Organization Design

Engaging with change

Second Edition

Naomi Stanford

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As the purse strings tighten, company costs need to be cut without affecting performance or sales. A common solution to this problem is to restructure the organization of the company, i.e. adjust the lines and boxes on the organization chart with the aim of setting it up for high performance. This inevitably fails because an organization is a system: change one aspect and other facets will also change.

Organization Design: Engaging with Change looks at how to (re)design the organizational system in order to increase productivity, performance and value, providing the knowledge and methodology to design an agile organization capable of handling the kind of continuous organizational change that all businesses face. The book clarifies why and how organizations need to be in a state of readiness to design or redesign and emphasizes that people as well as business processes must be part of design considerations. Responding to developments across the world since the first edition, it covers, among other topics:

- technology changes that have had an impact upon organizations;
- increased demands for 'sustainability' and corporate social responsibility;
- the pressure on organizations to be smarter, more efficient and more effective.

Whilst the material on this subject targets a wide management audience, this book is specifically written for consultants, OD/HR practitioners and line managers working together to achieve the goal of organizational redesign for changing circumstances. Aided by a range of pedagogical features, it is a must-read for students or practitioners involved in the field of organizational design, development and change.

Naomi Stanford PhD is a consultant, teacher and author. Her work as a consultant is in organization design and development in all its manifestations. Before leaving the UK to live in the USA she worked for large multinational companies including Price Waterhouse, Xerox, British Airways, and Marks and Spencer. She is currently working in the USA consulting on organization design, development and change, in a range of sectors domestically and internationally. She has written four previous books on organizations. She teaches MBA students and supervises doctoral students. Her blog, www.naomistanford.com, showcases her interests.

Acknowledgements

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Additionally I would like to acknowledge the valiant, demanding, and unfortunately necessary work of Freedom from Torture (http://www.freedomfromtorture.org) to whom the proceeds of this book are donated.

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Introduction

The first edition of this book was published as *Organization Design: The Collaborative Approach* in 2004. Since then there have been well-documented context changes that continue apace, all having a significant impact on the way organizations function. These changes include:

1   Accelerating swift and wide-ranging information and communication technology (ICT) changes that are having an impact on organizations. Since 2004 social media have burst upon the scene, cloud computing has become the norm and business intelligence software is getting increasingly sophisticated. All these have a huge impact on the traditional organization of enterprises.

2   Increasing requirements for 'sustainability' including carbon footprint savings, 'greening' the enterprise and so on. This again requires looking at the way work is done through a new lens.

3   Intensifying demands, brought about by fiscal and political conditions, to do more for less – smarter, more efficiently, more effectively. Just look at the impact the financial crisis of 2007–9 had on governments. Worldwide they were and continue to be faced with the challenge of offering better citizen services with vastly reduced budgets. No organization can keep pace with this type of demand without looking at its design.

4   Increasing involvement of architecture and design firms in the application of their world's design principles in the world of business operations and organization. This confluence of two disciplines is intriguing and perplexing, giving rise to questions such as: 'how does space become a strategic asset and not a cost to be borne?'; 'how relevant is space design to business performance?'; 'what can HR and facilities management learn from each other?'.

5   Building steam for a better work–life balance, coming particularly from people in their twenties and thirties in the USA and Europe. The introduction of flexible working, family-friendly policies, remote and virtual working all contribute to organizations having to take another look at the way they operate their people processes.

6 Emerging tensions around competition as companies seek to extend their range into new areas – both geographic and products/services. This gives rise to all manner of cultural and internal competition.

7 Changing global demographics that are leading to high youth unemployment and an increasing trend towards people over 65 staying in the workforce.

8 Heightening skills shortages in specific disciplines – engineering and computer sciences in the USA and Europe, for example.

9 Developing understanding of networks, 'organized complexity', neuroscience and biology, changing the way we think about organizations. This understanding is moving us away from thinking of them less as bounded systems, and more as complex, adaptive organisms.

10 Advancing product technologies that are changing the jobs landscape – many jobs previously done by humans are being done by robots or by other technologies. Self-checkout in supermarkets is an example, digital wallets are on the way and both are human job replacements.

These phenomenally fast-moving changes require three things from organizational leaders:

• To think very differently about the way their organizations are structured: a growing number are thinking of their enterprises as networks with dependencies and interrelationships rather than fixed, hierarchical, bounded structures (see Figure 0.1).
• To create a flexible, agile, adaptive, sustainable organization; one that continues to perform well and provide decent work (see Glossary).
• To seek expert support in creating and maintaining this type of responsive organization and not feel they can go it alone. Design work is not for the layman, as findings from a survey carried out in 2012 found. It reported that about half of surveyed organizations viewed their organization design as only moderately successful, and none of them viewed themselves as very successful at organization design (University of Westminster, 2012).

