

# Introduction

*Execution is critical to success, yet the majority of companies struggle to translate strategy into action. Recent studies, including a survey of more than 1,000 organizations globally, reveal that 60 per cent of organizations fail to execute their strategy effectively. One of the most widespread obstacles to execution is the gap between the nature of work in turbulent markets and the techniques managers use to get things done. (DON SULL, 2010)*

**O**rganization Design sets out to answer the question, ‘What is the best way to organize a group with a shared purpose to get things done and achieve its strategic intent?’ The aim of organization design is to find the optimal form for an organization to maximize its performance. Form is much more than structure; organizations need to be viewed holistically with many more dimensions considered and kept in alignment. If not enough change is made across these dimensions the desired progress will not be made.

As with other types of design, good organization design is the big deal that separates the OK from the great. You know a well-designed organization when you come into contact with one. There is a shared purpose and the organization is structured with interdependent and coordinated parts forming a coherent and systematic whole. Everything works well and in harmony; people know what has to be achieved collectively and individually; the purpose, strategy and goals are shared and unambiguous; it is good to do business with as a customer or supplier; and if you are an employee you feel valued and productive. Organization design is the art, the science and the business of building effective organizations. It is a deep expertise and competence, consisting of knowledge from theory and experience. This book is a practical guide to building effective organizations through organization design. We will share relevant theory and our experience as we go.

Arriving home from work a father is greeted by his young son, 'Daddy, why are you always so late home from work these days?' 'The company is going through many changes. I have spent many weeks leading the reorganization,' replied the tired father, with his shoulders dipping so that anyone watching might assume he carried all the world's problems on him. 'But Daddy, Daddy, what is a re-organization and why do you have to spend so much time on it?' lamented the son. The father sighed; he knew that this work was keeping him away from the things that were important to him; at home and at work. After a few minutes he said, 'Come out into the garden.'

It was late, dusk was falling, and the birds were noisily settling in the trees at the bottom of the garden. The father pointed out the birds in the trees and the different branches where they all sat comfortably. 'I will show you what my job is like; imagine those birds are the people in my company and the branches are the sections where they work. My job is to work out where all those birds should sit in future. Some must stay in their current tree and we want some to change trees, even some to move from the garden and go to other trees elsewhere. I have spent many months and long days planning where all these birds should go and what they should do. Now I am working hard with others to make it happen. But the birds do not want to go where we want to put them; they are all making up their own minds.'

'Daddy, what is it like for the birds and where do they go?' asked the young lad trying to imagine what it was like in a company.

There was a loud sound, echoing around the neighbourhood; the father had clapped his hands. Suddenly the sky was dark, filled with birds flapping their wings and chattering as they left their comfortable perches. For several minutes the child looked in amazement at the impact his father had made. He was able to make all the birds move, just like he had said. Now he understood how important his father was and why his work kept him away from home. The cacophony continued as the birds circled overhead and complained at their unwelcome disturbance. Then the noise started to die down and the sky once more became clear. The birds had made their way back into the trees, many settling in their favourite resting spots. 'That, my son, is a reorganization!'

It is quite possible that right now your CEO or a senior business unit head is planning a rapid restructuring in response to rapidly deteriorating market conditions.

(Centre for Performance-led HR, 2009)

This book is for anyone who wants to lead or carry out organization design work and needs a guide to show them how to do it. We imagine you, our reader, are the type of person that CEOs and other leaders turn to, to deliver the design of their organization. We imagine too that you are experienced

in your own sphere, but new or relatively new to organization design and looking to add organization design to your current portfolio of skills and play new roles in helping the business think through how it should be organized and built. You may work within an organization or as an external advisor. You are probably interested in how organizations work, what makes them more effective, and why some are better at delivering their required results than others. You are probably good at balancing hard and soft skills and comfortable taking multiple perspectives.

People looking for practical guidance on how to build effective organizations come from diverse backgrounds and many different roles. You may come from: strategic HR; strategic planning; portfolio, programme or project management; leadership or line management; internal or external consultancy; change management; organization development; organization effectiveness; business process and IT management; or in fact any area or team that gets involved in start-ups, reorganizations, mergers and acquisitions, divestitures or changes to supply chains. You may also be seeking to learn or teach practical organization design, or support organization design work with your specialist expertise. We hope that if you are a more experienced designer, you too will find new ideas, fresh inspiration, insights and articulation of areas rarely covered. The book will also be of interest to CEOs, HR Directors, academics and others who need a broad awareness of organization design.

If you are new to organization design, whatever your business's challenge, when asked to design your organization (in part or as a whole) you need to know how to carry out that challenge. You may need to know what to do, how to do it, where to start, who to involve and when to do it. How do you respond when your business asks demanding questions of you? How much of the organization needs to change? What skills do we need to do this? What needs doing when? What is different about an organization design project from other types of projects? Carrying out an organization design is never the same twice. Context, the scale of the challenge and the business issues and risks posed, mean that even for experienced practitioners organization design is never routine. You may be concerned to understand the impact of the designs you devise and make sure they have the right buy-in and agreements. The implications of getting it wrong can be hugely detrimental to the organization, its people, its customers and other stakeholders.

