The Foundations of Organizational Design

Community Event
Dr Dieter Veldsman

AIHR | ACADEMY TO INNOVATE HR

Conversation Flow

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Why Org Design is important for HR

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The Myths of Org Design

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Q&A

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1 Why is Org Design important for HR?

Why is Org Design important for HR?
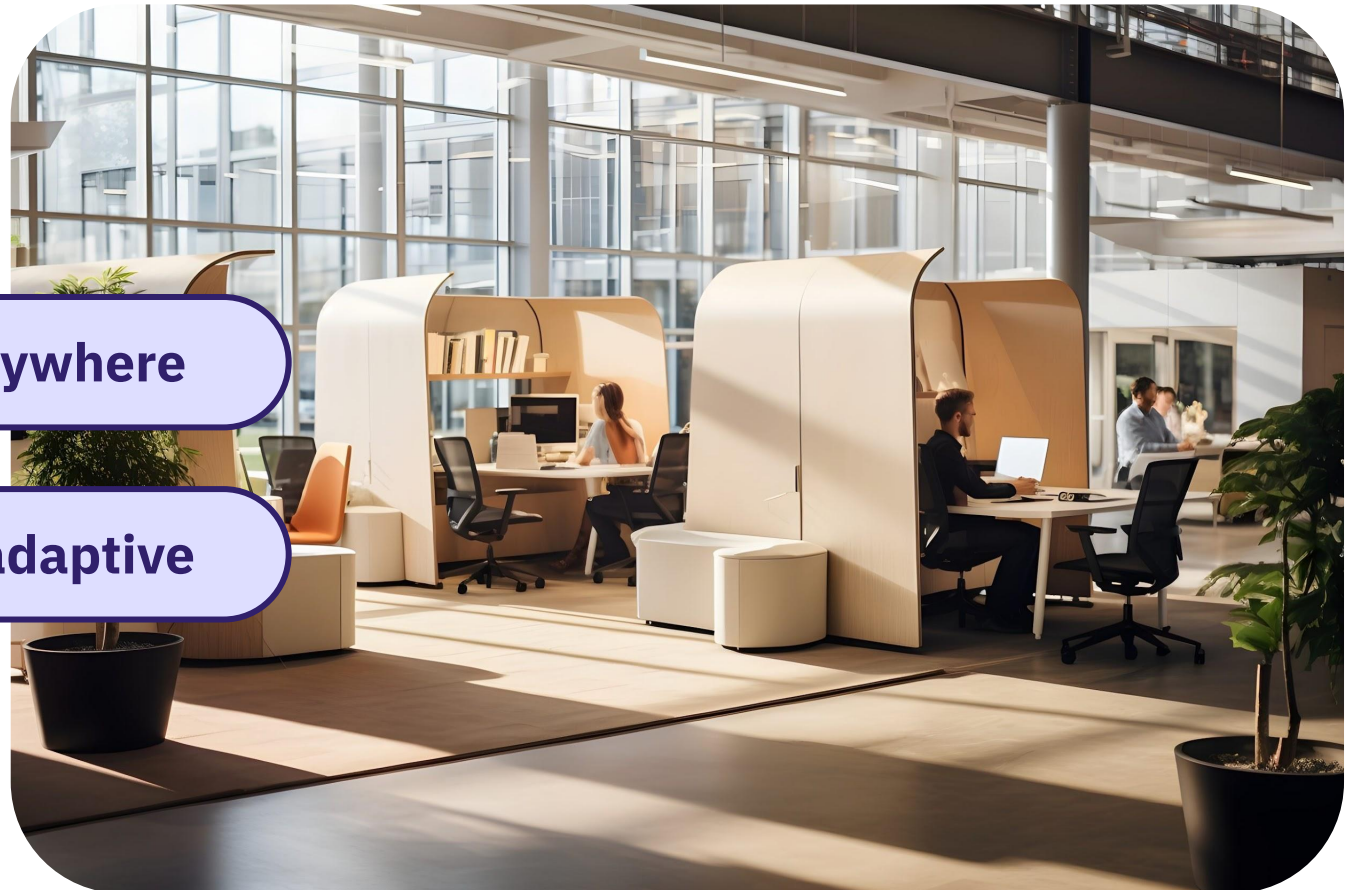

Predictable and Repeatable

Stable and Slow to Change

Organizations did not change that much over time

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Why is Org Design important for HR?

Unpredictable, Ever-changing, Everywhere

Organizations have to be dynamic, adaptive

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Why is Org Design important for HR?

