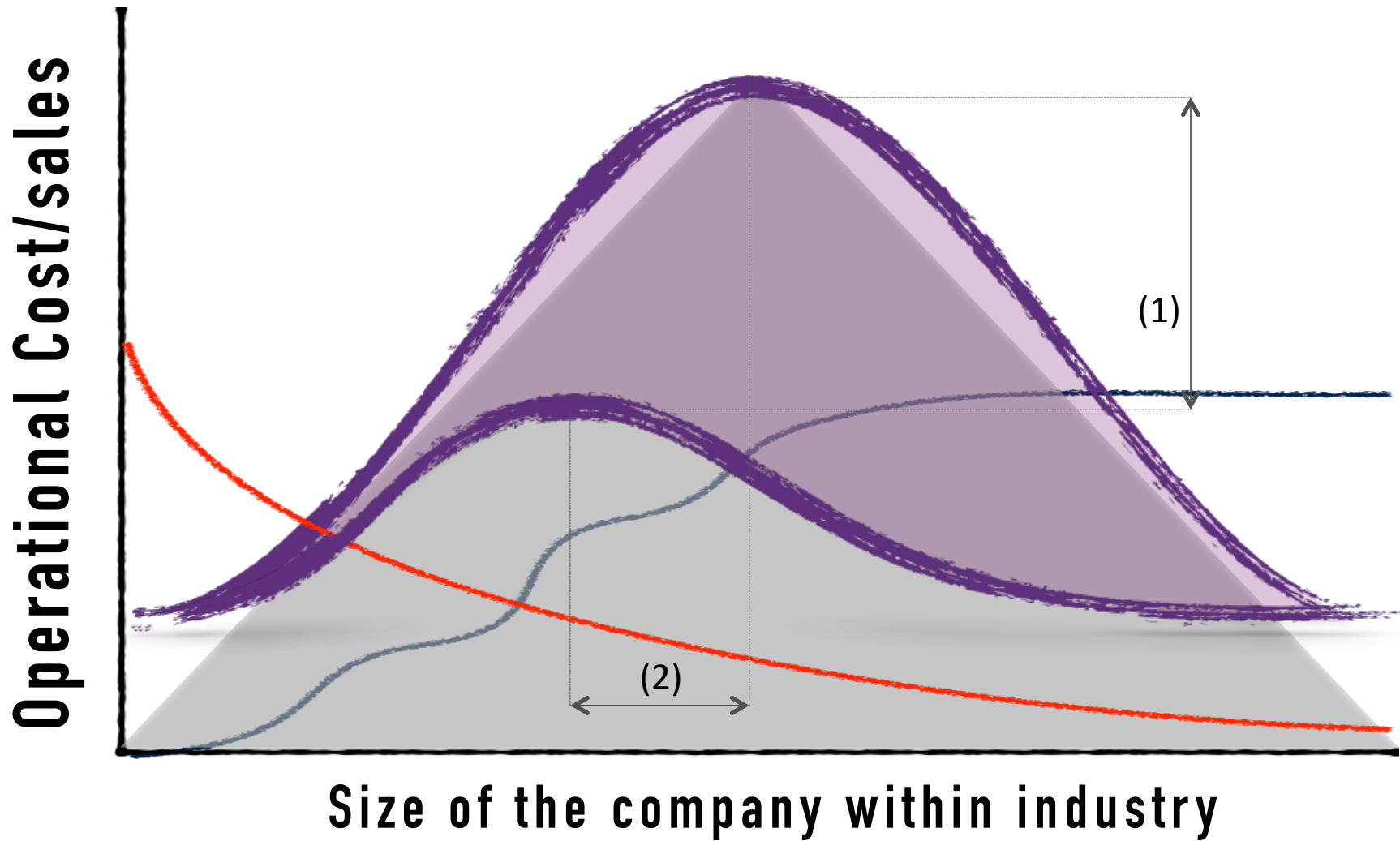


Aligning the MFI Organisation



Bermuda Triangle



Bermuda Triangle Symptoms

- **Unclear organisational structure**
 - Not quite defined responsibilities and functions, decisions rights, authority relations, coordinating mechanisms, etc.
- **People spend too much time on short term problems, that would be solved better by long term planning**
 - Continuous fire fighting
 - Work overload, high need for (multiple) meetings and reunions
 - Unexpected crisis and deviations
 - Limited oversight of operation
- **Plateau of profits regarding growing income; increasing difficulty to budget accomplishment**
 - Organisation is sales-oriented, instead of profit-oriented
 - Lack of clear cause-effect profit goals
 - Insufficient operational and financial indicators
- **Inadequate systems and processes**
 - Managerial processes
 - Not enough connection between Strategic, Commercial and Financial Planning
 - Unclear performance evaluation and compensation systems
 - Delay in managers development
 - Repetitive hiring of high-level-outside-managers who don't quite fit the organisational culture
- **People and areas of responsibility work independently (lack of integration)**
 - Poor interdepartmental coordination
 - Organisational influence is based on silos
 - "If something must be done, I must handle it by myself"
 - Staff loses commitment and gets frustrated



What is the reason for entering the Bermuda Triangle?

“Growing pains”

Growth

Unstoppable high (and often) fast growth

Growth is foster by effective differentiation and adequate operation



A organisation that functioned adequately at a smaller scale, become unbalanced and inconsistent

- Strategy
- Structure
- Processes
- Systems
- People



High and unexpected increase in operational cost and opportunity cost, because:

- Increase cost of control and coordination (usually around five margin points);
- Over investing due to unfocused diversification and losing operations that are kept for too long
- Less rate growth than market evolutions, based on missing cash flow



Why is so hard get out of the Bermuda Triangle?

“Management is the limit to organizational growth”

• *Edith Penrose: The Theory of the Growth of the Firm, 1953*

- **Management beliefs**
 - Organisational evolution demand changes from the CEO and his/her top management team
 - Staff changes are painful, paternalism rules over performance and accomplishment
 - Formalization is perceived as bureaucracy and as a potential enemy for flexibility
- **Market growth is the key priority**
 - Historical success-growth relation
 - Managers spend most of their time at daily and field operations
 - High pressure for maintaining status quo due to strong non-professional obligations and commitments
 - Single loop problem solving (fire fighting) instead of double loop learning (root cause solving)
- **Management team is not prepare for the next organisation level; there a real need for skills, knowledge and expertise**
 - Beliefs and rules are insufficient for solving the organisational problems
 - Coordination and control costs are hard to identify and measure
 - Some managers could be reaching their skill limits
 - There are technical or operational skills, but organisational knowledge and theories are incomplete

“Culture eats strategy for lunch any day”



