

# Organisational Development - Design Principles

“All organisations are perfectly designed to achieve the results that they do”

I don't know who said that, but it certainly rings true. And, how many times have you come across organisations where their instinctive response to a need to improve performance is to carry out yet another organisational restructuring exercise?

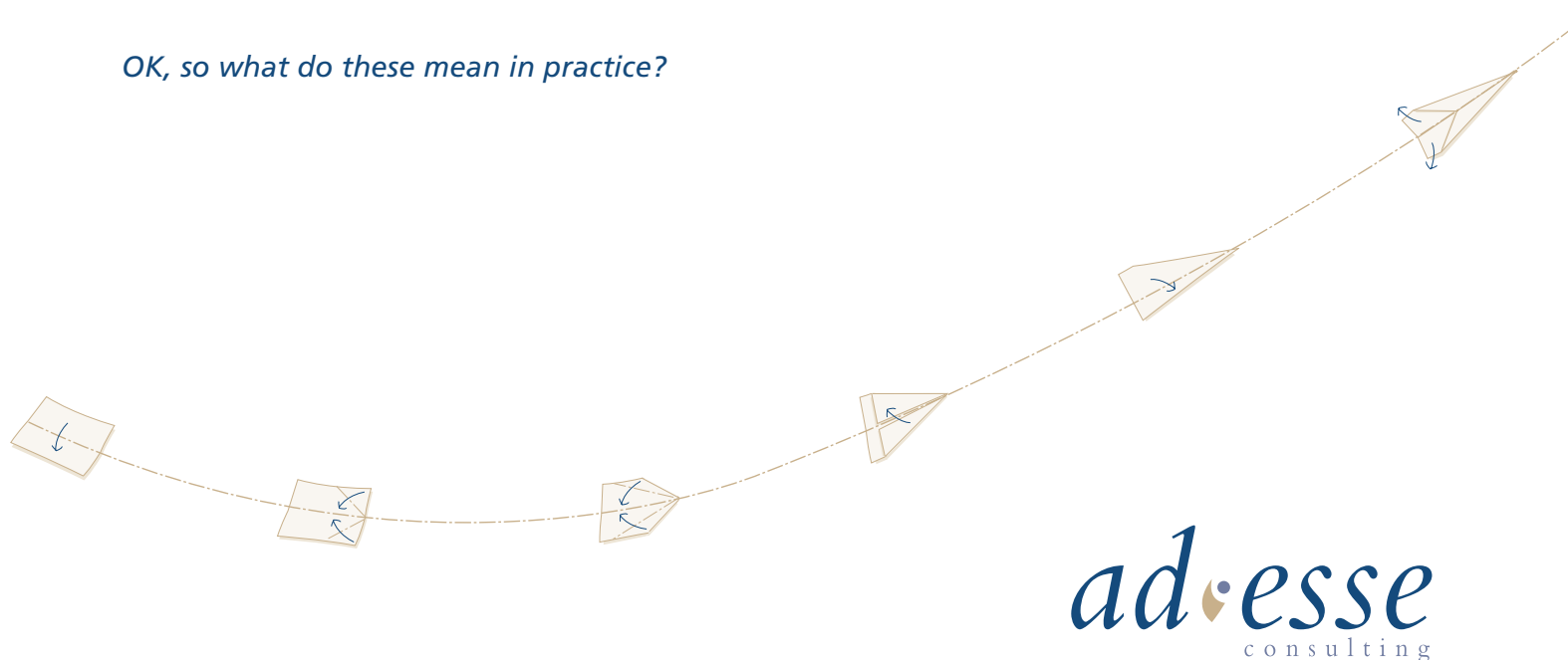
We've been helping a number of clients to review and re-align their organisational structures, in support of sustainable performance improvement. So, we thought we'd share some of our ideas on what works and the principles behind our approaches to effective organisational design.

