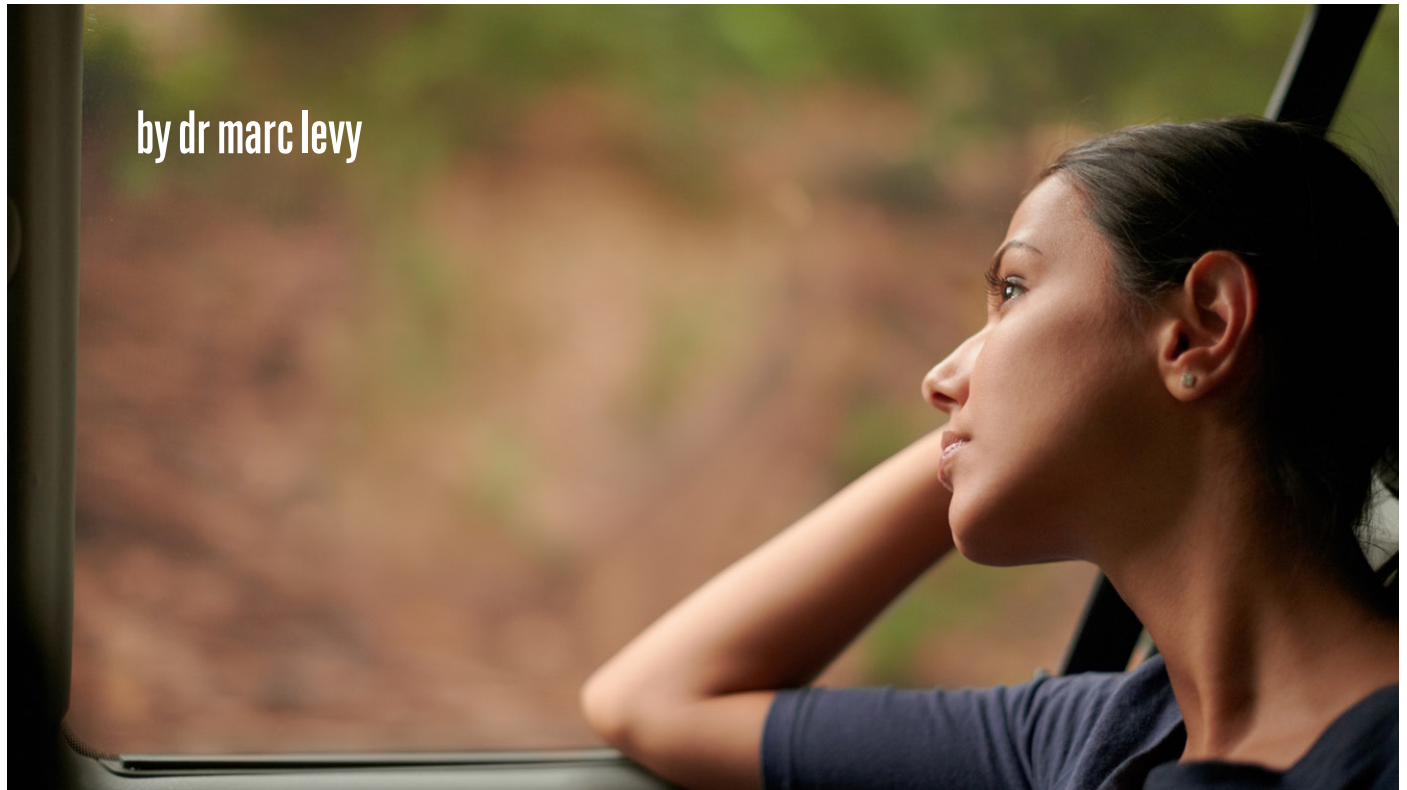# are we there yet?
organisation design amid constant change

by dr marc levy

Organisation design has been a constant in my career. I worked on my first reorg, for a major professional services firm, in 1995. In November and December 2016, I spoke with twenty-three Australian CEOs – of small, medium and large organisations, from eight industries – about lessons they had learnt from redesigning organisations.

I wanted to understand whether what I'd gleaned over 20 years was consistent with their experiences, and whether there were common themes among their perspectives.

There have been some interesting strains in the literature on organisation recently and I also wanted to know whether interviewees would raise any of those ideas. For example, is it possible to 'get organisational redesign right' (Aronowitz, De Smet & McGinty 2015) or does a constant state of flux belie that notion? How important is organisation redesign in the context of other organisation 'projects' such as those relating to the quality of interactions between teams, processes of accountability and resource allocation effectiveness (Kilman, Shanahan, Toma & Zielinski 2010)? How can we make organisation design more inclusive (Beauchamp, Heidari-Robinson & Heywood 2016)?