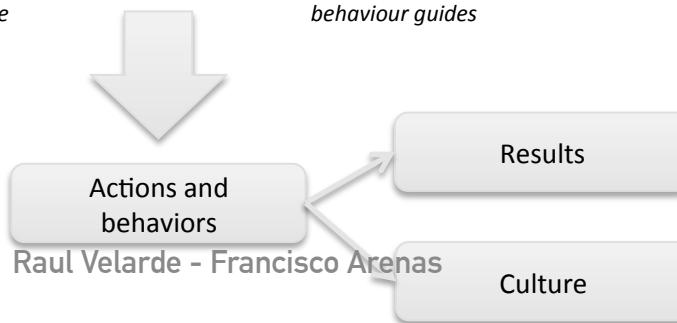
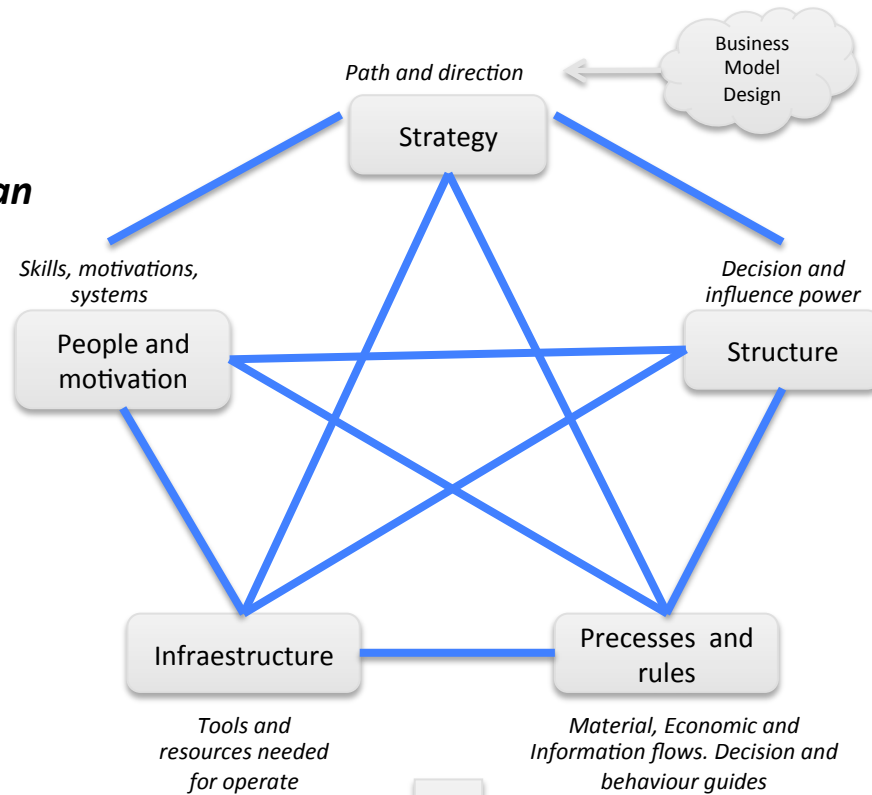
STAR Organisational Alignment Model

The main conductor of the organizational construction is the CEO. A wide system level perspective is required

The organisation is an open system

System properties:

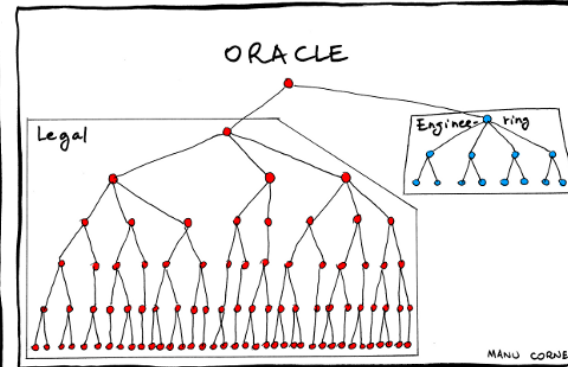
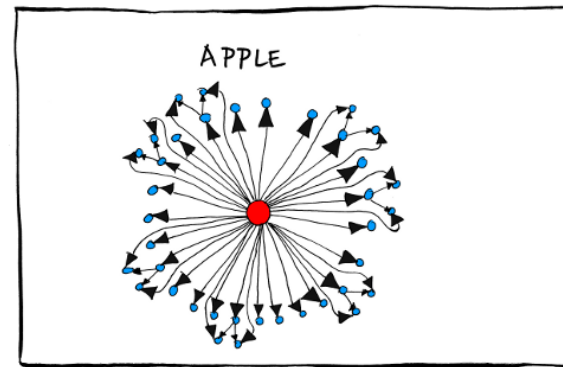
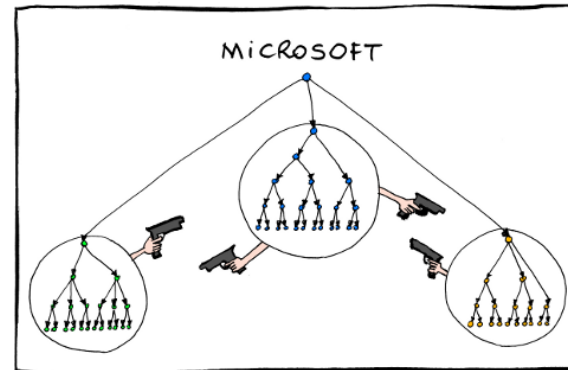
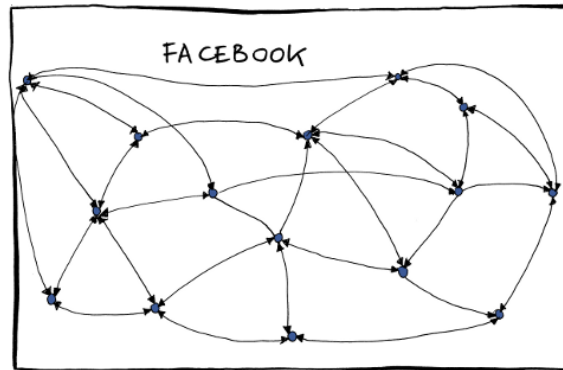
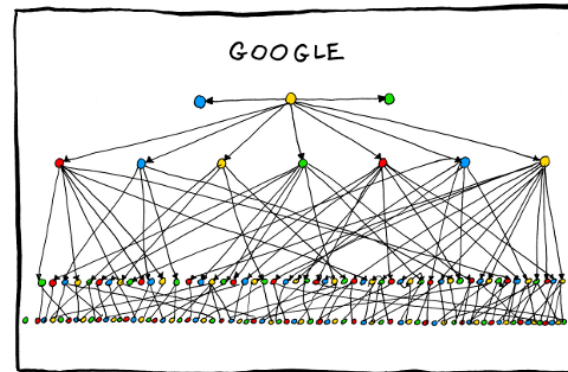
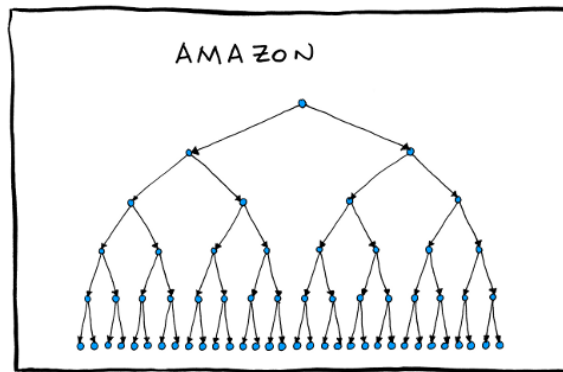
1. Internal interdependence
2. Common objective
3. Feedback capability
4. Tendency to equilibrium
5. Context Adaptability



Principles

1. Achieve effectiveness requires fit between all elements
2. The main challenge is to align organisation to strategy
3. Organisational design must satisfy all stakeholders and must fit in contextual constrains
4. Communication effectiveness is a function of strategic fit; this communication is made through behaviours, values, controls and rewards
5. Ceteris paribus, the best organization is not only an aligned one but capable of continuous adaptation





Autonomous Business Unit Definition (ABU)

What are the key elements for the ABU?

- Full customer service delivery unit
- Operates as an autonomous business
- Precise micro-market definition
- Client-provider relations with support units
- Value generation can be described based on business processes