88%
of leaders believe that they need to redesign their organization to succeed and compete in the digital age

11%
Feel fully capable to redesign their organization and set them up for success

36%
of leaders involve HR as an advisor when it comes to business transformation

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What is Org Design?

"Organizational design is the **blueprint** you create to ensure that your organization has the suitable structures and **resources** to deliver on the business strategy.

This blueprint is the outcome of various **decisions** the organization needs to make as part of a **structured design process**. This includes looking at the relationships between **tasks, workflow, accountability, responsibility, and authority** and ensuring all these support the business objectives."

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About Work, Not People

Complexity Not Status

Logic, Not Intuition

Fit-for Purpose, Not Perfection

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2 The Myths of Org Design

The Myths of Org Design

ORGANISATIONAL DESIGN = STRUCTURE

ORGANISATIONAL DESIGN IS NOT RELEVANT IN AN AGILE WORLD
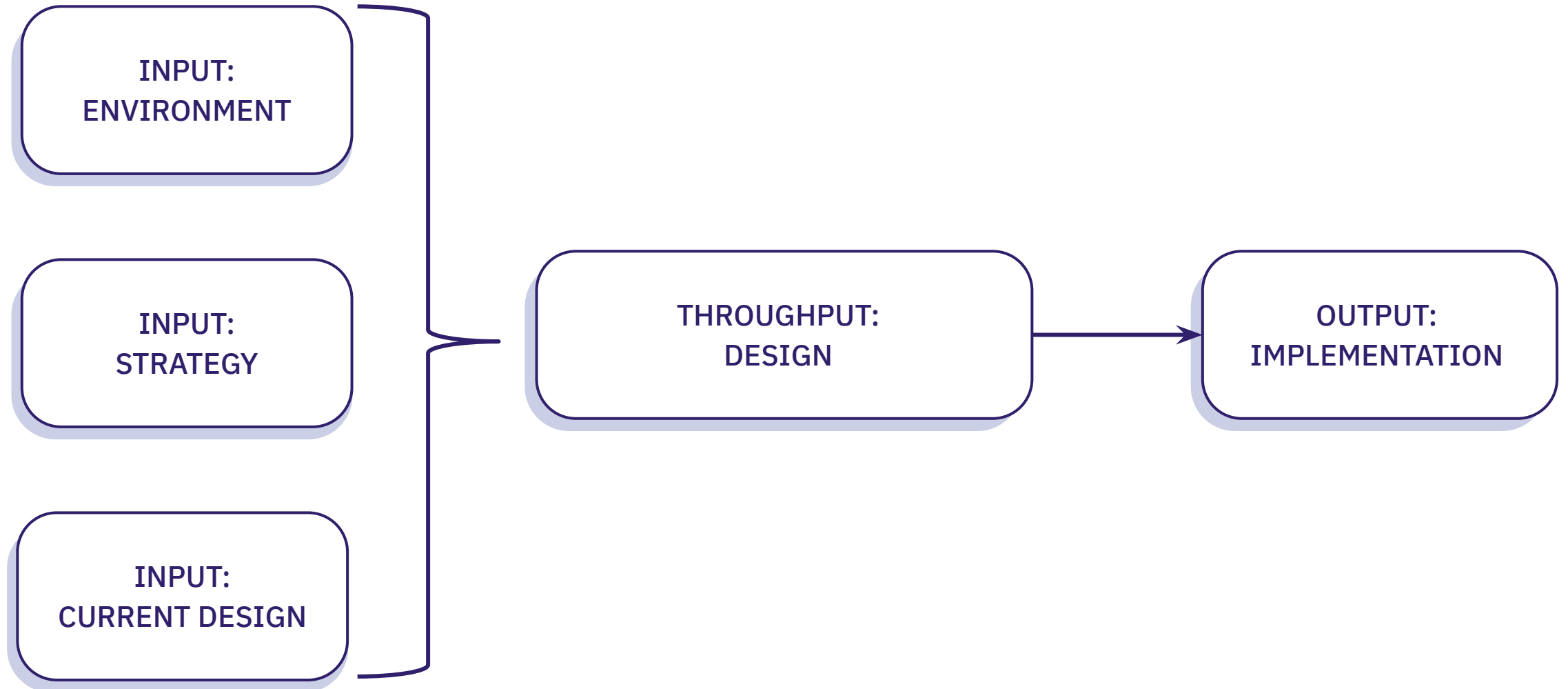
ORGANISATIONAL DESIGN GETS RID OF PEOPLE

ORGANISATIONAL DESIGN SOLVES ALL PROBLEMS

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The Org Design Process

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The Org Design Process

The Org Design Process

INPUT:
ENVIRONMENT

Resource: PESTEL Analysis Playbook

WHAT IS HAPPENING IN OUR MARKETS?

