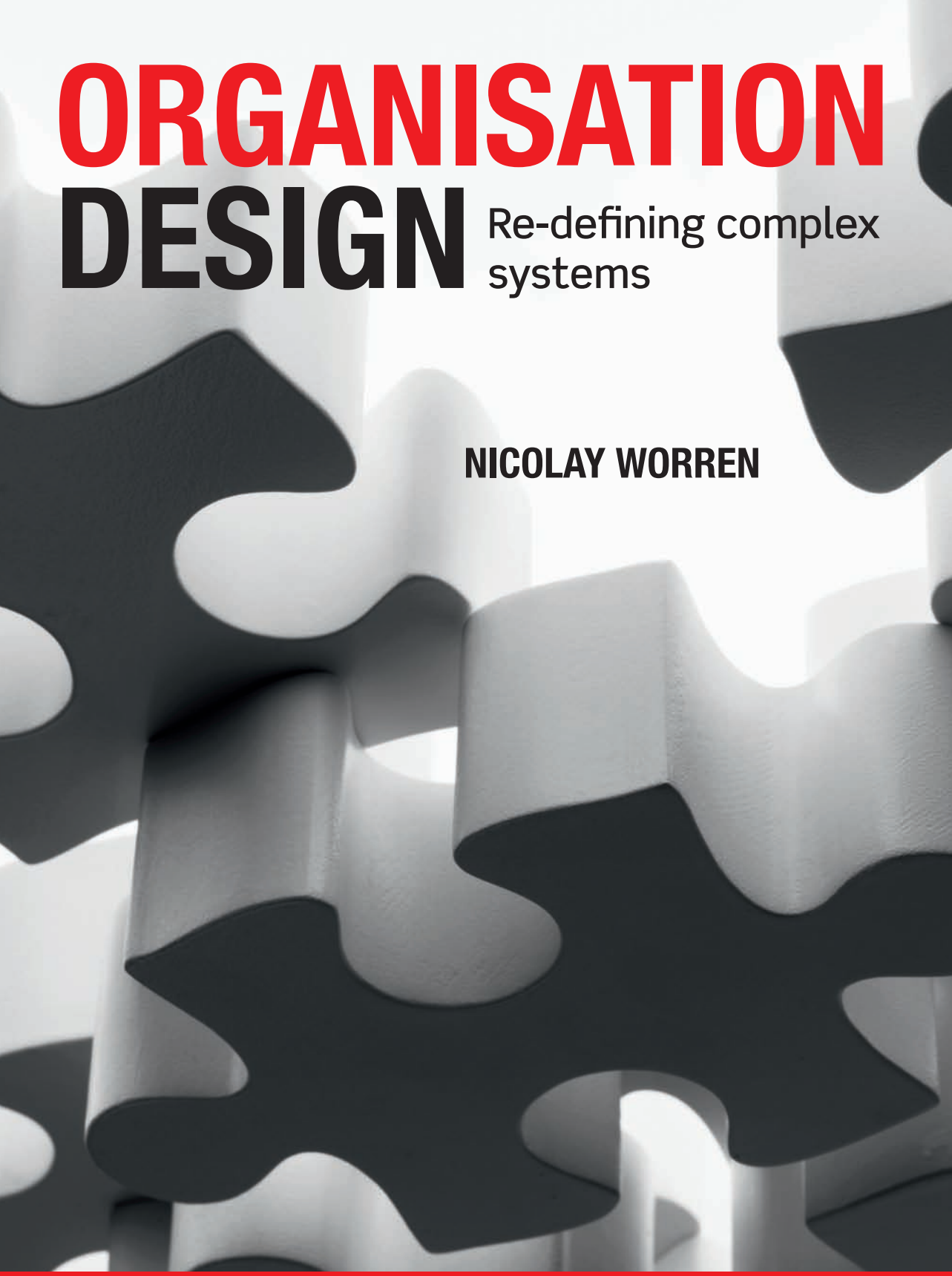
ORGANISATION DESIGN

Re-defining complex systems

NICOLAY WORREN



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Organisation Design

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Chapter 3

Managing the organisation design process

Overview

Background

- Leaders periodically initiate organisational re-design processes in order to improve performance
- The quality of the re-design process itself is an important predictor of the quality of the organisational model that is developed – and of its acceptance and implementation

Challenges

- Unless managed skilfully, re-design processes can easily result in suboptimal outcomes:
  - Omitting the link between functions and structure may lead to *misalignment* between the organisational model that is developed and the strategy of the organisation
  - A failure to fully consider the many interrelated elements of organisational models may lead to *incoherent* designs
  - Lack of proper involvement of key stakeholders in the re-design process may lead to a *withering of trust*, which in turn reduces voluntary compliance with the new organisational model

Key question

- How can we manage re-design processes in a manner that allows us to *align* the organisation with the strategy, create *coherent* designs, while building *trust* among key stakeholders (including employees affected by the change)?