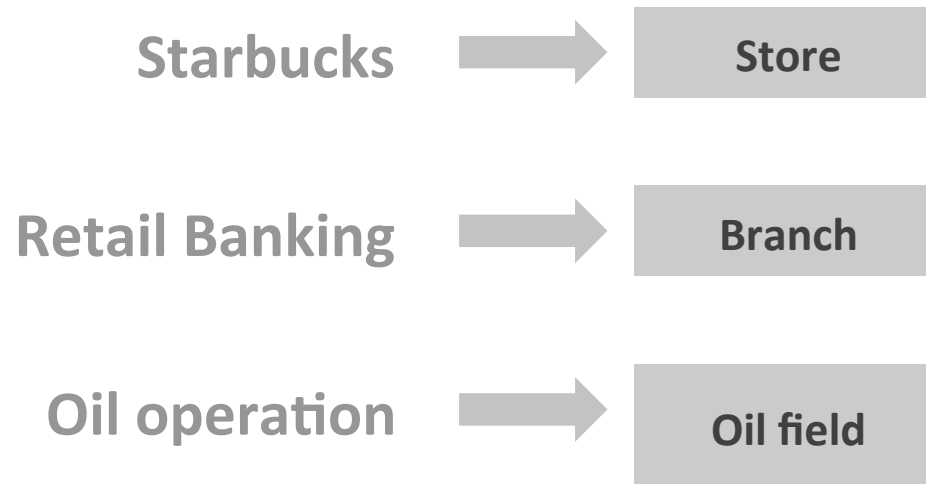
Functional characteristics

- KPI based on profit measurement (cause-effect)
- Double loop learning process within the ABU
 - Methodology
 - Procedures
 - Structure
 - Skills
 - Values
- Strong influence over support units
- Explicit internal and external alignment



Autonomous Business Unit (ABU)

