



"Growth Guy" Articles

Gazelles CEO Verne Harnish offers concise, actionable advice on common challenges facing growth companies in four key areas: People, Strategy, Execution, and Cash.

Scaling Up the Organization (Chart!)

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Remember the days when your start - up team was crammed into a single office like clowns squeezed into a Volkswagen? Now you may have 150 (or 1,500) employees and find it infinitely more difficult to know how to divide up into teams and set clear accountabilities. Worse, both customers and employees may seem confused about how to navigate your organization.

The CEO can take a clue from nature to solve these problems. Human organisms are made up of billions of cells versus just a few specialized ones for a good reason: A cell can only get so big and stay healthy. Once it reaches that point, the outer membrane won't have enough surface area to bring in nutrients and eliminate waste to support the cell. The cell will start to die from the inside out (like big bureaucracies!).

This means that the cell must divide. So, too, must your company or it won't be able to function in a healthy way. At the same time, just as no cell can be too far from the blood supply, no team can be too far removed from the action of the marketplace. This is the main principle underpinning effective organizational design.

Business Units

The first natural organizational split is by functional area. At Gazelles we have a One - Page Function Accountability Chart (FACe) (<https://gazelles.com/g/one-page-tools/people>) that helps CEOs get clear about the accountabilities and metrics for each of the main functions in a business. But once the business gets above 50 employees, you also need to start aligning teams around product groups, industry segments, and geographical regions. This is commonly called a matrix organization. Visualize functional groups running vertically and business units running horizontally.

The pressure to create these new business units will usually come from customers. They'll complain that they don't know whom to call to get help - or that they get the runaround when they finally reach someone. Or they may feel overwhelmed by the crush of communications that come from multiple business units. Employees may not know from whom to take direction.

Unless you get your accountabilities straight, productivity and innovation will slow. You'll waste a lot of time oscillating between centralizing and decentralizing various business units and shared functions.

Leadership Change

To navigate this organizational transition, you need to change your leadership structure. The functional heads - like the directors of marketing and IT - who have been used to driving the business, have to step up to being more like coaches/advisors to the business unit leaders. And the business unit leaders need to start running their units as if they are mini - CEOs.

This transition is hardest for the traditional functional leaders - especially those who were around in the earlier start - up phase. They have to go from telling to selling, as they manage their teams. And they need to spend more time outside the organization garnering best practices and then come back and spread what they've learned among the business unit leaders. Most importantly, they have to earn the respect of the

business unit leaders because of their knowledge, not just their position. That way, if they suggest a common IT system, for instance, it'll be an easy sell, not a battle against skeptical business unit leaders.

This transition is hard. Often, it's best to have some of the original functional leaders transition to running business units - maybe head up expansion to a new country or lead the launch of a new product line - where they can maintain operational control. You don't want your business unit heads to be weak "yes" people who kowtow to the functional leaders.

Who's Boss

Once you set up these groups, you'll need to figure out which employees belong in each. If you aren't clear on this, your employees won't be either.

The key principle here is being clear who decides whether an employee gets a raise or promoted. The mistake is to leave this decision to the functional heads. For instance, say Tom is providing marketing support to several product lines. The functional head of marketing for the company must see her role as a trainer/coach to Tom while making it clear that his performance is based on feedback she gets from the heads of the business units he serves and not on what she thinks. This way he remains responsive first and foremost to the business units.

Once you set up an org chart, you'll know very soon if you've gotten it right. Customers will be happy, and everyone on your team will be clear on his or her role in serving customers. And when you notice a pattern of negative feedback from customers or see internal signs that your "cells" are not healthy - it's time to revise your org chart again.

Remember, your company is a living organism that needs to survive in an environment that's always changing. To thrive, it's got to be able to adapt.

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<https://gazelles.com/article/scaling-up-the-organization-chart>