WHAT DOES THIS MEAN FOR OUR BUSINESS?

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The Org Design Process

INPUT:
ENVIRONMENT

INPUT:
STRATEGY

Resource:
PESTEL
Analysis
Playbook

WHAT IS HAPPENING
IN OUR MARKETS?

WHAT ARE OUR
AREAS OF FOCUS?

Resource:
Balance
Scorecard
Template

WHAT DOES THIS
MEAN FOR OUR
BUSINESS?

WHAT ARE OUR
STRATEGIC BETS AND
DRIVERS?

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The Org Design Process

**INPUT:
CURRENT DESIGN**

**WHAT IS OUR
CURRENT DESIGN?**

**WHAT IS WORKING
AND WHY DO WE
WANT TO CHANGE?**

DEPTH

How many layers does the structure have?

The deeper you go, the slower decision-making becomes

SPAN

How broad is the span of control for managers?

The more consistent and repetitive the work is, the broader the span can be within reason

SHAPE

What does the overall shape per level and layer look like?

(Xmas Trees, Sweets,)

COST

What does the structure cost in relation to org size, margins and volumes?

CONSISTENCY

How many unique roles do we have and where can be bring more standardization for scale?

COMPRESSION

Do I have roles of the same complexity and responsibility sitting too close to each other?
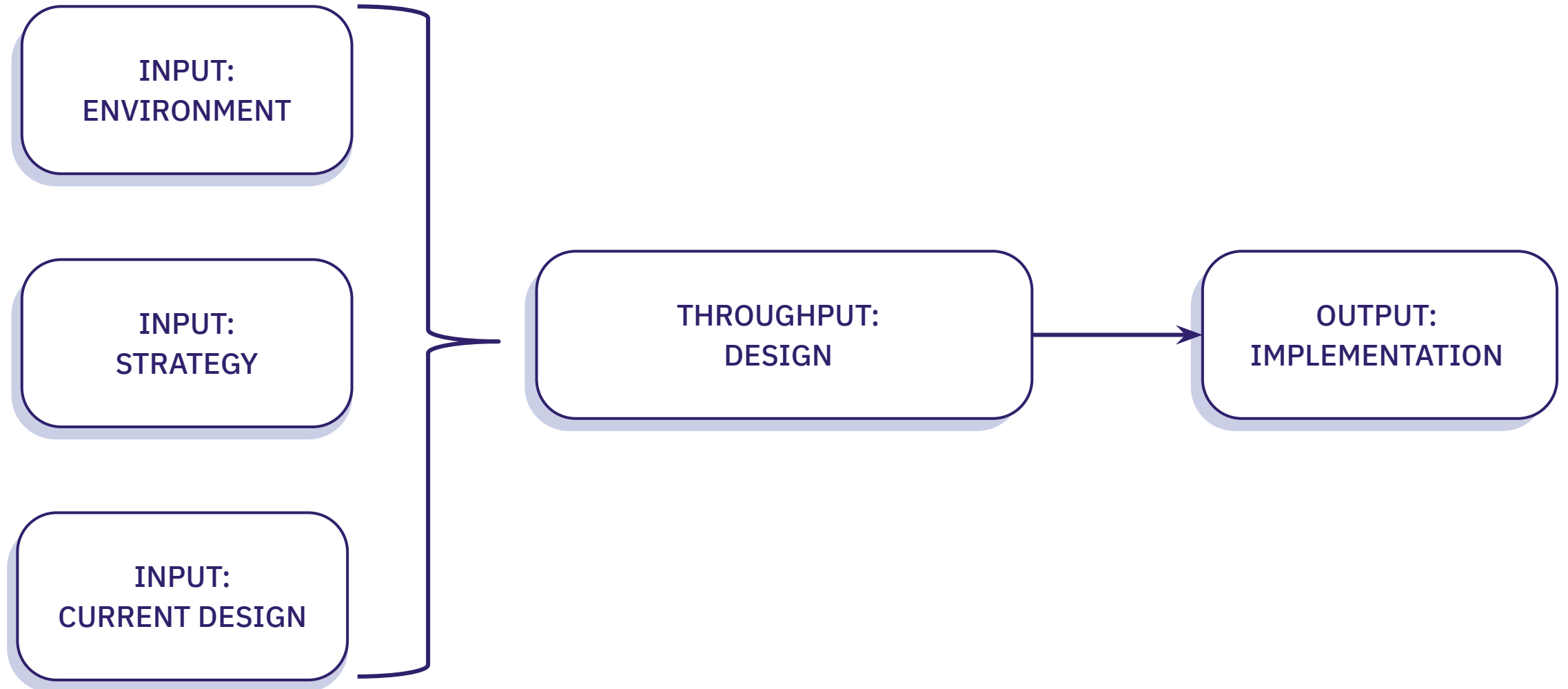
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The Org Design Process