- **ABU integrates esencial value creation activities**

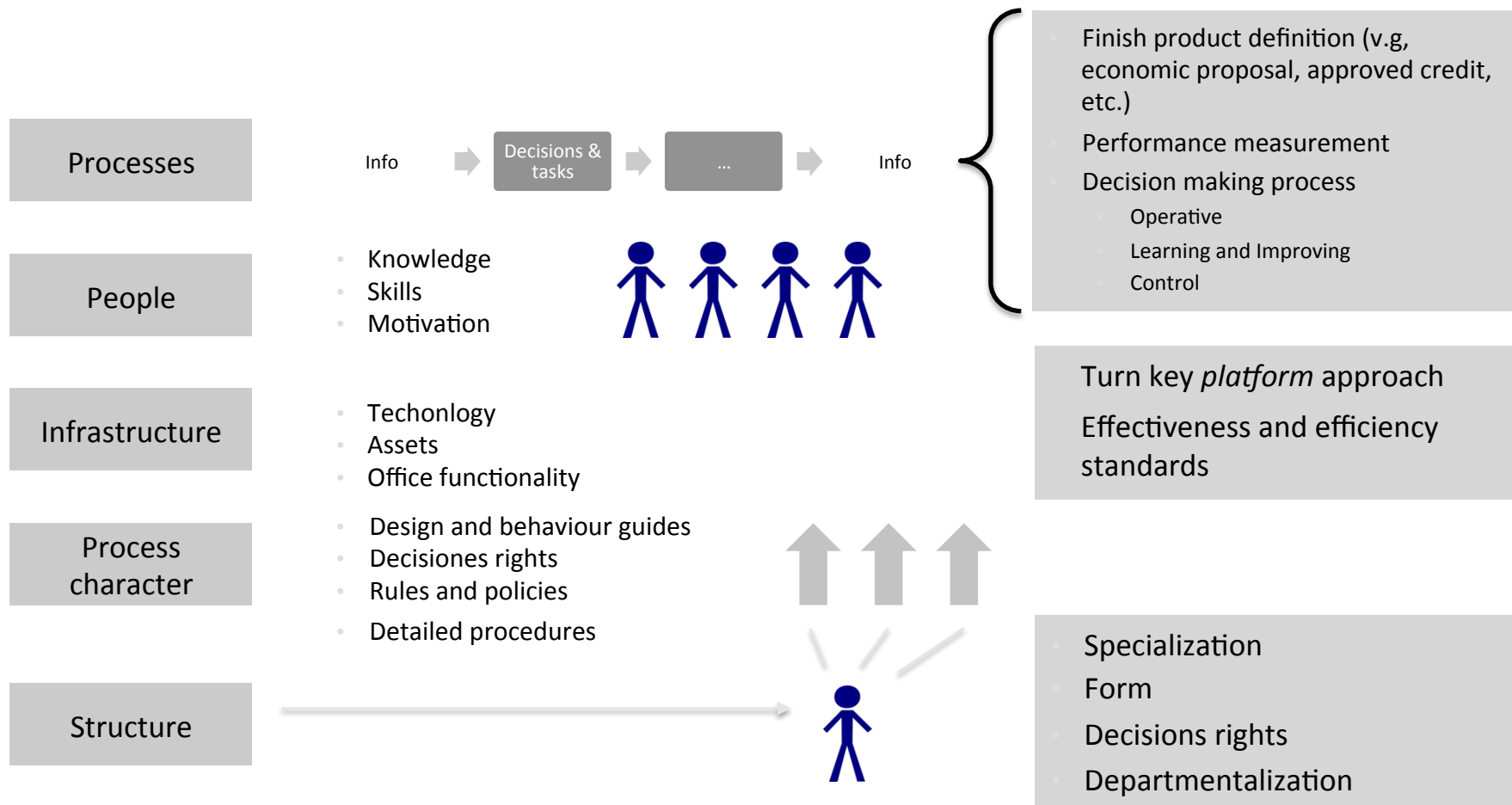


- **Other organisation departments and areas can be described based on the value added activities performed for the ABU, and can be measured by cause-effect profit relations. (Except corporate functions)**
- **Value chain configuration could have different types of ABU**



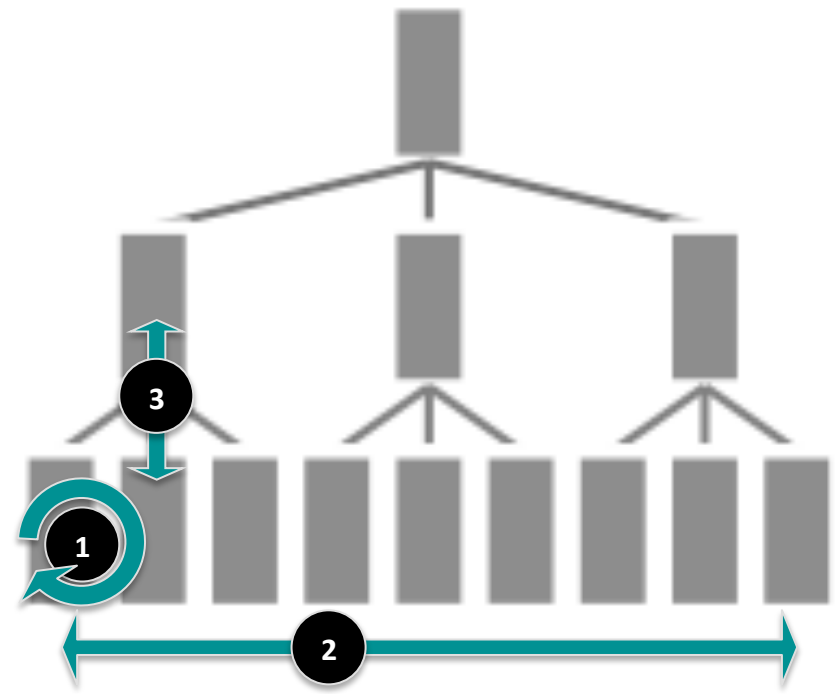
ABU analysis and design – Capabilities

- Processes are just an element of a core capability



ABU and Structure

- There are three required levels of ABU structural definition:
 1. Internal - Within ABU
 2. Horizontal - Between different types of ABU and Support Units (SU)
 3. Vertical – With *Connection Agents*



Connection Agents (CA) and Support Units (SU)

- Connection Agents (CA) usually consist of managerial layers
- Their main functions are:
 - Assure business continuity
 - Coordination along different ABUs
 - Synergy between ABUs
 - Maintain learning system (AAR)
 - Cultural consistency along ABUs (*Right results the right way*)
 - Performance evaluation
 - Asses ABU to assure micro-market analysis and understanding
 - Monitor service and support by SU
 - Identify system wide improvement opportunities, throughout decreasing complexity and increased standardization

