

Organizational design: let's make it right!

Many companies are in a nearly permanent state of organizational flux. One possible explanation for this constant activity is the accelerating pace of strategic change driven by the disruption of industries. As a result, every time a company switches direction, it alters the organization to deliver the expected results. Rather than small, incremental tweaks, today's organizations often need large-scale shake-ups.

It seems that the frequency of organizational redesign reflects also a high level of disappointment with the outcome. A well-executed redesign pays off quickly in the form of better-motivated employees, greater decisiveness, and a stronger bottom line.

Organizational design involves aspects such as the structure, the processes, and the people to support the implementation of strategy. It comprises the processes that people follow, the management of individual and team performances, the recruitment of talents, and the development of employees' skills. When the organizational design of a company matches its strategic intentions, everyone will be engaged to execute and deliver them. A successful organizational design should focus the resources of a company on its strategic priorities, reduce costs, and improve decision making and accountability.

Here below some golden rules on organizational design, addressing the key steps from early alignment, reporting structures, performance metrics, effective leadership, and the management of risks.

1. Baseline – It is necessary to assess the state of the organization ahead of the redesign. Knowing the numbers is just part of the story. Leaders must take time to understand where the lines and boxes are currently drawn (reality check versus blueprint), as well as the precise pool of talents and business processes. That helps understanding the root causes of current pain points. By comparing the baseline assessment with the company's strategic goals, leaders will quickly develop an understanding of the current organization's weaknesses and strengths they should build on.

2. Goals – Organization design that merely addresses the immediate pain points often end up creating a new set of problems. Companies should therefore be clear, at the outset, about what the redesign is intended to achieve and ensure that this aspiration is inextricably linked to the strategic goals.

3. Communication - Any organizational design has a personal impact on employees: it is likely to change whom they report to, whom they work with, how work gets done or where they work. Impersonal, mass communication about these issues from the corporate HQ or a program-management office will be less effective than direct and personal messages from the leaders of the business, cascaded through the organization. An interactive cascade allows two-way communication, gives people the opportunity to ask questions and forces leaders to

explain the rationale for change spelling out the impact of the new design in their own words, highlighting the things that really matter.

4. Operating model - Leaders have to carefully weight the redesign criteria, challenge biases, and minimize the influence of political agendas. Off-the-shelf solutions aren't likely to work. The unique mix of strategy, people, processes, systems within a company requires an individual answer to things like role definition, decision-making governance, and incentives. The key is to get the right set of leaders reviewing options with an open mind in the light of redesign criteria established by the strategic aspiration.

5. Roles & Talents - One of the most common rules of organizational design is to focus on roles first, then on people, but the temptation is to work the other way around, selecting the seemingly obvious candidates for key positions before those positions are fully defined. Competition for talent increases anxiety creating a domino effect, with groups poaching from one another to fill newly created gaps. This is disruptive and distracting, for leaders as well as for employees. A well-orchestrated talent pool that gives all units access to the same people enables companies to fill each level of the new organizational structure in an orderly and transparent way, so that the most capable talent ends up in the most pivotal roles.

6. Mindset shift - Organizations are ultimately collections of human beings, with beliefs, emotions, hopes, and fears, therefore it is extremely important to identify potential negative mindsets and seek to change the way people think about the organizational changes. Actions at this stage will likely include communicating a compelling reason for change, role-modeling the new mindsets, putting in place mechanisms that reinforce the case for change maintaining momentum, and building new employee skills and capabilities.

7. Risks - While implementing a new organization, companies might go live without a plan to manage the risks. Every organizational design carries risks of different magnitude such as interruptions to business continuity, employee defections, lack of personal engagement, or simply poor implementation. Companies can mitigate the potential damages by identifying important risks early on and monitoring them right after the redesign goes live. Tracking operational, financial, and commercial metrics during a design transition is helpful, as well as pulse-checks on employee reactions. Clear leadership accountability for developing and executing risk-mitigation plans should be included into regular appraisals.

8. KPIs - Simple and clear key performance indicators (KPIs) are essential to measure short- and long-term success and to introduce corrective actions if needed. Performance metrics, typically focusing on how a changed organization is contributing to performance over the time, are best framed at the aspiration-setting stage.

I wish you all happy Organizational Design.

Best regards,

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