



Goals

Key points

- Structure follows strategy but also influences future strategy
 - Strategic goals serve as a compass for organizing efforts
 - Organizational structure should embody strategic priorities
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Structure follows strategy

A time-tested paradigm of organizational studies rightly states that “structure follows strategy”: an organization’s strategic goals are the starting point for deriving the requirements for its structure. Clearly laying out the strategic objectives with regard to organizational design provides a compass for conducting the design work. This is important, regardless of how the strategy is formulated: sometimes an explicit strategy invites drawing conclusions for the organizational structure. Sometimes the strategy is more emergent and implicit. In such cases, designing the organization can become the means by which strategic choices are clearly explicated. Additionally, organizational design choices condition future “strategizing”, e.g., by drawing boundaries and directing management attention to focus areas. Defining the organizational structure should thus bear in mind future strategic choices and enable ongoing strategy development.

Strategic goals as a compass

For example, if the strategy implies breaking into new geographic markets, this goal becomes a priority for the organizational structure definition. If the strategy is focused on low cost and the execution of a model with little unknowns, organizing for superior operations will be of key importance. And if a strategy entails ongoing learning and problem-solving in uncharted territory, the structure should allow for adaptation with flexible teams. Design decisions based on strategy are not self-evident and often force trade-offs. The purpose of relating organizational design work to strategy is to have a fact-based discussion explicating trade-offs and as a result facilitate an informed decision consistent with the organization’s strategy.



Tools

Tool 1

Developing principles

Define a focused set of principles (e.g., three to a maximum of seven) to guide your work on organizational structure. Frame principles as concise, forward-looking, actionable, and prescriptive propositions. Principles should first be defined at the level of strategic objectives and be relevant for the work on organizational structure as a whole. Principles can also be formulated as criteria at the level of individual design elements, e.g., to guide work on unit structure or organizational shape.

Tool 2

Defining implications of “structure follows strategy”

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.

 [See tool section and downloads](#)
