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## Organizational Design and Implementation

### Do you need to consider redesigning your organization? How do you know?

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After many years of working with managers to "redesign," "restructure," or "reengineer" their departments and organizations, the authors have decided to share a procedure that frequently maximizes the effectiveness of this type of change effort, which ultimately leads to a better organizational design. Our intention is to help both managers and practitioners benefit from our experience.

#### Why is this different from the other articles you have read this week on organizational design?

First, although we will offer some insight on organizational models, we are clearly focused on communicating a process for creating **any** new or different organization. Therefore, we will be emphasizing **how** you get there, not what it looks like when the process is done.

Second, this process is flexible and can be used in large or small organizations.

Third, we have integrated the thinking of both those who emphasize process improvement (working from the bottom up) and those who operate from a more strategic perspective (working from the top down).

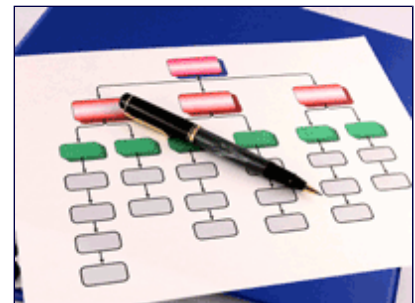


Photo: Tom McNemar

**Start at the beginning—Take the "Pop Quiz" below and find out if you need to redesign your organization.**

Do any of the following apply to your organization?	Yes	No
You have been part of a merger and/or acquisition.		
Your structure interferes with your customers' needs.		
You are experiencing a business downturn.		
Your company has expanded into the global marketplace.		
External forces such as regulatory agencies and/or accreditation review bodies require you to reexamine your structure.		
You have outgrown your organizational structure.		

Your new leadership wants to improve your structure.		
Your company has "downsized" employees during the last year.		
Your employees tell you that your organizational structure interferes with their effectiveness.		
You have undertaken a process improvement and/or Six Sigma initiative.		

If you answered yes to one or more of these questions then read on!

## The "How"—Creating the New and Improved Organization

### Historical Perspective

The authors' perspective is that most organizational designs are blends of two or three models. It is rare when an entire organization follows purely one model. [Click here](#) for an overview of "Organizational Design History from the 1920s to 2000s." This chart may answer some questions about the "what" of organizational design before discussing the "how."

### Getting Started

After taking the pop quiz, several areas to consider in organizational redesign probably come to mind. No matter how good the process is, any change will disrupt employees' lives and impact company productivity. Therefore, before beginning a change, you need to be clear as to why you are undertaking this task. [\[1\]](#)

Three major areas to consider and assess as you move forward are:

- **The Business Itself**—What are your customer's needs and wants? What is the competition doing? What are the industry trends? What are marketplace changes? What are your organization's overall strengths and weaknesses?
- **Company Values**—What does your company stand for? What are your values? What is your vision? What organizational culture do you want to cultivate? How congruent are you with your stated values and your informal cultural norms and behaviors?
- **Major Processes**—What are your most critical processes? How would you rate the effectiveness of these processes? Are your standards what they need to be?