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```
INPUT:
ENVIRONMENT

INPUT:
STRATEGY                    THROUGHPUT:          OUTPUT:
                            DESIGN               IMPLEMENTATION

INPUT:
CURRENT DESIGN
```

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THROUGHPUT: DESIGN

DESIGN PRINCIPLES: WHAT ARE THE RULES OF THE GAME?

CAPABILITIES: WHAT DO WE NEED TO BE GOOD AT?

OPERATING MODEL: HOW DO WE WANT TO PLAY THE GAME?

WORKFLOW, PROCESS AND TECHNOLOGY: HOW WILL WE GET WORK DONE?

STRUCTURE: HOW WILL WE ORGANIZE?

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Furniture For All

Business that makes ready to assemble furniture for the middle income market

Relatively small margin, but make money through volume sales

Responsible for the design, building of parts, delivery and after-sales support of product

The Org Design Process

DESIGN PRINCIPLES: WHAT ARE THE RULES OF THE GAME?

- Design principles help us make strategic choices on what to prioritize

- A good design principles has a "Yes/No" answer and can be utilized to give guidance to design decisions at any level if well understood.

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**Tip:
Three to Five
Principles Max**

**DESIGN PRINCIPLES:
WHAT ARE THE RULES
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Furniture For All

DESIGN PRINCIPLES

Standard and efficient is better than personalized and customized

Distribution should be able to reach all clients within 72 hours

Quality and simplicity, beats luxury and complexity

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CAPABILITIES: WHAT DO WE NEED TO BE GOOD AT?

- Capabilities help us understand what do we need to deliver value as a business

- We cannot be everything to everyone, so capabilities are organized into three categories:

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The Org Design Process

CAPABILITIES: WHAT DO WE NEED TO BE GOOD AT?