## SOME PRINCIPLES

Organisations have to identify their Vision, Mission, Values and long-term business goals before they can identify specific strategies. While these are unlikely to need to change in the short-term, it is possible that strategies may change to reflect the changing operating environment. So, given these long-term basics:

1. Structure follows Strategy *and* Processes.
2. Competency requirements are defined by Strategy, Structure *and* Processes.
3. Span of control *and* co-ordination of work drives costs.

OK, so what do these mean in practice?



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Organisations that have clear strategies find it much easier to define their key business processes. So, for example, if you are using a tool such as Strategy Mapping to help build a Balanced Scorecard, you are forced to answer the question “What processes must we excel at?”

The processes that your organisation must excel at are probably not the same as everybody else’s, so simply picking up any old list of key business processes is not likely to be a recipe for success. You are likely to have a small number of key processes; perhaps 3 to 5. They may include customer-facing processes and support/enabling ones. And, processes that are key (or critical) this year, may not be, next year.

One of our public sector clients had, among others, “developing partnerships” and “securing funding” as key processes. A private sector client had “developing capability”, as well as “delivering product”.

You can build these key processes into a high-level business process model that describes how your organisation creates value for your customers and stakeholders. If you’ve identified more than about 6 or 8 high-level processes in your model, you’ve probably fallen into the trap of writing down your functions or departments and thinking they are processes (which they are not). An effective process model will identify the linkages between your value-chain processes (external-facing) and show how their outputs align with your strategic objectives.

The process model should be a baseline for considering what organisational structure would be most appropriate to ensure the strategies can be delivered. In our two examples above, neither organisation actually had existing “departments” focused on operating the key processes effectively. Depending on the scope of the key processes, it may be necessary to break them into more manageable organisational parts. So, “deliver product” might be broken into “inbound logistics”, “manufacture” and “outbound logistics”.

Competency requirements are defined by strategy, structure and processes. Strategy defines how you will choose to compete (and what you will choose not to do). Processes define how work gets done; therefore specific competencies will be required to operate those processes. As soon as you overlay some structural requirements (e.g. supervision and monitoring), this adds a need for further competencies.

**The competency considerations will typically be:**

- process operation competencies
- process management competencies
- people leadership and management competencies

Span of control *and* co-ordination of work drives costs. This means that the bigger the spans of control you adopt, the lower the overhead cost of “managing” the organisational system will be. It also means that self-managing work-teams will result in a lower operational cost than structures with multiple levels of supervision and management control.

## DEVELOP ROLE OPTIONS FROM A BUSINESS PROCESS MODEL

With an understanding of the nature of the work to be carried out, as captured in a Business Process Model, it is possible to consider possible roles and responsibilities within the new processes. There is no one, perfect solution, but you should be looking to develop a “best fit” to meet your particular business circumstances and what performance improvements you are trying to achieve. The following guidelines should be considered:

**Each role should be characterised by:**

- whole tasks & logical, manageable blocks of work/output
- control loops and feedback mechanisms to enable right first time output
- self-sufficiency & self-checking
- flexibility & capability to cope with fluctuating demands

People adopting these roles should be able to identify clearly with outputs, Customers, effectiveness and results. “Whole Tasks” are sets of process steps that, when carried out together, deliver a recognisable, complete output

**Examples would be:**

- *Processing a customer's transaction (e.g. cashing a cheque)*
- *Producing a service (e.g. preparing & cooking a meal)*
- *Manufacturing a product (e.g. assembling a computer)*

N.B. “Whole Tasks” are almost the opposite of the Taylorist, assembly-line approach to tasks, whereby each individual carries out a very narrow range of tasks (often highly repetitively).

## DEVELOP A STRUCTURE FOR LINKING PEOPLE AND PROCESSES

Structure is concerned with the co-ordination of different roles into appropriate groups.