This is where this book comes in. Its primary purpose is to:

• provide the tools and techniques to enable HR/OD professionals to develop confidence and competence in organization design (and development).

Its secondary purposes are to:

• give line managers an overview of the design process, their role in it and what support they can expect from their HR/OD colleagues;
• suggest how HR/OD and the line manager can work most effectively together on design projects;
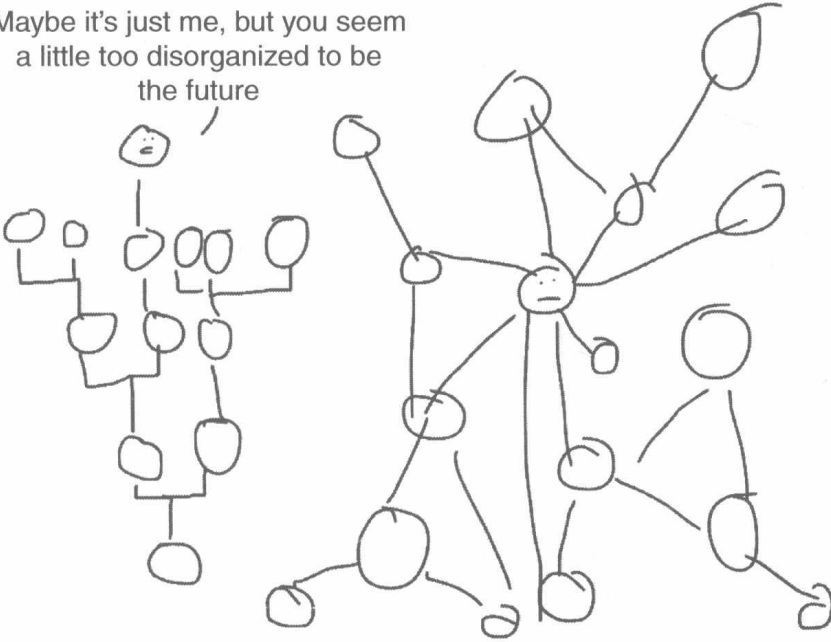
Figure 0.1 The power of networks
Source: Lysy, 2013.

- provide insights into ways of handling the kind of ongoing change that all enterprises face and often find troublesome.

HR/OD professionals need the skills and technical expertise to guide, coach and support line managers through organization design and development. Capability in this respect is now a 'must-have'. A quotation from a European government line manager in 2012 illustrates this:

> In a context of increased pressure on resources within governmental institutions (10–15% of staff cuts over 5 years on average) the current mainstream message within these institutions is that staff need to 'do more with less'. We of course all understand that this is difficult to achieve and may lead employees to being in unbearable situations. Organizational design and development is therefore becoming central as we look for new ways of working, being together, learning to do better differently and finding the way to make the 'less that is actually more'.

Three things have occurred, since the first edition of this book, to help HR/OD staff develop their organization design and development competence:

1   The UK's Chartered Institute for Personnel and Development (CIPD) has added organization design to its HR Profession Map, requiring

demonstrated competence in this discipline from HR practitioners. The CIPD is now offering certification in organization design and several universities are including organization design as a module in their HR programmes.

2   The USA-based Organization Design Forum has opened chapters in both Europe and the Middle East and Africa. And other chapters are planned.

3   Software programs have been developed (and it is highly likely that more are in the works) that take a 'big data' (see Glossary) approach to organization design, drawing on an organization's multiple data sets to facilitate organization design visualization, scenario-planning and delivery.

This book has been extensively updated in the light of the context outlined above. It is grounded in a further eight years of my own experience of:

•   consulting with organizations of all sectors, sizes and business models, on their design issues;
•   leading public and tailored organization design programmes in Africa, China, the USA and Europe;
•   writing and researching in the field.

During that period I have learned five things that help guide me in my work:

1   Unless you are clear on what the design is for (what it is supposed to do) you don't stand a chance of delivering something that works.
2   There is no one right way of doing organization design.
3   Even using a systematic approach, organization design is an evolving, iterative process which usually feels messy and complicated.
4   Faced with design options, take the one that makes most sense at the time.
5   The design you come up with is not one which will last for ever (or even for very long).

The book's approach is practical and pragmatic, systematic but flexible. It is more of a 'how to' guide than a textbook, so it is not academic or theoretical, although sometimes the theory or research is mentioned to clarify or illustrate. Each chapter is organized in the following sequence:

What you will learn: the purpose and outcomes of the chapter.
Input on the chapter topic: discussion and information, interspersed with 'OD shorts' that summarize the points made.
Tool: something that will help you in your organization design practice.
Summary: the key points covered in the chapter.

