

WHITE PAPER

# Organizational Design Elements

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TBLG 12/08 Organizational Design Elements – Version 1.0

# Organizational Design Elements

Given the amount of change occurring in our world today, I've been approached recently by an increasing number of organizations that need help "re-organizing." Having done a great deal of this work over the years, I submit a few elements that should be considered in any re-organization process, should you ever find yourself needing a framework to get you started.

To conduct a 2 or 3-day off-site design session, I recommend considering Jay Galbraith's process (author of *Designing Organizations*), which begins with a (1) Kick-off Meeting, proceeds toward (2) Testing Alternatives, (3) Interviews, (4) Compiling Data, (5) Benchmarking, (6) Final Analysis Meeting, (7) Feedback to the Organization, and concludes with (8) New Design Rollout and (9) Implementation.

## **Within the first Kick-off Meeting, key players should consider:**

1. Deliverables, Key Criteria, the Vision, Values, Attributes, Core Competencies
2. Strategy
3. Structure
4. Key Processes
5. Key People
6. Roles and Responsibilities
7. Information Systems
8. Performance Measures and Rewards
9. Training and Development
10. Career Paths

**Here are some things that should be reviewed when designing an organization's structure:**

1. What are the deliverables of the organization?
2. What's the cycle time? Is the organization providing a service or creating a product?
3. What's the degree of specialization?
4. Who are the customers?
5. How far downward do you want to push decision-making?
6. What are the communication needs? (i.e. *greater decentralization permits autonomy... but requires more communication to coordinate*)
7. Where on the continuum... between *Centralization* and *Decentralization*?
8. Where on the continuum... between *Leaders as Decision-Shapers* and *Leaders as Decision-Makers*?
9. Consider a **Responsibility Chart**: *Individuals' Roles* across an X-axis, and *Specific Decisions to be Made* across a Y-axis... and plot the coordinates in terms of **Responsible**; **Approve**; **Consult**; **Inform**; **No Formal Role**
10. *Strategic fit* matters as much as *employee commitment*... Structure is an enabler that should fulfill processes/rewards/and people
11. Over-centralization often leads to a declining sense of urgency as it isolates employees from customer needs
12. Organizations wanting to be "employers of choice" should carefully consider how to best organize themselves (not only to deliver a product, but to attract the "right sort" [Maslow's words] of employee)

## Other

Here are some things that should be reviewed when designing an organization's structure:

1. **Organization Shapers** (these are things that have radically impacted organizational structures in recent years)
  - a. Buyer Power
  - b. Variety
  - c. Change
  - d. Speed
2. **The Star Model**
  - a. **Strategy** (determines direction; vision; mission; goals; delineation of products/services; markets to be served; value offered to customers)
  - b. **Structure** (defines the locus of decision-making; specialization; shape; distribution of power; departmentalization)
  - c. **Processes** (information flow; means of responding to information technology)
  - d. **Reward** [systems] (influence motivation of people)
  - e. **People** [policies] (human resources... influence and define the employees' mindsets, skills, attraction, retention, training, development, performance appraisals, succession planning, promotion, etc.)
3. **Common Structural Typologies:**
  - a. **Functional Structure**
    - i. Small size, single product line
    - ii. Undifferentiated market
    - iii. Scale of expertise within the function
    - iv. Long product development and life cycles
    - v. Common standards
  - b. **Product Structure**
    - i. Product focus
    - ii. Multiple products for separate customers
    - iii. Short product development and life cycle
    - iv. Minimum efficient scale for functions or outsourcing

**c. *Market Structure***

- i. Important market segments
- ii. Product or service unique to segment
- iii. Buyer strength
- iv. Customer knowledge advantage
- v. Rapid customer service and product cycles
- vi. Minimum efficient scale in functions or outsourcing

**d. *Geographical Structure***

- i. Low value-to-transport cost ratio
- ii. Service delivery on-site
- iii. Closeness to customer for delivery or support
- iv. Perception of the organization as local
- v. Geographical market segments needed

**e. *Process Structure***

- i. Best seen as an alternative to the functional structure
- ii. Potential for new processes and radical change to processes
- iii. Reduced working capital
- iv. Need for reducing process cycle times

## **Other permutations**

1. *Hybrid* structures
2. Introducing *lateral processes* to augment basic structures
  - a. *Informal, voluntary organization* (spontaneous; natural)
  - b. *Formal groups* (like project teams; TQM; Re-engineering)
  - c. *Integrators* (key change agents in formal role)

## **The Seven S's** (periodically used by Motorola, among others)

1. Strategy
2. Structure
3. Staff
4. Skills
5. Style
6. Systems
7. Shared Vision

## **Design Analysis Wheel... "The 7 Ps"** (developed by The Quattro Group of London)

1. Purpose (mission, vision, values)
2. Positioning (advertising, image, marketing)
3. Plans (strategies, policies, charts)
4. Power (political, stakeholders)
5. Processes (systems, communication)
6. People (HR, morale)
7. Products (services, outputs)

**Four Organizational Typologies** (usually, each organization is dominated by 1 of the 4... but the larger and more complex an organization, the more likely it is to include all 4 within its functional groups)

1. *Vision* (think 3M; think R&D)
2. *Values* (think Ben & Jerry's, the traditional Disney model; HR)
3. *Systems* (Paradoxically... both McDonald's and the Government; IT)
4. *Outcomes* (conglomerates, AT&T; Sales/Marketing)

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