I asked the CEOs a simple question: What have you learnt from the organisation redesign work that you've done? Five themes emerged from the conversations that followed: have a strong sense of why, a point upon which to fix; foster genuine engagement; take a disciplined but flexible approach; anticipate a wide range of possible benefits in assessing the value of reorganisation; and reframe reorg as an ongoing process.

This article will explore each of these themes in turn.

Right thinking

We asked 23 CEOs to share what they had learnt from the reorganisations in which they had been involved. Themes related to having a strong sense of why, fostering engagement, taking a disciplined but flexible approach and anticipating a wide range of benefits in assessing value. Perhaps the most interesting theme, contrasting with common practice, was that reorganisation should be freed from the shackles of project timelines and treated as an ongoing process of iteration, without a defined finishing point.

1. Have a strong sense of why - a point upon which to fix

CEOs said that while the disruption of reorganisation is taking place, it is important to provide a stable point upon which employees can focus, typically a clear articulation of why the change is taking place.

'It's a destabilised state, even when they believe in it … a confronting time; people need to understand the cause.'

'You've got to be able to tell a story, the why; don't get stuck on the how, which might vary.'

'It's all about the why for staff – if everyone understands why, you've got a better chance of success.'

This was not necessarily about pursuing unanimous support for changes: 'You need to be able to clearly articulate a business rationale – some people will inevitably disagree.'

Many of the CEOs I spoke with referred to their strategies as the right source of inspiration and the fundamental basis for their organisation redesign efforts:

'We worked out what work needed to be done to deliver the strategy, then how best to organise to get that done.'

For some of the CEOs, putting the customer at the centre of a compelling rationale for change was central to their success.

'We aligned the executive to the delivery of our customer value proposition and built our organisation and operating principles around that.'

'It's all about the customers, not individual customers as it won't be in the best interests of all, but the customer base overall – we can all agree to that.'

'Understanding the customer is key – we built our organisational redesign around the delivery of our strategy and, in particular, the customer value proposition.'

2. Foster genuine engagement

Another common theme arising from my conversations was the necessity for employee engagement. I worked on the redesign of a public sector agency some years ago and I was surprised by the CEO's commitment to early and deep employee engagement, as many of the reorgs I'd been involved in up to that point had been secret skunkworks.

Things have changed since then and it is more common to publish drafts and include staff and other stakeholders in ironing out design flaws. As some of the interviewees observed:

'[Don't just think you can] send a note out and it will be fine.'

'Engagement suggests bipartisanship… [it] gives a flavour of empowerment, not delegation.'

A CEO of a small organisation I interviewed had experimented with full co-creation, putting a rationale for change to staff and asking for their input; co-creating design principles; publishing a draft design and seeking feedback; having employees present their role and their objectives.

Some of the interviewees shared their motivations for employee engagement:

'Tell them; give them time; engage with them … [this] leads to something more active and mutual.'

'[Let them] have a say and be respected for their contribution and knowledge and potentially see that come through in decision making.'

'Don't get too far away from the people – move together.'

The CEOs identified a range of other issues relating to engagement that should be germane for others. These included giving special attention to the role of the executive team – 'lead changes with the executive team rather than alone where possible' – and including the next layer of management, who need to understand the changes to be able to support them and explain them to others.

Engagement of other stakeholders was also important:

'It's not wise to just write to the unions and say "I'm going to do this".'

'The buy-in of the board is key; they needed to know the key things we wanted to shift, not all the detail.'

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3. Take a disciplined but flexible approach

Input from CEOs was largely consistent on this point: it is important to take a disciplined but flexible approach.

As obvious as it sounds, it is critical to set clear and specific objectives for the reorganisation itself. Some CEOs said they could have done a better job of this. We sometimes use the 'Ashridge tests' (see References) for this purpose. Working with the tests, we ask CEOs to identify the objects of the reorg, and then to determine priorities among those objects. One CEO suggested that measurement or assessment criteria be set up front with respect to these objectives.

CEOs said that mitigating the risks associated with organisation redesign was an important part of taking a disciplined approach. For example, a few CEOs urged caution regarding privileging functional over industry expertise as organisations grow and roles become more specialised, lest an organisation end up with insufficient industry knowledge and less interesting, highly specialised roles.

