

## ORGANISATIONAL DRIFT

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Over time, many businesses find that serious misalignment appears between their strategy and their way of operating. Ben Woodman from Marchment Hill Consulting explores why this happens, its effects and what business leaders can do about it.

All businesses seek to align their business model ('how we do what we do') with their strategy ('what we do to achieve our goals'). Indeed, the reason for having an explicit business model is usually to ensure the efficient translation of strategy into operational practice.

But over time, sources of misalignment creep in and the business model – particularly people's roles and accountabilities – depart from their original intent. We call this incremental phenomenon organisational drift, and its cumulative effects can leave the internal effectiveness of a business dependent on relationships and politics rather than logic and clarity.

Businesses need to maintain alignment between their strategy and structure, accountabilities, KPIs, processes and interfaces (collectively – the business model) in order to maintain performance over the long term and efficiently cope with changes in their external environment.

### How do businesses become misaligned?

There are a number of common contributors to organisational drift, however three in particular are frequently observed.

One event that precipitates organisational drift is when the accountabilities of an internal group expand or contract. Occasionally this drift is driven by a lack of clarity, but more often the boundaries are clear – just not supported. Groups may seek to expand for reasons of control, to be associated with successes or to pursue 'hot' topics such as growth and development. Contraction may be driven by a desire to disassociate the group from negative outcomes (past or pending), or to focus resources on that which the group deems most pressing. Projects can also lead to incremental drift – with their impacts on the supporting business model rarely understood or managed in their entirety.

The circumstances of individuals also drive businesses. A high performer may have a role found or tailor-made for them outside of the designed set of accountabilities, or the business may fail to adequately transition someone into a new role leaving them straddling the old and new for a period of time, perhaps permanently.

A third contributor is a subtle shift in strategy. Organisations generally respond to major shifts in strategy and practice (e.g. acquisitions, major new products, etc) through a realignment of the business model, but smaller changes may not be treated the same. These may incrementally erode efficiency over time through reduced alignment.

### What are the impacts of this drift?

Organisational drift adversely affects efficiency and effectiveness, both directly and indirectly.

One common effect is the duplication of accountabilities. Aside from the internal inefficiency, knock-on effects in areas such as sourcing and contract management can be substantial.

However the symptom of drift most readily felt is tension – it's harder to get things done in a business that's out of alignment. Excess consultation is required for decisions because accountabilities are not clear or not managed. The influence of personalities and individual exertions plays a greater role in internal dynamics than the logic of the business model.

Accordingly, nothing highlights a lack of alignment between the strategy and business model like a change initiative. How many times has your business sought to introduce an improvement to systems or processes, only to be confronted with 'our regions (units, work groups, etc) operate uniquely and can't be served by a single solution'?

Maximising performance – making the most of what you've got – is largely a function of alignment.

### Most organisations have trouble maintaining alignment

The examples of drift given here often happen with good reason. Organisations do have to assign accountability to high achievers to keep them in the business. They do have to shuffle accountabilities when a given individual or department is not delivering. They do have to respond to subtle shifts in business strategy. But if they do not maintain vigilance, alignment will inevitably slip.

In our experience, many businesses don't have a uniform and well-articulated understanding of their business model. 'How we do what we do', or rather 'how we should do what we do' is simply not written down, not understood uniformly throughout the business, or is understood but not supported. A business model doesn't need universal support (and rarely is it achieved anyway) – but management must ensure that it is implemented as designed, and that elements such as individual accountabilities and performance management mechanisms back it up.

### Tips on managing organisational drift

Be proactive – don't wait until a merger, disaggregation or full-scale restructure mandates a review of the business model and its alignment with business strategy. High performing businesses make a robust health check for alignment as part of their annual corporate planning process.

Remember that every change to any element of the business model, regardless of how small ('an independent Business Development function', 'a new region to be managed', 'an Acting 12 month role to focus on a specific project') could have ramifications across the business. Try to avoid making these changes with ambivalence towards your business model – know the impacts and manage them.

Finally, make managing drift a positive experience – the causes of drift aren't always bad, it can be the result of well intended intervention – at the time. Employees also have much to gain from comprehensive alignment and over time will appreciate the effort an organisation devotes to its maintenance.

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