

Case Study: Cole Elevators, a mini-multinational

by Jeroen van Bree (j.vanbree@berenschot.nl)

Introduction

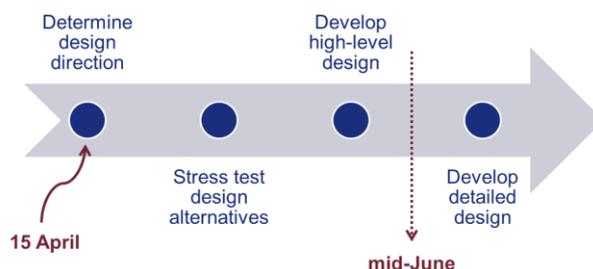
Cole Elevators is a family business with a history that dates back to 1875, headquartered in Southampton. The company has a leading position worldwide in the area of special-purpose elevators. Cole Elevators has a turnover of around € 150 million and employs around 1.100 people. The company has a worldwide network of 20 subsidiaries which focus on sales and has three production sites (UK, China and the US). Each subsidiary is led by a managing director, who reports directly to the executive board. The executive board feels that too many operational decisions end up on their desk. The board consists of a CEO (also the owner), a Chief Technical Officer (responsible for manufacturing and supply chain management), a Chief Commercial Officer (business development, marketing & sales) and a CFO. Cole Elevators International in Southampton used to be not much more than a holding company for the subsidiaries, but has developed into a real international headquarters over the past few years. It now includes central departments such as marketing, R&D and IT that increasingly work for the local subsidiaries. However, most of the bigger local country units also still have these functions as part of their organisation.

The challenge

The executive board wants a future-fit design for Cole Elevators International, which ensures a more uniform way of working worldwide and clearer reporting lines for the local subsidiaries. The CEO has said he wants “a fleet instead of an archipelago”. At the same time, the local entrepreneurship of managing directors should not be frustrated by the changes in the organization design. They should still be able to respond to specific local client requirements. Some of the strategic initiatives that the new organisation design needs to support are: organic growth into new geographical markets, developing innovative new products, developing a global procurement and manufacturing capability, and optimizing regional distribution and supply chain management.

The approach

We – as organization designers – decided to assemble a small design team consisting of the executive board and a few senior managers. With this group of seven, we went through a number of workshops, according to the approach outlined below.



First off was an exploration of the design direction, by determining design criteria: a small number of statements about what the design needed to achieve in terms of observable/measurable outcomes. We then explored a number of different design directions, without talking about the specific application to Cole Elevators yet. We looked at an integrated functional structure, a structure with product divisions, a structure with geographical divisions, a hybrid structure, etc.

This first discussion led to a number of starting points for the new design: what did the design team see as necessary ingredients for the new design and what did they not consider to be feasible options? For example: regional divisions were not considered feasible because the limited size of Cole Elevators did not warrant this duplication of activities and skills. It was also clear that the Executive Board would need to delegate responsibility for managing the day-to-day global business to a different management layer in the organisation (which did not yet exist).

In subsequent workshops, we developed, discussed, tested and refined the new organisational model. We used 'stress test' cases to surface issues (how will situation x be handled in this new design) and scored options against the design criteria. We also diverged into subgroups to design the different domains of the organisation (Sales, Manufacturing, etc.) and converged again to link it all together.

After a process of approximately two months, this led to a completely new organisation design with support from the executive board and senior management. It comprised descriptions of the tasks and responsibilities of the new organizational units, mandate and participants of new decision-making bodies, revised reporting relationships, and a description of key processes (such as product & market development and planning & budgeting).

The solution

The project resulted in a new organisation design for Cole Elevators, consisting horizontally of three main focus areas: Manufacturing, Sales and Support. Vertically, the structure that was chosen introduces an operational management team that supports and manages the global business of Cole Elevators, from sales through to manufacturing and service. This contributes to the success of local entities, while at the same time freeing up time for the Executive Board to focus on growth and innovation.

The main responsibility of the Operational Management Team is managing the worldwide operational business of Cole Elevators. This does not mean that the OMT is heavily involved in operations, because that takes place in and among the local subsidiaries. It does mean that the OMT makes sure the preconditions for local success are met and that sales, supply chain and manufacturing reach maximum alignment & results.

Because it transcends the focus areas of Manufacturing and Sales, the new design includes a separate unit responsible for managing the preparation phase of new product and market development. This is the Exploration Board, which generates, collects and filters new ideas. The Exploration Board meets every 6-8 weeks and consists of at least one Executive Board member and a number of representatives of the Cole Elevators organization (on a rotational basis).

The new design creates more synergy: a fleet of ships moving in the same direction, with each fulfilling its own role. This creates room for further growth. In order to achieve this, a clear division



of activities and responsibilities was developed between Cole Elevators International and the local sales, manufacturing and distribution entities. Cole Elevators International (under the direction of its Operational Management Team) aims to supply a central 'toolkit' that can add value for the local entities.

The previous organization design of Cole Elevators was the result of years of growth and international expansion. The time had come to take a fresh look at the structure that has resulted from these 140 years of history. The result was a design that will hopefully prepare the organization for the next 140 years.