I hope that you will find the book helpful in developing your organization design thinking and practice, and that you find the whole field as fascinating as I have done over many years. I love the work that I do with clients in all its ups and downs, and I wish the same career fulfilment to you.

NOTE: Throughout the book the letters OD stand for Organization Design, and not Organization Development.

References

Lysy, C. (2013). 'The Power of Networks'. Retrieved 16 May 2013, from Freshspectrum: http://freshspectrum.com/the-power-of-networks.

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1   What is organization design?

You can still be in a fog when surrounded by databases, information systems, knowledge sharing, learning environments, and people full of wisdom.

Jensen, 2000

What you will learn

This chapter introduces the concepts, models and methodology of organization design, providing the foundational knowledge needed to undertake a design project.

Preparing for organization design

An organization design (noun) is the output of an organization design process (verb). But there are several actions to take before starting the hands-on design process. These preparatory actions are to:

- develop insight about the relationship between organization design and organization structure;
- get an idea of the history of organization design in order to see how organizations have evolved;
- learn some of the basics of complex, adaptive, open systems theory that underpins the design process;
- choose a systems model to guide you through the design process;
- agree a definition of organization design;
- determine design principles;
- understand the five-phase design process – assess, design, plan to transition, transition and review – and the actions, deliverables and tools associated with each of the phases.

This list looks surprising to people who think that organization design is mainly about the structure of an organization – what they see represented on an organization chart. So this chapter opens with an explanation of the
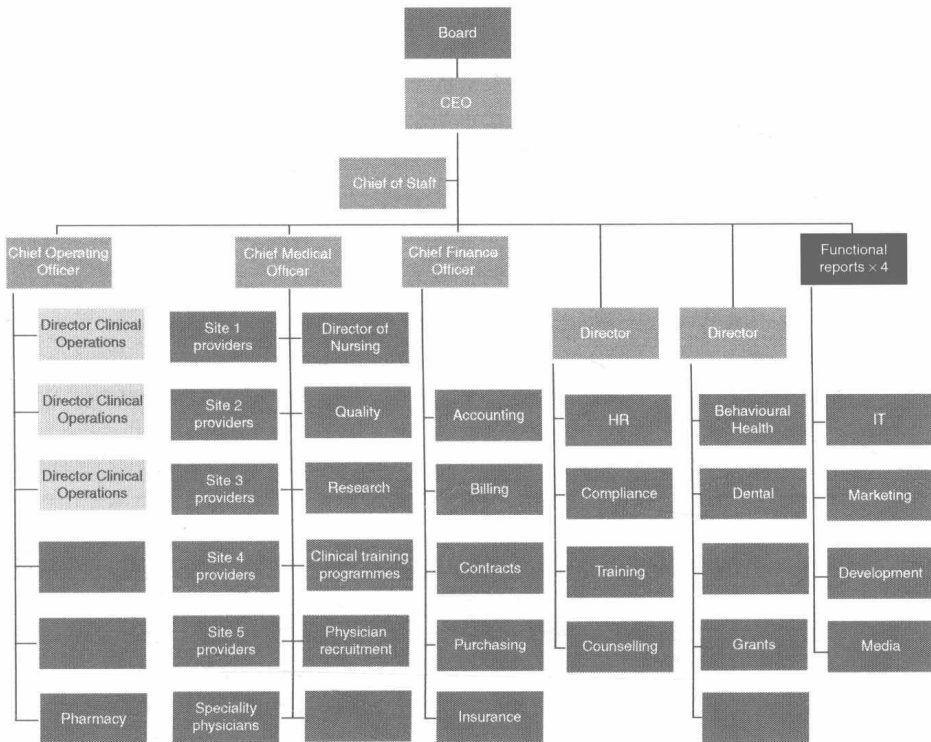
Figure 1.1 Example of healthcare provider organization chart

relationship between organization design and organization structure. Then each of the actions listed above is discussed and summarized.

The relationship between organization design and organization structure

Organization design is more often than not assumed to be the organization structure – that is, the series of boxes that are ordered in a hierarchy and are shown as an organization chart. One HR manager in a 300-person healthcare company was given a revised organization chart, similar to the one shown in Figure 1.1, by the new CEO and asked to realize it. The chart raised various questions, including: 'How will we know this is the right structure for our organization?' 'Is this how it should be structured?' 'Are ten direct reports to the CEO too many?'

Organizations race to 'restructure', i.e. change the organization chart, in response to some business issue, typically triggered by some external pressure (see Chapter 4) that is forcing a response. In this case the restructure was initiated by a combination of circumstances, including a new CEO, changes in