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Organisation design

Explores what organisation design is and how it can be done effectively in today's organisations.

Introduction

Organisation design is a fundamental part of what makes an organisation successful, and HR's ability to influence the activities and shape the outcomes is a key element of being an effective practitioner.

This factsheet explains what organisation design is, how the models and approaches have developed, and how it compares with organisation development. It looks at how organisation design can be carried out effectively, identifying models and frameworks, and the approaches that can be used when carrying out organisational design activities.

What is organisation design?

Organisation design is the review of what an organisation wants and needs, an analysis of the gap between its current state and where it wants to be in future, and the design of organisational practices that will bridge that gap. It's a fundamental, wide reaching, future-focused activity that often requires a review of the entire organisation and its context to decide what does and doesn't work. It will therefore usually involve a holistic review of everything from systems, structures, people practices, rewards, performance measures, policies, processes, culture and the wider environment. See how organisation design fits into our new Profession Map.

Organisation design is a technical field with specialist knowledge, skills, and behaviours, but people professionals more broadly have an important role to play. They are often the gate keepers of the organisation's people data, sit across the organisation with a system-wide view, and have a good knowledge and understanding of the organisation's 'undiscussable' issues and performance challenges It is where decisions are made about how to organise the work and people in a company in order to best achieve its purpose (its goals, aims or strategy).

When that change is implemented, the practices are maintained by ongoing organisation

development activities. For example, organisation design uses the same kind of review an architect would undertake before drawing up plans for a new office building – they would look at how it will be used in the short and long term, by how many people, what it should look and feel like– all before starting to draw up building plans. When the building has been built (implementation of organisation design), it will be maintained and gradually improved as it is used (organisation development).

The key difference between organisation design and organisation development is the scale of the issue(s) and the solutions required to resolve them. If they are relatively self-contained and local in their impact, then an organisation development approach is more suitable.

However, if success in one area is inextricably linked to practice elsewhere, and a variety of mechanisms need re-aligning, then a larger-scale organisation design activity would ensure that changes fit with each other.

Who does organisation design?

Because of its strategic nature, organisation design may sit in different departments in different organisations, including:

- Quality department - particularly if the organisation is highly compliance-led and has a keen focus on process driven value
- Project management - as organisation design and development are often implemented through a series of projects.
- HR - where the organisation recognises that effective people practices will have the biggest impact upon the overall performance and success.

Wherever it sits, it's good practice to adopt a collaborative approach, using multi-disciplinary teams and involvement techniques, to ensure a wide range of individuals and functions are involved. Our podcast OD: taking the business with you includes tips for successfully implementing organisation design through communication and involvement.

Whether undertaking a formal organisational design activity or not, HR practitioners at all levels can undertake organisation design to some degree. Designing and implementing HR practices will benefit from an organisation design mindset. Our podcast A new dawn for OD explores how we see organisation design evolving.

When and why to undertake organisation design

Organisation design is usually triggered by one or more of three situations:

1. Internal or external factors require a reaction

The most common trigger for organisation design (or re-design) is when internal or external factors become significant events in the journey of an enterprise. These could include a new competitor in the market, a change in legislation that requires a significant alteration in the way the organisation works (external influence), or the introduction of new technology, or needing to significantly reduce operating costs due to reducing profit margins (internal influence).

The disadvantage of carrying out organisation design based on such 'trigger' events is that they can often be ineffective in the longer term. For example, organisations that restructure as a result of a reduced budget may focus on structure and headcount changes, without considering the performance, reward and cultural changes required to embed the new ways of working resulting from reduced workforce numbers. This could lead to a need for future re-design activities.

This is also where organisation development can work in tandem with organisation design to create strategic value. Read more in our thought piece.

The COVID-19 pandemic has forced many organisations to rethink their design, strategy and purpose. Our podcast Business survival in the age of COVID-19 considers how organisations can be designed flexibly to deal with the crisis.

2. The organisation's strategy, goals or purpose changes

Organisations change over time. They may change direction by altering their strategy, goals or purpose to align with a new vision for the future.

This is a future-focused organisational re-design, and will often involve a review of the existing operations to identify what can be kept (because it is already aligned) and what needs to be changed or implemented to bring about the required new way of working. There's usually a need to adapt operational level practices to enact this high-level change.

The challenge many organisations face is the increasing pace of change and transformation which is demanding frequent re-design activities. Organisations are now trying to re-design themselves to allow them to respond to emerging changes without having to implement large re-design programmes - see the concept of reconfigurable organisations.

3. Consolidation and reconfiguration

The third trigger is more discrete and is where organisation design overlaps with

organisational development.

Over time, developments and practices may reach a point where they are no longer fit with each other or with the strategy that they are trying to implement and end up causing a range of difficulties. An organisation design review could reveal if the impact is significant, or if an improvement in one area requires changes in others.