Some CEOs were concerned to manage the perennial risk of silos; of disturbing desirable elements of their organisations' cultures; and of the impacts on less resilient staff.

Robust and comprehensive change management processes were also important to the approach taken by many of the CEOs:

> 'Clarity, signposting, being respectful to colleagues, linking to strategy, handling issues that arise in a timely way …'

One said that careful planning should anticipate quick wins to build confidence in the new design and 'earn the right to screw some things up later', referring to the inexact science of organisation design and the inevitability that some aspects of redesign will not work as anticipated.

Some interviewees referred to the importance of crafting clear roles and accountabilities, although others said that they were deploying skills for different outcomes at different times and moving to less prescriptive position descriptions.

Several CEOs said it was important that a disciplined and systematic approach was also flexible and iterative, and not artificially contained. A short, emphatic 8-12 week project might be desirable, but 'Reorganising is time consuming work …

preparing people to be effective in different roles can be more difficult and take longer than you think.' Another said, 'It's easy to underestimate the time it takes to move people in, up or across to new roles and for them to be effective in those roles.'

4. Anticipate a wide range of potential benefits in assessing the value of reorganisation

While we would agree that the principal benefit of organisation redesign is to better align the organisation with the strategy, CEOs referred to a range of other valuable benefits that should factor into assessments of the value of reorgs.

We frequently work with the CEOs of growing mid-size organisations. Some of the CEOs who fit this description observed that there were executives and managers within their organisations who were well qualified for and suited to their positions when the organisation was, say, $100m in revenues, but not as well equipped to perform their roles effectively at $300m. Organisation redesign gave the CEOs a platform for taking a systematic look at this phenomenon:

> 'Horses for courses … the same people are not necessarily right as the organisation grows and changes. Sometimes people don't grow with the business.'

> 'Reorganisations give you the opportunity to get the right people in right seats – sometimes [I've been] tardy and unfocused and should've moved people on. [Organisation redesign] gives you the opportunity to do that, to move on poor performers and poor behaviours.'

Some CEOs also mentioned that a perturbance like organisation redesign can present other opportunities for improvement; for example, to 'bring in people from outside to take a fresh look'; to 'focus on growing people into new roles'; to 'get people to think about their own career trajectories'; and to review sourcing arrangements (for example, bringing functions in-house for greater control of customer experience). As one CEO observed:

> 'A new broom … change brings change, new thinking, a certain freshness …. bringing in people from outside pushes the current group.'

A few of the interviewees said that organisation should not be viewed as a panacea for all organisation ills: making changes to 'lines and boxes' should sometimes be accompanied, or displaced, by clarification of processes, accountabilities and lines of communication.

5. Reframe reorg as an ongoing process

'Staff sometimes ask, "Are we there yet?" No, it's never over.'

'People assume it's planning, implementation, then done; but in reality, it's an evolution.'

There was a strong sense from some of the interviews that being patient, even viewing organisation redesign as an ongoing process rather than a discrete project, may result in better outcomes:

'Don't try to achieve too much too quickly … it's a discourse – and some desirable changes may not be able to be made at first; but they will be made later, when the organisation is ready'.

'Unless there is a desire for major change, for example cultural change, [it's] better to have more frequent iterative changes than major disruptive change.'

'We had a period of fluidity then a reset … [that was] good because it had been a hierarchical and rigidly demarcated organisation, and it was good to use that time to work on collaboration and break down silos.'

This idea of organisation redesign as an ongoing process had gained currency with several of the CEOs I spoke with.

'Of course the organisation should continue to change, because we face changing circumstances.'

'We never had a fixed endpoint … [I] don't want to frustrate people if things are not delivered. Circumstances change and will continue to change – [that was] hard because it is an iterative

change program for people who hadn't previously been through change … it's a critical requirement people accept that change is part of business. That's the reality. We will never finish this. This is permanent.'

This was further acknowledgement of the fallibility of reorganisation. As one CEO observed, 'At an individual level you get some right and others less so.'

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Organisation redesign is a difficult process. When it's well executed it can bring considerable benefits, but as these interviews demonstrated CEOs would do well to consider their theories of change before they get started with their next organisation redesign. What do we want to achieve and over what realistic timeframe? How can we convince the team that this will be worthwhile? To what extent will an organisation redesign achieve the changes we want to see – and what else might we need to do to bring about those changes?

References

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want to know more?

If you would like more information regarding organisation redesign contact **Dr Marc Levy:**

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