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Temporary Organizational Structures Help to Achieve Strategic Objectives

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How a fractional manager might benefit your business

This is part two of a series about fractional management by Dan Elder.

Last time I introduced the concept of fractional management. The initial purpose was to manage fixed costs by relaxing traditional authorities and information flows to enable pseudo-sales to other Weyerhaeuser units. Dissimilar to other Weyerhaeuser cost centers, the temporary structure was further altered to a true profit center with marketing and control authorizations to sell its excess capacity to external users.

The idea of letting go of the reins of control through organizational restructuring appears to other areas of innovation.

For instance, Proctor & Gamble purposely centralized R&D in order to avoid only moderate product improvements that are likely to happen if the R&D units’ vertical lines of authority were restricted to specific product group managers. Miles and Covin (2002) describe the further alteration of the vertical lines of authority by P&G’s employment of a separate internal funding agency to which the R&D managers reported.

Thus, P&G seeks to achieve its strategic goals by significantly manipulating the lines of authority and organizational structure.

Temporary organizational structures to achieve strategic objectives

Experiencing with divisional structures can be done with extreme decentralization, weak upward lines of authority and information flows defined at the local level.

Applying this concept to organizational structures.

Is organizational structure a static concept? Often, these charts depict a steady state where functional units control resource allocations. However, by creating less stable structures, companies have found they can better achieve strategic objectives.

Experiencing with divisional structures can be done with extreme decentralization, weak upward lines of authority and information flows defined at the local level. This is why fractional managers may work for you.

Let’s explore the concept.

What are fractional managers?

First, fractional managers are employees of the firm. They are not consultants or typical part-timers. They are senior-level people who’ve “been there, done that” with decades of experience and are proficient at what they do. Gray hair is an asset in this role, and because they’re longer-term employees, they’re committed to the success of your corporation.

And they only work for you between one or two days week to one or two days a month.

How does this concept work?

A full-time manager or executive might spend 20 percent or so of their time on strategic and big-picture issues. The rest is generally taken up with routine reports, general management or technical issues.

So, by retaining senior talent for the 20 percent of the time they would be doing what only they can do best and letting lower-cost staff handle routine duties, smaller companies can afford the strategy they need to compete and grow.

They get the benefit of a fractional manager’s expertise and experience at a “fraction” of the cost of a full-time hire.

And a fractional manager also frees up time for you to allow you to do what you do best in running your business. When should you consider hiring a fractional manager? “Depending on the business model and industry, using fractional managers begins to make sense when a business’s gross annual sales move past the $1 million mark,” says Bill Bliss, CEO of Bliss & Associates Inc., a business growth advisory firm headquartered in Seneca, S.C.

“At that point the ‘mom and pop’ business model really needs to move toward a more mature organizational structure. And, while there’s no upper gross sales limit for bringing on a fractional manager, all departmental activities are typically staffed full time by the time annual sales reach $50 million.”

The benefits of fractional management

Fractional managers are longer-term employees, so they have a stake in the company. They care and can be relied on, even when they’re not in the office.

You can contact them outside of their regular on-site hours to talk about work, as you would with any staff member (within reason, of course). Many will take work away from the office or request external email or system access so they can keep in touch and deal with things even when they’re not physically on site.

Fractional executives aren’t clock watchers. Like your full-time execs, they think about the work they do for you when they’re not in the office. They’ll send emails from home late at night, take phone calls after hours and be available when they’re “not on the clock.”

The flexibility that lets you pick up the phone and make a call when you need your expert’s opinion is the same freedom they have in being able to work from multiple locations.

The bottom line

Fractional managers are experienced, reliable, longer-term employees whose expertise is available at a fraction of the cost of hiring a full-time manager. Using fractional managers begins to make sense when your annual sales pass $1 million.

In part three, we’ll look at typical fractional employment arrangements and explore specific examples. In the meantime, I welcome your thoughts and feedback at results@bgaccelerators.com.

Dan Elder is a business coach, management consultant, speaker, and author of Dramatic Business Growth in the Face of Fierce Competition! Learn more at bgaccelerators.com.

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