

Organization design

The management of people in organizations constantly raises questions such as 'Who does what?', 'How should activities be grouped together?', 'What lines and means of communication need to be established?', 'How should people be helped to understand their roles in relation to the objectives of the organization and the roles of their colleagues?', 'Are we doing everything that we ought to be doing and nothing that we ought not to be doing?' and 'Have we got too many unnecessary layers of management in the organization?'

These are questions involving people which must concern HR practitioners in their capacity of helping the business to make the best use of its people. HR specialists should be able to contribute to the processes of organization design or redesign as described below because of their understanding of the factors affecting organizational behaviour and because they are in a position to take an overall view of how the business is organized, which it is difficult for the heads of other functional departments to obtain.

THE PROCESS OF ORGANIZING

The process of organizing can be described as the design, development and maintenance of a system of coordinated activities in which individuals and groups of people

work cooperatively under leadership towards commonly understood and accepted goals. The key word in that definition is 'system'. Organizations are systems which, as affected by their environment, have a structure which has both formal and informal elements.

The process of organizing may involve the grand design or redesign of the total structure, but most frequently it is concerned with the organization of particular functions and activities and the basis upon which the relationships between them are managed.

Organizations are not static things. Changes are constantly taking place in the business itself, in the environment in which the business operates, and in the people who work in the business. There is no such thing as an 'ideal' organization. The most that can be done is to optimize the processes involved, remembering that whatever structure evolves it will be contingent on the environmental circumstances of the organization, and one of the aims of organization is to achieve the 'best fit' between the structure and these circumstances.

An important point to bear in mind is that organizations consist of people working more or less cooperatively together. Inevitably, and especially at managerial levels, the organization may have to be adjusted to fit the particular strengths and attributes of the people available. The result may not conform to the ideal, but it is more likely to work than a structure that ignores the human element. It is always desirable to have an ideal structure in mind, but it is equally desirable to modify it to meet particular circumstances, as long as there is awareness of the potential problems that may arise. This may seem an obvious point, but it is frequently ignored by management consultants and others who adopt a doctrinaire approach to organization, often with disastrous results.

AIM

Bearing in mind the need to take an empirical and contingent approach to organizing, as suggested above, the aim of organization design could be defined as being to *optimize* the arrangements for conducting the affairs of the business. To do this it is necessary, as far as circumstances allow, to:

- clarify the overall purposes of the organization – the strategic thrusts that govern what it does and how it functions;
- define as precisely as possible the key activities required to achieve that purpose;
- group these activities logically together to avoid unnecessary overlap or duplication;

- provide for the integration of activities and the achievement of cooperative effort and teamwork in pursuit of a common purpose;
- build flexibility into the system so that organizational arrangements can adapt quickly to new situations and challenges;
- provide for the rapid communication of information throughout the organization;
- define the role and function of each organizational unit so that all concerned know how it plays its part in achieving the overall purpose;
- clarify individual roles, accountabilities and authorities;
- design jobs to make the best use of the skills and capacities of the job holders and to provide them with high levels of intrinsic motivation (job design is considered in Chapter 23);
- plan and implement organization development activities to ensure that the various processes within the organization operate in a manner that contributes to organizational effectiveness;
- set up teams and project groups as required to be responsible for specific processing, development, professional or administrative activities or for the conduct of projects.

CONDUCTING ORGANIZATION REVIEWS

Organization reviews are conducted in the following stages:

1. An *analysis*, as described below, of the existing arrangements and the factors that may affect the organization now and in the future.
2. A *diagnosis* of what needs to be done to improve the way in which the organization is structured and functions.
3. A *plan* to implement any revisions to the structure emerging from the diagnosis, possibly in phases. The plan may include longer-term considerations about the structure and the type of managers and employees who will be required to operate within it.
4. *Implementation* of the plan.

ORGANIZATION ANALYSIS

The starting point for an organization review is an analysis of the existing circumstances, structure and processes of the organization and an assessment of the strategic issues that might affect it in the future. This covers:

- The *external environment*. The economic, market and competitive factors that may affect the organization. Plans for product-market development will be significant.
- The *internal environment*. The mission, values, organization climate, management style, technology and processes of the organization as they affect the way it functions and should be structured to carry out those functions. Technological developments in such areas as cellular manufacturing may be particularly important as well as the introduction of new processes such as just-in-time or the development of an entirely new computer system.
- *Strategic issues and objectives*. As a background to the study it is necessary to identify the strategic issues facing the organization and its objectives. These may be considered under such headings as growth, competition and market position and standing. Issues concerning the availability of the required human, financial and physical resources would also have to be considered.
- *Activities*. Activity analysis establishes what work is done and what needs to be done in the organization to achieve its objectives within its environment. The analysis should cover what is and is not being done, who is doing it and where, and how much is being done. An answer is necessary to the key questions: 'Are all the activities required properly catered for?', 'Are there any unnecessary activities being carried out, ie those that do not need to be done at all or those that could be conducted more economically and efficiently by external contractors or providers?'
- *Structure*. The analysis of structure covers how activities are grouped together, the number of levels in the hierarchy, the extent to which authority is decentralized to divisions and strategic business units (SBUs), where functions such as finance, personnel and research and development are placed in the structure (eg as central functions or integrated into divisions or SBUs) and the relationships that exist between different units and functions (with particular attention being given to the way in which they communicate and cooperate with one another). Attention would be paid to such issues as the logic of the way in which activities are grouped and decentralized, the span of control managers (the number of separate functions or people they are directly responsible for), any overlap between functions or gaps leading to the neglect of certain activities, and the existence of unnecessary departments, units, functions or layers of management.

