their best" is now inefficient, and causes inconsistency from the lack of standards.

People (structuring the Who)

A critical first step in more efficiently structuring the organization is to assemble the right leadership team. In Jim Collins' book *Good to Great*, he describes the importance of focusing first on the "Who," and then the "What." Get the right people on the leadership team first (and the wrong people off), *then*

determine together the best path forward. Your management team should consist of people who debate vigorously in search of the best answers, but then unify behind decisions once made.

This is the stage where the entrepreneur/founder usually brings in an operations leader to complement his or her skill set. These COO types focus on integrating all functions and managing day-to-day operations. They tend to be more process and detail oriented, which is essential to move through adolescence. They are focused, and ensure everyone remains on the same page. Unfortunately, this is frequently a very difficult relationship between the founder and new operations leader. A high level of trust is required, and true respect for what each other brings to the organization. Playing to each leader's strengths, it is imperative to clearly detail the distinct roles and responsibilities of each leader.

This is also a time where specialization becomes essential. More expertise is necessary in the specific functions, where "generalists" may have sufficed in earlier stages. Experienced professionals or managers are now required in finance/accounting, marketing and sales, manufacturing operations, human resources, etc. (or outsourced). Departments are then usually organized around these specialties to allow the expertise of a few employees to be leveraged to train other employees in the department. Much of the daily decision-making is then delegated to the functional experts, while top leadership ensures all areas remain working together toward their common goals.

If a board of directors is involved, especially in nonprofit organizations, this is also the time to consider a transition in its role. In earlier stages of development, the board members are often quite involved in management. As more full-time managers are hired and accountable for running daily operations, the board should move to "oversight," reducing confusion on who is responsible for managing operations.

Processes (structuring the What)

As addressed in the previous article, during adolescence it is normal for inconsistencies to become more prevalent. There is also conflict starting between "the old and the new." This is an expected growing pain as the organization continues to add more people. So now is the time to address these challenges, before the problems get worse.

By now, there has been enough experience in the organization to know what the outcomes should be – what is expected by leadership, and by the customers/recipients. Achieving those outcomes are best thought of as a combination of integrated *processes*. (what each function must accomplish to achieve the desired outcomes) Given the increase of people and ways of doing things within the organization, those processes in each department must now be defined, refined – and taught. Employees, both old and new, must be held accountable for following the processes if leaders want to ensure consistent outcomes. (*Clarity + Accountability = Results*) The processes needing to be defined will vary depending on the type of organization. The bottom line is getting all employees to clearly understand what is expected of them (because its documented) – and that they will be held accountable for their performance in following (and helping to improve) the current processes.

Also, leaders can no longer simply assume employees understand current goals, priorities, challenges, etc. This is a time for more structured company-wide communication, whether company meetings, regular email updates, a newsletter, etc. "Lack of communication" is frequently cited as a primary concern among employees. Yet, managers say they "talk to employees all the time!" Where is the disconnect? Content. Just because a manager talks to employees regularly, doesn't mean they are communicating the things employees want to hear about, like company goals, challenges, the future, their development, etc. Employees also seek to "have a say," or be listened to...not simply talked to.

Policies (structuring the How)

Since there's much to be covered under establishing policies, we will primarily cover *why* policies are necessary during adolescence. Up to this point, we've seen the need to better define Who needs to do What. Yet, not everyone approaches their responsibilities the same way. Again, the goal is not to stifle creativity and continuous improvement, but as the organization grows, policies should be established to ensure desirable behaviors, and reduce undesirable behaviors.

In earlier stages, the values of the founder/leader are often informally "understood" in the smaller organization. To develop through adolescence, those values and expected behaviors now need to be captured in formal policies, rules, code of conduct, etc. These policies should guide how an employee is to think/ behave as they perform their roles. A copy of these policies also gives new recruits a glimpse at the culture they can expect. Establishing policies is only the first step. It is then critical for leaders to consistently manage to those policies. Are leaders rewarding (and reprimanding) the right behaviors?

If employees are to take policies seriously, leaders must be consistent in managing to their policies. For example: If customer service is stated as a top priority, but service people are only rewarded for the *number* of calls they take – there is a disconnect. Staff will focus on quantity of calls, not the level of service. Or, if teamwork is expressed by leadership as a key value – but those rewarded most consistently are the "lone-ranger" performers – that is how the culture will evolve. When quality improvement is stated as a strong policy, but everyone sees management focused on reducing costs - even when quality is negatively affected - that again tells employees the stated policies are not really important. *Which* values a leadership team wants reflected in their policies is up to them – depending on their values and the culture they hope to maintain. The primary points are, policies should now be documented to capture leadership's values, and there must be alignment in how policies and behaviors are managed.

Plans (structuring the Why)

The mission of the organization is where it all begins. It should be documented and communicated to all on why the organization exists, where it's going, and how it will get there. This will drive the structure required for People, Processes, and Policies as describe above. More detailed annual plans then define the shorter-term goals necessary to make progress toward the vision, and who will be responsible for the specific outcomes. Since this topic is so critical, and often how true transitions get started, *the entire final article of this series will be dedicated to structuring and executing plans.*

In Summary

Priorities need to shift for the leadership team at the "adolescence" stage of the organization's lifecycle. At this stage, growth may be slower with more attention given to internal improvements and controls, including; more specialization of roles, refining and standardizing how the work gets done, and the formal training of staff. The objective is to now decrease inefficiencies, while increasing quality and consistency. It's time to seek the expertise in areas you may have avoided in earlier stages, begin using data to help drive decisions, ensure clear reporting relationships, and have policies to guide behavior.

Michael Wilkes & Company specializes in management consulting and leadership team development for closely-held businesses, churches, and nonprofit organizations challenged by the necessary leadership transitions due to growth or strategic change. For further information: www.michaelwilkesco.com