- Capabilities help us understand what do we need to deliver value as a business

- We cannot be everything to everyone, so capabilities are organized into three categories:

- **Foundational:** These are non-negotiables that we have to get right
- **As good as the rest:** Here we need to be in line with what others are doing
- **Competitive Advantage:** The three capabilities that will make us famous (client, product, market)

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Furniture For All

CAPABILITY MAP

| Product Design | Product Manufacturing | Marketing and Sales | Distribution | After Sales Support |

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OPERATING MODEL: HOW DO WE WANT TO PLAY THE GAME?
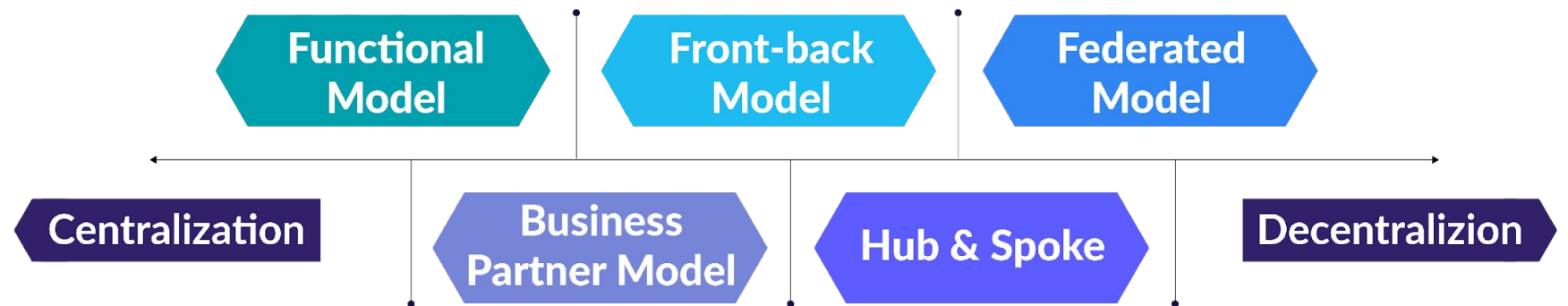
- Operating Model is the delivery logic of your business

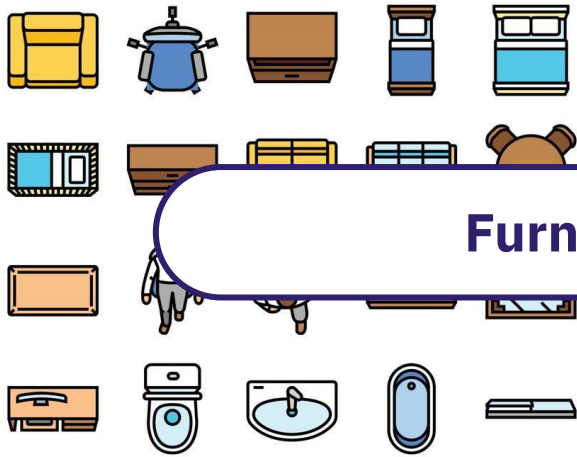- We use a set of blueprints as a starting point:

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The Org Design Process
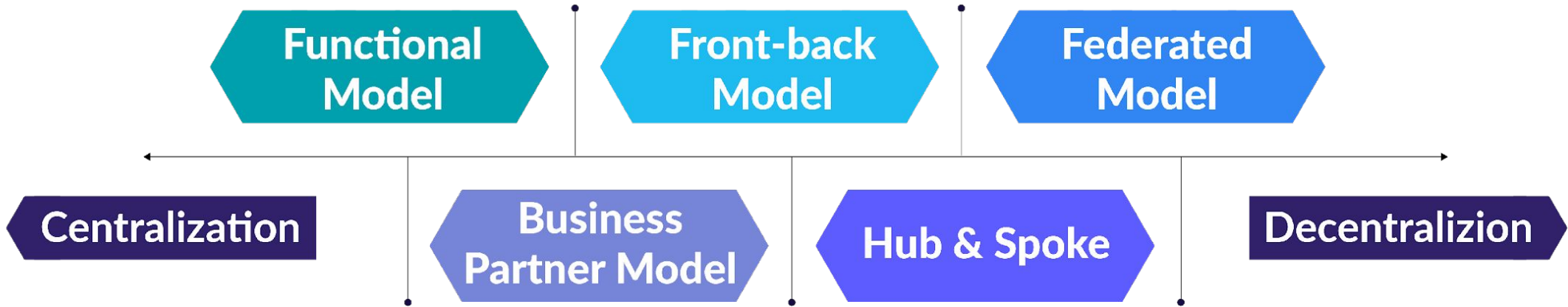
OPERATING MODEL: HOW DO WE WANT TO PLAY THE GAME?

- Operating Model is the delivery logic of your business

- We use a set of blueprints as a starting point:

Functional Model	Front-back Model	Federated Model

Centralization · Business Partner Model · Hub & Spoke · Decentralizion

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Furniture For All

OPERATING MODEL

Functional Model

Front-back Model
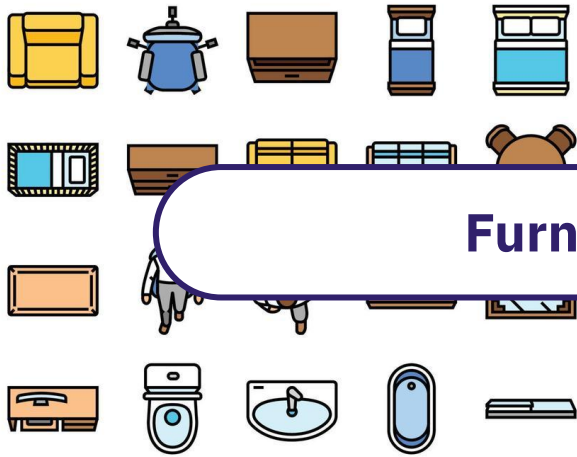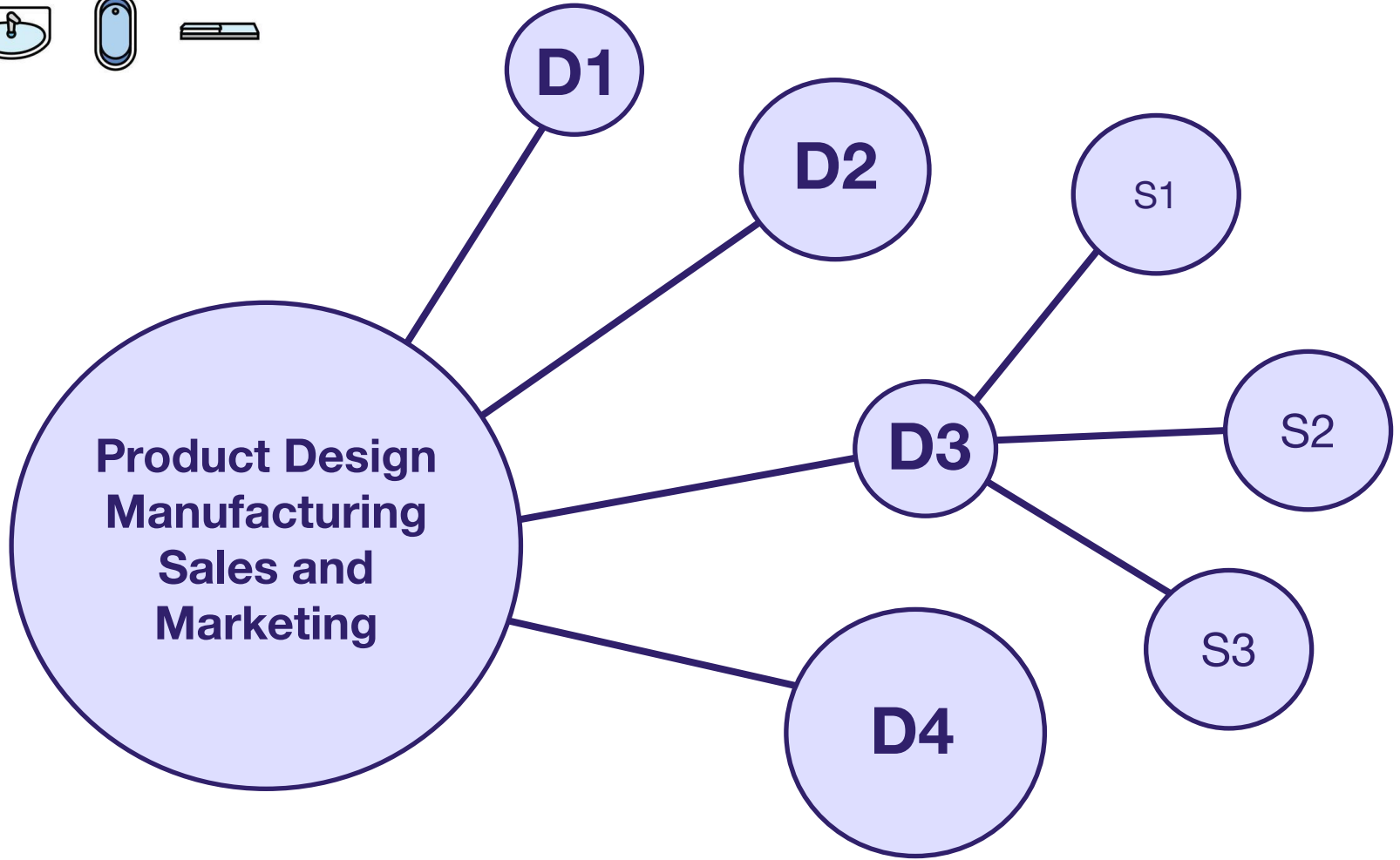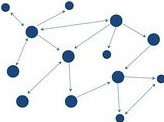
Federated Model

Centralization

Business Partner Model

Hub & Spoke

Decentralizion

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OPERATING MODEL

Product Design Manufacturing Sales and Marketing

D1

D2

D3

D4

S1

S2

S3
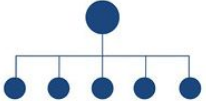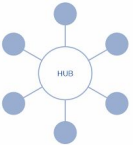
Operating Model Blueprints	BLUEPRINT	GRAPHIC DEPICTION	DESCRIPTION	BENEFITS	LIMITATIONS