Proposed approach

- Develop a structured methodology that leaders can use to plan, develop and implement new organisational designs
- Ensure that the methodology addresses the challenges related to creating alignment, coherence and trust
- Consider how the methodology may be further improved by means of field testing and systematic research on design processes

Introduction

The more complex an organisation is, the harder it is to re-design. Leaders who undertake to re-design their organisations frequently encounter problems that are best described as 'messes' – problems that are difficult to solve because of incomplete, contradictory and/or changing requirements (Ackoff, 1999). Leaders may also be subject to considerable pressure from stakeholder groups and individuals who frequently hold different views and who press for a solution that is favourable, given their interests and position in the organisation. How can we structure the organisation re-design process in a way that enables leaders to handle such challenges in a constructive manner?

Most experienced leaders have personal experience from developing and changing organisations. They may hold strong personal preferences with regard to the approach to follow when initiating a re-design process, based on observations of the success or failure of past attempts. Such personal knowledge is clearly valuable and will always influence how one approaches a re-design process. Yet it is also important to acknowledge the limitations of personal knowledge. Personal knowledge is *tacit* and thus difficult to verify and to disseminate. Relying on tacit knowledge alone makes it difficult to create a cumulative learning process in which organisation design principles are gradually refined and improved over time.

The development of a methodology, containing guiding principles, frameworks and tools, is one way to create *explicit knowledge* about re-design processes.[1] A methodology ensures that an effective way to solve a problem is codified and that it can be shared among a larger group of people. It helps in creating shared 'mental models' and may thus contribute to 'cognitive coordination' among participants in a design process (Werr et al., 1997). A methodology may also serve as a basis for developing a gradually more sophisticated knowledge base about re-design. A methodology may comprise a set of *design propositions*. As discussed in Chapter 1, design propositions should reflect the current state of academic research but should also be revised and improved based on 'field testing', by observing the outcome of actual re-design processes where they have been applied.

The purpose of this chapter is to develop a methodology that may provide a basis for systematic and cumulative improvement of knowledge over time. It goes beyond existing methodologies by incorporating some key elements of the axiomatic design approach described in the preceding two chapters, for example, by emphasising the link between functional requirements and design parameters. The methodology has been developed 'in the field' and refined during repeated re-design projects. Yet methodology only represents a first step. Disagreements do exist among practitioners with regard to some issues and their gaps in the formal knowledge about re-design processes. We acknowledge this by formulating several research questions that are described in the Discussion section.

Requirements to design processes

In line with the axiomatic design philosophy, one should start the development of a re-design methodology by considering the purpose and the requirements that such a methodology should fulfil. Although there will always be some situation-specific requirements to design processes, we here suggest that there are three generic requirements that practically all re-design processes must fulfil in order to be successful. These requirements are to create *alignment* with strategy, *coherence* and consistency between design elements and *trust* among stakeholders participating in and affected by the design.

At the most fundamental level, organisational models that are developed during a re-design exercise should aid the organisation in realising its strategic goals. In other words, the organisational model needs to be *aligned* with strategic goals. This in turn requires that the strategic goals are known. Moreover, the strategic goals need to be sufficiently clear to allow a design team to make choices that may prioritise one design criterion (e.g., costs) at the expense of another (e.g., customer service). Yet as observers of organisational decision making have noted (e.g., Pache and Santos, 2010; Pfeffer, 1982), leaders sometimes encounter fundamental disagreements about goals. Large organisations consist of several stakeholder groups, with different interests and interpretations of the organisation's purpose, mission and goals. Overcoming such disagreements is often the most difficult part of a design exercise.

> A CEO of an engineering firm initiates a discussion in his management team about how the firm's Research & Development unit should be organised. In particular, he is considering whether to split and decentralise the unit's resources among the firm's different business areas. During the process, this proposal meets with considerable resistance, as the R&D staff believe that decentralisation would force it to become more like a support function, driven by the business-areas' short-term needs, making it difficult to maintain its current research capabilities. The CEO concludes that the unit lacks a clear purpose: Should its main purpose be to support product development, or to develop entirely new technologies?