Restructuring in a complex world

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A 2009 global survey of economic conditions by McKinsey found that nearly half of the companies surveyed had restructured in response to the global economic turmoil, but that only 41% of those say that doing so had been very or extremely effective in helping their companies weather the crisis.

As the public sector in the UK embarks on significant, perhaps unprecedented levels of restructuring, there is a great deal hanging on the successful outcomes of those endeavours. This paper suggests that we might need to reframe our understanding of 'structure' and refocus our restructuring efforts in order to take account of the inevitable complexity of organisational life.

Complex behaviour

But why is organisational life inevitably complex? There is a level of complex behaviour that has little to do with the nature of the work, or the systems and processes that surround it. It arises simply from the everyday interactions of people working together and is due, at least in part, to the nature of relationships - the connections and interdependencies - between people.

In a human system, **connectivity and interdependence** means that a decision or action by any individual (group, organisation, institution, or human system) may affect related individuals and systems. That affect will not have equal or uniform impact, and will vary with the 'state' of each related individual and system, at the time. The 'state' of an individual or a system will include its history and its constitution, which in turn will include its organisation and structure.

Source: Eve Mitleton-Kelly (2003) – my emphasis

Importantly, in a complex system, the size and nature of the effort does not directly relate to the size or nature of the effect. Rather, as explained in the box above, it depends more on the **internal state of the individual, or the system**. As a result, large change efforts can fail and, what is perhaps less well understood, small changes can accumulate and produce much larger, often unintended, effects. The global financial crisis is a prime example of that phenomenon. With restructuring, risks arise from both those scenarios.

Reframing structure

McKinsey's well-known 7S framework positions 'structure' as one of seven interconnected facets of organisational effectiveness. Similarly, the Burke-Litwin model highlights it as one of 12 interrelated variables impacting organisational performance and change. Restructuring then is not just an issue of cost management; even if that is the primary driver. Models such as these help us to recognise that structure change can impact on other key aspects of organisational performance and effectiveness.

But what if it was more complex than that? What if it was *much* more complex?

*Source: Used with kind permission from Delta 7 Change Ltd*

Looking behind the organisation chart, we might understand structure rather differently. The underlying organisation structure does not simply include the formal and explicit connections that can be depicted by an organogram; even though they might be important. It includes a multitude of other connections and interdependencies, which are often less formal and less visible, but which might be equally or *even more important* to the effective functioning of the organisation and its performance.

But are organisations really like that? The figures below, taken from current research on organisational change, highlight the contrast between the formal organogram and a depiction of informal structure by way of a network diagram which highlights how people connect when they are seeking to influence change.

Some of the people represented by the boxes in Figure 1 are also represented in Figure 2 by the highly connected red 'nodes'; but not all. Conversely some of the people who play a vital role in connecting the network in Figure 2 do not appear on the top level organisation chart. Without them, however, the network is less densely connected, which might impact the flow of communication and influence.

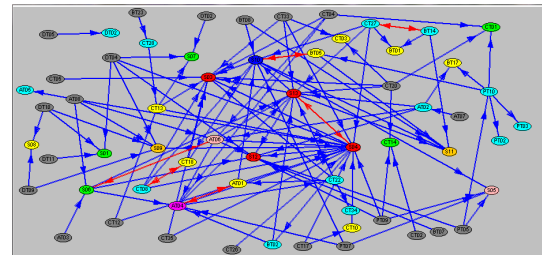| Figure 1	Figure 2

Formal structure

Informal structure
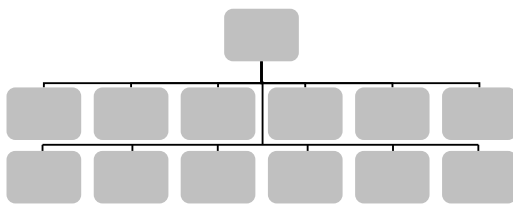
- Simple – few people, clear connections

- Highlights roles with authority

- Stable, until changed

- Centrally designed and planned

- Complex – many people, many connections

- Highlights people with influence

- Dynamic and continually evolving

- Decentralised and emergent

Even Figure 2, though it highlights a more complex web of connections, is still a gross simplification of the totality of connections and interdependencies that make up the underlying structure of organisation. It says nothing about the quality of the relationships between people. Nor does it reflect the continually evolving nature of the informal structure as people join, leave, change roles, share personal stories on a course, fight for resources or simply fall out. This look behind the formal organisation chart helps to reveal something of the informal nature of organisation; encouraging us to reframe our understanding of 'structure' as being both formal (planned) and informal (emergent[1]).

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[1]   Although the informal structure is emergent in its totality, it includes the deliberate actions of individuals to make connections and build relationships and alliances which they believe are important

Refocusing restructuring

So, if we understand organisation structure as including *both* formal *and* informal interdependencies, then we might need to think quite differently about restructuring.

In changing the formal structure to reduce headcount, for example, we might be able to predict the impact on direct costs and to achieve those cost savings. What we cannot predict, however, is how those changes to the formal structure might impact on the informal structure. Nor can we predict the consequences in relation to other organisational dynamics (such as those highlighted by McKinsey's 7S or the Burke-Litwin model) which collectively impact organisational effectiveness.

So what can we do?

Pay attention to transition

One important thing we can do it to pay attention to transition. According to Bill Bridges (2008); *"it isn't the changes that do you in, it's the transitions"*. Transition is a psychological process whereby people let go of the old and pass through what Bridges calls the neutral zone *"when the critical psychological realignments and repatternings take place"* (p5), before new beginnings can take hold.

With our reframed understanding of structure, we realise that real restructuring is not the formal change to the new structure itself; it is what happens in that neutral zone, as new alignments and patterns are created in the informal structure. Importantly the process of transition is likely to take place *after* the formal change.

When organisations restructure we usually find that a great deal of effort is put in up front; in planning, designing, communicating and managing the vital HR processes to support the move to a new structure. But how much management attention is paid to then supporting transition, once that new structure is in place?

How much focus do we place on recognising endings and the emotional losses that people can and do feel when familiar ways of working change, when colleagues leave, or when teams break up? Or do we prefer not to acknowledge those feelings and just focus on the positives? How much do we support people through the difficult neutral zone – which requires us to metaphorically let go of one trapeze (the old ways of working) and take a leap of faith towards the, as yet untried, one of the new ways? How well do we support people in developing new identities and relationships within the new formal structure? Is there really the same amount of effort paid to transition? If this is left to line managers, how well-equipped do we think they might be to do this kind of work?

The important point here is that **those of us involved in restructuring need to care just as much about transition as we do to making the change to the new structure.** Without it, we might well achieve the direct cost savings we were looking for, only to find that indirect costs rise as people find ways to create an informal structure that looks and feels more like the old structure and ways of working.

References

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