	Organic		A product/brand focused model suited to a product suite where main revenue is made up of a few customer types. Model battles to diversify and penetrate new markets.	Creates authenticity and trust Multiple conversations appear closer to products and clients	Could lead to inconsistent experiences to clients Disjointed execution across the business Could be expensive in duplication of multiple IT systems and marketing initiatives
	Centralised		The centralised approach focuses decision-making authority solely at the top. Brings all of the parts of a function into one organisation, so control of standards and procedures becomes consistent across the entire organisation.	Effective in creating consistent client experiences Coordinated resources and efforts Allows for quicker response	May be viewed as less authentic, as initiatives are executive driven
	Hub and Spoke		The hub is a centralised function ensuring consistency and governance delivered through decentralised delivery centres (spokes).	Incubate expertise, while setting up practices and guidelines Oversight of spokes and avoiding possible duplication Provides scalability when business changes and adaption is required Could be a cheaper model if it is set up right Provides challenging and diversified work Creates a faster learning cycle and reusability of solutions, products and services	Might be seen as not being close enough to business to add value It is critical that spokes know when to draw on the hub The hub can become an on-demand service model, hubs have to show the same value as an external provider of the same services Decision-making can be difficult, especially when it comes to who owns what The guardrails of the engagement model is critical to the success of this model
	Honeycomb		Separate autonomous business units work across regions/channels in a fully independent manner.	Taps into entire workforce to support and help clients	Requires autonomy from executives and mature culture to support this
