

# Building a Future Ready Organization

A compelling case study of a company crunching its structure and expanding its talent to become future ready.



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# The Background

Client is one of the largest independent manufacturers of powertrain and precision-engineered products in India. In 2014 they engaged with McKinsey Consulting and developed an SBU based structure to facilitate rapid growth. The SBU structure was reasonably empowered with accountability and resources concentrated with the SBU Heads for Operations, P&L and business development. The corporate structure provided narrow oversight in Finance, HR & Strategic Sourcing. It's not so much the hard structure but the governance & review mechanism which began over time to erode the foundational pillars of a strong manufacturing operation. The pillars of buying efficiency, quality, productivity and customer intimacy.

## Problem Statement

New revenue became scarce. Old revenue became volatile and a victim of the erosion of quality and productivity standards. Increasing gap between plans and actuals. Employee fixed cost rose to double digits as percentage of sales, cash management reached crisis proportions and client was beginning to lose control over its performance and its vision. Externally, customer confidence dipped and internally attrition of talent went up.

So, the question that arose was - **“How can we re-design the organization so that it survives the present but has enough robustness to climb towards its destined future in the medium term.**

## The Value Levers

Client combined with a boutique HR Consulting Firm, **Talentonic HR Solutions** to

assist them in finding the answer to the above question. The Client and Talentonic Team worked together for two months, reviewing data, visiting the plant locations and meeting with various levels of leadership. Ultimately they come up with the following value levers.

- 1. Fix the fundamentals.** Spend a few years strengthening performance in business development, quality, & manufacturing engineering. Consolidate these functions and enhance talent to restore an element of functional integrity & depth of expertise.
- 2. Create a concept of “shared” services.** Combine roles, **exploit synergies** wherever possible and feasible across SBUs. Make the structure leaner and roles meatier. Treat Finance, HR, Quality Assurance & Manufacturing Engineering as shared services. Even procurement of non-BOM items can be combined. Production, plant engineering, in-process quality and key account management would continue to be business aligned.
- 3. Strengthen collaboration & review cadence** within client centers of excellence, shared services. All this will create hand offs & horizontal deployment of expertise. In an SBU structure accountability creates its own momentum. In a functional organisation accountability needs to be designed and also encouraged as a competency. The role of the governance structure becomes crucial.
- 4. Create a High-Performance Culture built on compliance with processes.** We need talent, which believes in the client vision and is ready to test themselves with the future. Talent, which has the performance, the skill and the future ready attitude to win in the market place. These are the leaders who should inherit the wider and richer roles and future challenges.



# Transformation RoadMap

Organizational Changes

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|---|--|---|
| <ul style="list-style-type: none"> <li>• Design of the value levers and the high-level structure.</li> <li>• Defined a current and future capability framework using industry and internal issues.</li> </ul> | <ul style="list-style-type: none"> <li>• Detailed organization structure for each BU/ Function</li> <li>• Assessed the manpower on their current and future capability through a talent discovery process</li> </ul> | <ul style="list-style-type: none"> <li>• Manned the final structure using talent inventory.</li> <li>• Created JDs for roles that underwent any changes</li> <li>• Introduced of senior talent in areas like Quality, ME &amp; BD.</li> </ul> |
|---|--|---|

Phase 1

Phase 2

Phase 3

Communication

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|--|--|--|
| <ul style="list-style-type: none"> <li>• Extensive process of consultation with over 40 leaders.</li> <li>• Communication by MD / L1s in 1-on-1, small groups and large groups.</li> </ul> | <ul style="list-style-type: none"> <li>• Process of co-creation for arriving at the structure using external benchmarks.</li> <li>• Calibration of talent inventory in discussion with the leadership team.</li> </ul> | <ul style="list-style-type: none"> <li>• Communication of the revised structure.</li> <li>• Sessions facilitating IDPs for all talent in the locations.</li> </ul> |
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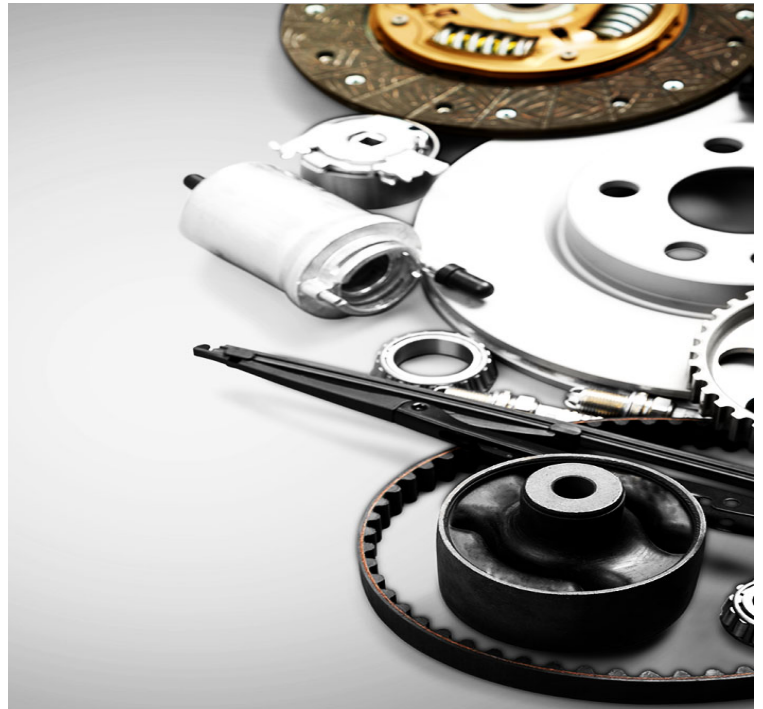
## Business Benefit.

1. There is a fixed cost saving in the medium term of approximately Rs 7.0 crores out of which approximately Rs 5.0 should accrue over the next 3 months.
2. Scalability up to 3 times the current revenue.
3. The organisation greatly strengthened in terms of the future ready skills of Quality Assurance, Manufacturing Engineering & BD.
4. Clear accountability for customer delivery and for generating new revenue pipeline.
5. With 70 lessor positions in the structure, roles of remaining employees expanded.
6. A strong talent inventory to protect the business in the future.

# Risk Mitigation

This transformational change will give the desired benefits with inculcation of three simple recommendations in Clients culture –

Prevalent	Recommendation	Potential Impact
Silo working style	Design collaboration in structure & skills	Collective effort toward the vision
Critical issues are missed	Strong process adherence & review cadence.	A high say-do ratio
Deterioration of structure imperatives.	Review structure business benefits frequently	Structure will remain contemporary to needs.



## Learning

1. Co-creation of the solution takes more time and patience but it produces better results from a standpoint of implementation possibility.
2. Don't just reduce people. Remove positions from the structure. That's a permanent and more stable solution for the medium term.
3. Structure and capability go together. Every organisation design poses its own challenges of managing performance interfaces and requires skill development in the leadership. An SBU structure requires controls, risk management and review cadence. Without that there can be trouble.
4. People assessment / talent inventory along with a new structure facilitate a faster realisation of the business benefits. You take better manning decisions.
5. Communication , consultation & constant eye on the change management plan removes the threat perception and makes implementation easier.
6. Its important to follow through the structure work with a development strategy

