



# Tool 2

## Defining Implications of “Structure Follows Strategy”

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### Quick guide

Define the ways in which “structure follows strategy” in your organization. Formulate your strategy as key propositions and define for each proposition the general implications for your organizational structure.

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### Purpose

Align your organizational structure to your strategic objectives.

### Approach

Use the following lead questions to reformulate your strategy as a guide organizational structure, either individually or as a workshop exercise. Look at both your current strategy and on dynamics and future change that your organization will have to cope with.

→ What are the key statements that summarize your strategy in terms of

- Activities
- Timing
- Geographies
- Markets and market segments
- Products and services
- Differentiation criteria
- Channels

- What are sources of competitive advantage and critical success factors that support the strategic goals?
- Which parts of your strategy have proven difficult to drive and implement with your current organization?
- What are dynamics and future changes that your organization will have to cope with?
  - How stable is the strategic environment, e.g. along the dimensions of economics, technology, competitive dynamics, the social, political and regulatory environment?
  - Does the strategy require constant problem solving and innovation or a reliable and routinized delivery of products and services in a static environment?
  - Are there any major new strategic initiatives and priorities that need to be reflected in your structure?
  - Which strategic objectives will likely require relatively more management attention?

For each question/ each statement that summarizes your strategy, formulate key implications for your organizational structure.

## Output

A set of implications to use as principles and criteria for organization design

## Examples for implications

- “Opening new markets will require dedicated organizational units for those markets”
- “Our low cost strategy will require the strengthening our operational capabilities to consistently support profitability at low price levels”
- “Differentiation by superior products implies continued innovation and customer focus”



### Common issues ...

Current strategy is not clearly defined or there are differing views on what the strategy should be

### ... and how to deal with them

Seek to define the smallest common denominator with regard to the current strategy and carve out open questions. Define whether the differing views lead to conflicting implications for the organizational structure