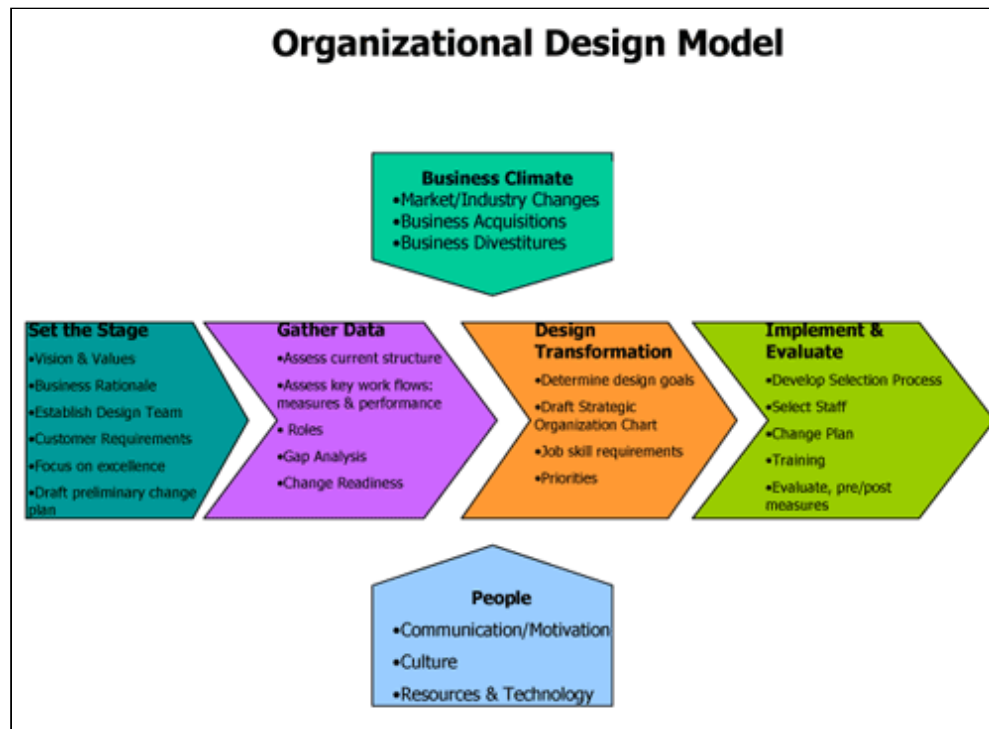
The importance of data cannot be over-emphasized—both on your current organizational effectiveness and the future organization you want to become. To get to this first level of "assessment," be thoughtful, uncompromising, and thorough. Your answers to these questions need to drive both your ultimate design and the process you use to get there. If your methods do not reflect your stated values, you will have difficulty gaining the commitment needed to successfully implement any organizational changes.

The authors' experience suggests that the most successful organizational design processes have three things in common:

- **Focus on "Excellence"**—start with a clean slate. Draw the organization that will respond to customer needs today and in the near future; that will create a competitive advantage and will both reflect and encourage the values and culture you desire. Even if cost-cutting is part of what is driving your change, do not start with cost-cutting as an objective. Start with organizational effectiveness as your objective and begin with a blank page.

- **The People in the Organization Drive the Process, not the Organizational Design Consultant**—clarifying roles at the beginning of the process is essential. Now is the time to apply what we stated in our introduction—organizational design needs to be created by the human beings responsible for the organization's success. Consultants need to create a partnership where expertise is shared freely, but where those who know their own business drive the process.
- **Involve and Communicate**—we have found that the more people become involved in the process, the more effective the outcome. Involve as many people at as many levels as early in the process as possible. Take a multiple team approach. The authors are not blind to the sensitivities involved in any redesign effort, such as potential layoffs, etc. These issues seem to emerge in stages. They need to be addressed as you work through the organizational design process so that you can continue to include those who know the work the best.

The following "Organizational Design Model" not only addresses the above issues but it also provides an overview of the major steps in the design process.



### Setting the Stage

If you have done a thorough job in the "Getting Started" phase, setting the stage for the process to officially begin—in the eyes of the organization—becomes much easier. Here you need to communicate where the organization is headed long-term to all employees.

- Communicate widely and prolifically the vision, long-term strategies, competitive climate, and customer needs.
- Communicate the values and culture you desire and do so in a way that demonstrates those values.
- Design the data-gathering process and declare to all that you will be looking at the organization and how it needs to change.
- Discuss the benefits and difficulties involved in the change process.
- Establish the initial design and data-gathering teams.
- Determine the information you need, who possesses that information, and how the information will be used.
- Determine who needs to be involved in analyzing the information. Initial teams are usually at the

senior management level. Let people know your intention to involve as many people as possible and share with them the membership and purpose of the design teams and the initial data gathering.

- Establish expectations for ongoing communication, and communicate the philosophy for staffing the organization.

**Gathering the Data—Internal Assessment**—Using a combination of survey and group interview techniques, gather information on the effectiveness of the current organization. Solidify the scope of the data-gathering process—will you gather information from all employees? Data required usually includes but is not limited to the following: core processes and their effectiveness, additional customer data, critical tasks or key activities, work load, roles and responsibilities, decision-making authority, qualitative data on management practices, and internal issues and suggestions for improvement.