ORGANIZATION DIAGNOSIS

The diagnosis should be based on the analysis and an agreement by those concerned with what the aims of the organization should be. The present arrangements can be

considered against these aims and future requirements to assess the extent to which they meet them or fall short.

It is worth repeating that there are no absolute standards against which an organization structure can be judged. There is never one right way of organizing anything and there are no absolute principles that govern organizational choice. The fashion for delayering organizations has much to commend it, but it can go too far, leaving units and individuals adrift without any clear guidance on where they fit into the structure and how they should work with one another, and making the management task of coordinating activities more difficult.

Organization guidelines

There are no 'rules' or 'principles' of organization but there are certain guidelines that are worth bearing in mind in an organization study. These are:

- *Allocation of work.* The work that has to be done should be defined and allocated to functions, units, departments, work teams, project groups and individual positions. Related activities should be grouped together, but the emphasis should be on process rather than hierarchy, taking into account the need to manage processes that involve a number of different work units or teams.
- *Differentiation and integration.* It is necessary to differentiate between the different activities that have to be carried out, but it is equally necessary to ensure that these activities are integrated so that everyone in the organization is working towards the same goals.
- *Teamwork.* Jobs should be defined and roles described in ways that facilitate and underline the importance of teamwork. Areas where cooperation is required should be emphasized. The organization should be designed and operated across departmental or functional boundaries. Wherever possible, self-managing teams should be set up and given the maximum amount of responsibility to run their own affairs, including planning, budgeting and exercising quality control. Networking should be encouraged in the sense of people communicating openly and informally with one another as the need arises. It is recognized that these informal processes can be more productive than rigidly 'working through channels' as set out in the organization chart.
- *Flexibility.* The organization structure should be flexible enough to respond quickly to change, challenge and uncertainty. Flexibility should be enhanced by the creation of core groups and by using part-time, temporary and contract workers to handle extra demands. At top management level and elsewhere, a collegiate approach to team operation should be considered in which people

share responsibility and are expected to work with their colleagues in areas outside their primary function or skill.

- *Role clarification.* People should be clear about their roles as individuals and as members of a team. They should know what they will be held accountable for and be given every opportunity to use their abilities in achieving objectives to which they have agreed and are committed. Role profiles should define key result areas but should not act as straitjackets, restricting initiative and unduly limiting responsibility.
- *Decentralization.* Authority to make decisions should be delegated as close to the scene of action as possible. Profit centres should be set up as strategic business units which operate close to their markets and with a considerable degree of autonomy. A multiproduct or market business should develop a federal organization with each federated entity running its own affairs, although they will be linked together by the overall business strategy.
- *Delayering.* Organizations should be 'flattened' by removing superfluous layers of management and supervision in order to promote flexibility, facilitate swifter communication, increase responsiveness, enable people to be given more responsibility as individuals or teams and reduce costs.

Organization design leads into organization planning.

ORGANIZATION PLANNING

Organization planning is the process of converting the analysis into the design. It determines structure, relationships, roles, human resource requirements and the lines along which changes should be implemented. There is no one best design. There is always a choice between alternatives. Logical analysis will help in the evaluation of the alternatives but Mary Parker Follet's (1924) law of the situation will have to prevail. The final choice will be contingent upon the present and future circumstances of the organization. It will be strongly influenced by personal and human considerations – the inclinations of top management, the strengths and weaknesses of management generally, the availability of people to staff the new organization and the need to take account of the feelings of those who will be exposed to change. Cold logic may sometimes have to override these considerations. If it does, then it must be deliberate and the consequences must be appreciated and allowed for when planning the implementation of the new organization.

It may have to be accepted that a logical regrouping of activities cannot be introduced in the short term because no one with the experience is available to manage the

new activities, or because capable individuals are so firmly entrenched in one area that to uproot them would cause serious damage to their morale and would reduce the overall effectiveness of the new organization.

The worst sin that organization designers can commit is that of imposing their own ideology on the organization. Their job is to be eclectic in their knowledge, sensitive in their analysis of the situation and deliberate in their approach to the evaluation of alternatives.

Having planned the organization and defined structures, relationships and roles, it is necessary to consider how the new organization should be implemented. It may be advisable to stage implementation over a number of phases, especially if new people have to be found and trained.

RESPONSIBILITY FOR ORGANIZATION DESIGN

Organization design may be carried out by line management with or without the help of members of the HR function acting as internal consultants, or it may be done by outside consultants. HR management should always be involved because organization design is essentially about people and the work they do. The advantage of using outside consultants is that an independent and dispassionate view is obtained. They can cut through internal organizational pressures, politics and constraints and bring experience of other organizational problems they have dealt with. Sometimes, regrettably, major changes can be obtained only by outside intervention. But there is a danger of consultants suggesting theoretically ideal organizations that do not take sufficient account of the problems of making them work with existing people. They do not have to live with their solutions, as do line and HR managers. If outside consultants are used, it is essential to involve people from within the organization so they can ensure that they are able to implement the proposals smoothly.