**Guidelines for good practice include:**

- flat structures, avoiding 1-on-1 relationships
- manageable spans of control (span often depends on work type)
- short chains of control/direction
- no overlaps of role, or gaps between accountabilities
- planning and control should not be separated from the “doing” activity  
(each work group should be responsible for planning, evaluating and improving the quality of its own work)

Spans of control can increase with process clarity and automation. In other words, in well defined processes, with high degrees of automation, you need fewer managers. Changes in span, cause changes in competency requirements. Smaller spans mean higher overhead costs.

Hierarchy can only be justified by competency, or specialist knowledge advantage. There is no divine right to have 5 levels of management!!! (or pick any number of levels you choose).

**There are a number of possible options for grouping roles and many organisations will need to consider one or more, in combination:**

- FUNCTION:** the conventional way of grouping similar roles within organisations, focused around specialist technical divisions of tasks (e.g. Marketing, Research & Development, Personnel, Finance)
- PROCESS:** roles are focused on the end-to-end operation of a single process  
(e.g. a manufacturing process from raw materials to end product)
- LOCATION:** roles are grouped according to geographic location where the work is performed  
(e.g. a branch, office or site)

**CUSTOMER:** roles are focused on meeting the various needs of discrete customers  
(e.g. all transactions required by a given type of customer)

**PROJECT:** roles are focused on a time-based set of activities, leading to a given objective (project deliverable) (e.g. short or long-term projects with specific milestones & results)

Interdependent roles should be formed into process teams. Small teams performing multiple tasks are more effective than large teams performing single tasks. Where possible, providers should be close to users. Units should be self-sufficient.

**The range of options for organising the co-ordination, planning and evaluation of tasks related to a group of roles includes:**

**APPOINTED LEADER:** where the leadership role is decided by the organisation  
(e.g. conventionally selected supervisors & managers)

**MATRIX LEADERSHIP:** where leadership varies depending on the output of the process  
(e.g. customer driven vs. functional driven)

**ELECTED LEADERSHIP:** where the work-group appoints its own leader

**SELF-MANAGING:** where the work-group takes collective responsibility for planning, evaluation & continuous improvement of both tasks and people management. Note that there is a wide spectrum of possibilities in "self-managing", depending on how empowered the team is

**Again, there is no "one right way", but some principles to consider include:**

- Each person should report to only one manager
- Each manager must have a manageable span of control
- Each level of management must make a clear contribution (distinct from the one above and the one below)

**It has been stated by some "experts", that there can only be three types of role:**

**STRATEGISTS:** those defining and managing the overall purpose of the organisation

**TEAM LEADERS:** those responsible for managing the day-to-day operations of...

**TEAM MEMBERS:** those carrying out the day-to-day process activities

If you've worked from your strategies, through your processes, you should now have a first-draft structure for the new organisation.

**This should show:**

- how roles fit with processes
- how roles are grouped together (e.g. with roles & responsibilities statements)
- how groups of roles will be managed (or manage themselves) and fit into an overall, co-ordinated structure

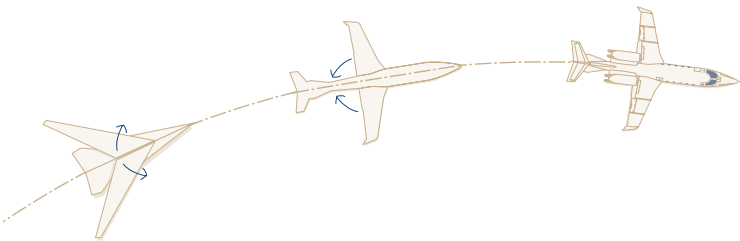
## IDENTIFY THE PEOPLE REQUIRED IN THE NEW ORGANISATION

It should now be possible to identify:

- The knowledge and skills required in each of the new roles
- The number of people required to operate the new processes  
(using data on process throughput volumes and activity based costing techniques)
- The levels of performance expected in the new processes

When this information is compared with existing data, any gaps in people requirements can be quantified.

*And, now the hard work of change planning and implementation begins.*



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