

Organisation design

A framework for thinking about
your own approach

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In a volatile and uncertain working world, change has become a new constant for many organisations. Such changes are often accompanied by restructuring in some way – large or small. While, in the past, organisation design work tended to be infrequent and conducted by specialists, now it is a normal part of everyday life for many HR and OD professionals.

What is organisation design?

Organisation design and organisational development often go hand in hand, but not always. Traditional Organisational Development (OD) enhances the effectiveness of organisations in ways which are consistent with both humanistic and business needs.

Organisation Design (ODS) is closely related to OD as both have a change focus. However organisation design work includes an explicit focus on structures, and it does not have an implicit humanistic values base.

The goal of organisation design is to create effective organisations. Yet there are no hard and fast rules about what effectiveness means. Multiple stakeholders will often have different ideas about the detailed organisational objectives, even when they appear to be aligned. So it is no surprise that organisation design projects are often beset by differing perspectives and conflicting views about what constitutes organisational effectiveness and how best to achieve it.

Furthermore, organisation design is highly contextual. Unless you are designing a brand new organisation, you are never starting with a blank sheet of paper, even if you have been given *carte blanche* to do so. Organisations have a history, so they can only change from where they are now.

However the 'as is' position is not easy to unpick. The formal elements of structures, systems and processes form a relatively small part of the whole picture of organisational life. Much of how organisations really work is embedded in informal working practices and cultural norms. This shadow side is not normally written down or discussed. Instead it is embedded in people's tacit knowledge and therefore, whilst highly influential, is difficult to surface, explore and indeed, to change.

Those formal and informal organisational dynamics are intertwined in an organisational system. In systems, if you change one thing, you potentially affect everything, so unintended consequences are a common companion of change.

This paper outlines five key challenges of organisation design:

1. it takes place in and responds to a changing world;
2. there is little clarity or agreement about the goals of, or the means to effectiveness;
3. an organisation's history enables and constrains what is possible;

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4. you are unlikely to have the full picture of how the organisation really works now;
5. and interdependencies mean that unintended consequences are more commonplace than you might think.

Our ten practical tips will help you to navigate those challenges.

Ten practical tips for organisation design

1. **Clarify the goals for the work.** Re-design and restructures are usually undertaken to solve a problem, such as responding to customer requirements, avoiding duplication of work, or reducing fixed costs. Although the problem may be obvious, there is not always such clarity about what is wanted in its place. So, make sure you ask lots of questions: What exactly needs to be different? What are the specific benefits that people are looking for? What are the tangible (and not so tangible) outcomes they would like to achieve? What will it be like to work there?
2. **Identify any conflicting demands.** The answers you get about the goals (Tip 1) will depend on who you ask. Even with high-level agreement, there may be detailed differences which create tensions or dilemmas. When demands conflict, those conflicts demand resolution. Resolution might consist of choosing one hand over another. For example, choosing whether it is more important to be client focused, or whether it is more important to be cost effective. Or resolution might involve *both/and* solutions, where you fully acknowledge that tension and seek to develop creative designs that enable *both* greater client focus *and* greater cost effectiveness.
3. **Agree the criteria that will be used to evaluate the design.** The strategic criteria will be developed from the goals that you have clarified (see Tip 1 and Tip 2). They will be specific to a particular project. However, you will also need to evaluate any new design (and also the do nothing option) against some criteria of good organisation structure design, eg around spans and layers, co-ordination, cultural cohesion etc.¹ Whichever model(s) you choose, you may want to tailor the detailed criteria to your organisational context.
4. **Acknowledge cultural enablers and constraints.** Organisations are not created on paper. Nor are they objects to be moulded. An organisation can be better

¹ For example:

<https://hbr.org/2002/03/do-you-have-a-well-designed-organization>

http://www.boozallen.com/content/dam/boozallen/media/file/Management_Spans_Layers.pdf

understood as a site of human activity which has been shaped, over time, by many, many interactions between people. A new design can only be created from where you are, and it will be enabled and constrained by the organisational culture². So, find out where you are starting from, what you can build on, and what needs to be preserved, albeit in new ways. For example, if you have selected and rewarded people for their specialist expertise, you cannot just jump into a generalist structure. But you can find new ways to value expertise within a more flexible workforce model.

5. **Involve people from the outset.** There is a tendency in organisation design for a small project team to hide in a darkened room and then reveal their plans with a fanfare. Divorcing design from implementation is a risky approach, in terms of the acceptance and the real-life workability of the design. Involving those affected from the outset can help you to co-design a fit-for-purpose organisation that makes the most of people's tacit knowledge. Be clear on the givens - the non-negotiable aspects of the design - and be clear about the freedoms; those areas where people can bring their creative ideas. Allow challenges around the non-negotiable items in terms of clarity. Focus attention on the freedoms.
6. **Develop your transition plan alongside the new design.** Creating a new design, while intellectually demanding, is the easy bit. Implementing it effectively is much harder. Do not leave the important work of implementation to the end. Determining how you will make the transition and bring the people with you is an integral part of the design process. Make sure that you allow time for both practical and psychological transition. Think about how people are likely to respond to your plans and what support they might need to let go of the old world and to find their way in the new one. Make sure that the systems and processes needed to support new ways of working are in place.
7. **Communicate well.** Organisation design involves change and, like any change, communication is vital in helping people make sense of what is going on. So, think about how you can support the design process with continuous communication, not just up front, or all at the end. What people want is clear, consistent messages, and substantial content from a believable source. Make sure that communication is

² A useful tool for analysing organisational culture is the cultural web, which considers stories; routines and rituals; symbols; organisational structure; control systems; and power structures. For details see: Johnson, G, Scholes, K and Whittington, R (2009) Exploring Corporate Strategy. Financial Times Prentice Hall.

multi-way and conversational by encouraging top-down, bottom-up and peer-to-peer communication.

8. **Give your designs a really hard time.** All changes have costs, all changes have risks, and they have uncertain benefits. So be tough on your designs and make sure that you really test them out against the criteria that you developed in Tip 3. Involve multiple stakeholders in the process, as diverse perspectives are invaluable in shining a light on potential issues and potential opportunities.
9. **Learn fast, learn regularly, learn well.** Implementation is a vital part of the design process, as it is only when it is live that you will learn how the design really works in practice. While planning is important, it is not possible to predict all the possible responses. So make sure that you build in regular feedback loops so that you can learn quickly and you can be agile in your responses.
10. **Pay close attention to what else is on the horizon of the organisation design project.** Organisation design takes place in a dynamic world, so make sure that you look up from your project and gaze outwards regularly. Consider what is changing in the external environment. And find out what other change or organisation design projects are underway across the organisation. These wider changes may well have an important impact on the design, or on your transition and communication plans.

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