

Beyond Organizational Restructuring

Thinking Outside the Box(es and Lines)

During the transition to a new administration, new agency leaders commonly look for ways to better deliver on mission. A new leader's first instinct may be to look critically at the organization's structure, believing that moving organizational "boxes and lines" will create improved results. But doing so won't necessarily resolve performance issues and may even obscure genuine problem areas, since structure is only one component of a complex organizational system. New leaders can increase their odds of achieving sought-after results by exploring a broad set of organizational performance elements before, and during, a restructuring effort.

A Case for Action

Research published by McKinsey & Company shows that fewer than 25 percent of organization restructuring efforts succeed, with nearly one-third failing to meet leadership objectives or enhance performance after implementation. Reorganizations are also distinctly unpleasant experiences for employees. Reorganization efforts, and the uncertainty they create, can cause higher levels of employee stress than downsizing. In fact, 60 percent of cases in a *Harvard Business Review* study experienced a resultant reduction in employee productivity.

By moving too quickly to restructure—or not considering the mix of interrelated factors influencing organizational success—an organization risks lowering employee engagement, losing critical employees, and interrupting key services. MITRE's work with numerous federal agencies shows that these risks are compounded by the unique challenges of the public sector. One such challenge is the sheer number and complex influence of stakeholders. A public sector leader must address the needs of a dizzying number of constituencies (e.g., the President, members of the Cabinet, and 535 members of Congress) while working to improve an agency's performance.

By conducting a rigorous organizational assessment before undertaking a restructuring effort, an organization can determine where true issues and opportunities for improvement lie and perhaps avoid the need for a reorganization altogether.

“Apart from the high costs and squandered opportunity, a failed reorganization can leave an enterprise even worse off than it was before...”

—BOSTON CONSULTING GROUP, *FLIPPING THE ODDS FOR SUCCESSFUL REORGANIZATION*, APRIL 2012

Understanding the Problem

GAO recommendations to improve effectiveness and efficiency within the federal government consistently underscore the need to reexamine the structure and operations of federal organizations. In its 2012 report *Government Efficiency and Effectiveness: Opportunities for Improvement and Considerations for Restructuring*, the GAO outlines the Reforming and Consolidating Government Act of 2012—the bill renewing presidential authority to reorganize

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executive branch agencies—and points to federal programs where “unnecessary duplication, overlap, or fragmentation exists.” In addition, the Government Performance and Results Act (GPRA) Modernization Act of 2010 established a revised, more rigorous, results-oriented framework to improve government performance. The Act requires OMB to work with agencies to define outcome-oriented goals, develop government-wide plans to achieve those goals, and establish performance indicators to measure progress. Agencies must report on performance annually.

The mandate for ongoing reporting and continuous oversight creates pressure for federal agencies to be transparent, accountable, and high-performing. To meet the expectations of oversight bodies and the public, new leaders need a way forward that will produce sound, visible performance results. Those leaders may avoid the potential operational drag and workforce stress of a formal restructuring by instead first addressing the alignment and health of other organizational components, such as strategy, culture, and management practice.

How to Proceed

Early on, new agency leaders should seek to understand their organization’s strengths and areas for growth, along with the internal and external pressures it faces. MITRE has found success in employing a comprehensive analytical performance framework to help agency leaders understand how diverse organizational variables link to one another and how the “white space” between variables directly affects the organization’s performance and success.

For example, an assessment may reveal problems stemming from the agency’s integrating mechanisms—the informal networks that allow people to interact more freely and share knowledge across

the organization. Strengthening those mechanisms alone may bring about the improved collaboration and decision making needed across the agency without formally revising the organization chart.

If structural change is necessary, agency leaders should be deliberate and systematic in reshaping the organization, while being mindful of the attributes that distinguish government agencies from private organizations. For example, leaders new to the public sector would be well served to ensure that changes are directly aligned to agency mission, as commitment to promote or protect the public good is paramount to most federal employees’ performance in a way that is uncommon in industry. In addition, they must successfully balance the host of external stakeholders with the agency’s careerists and internal influencers. With their vast operational knowledge and political insight, these internal stakeholders can be the key to a new leader’s successful launch of improvement initiatives.

Finally, new leaders should allocate time and resources to implement the new organization design, while remaining cognizant that results can take longer to realize in vast, complex agencies whose policies were established more for public safety and protection than for innovation.

Before restructuring, new agency leaders should carefully assess the performance elements most likely to create meaningful change for their organization. If, after this assessment, they deem reorganization to be necessary, they should actively manage those elements—with consideration for public sector realities—to effect the best possible result.

For further ideas about applying the guidance in this paper to your agency’s particular needs, contact federaltransition@mitre.org.