Following the architecture analogy above, if an office building has been developed with several extensions as it has grown, the point may come where a 'patchy' layout is slowing down communications and resulting in 'silo' working. This may justify a fundamental review (organisation design level) of what a new building might look like.

The organisation design process

Organisation design models and frameworks

Organisation design theory developed to look at organisations as a system, full of interconnected practices that bring about certain results. Change in one area is likely to cause an effect in another. To help understand such links, early models were developed to map an organisation's framework. They all take a different perspectives, depending on what they considered to be the most important focus. The most common systems-based organisation design models include:

- McKinsey 7-S Model – systems, strategy, structure, style, staff, skills & shared values.

- Galbraith Star Model – strategy, structure, people, rewards, process.

- Burke Litwin Model – mission / strategy, structure, task, leadership, management practices, work unit climate, motivation, organisation culture, systems, individual needs and values, external environment, performance.

These models are mostly inward looking, based on a stable and single overarching business design. Future organisations may also need to consider more agile, adaptable business models to stay future fit – read more about internal change in our report People Profession in 2030: a collective view of future trends. External collaborations, partnerships, networks and joint ventures becoming increasingly common, especially in sectors such as pharmaceuticals, car manufacturing, advertising, marketing, and consulting. For example, large-scale construction projects, such as Terminal 5 at London Heathrow Airport and the London Olympic Park, have been designed, developed and put in operation by several organisations working in partnership towards the same goal. Our report Innovative forms of organising: networked working examines one such case study.

This way of working needs a more complex and fluid response to strategy and practice, with multiple approaches being present within a collection of different enterprises aiming to operate as one organisation.

Because of these trends, modern organisation design models take a more organic and complexity theory approach, recognising that the previous top down, cascade, linear cause and effect approaches won't always bring about the desired change in practice. Newer, emerging models include:

- **Holonic Enterprise Model** – a flexible view where members are autonomous but co-ordinated, and often working together on a timebound objective or project.

- **McMillan's Fractal Web** – sees the organisation as an organism and focuses on its ability to learn, grow and adapt as it responds to the external environment.

- **Ken Wilber's AQAL Model** – founded in developmental psychology to look at 'all quadrants and all levels' of an organisation, including individual interior and exterior, and collective interior and exterior.

There's more on emerging models in Naomi Stanford's book 'Guide to organisation design: creating high-performing and adaptable enterprises' – see Further reading, below.

When undertaking organisation design activities, organisations should pick whichever model focuses on the factors most relevant for them (or combine elements to create a bespoke approach).

Diagnostics and gap analysis

The selected organisation design model is often used as a diagnostic and visioning tool, where each part of the framework is examined to identify what it should look like for the organisation to achieve its goals, strategy or aims (future state). Next, what those areas look like today (current state) are reviewed to identify what the gap is (gap analysis).

This diagnostic exercise can be undertaken in various different ways, using a range of different tools, such as SWOT and PESTLE analysis, focus groups, surveys, qualitative feedback loops, organisation wide surveys, internal audits, and collaborative process reviews.

It's always important to include objective metrics and organisational data in the review. Taking an insight-driven HR approach can provide HR and leaders with objective indicators revealing how well the organisation is doing and track improvements, as well as quantify the scale of a problem. This can be used to justify the need for a bigger picture exercise.

Designing inputs, outputs and results

Early organisation design approaches predominantly focused on the 'hard' mechanisms in an enterprise, such as structures, systems and processes, whilst organisation development was seen to mainly focus on creating the 'softer' mechanisms such as engagement, behaviour and culture.

However, as mentioned above, modern approaches include both of these elements, and a simpler way to view it is to focus on **inputs**, **outputs**, and **results**.

For example, a decision may be made to adopt a matrix structure, with a cross-departmental work flow designed for tasks across different teams. But these won't work effectively unless good communication and performance management mechanisms are used to encourage people to work outside their former departments.

The structure and people processes are inputs: activities selected / designed to produce certain behaviours and ways of working. In HR: Getting smart about agile working we showed that many organisations focus on several areas of job design and organisation design to improve productivity and performance, such as freedom to act, flexible working practices and technology-enabled practices.

These inputs produce outputs, which often include many of the traditionally viewed 'softer' factors, such as employee engagement, autonomous behaviour, or a self-managed culture. Our report Developing organisation culture: six case studies looked in detail at organisations undertaking culture change and, based on their experiences, offers a practical checklist of some of the important issues to consider for effective culture transformation.

Useful contacts and further reading

Contacts

Global Organization Design Society

European Organisation Design Forum

Books and reports

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Journal articles

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This factsheet was last updated by Melanie Green.