	Coordinated		A cross-functional team sits in a centralised position and assists various other areas or business units.	Central group is aware of what each node is doing Provides holistic experiences to clients	Could be costly Requires executive support, programme management and cross-departmental buy-in

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WORKFLOW, PROCESS AND TECHNOLOGY: HOW WILL WE GET WORK DONE?

- This step helps us define what processes and technologies we need within our model to work
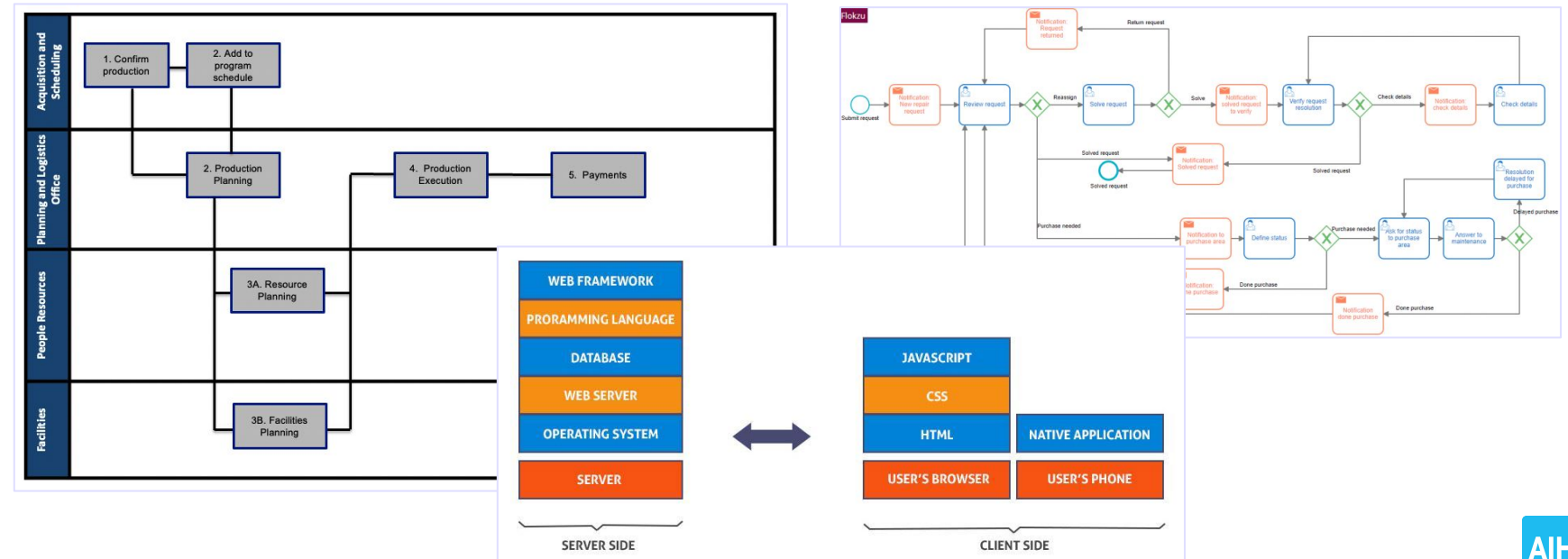
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STRUCTURE: HOW WILL WE ORGANIZE?

- During this step we decide how we want to organize our departments, roles and teams:

Geography	Product	Channel
Function	Market	Portfolio

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Structure Options

BLUEPRINT	DESCRIPTION	BENEFITS	LIMITATIONS
Geography	Organising the function geographically to cater for a diverse market or alternatively sheer size of organisation.	Cater for presence, visibility and access in multiple locations and multiple markets. Usually quick to respond and decision-making happens quickly.	Could be costly as functions and infrastructure duplicates in multiple locations. Could lead to silos and difficult to drive consistency, communication and collaboration.
Channel Specific	Activities organised based upon channel.	Provides infrastructure to get product to the specific market(s). Focus on distribution channels and driving the product through the channels. Focus on execution and creates the ability to penetrate client segments	Channel specific focus could lead to silos and internal competition, which impacts the client experience across various channels. Requires very clear boundaries on who plays where.
