



Capital Markets Consulting

Avoid Organisational Distress

Contents

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Use a Structured Operating Model Approach	3
What are the consequences of a lack of organisational management processes?	5
What does it feel like when the organisation has lost its way?	6
Using the Operating Model as the basis of change	7
Contact Us	8



Use a Structured Operating Model Approach

What are the reasons that some organisations do not develop sound organisational management processes?

Whilst no two structures will be the same, through working with many companies we have identified a number of fundamental problems that effectively block the introduction of a structured Operating Model approach, and subsequently manifest in the symptoms of a distressed organization.

The following examples help to illustrate some of these underlying issues:

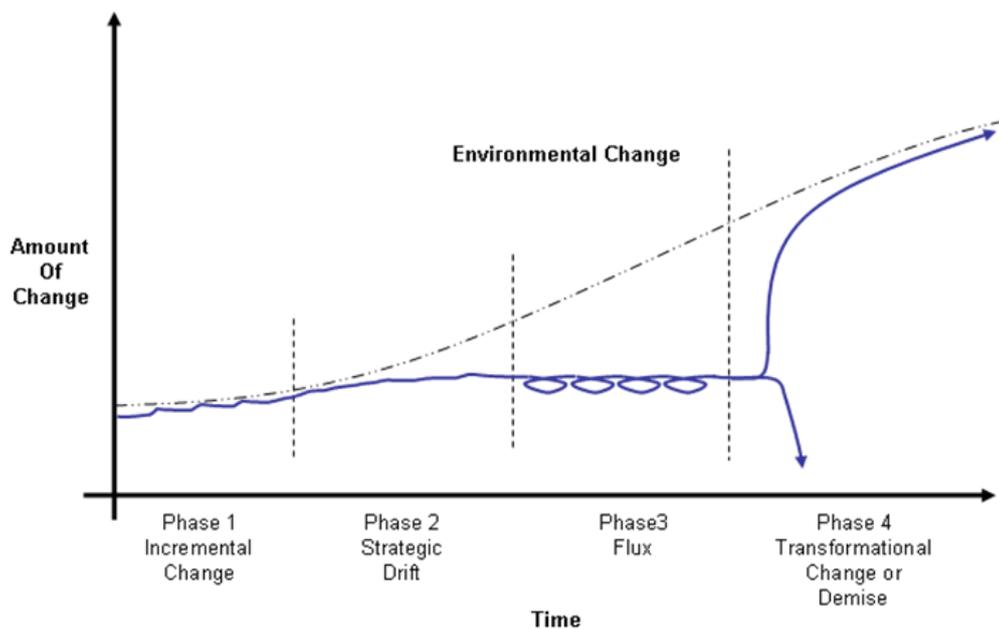
- A lack of awareness by leadership of the organization's true situation, usually due to poor information being available.
- Delusion of leadership about the organization's position. The paradox is that this can happen when the leadership team is closely knit and they re-interpret any unpleasant information that does not fit with their view of the world.
- Powerful individuals, with an vested interest in maintaining the existing status quo to retain their power and status, effectively squash any attempt to formalize a change agenda.
- Leadership become so pre-occupied with everyday operational issues that it obscures their strategic perspective.
- Past success clouds the current situation and prevents any movement from the 'tried and tested' path.

- Any change is perceived as failure of the existing state, and so those currently responsible resist moving the organization in a different direction.
- Leadership cannot identify what they do well, so are scared to change anything in case that was the only good bit and it all falls over!

What are the consequences of a lack of organisational management processes?

The environment that we work in constantly changes, but without effective organisational management the operation can become detached from the trajectory it needs to adopt to be **effective** (doing the right things) and **efficient** (doing them well).

The following diagram, and the descriptions that follow, helps to illustrate the phases that an organisation goes through when they lack a structure within which to develop, monitor and control:



What does it feel like when the organisation has lost its way?

Phase 1 – Incremental Change

- It is noticed that the environment is changing, but the data may be incomplete or misinterpreted. You react with small organisational changes which do not address any underlying issues. For a while this appears to help.

Phase 2 – Strategic Drift

- The environment continues to change at a faster rate than the organisation can adapt. You don't react in an appropriate manner for any number of the reasons listed previously, and very soon the strategic gap widens to an extent where the organisation is too removed to recover by incremental changes.

Phase 3 - Flux

- Your organization is in crisis! It has now drifted so far from being where it needs to be that it enters a series of ad hoc change cycles that take substantial effort, but achieve little. There is little or no co-ordination between these initiatives and no strategic focus, and they appear unconnected with the end result of just making things worse.

Phase 4 – Transformational Change or Demise

- The future of the organisation depends on your reaction to the Flux phase. If you stay in denial, don't obtain the correct data, or won't remove any deliberate blockage then the organisation will fail. If however you recognizes the situation, tackle the blockers that have created the position, and undertake a correctly managed transformation of the operating model, then there is a chance to re-align the organisation with its environment.

Using the Operating Model as the basis of change

To avoid this continual cycle of organisational chaos, a well defined Operating Model framework should be used as the tool that ensures the organisation is bound together, and stays bound during periods of change.

In summary, the benefits of using a well structured Operating Model are:

- **Processes are defined** - improved quality and reduced costs, with fewer errors and subsequent re-work
- **Stakeholders understand how we do business** - reduced confusion and improved satisfaction levels
- **Clear direction** - decisions keep us going in the right direction
- **Delivery times reduced** - due to increased efficiency
- **Continuous improvement** - mechanisms are in place to involve everyone
- **Staff satisfaction is improved** - reduced turnover and cost/skills implications
- **Career progression** - clearly communicated through defined roles
- **Staffing levels are correct** - better estimation achievable
- **Information at hand** - the right information is available to influence key decisions

Contact Us



Capital Markets Consulting (London) Ltd

5 Old Bailey

London

EC4M 7BM

Tel: 0203 432 2195

Web: www.cmc-europe.com

Email: info@cmc-europe.com



Delivery made easy™