Utilize the team in the analysis of the data and assess the gap between what you know and your vision of the future. At this time, our assumption is that there will be a design change so that all elements of broader effective change management processes need to be incorporated. Consider the current culture, how change has been implemented in the past, and how it has been received by employees at all levels. Based on your gap analysis, determine if additional process improvement teams need to be established to change core processes. If so, identify and launch necessary teams.

**Designing the Organizational Transformation**—Based on your gap analysis, determine the criteria for success for your design goals. Explore the pros and cons of various models or approaches. (It is at this stage that the consultant's design expertise is especially beneficial). The organizational model you choose to drive your organization begins to influence the steps in the design process. You may be designing "units" that may be replicated throughout the organization or you may be designing the senior management structure, including roles and skills required. Regardless, the team is usually building the overall management structure of the new organization including decision-making level, scope, high level skills, knowledge required, roles, and leadership approach that will reflect the values and envisioned culture of the new organization.

Several decision points emerge—how far down the management hierarchy should the team "draft" the structure? Should staffing selections at the strategy level be made prior to going any further in the design process? Our experience suggests that filling the senior positions in the new structure and including any new leaders in the remaining design effort is a more effective process. This requires that senior positions be developed more fully prior to moving forward.

After selections are made, providing support for those who may no longer hold a position at the senior level is also essential. (Assessing any potential "fall-out," new resources/people required, or overall impact of the proposed change now becomes a regular part of the process). Remember to communicate where you are in the organizational design process to all employees. Based on the organizational design model chosen, continue to build an organizational chart that describes, in general, the overall structure. The organizational chart reflects reporting relationships, broad job responsibilities, and the job skills/knowledge/experience required. You now have an overall picture of the organization and staffing decisions made at the senior level. Incorporate updated information from core process improvement teams into the organizational design. Continue communicating to a broader group by testing out the model and proposed process changes in staff meetings or dedicated organizational design meetings.

**Implement and Evaluate**—Job design and talent choices are the most critical part of this stage. How have the jobs in the new organization changed? To what degree have they changed? Are there incumbents who would see the jobs in the new organization as "the same" as the old ones? Critical to effective selection is an accurate assessment of the degree to which positions have changed. More often than not, the current practice for selection is to have employees interview for the new or changed jobs for all positions below senior management. Although this minimizes employee relations issues, this approach may not be the most effective process. Our experience suggests that "placing" people in the new or changed positions has a great deal of merit; to do so usually requires due diligence in assessing employees' experience, skill, knowledge, and potential.

The ideal approach is to discuss changes throughout the process. Test out your ideas, solicit the views of others, and understand their interests. The intent is to make this part of the process more about creating choice rather than one of arbitrary selection. This means designing jobs and selecting individuals to fill them simultaneously. Begin by forming a template for the job and engage the job candidates in finalizing the job requirements. Participative planning minimizes resistance and creates a more amenable outcome.

As you are staffing the organization, the elements to be addressed in a change implementation plan become more apparent. Your plan needs to include an impact analysis—that is, how have your proposed changes impacted the current organization? (Remember, most people will have concerns about the pending changes even if the drivers of the change see the changes as positive.) How have the people been impacted? How will they see the changes? If you have been as inclusive as the authors think you need to be, you will already know the answer to these questions.

In the change plan include: staffing and selection requirements, new skills needed, recruiting needs, technology requirements, outplacement needs, training and development needs, a phased implementation strategy, ongoing communication avenues, facilities requirements, resource requirements, and evaluation process.

Organizational design, when done well, has a flow. It begins with a general view and gradually tests that view by creating more and more specific descriptions of what will go on in the new organization. Because design changes impact so many people and can make them feel powerless, we encourage you to take great care in managing the design flow. The process must value the contribution of all those impacted. We also caution you that the process is not linear or mechanical. It cannot be forced. It is more like a puzzle. If you know and have all the pieces, careful consideration of each one will help you create a picture that is rewarding to all involved.

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[1] Joan Magreta. "Why Business Models Matter," *Harvard Business Review*, 80, no. 5 (2002/05): 86-92.

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