# What is Organizational Design?

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## Underviser note: Arkitektur og Design er udskiftelig

*Organizational design* is a step-by-step methodology which identifies dysfunctional aspects of work flow, procedures, structures and systems, realigns them to fit current business realities/goals and then develops plans to implement the new changes. The process focuses on improving both the technical and people side of the business.

For most companies, the design process leads to a more effective organization design, significantly improved results (profitability, customer service, internal operations), and employees who are empowered and committed to the business. The hallmark of the design process is a comprehensive and holistic approach to organizational improvement that touches all aspects of organizational life, so you can achieve:

- Excellent customer service
- Increased profitability
- Reduced operating costs
- Improved efficiency and cycle time
- A culture of committed and engaged employees
- A clear strategy for managing and growing your business

By design we're talking about the integration of people with core business processes, technology and systems. A well-designed organization ensures that the form of the organization matches its purpose or strategy, meets the challenges posed by business realities and significantly increases the likelihood that the collective efforts of people will be successful.

As companies grow and the challenges in the external environment become more complex, businesses processes, structures and systems that once worked become barriers to efficiency, customer service, employee morale and financial profitability. Organizations that don't periodically renew themselves suffer from such symptoms as:

- Inefficient workflow with breakdowns and non value-added steps
- Redundancies in effort ("we don't have time to do things right, but do have time to do them over")
- Fragmented work with little regard for good of the whole (Production ships bad parts to meet their quotas)
- Lack of knowledge and focus on the customer
- Silo mentality and turf battles
- Lack of ownership ("It's not my job")
- Cover up and blame rather than identifying and solving problems
- Delays in decision-making
- People don't have information or authority to solve problems when and where they occur
- Management, rather than the front line, is responsible for solving problems when things go wrong

- It takes a long time to get something done
- Systems are ill-defined or reinforce wrong behaviors
- Mistrust between workers and management

**Methodology**

Although adaptable to the size, complexity and needs of any organization, the design process consists of the following steps.

**Charter the design process**

As senior leaders, you come together to discuss current business results, organizational health, environmental demands, etc. and the need to embark on such a process. You establish a charter for the design process that includes a "case for change," desired outcomes, scope, allocation of resources, time deadlines, participation, communications strategy, and other parameters that will guide the project.

(At times, senior teams may go through either a strategic planning process or an executive team development process prior to beginning a redesign initiative, depending on how clear they are about their strategy and how well they work together as a team.)

**Assess the current state of the business**

You don't want to begin making changes until you have a good understanding of the current organization. Using our Transformation Model, we facilitate a comprehensive assessment of your organization to understand how it functions, its strengths and weaknesses, and alignment to your core ideology and business strategy. The assessment process is astounding in the clarity it brings an organization's leaders and members, not only regarding how the organization currently works but how the various parts are interrelated, its overall state of health and, most importantly, what needs to be done to make improvements.

**Design the new organization**

The senior team (and/or others who have been invited to participate in the process), look to the future and develop a complete set of design recommendations for the "ideal future." At a high level, the steps in this process include the following:

- Defining your basic organizing principle. (Will you organize primarily around functions, processes, customer-types, technologies, geographies, etc.?)
- Streamlining core business processes—those that result in revenue and/or deliverables to customers.
- Documenting and standardizing procedures.
- Organizing people around core processes. Identifying headcount necessary to do core work.
- Defining tasks, functions, and skills. What are the performance metrics for each function/team? How are they evaluated and held accountable?
- Determining facility, layout and equipment needs of various teams and departments throughout the organization.

- Identifying support resources (finance, sales, HR, etc.), mission, staffing, etc. and where should these should be located.
- Defining the management structure that provides strategic, coordinating and operational support.
- Improving coordinating and development systems (hiring, training, compensation, information-sharing, goal-setting, etc.).

At some point the design process morphs into transition planning as critical implementation dates are set and specific, concrete action plans created to implement the new design. And a key part of this step includes communicating progress to other members of the organization. A communications plan is developed that educates people in what is happening. Education brings awareness, and everyone's inclusion brings the beginning of commitment.

**Implement the design**

Now the task is to make the design live. People are organized into natural work groups which receive training in the new design, team skills and start-up team building. New work roles are learned and new relationships within and without the unit are established. Equipment and facilities are rearranged. Reward systems, performance systems, information sharing, decision-making and management systems are changed and adjusted. Some of this can be accomplished quickly. Some may require more detail and be implemented over a longer period of time.

*Example:*

A few years back we worked with a company within the aluminum industry. The company recognized they were becoming bureaucratic and unresponsive to their customers needs. Following a period of assessment of the strengths and weaknesses of the existing organization, they went through a process of organizational redesign in which they organized their front office functions to become more collaborative and customer focused. The diagrams below illustrate, at a high level, this change.

Pre-design Workflow

Post-design Workflow
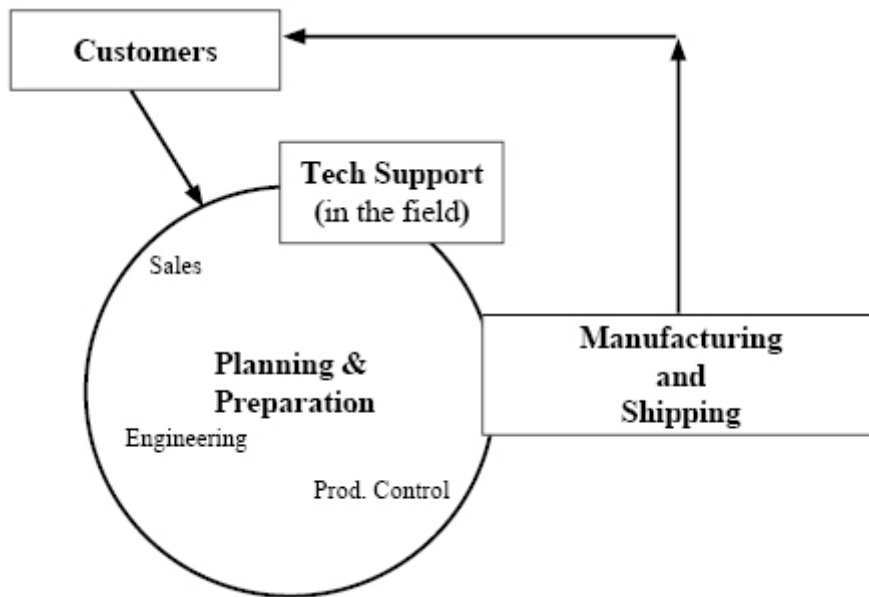


The first chart illustrates the tendency of most people within organizations to think in terms of silos and organize people according to the similarity of their functions.

The second chart illustrates how the company redefined structural boundaries to become much more cross-functional on the front end of their business. They combined people from a number from a number of departments into teams that took full responsibility for managing customer orders. The company was able to improve their total billings of a major product line by 50% and increase their margins by 25%.

Of course, this chart greatly simplifies all of the design decisions which included improvements in workflow and system support, and the role of leaders and other support functions in the new organization. But this gives you an idea of the kinds of integration and improved collaboration that can result from organizational design.

**Summary**

This approach to redesign results in dramatic improvements in quality, customer service, decreased cycle times, lower turnover and absenteeism, productivity gains from 25 to at least 50%, etc. The good news is that it can be used in most any type and size of business. The length of time required to complete a redesign varies depending on the nature, size and resources of the organization. Large and complex redesign projects can be completed within several days. Smaller organizations require much less time and fewer resources.