All organizations can benefit from the design thinking we share, whether they are: commercial or public; local or global; physical or virtual; based in China or in Chicago; a part of a larger organization; the whole of an organization; or across a supply chain. Most organization design tasks cover part of a broader organization; say, a business unit, a functional unit, a department, a team or a company. The task could be reorganizing a part of the organization to deliver a set of processes or functions, setting up an operational shared service centre or setting up a new section. It is more unusual to design a large, enterprise-wide organization, because these changes happen

less frequently. However, the same thought process is required whatever the scope, and the achievement of successful outcomes can be just as satisfying. As Frank Lloyd Wright advised, ‘regard it as just as desirable to build a chicken house as to build a cathedral’. Throughout this book we have in mind the design of a medium-size organization (rather than a very small team or an organization of tens of thousands), but it could be in any industry or geography. This midway course provides a simpler basis for you to get to grips with the organization design model, process and toolset provided.

## How the book is structured

*Organization Design: A guide to building effective organizations* is a practical guide to carrying out organization design: it comes with a map and a compass! The organization design model, process and toolset provided are designed to work together. *Organization Design* sets out a series of building blocks that you can learn and apply. You can go at a pace that suits you and your organization. Despite the mystery and intrigue that surrounds organization design, it is very achievable. Mastery and intent are on the horizon.

### **Part One, Understanding organization design**

Like any good guidebook, we will give you some background. This part provides you with some fundamental concepts and sufficient theory on organization design, so that you have a firm foundation. It provides core knowledge on organization design that you can put into practice and is the basis for using the rest of the book:

- Putting organization design in context: explains what organization design is, why it matters and what might drive a need for organizations to be designed or redesigned.
- Familiarize yourself with the Organization Design Compass and OPTIMAL Way: explains organization design models and introduces you to our model – the Organization Design Compass, which we have adopted and adapted from theory and experience. The Compass will ensure that as you design you take a holistic view of the organization, covering all the angles, ensuring alignment and integrity to the organization’s strategic intent to deliver effective outcomes. It provides an overview of our process (the OPTIMAL Organization Design Approach) and how to use it. This includes a map to guide you, step by step, towards designing effective organizations; each step has a chapter with full explanation in Part Two.
- Some essential building blocks: provides you with knowledge of selected organizational archetypes and three frameworks to give you ideas that you can apply in your design work.

## ***Part Two, Designing your organization the OPTIMAL Way***

This Part takes you step by step, chapter by chapter, through the use of the OPTIMAL Organization Design Approach. It shows you how to carry out an organization design in a rigorous way, gaining buy-in, making well-informed decisions and delivering a high-level design blueprint ready for implementation. Throughout Part Two, there are tools and techniques for you to use as well as insights, examples and case studies to bring each step to life. You will see how to carry out an organization design, what some of the outputs look like and what outcomes you should achieve along the way. Parts One and Two together provide you with the knowledge of how to establish and run an organization design programme using the OPTIMAL Organization Design Approach. Part Two covers the following:

- Outlining your brief.
- Pulling together your programme.
- Taking stock of the change required.
- Identifying the assessment criteria.
- Mapping the design options.
- Assessing the alternatives.
- Laying out the way forward.
- Taking the OPTIMAL way forward.

## ***Part Three, Dealing with recurring challenges***

Part Three covers how to respond to some of the challenges that face organization designers time and time again, whatever the organization and methodology used. This part is aimed at more advanced practitioners and those seeking specific guidance. It is assumed that those reading this part have an understanding of at least one organization design model and process either by virtue of their past experiences or reading this book; here the Organization Design Compass and OPTIMAL Organization Design Approach are referenced. This part covers some challenges that we are frequently asked to help with:

- How to maintain design integrity over time? It takes time and effort to design and build an organization that effectively delivers the organization's purpose and strategic intent. However, success is a journey, not a destination and many, many changes will impact the design, through implementation and operation. Organizational design integrity is about prolonging the life and design integrity of an organization so that it continues to deliver the organizational purpose and strategic intent. Chapter 11 explains how to maintain

organization design integrity over time by establishing and using a design authority.

- How to size an organization? Getting the right number of people in the organization is important: too few and it fails to deliver its purpose; too many and its costs are too high. Chapter 12 looks at what size means to the organization designer and advises how to decide the right number of people, spans of control and number of layers for an organization.
- How to choose between options when the environment is very uncertain? When the environment your organization operates in is particularly complex, the future organization's direction is very uncertain or a fundamental change of circumstances is possible, then there is increased likelihood of disruption and turbulence derailing any chosen strategic direction. Chapter 13 shows you how to increase the chances that the design options you derive and choose can cope by adding scenario planning and scenario testing.
- How to assess the level of capability development over time? Sometimes it is important to set and monitor defined interim and/or final levels for targeted capabilities, either for an organization as a whole or for particular areas or groups of people. Chapter 14 shows you how you can tailor and use a capability maturity assessment framework to assess the maturity of an organization's target capabilities: either at a point in time or periodically.