Product	A product/brand focused structure suited to a product suite where main revenue us made up of a few customer types.	Focus on developing and driving products/brands in to the target market. Focus on product differentiation. Allows for strong adaptability and responsiveness to market	Structure battles to diversify and penetrate new markets. May struggle to create a consistent client experience across various products/brands. Makes products/price driven decisions and may create silo thinking.
Portfolio-based (Brand/Product/Segment/Market)	Organising the function according to "buckets of expertise".	Drives development of expertise of functional areas. Provides focus and clarity on accountability. Portfolios can integrate and scale and can create efficiencies Breeds in-depth understanding of portfolio criteria (market/brand)	Function runs risk of not integrating across siloes and at times can be seen as removed from actual business. Can create layers and duplication.
Customer-journey	An experience that aims to integrate the "memorable moments" touch points for customer within each segment.	Provides infrastructure to create memorable moments to clients and drives client satisfaction and retention. Provides an in-depth understanding of client needs and drives client-centricity at the outset.	Difficult model to get successfully implement. Requires redesign of traditionally process orientated businesses. May result in sluggish processes. Can be expensive and battles to scale.

Determining span of control

Broader ← → **Narrow**

How complex is the work?

Repetitive ←————————————————————————→ Varied

How standardized is the work?

Consistently the same ←————————————————————→ Highly specialized

How much oversight is required?

Low ←————————————————————————→ High

How much decision-making responsibility does the role have?

Low ←————————————————————————→ High

How much guidance from a people management point of view is required?

Low ←————————————————————————→ High

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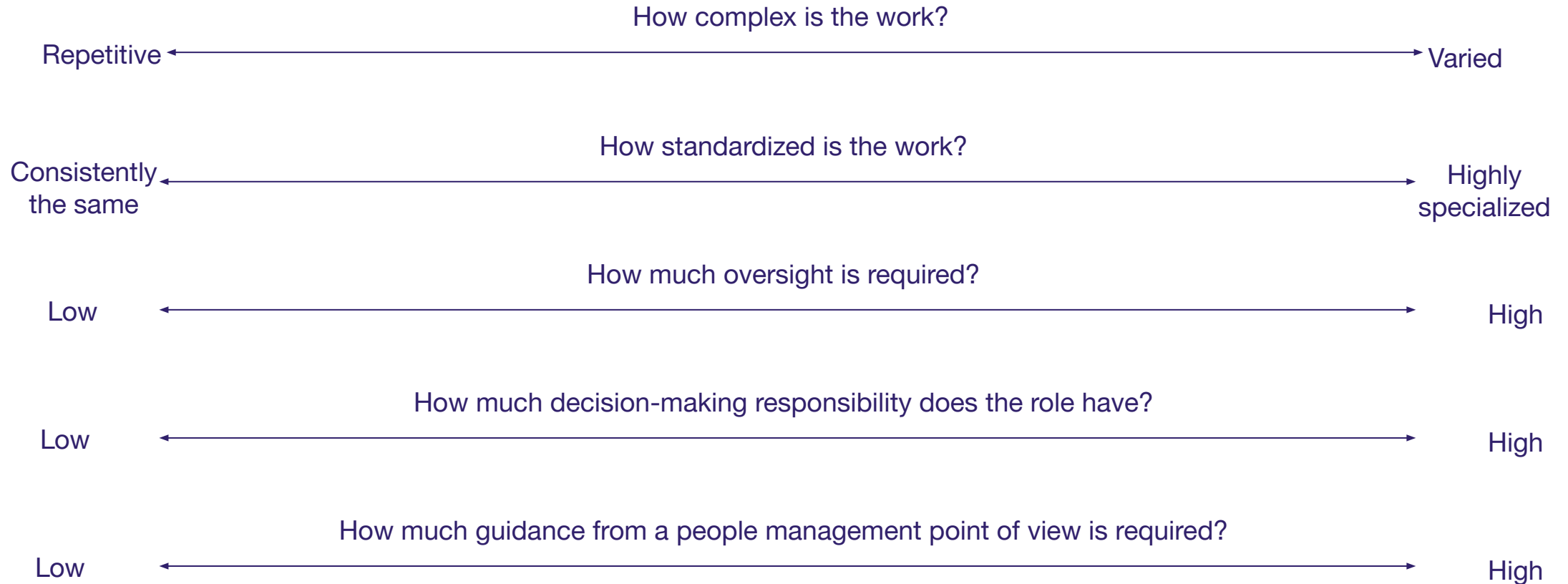
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Any questions?
Ask away!

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