

## The Role of Organizational Design in 21<sup>st</sup> Century Organizations

By Deborah F. Jenks



Organizational Design, like many business practices, is undergoing unprecedented change. The world and business environments that existed in the early or even late 20<sup>th</sup> century no longer exist. Thomas Friedman reiterates many of those changes in *The World is Flat*. He proposes that the primary change is globalization and the current flavor is a “Newfound power of individuals to collaborate and compete globally.”<sup>i</sup>

### **Global Changes**

In the last century, we witnessed national monolithic organizations choosing a strategy of “going global.” Organizations grappled with how to morph hierarchical and American headquarters-centric structures into organizations that work effectively across borders and with empowered workforces. De-centralization, diversity, and teams became local and global issues.

The Sumatran-Andaman Earthquake on December 26, 2004 was estimated to have been 9.1 to 9.3 on the Richter scale. The energy release was the equivalent of a 100 gigaton bomb. “Globally, this earthquake was large enough to basically vibrate the whole planet as much as half an inch, or a centimeter. Everywhere we had instruments, we could see motions.”<sup>ii</sup> The creation changed globally in measurable ways in a blink of an eye. The physical effects could be measured from space, especially the new 800 mile gash in the Andaman Sea. And if the earthquake was not enough, the resulting tsunamis wiped out structures and people in multiple countries. Although the earthquake was local, the effect was global.

This outward and visible change is symbolic of reverberations happening in the business world. Organizational designs that worked in the past are no longer relevant or competitive in the new environment.

### **Organizational Design**

According to Galbraith, Organizational Design (OD) is the practice of effectively designing the structure of an organization “to shape the decisions and behaviors” of an organization.<sup>iii</sup> He presents the *Star Model*<sup>iv</sup> as an OD framework to define a working balance between:

- Strategy (formula for winning)
- Structure (placement of power and authority in an organization)
- People (human resource policies)
- Processes (description of how the organization functions)
- Rewards (systems to align goals with performance)

The critical factor is to ensure that all the aspects are coherently aligned to one another. The balance achieved in the implementation of the five areas differs in each organization.

During the 20<sup>th</sup> century, organizations generally were national or business unit centric and based on the “keep it simple” principle.<sup>v</sup> The whole organization was designed often by one “strategic leader.” The guiding principle was the efficiency of the organization often utilizing information technology systems to reengineer business processes. Employees were required to bend around the systems, processes, and changing business needs.

### ***Redefining OD***

In the 21<sup>st</sup> century, the role of OD is being redefined because organizations can't compete with old paradigm structures. The world has become global and complex, and organizations must not only accommodate the complexity, but design it to remain competitive. Nadler and Tushman call this process of reframing OD *organizational architecture*.<sup>vi</sup> According to Merriam-Webster one definition of architecture is to delineate the “manner in which the components of a computer or computer system are organized and integrated.”<sup>vii</sup> This is an important concept to OD, so we will apply lessons learned from the Information Technology domain.

In the mid 20<sup>th</sup> century, programmers created large monolithic programs that became nightmares to maintain or upgrade. Pulling on one strand of “spaghetti code” meant that a fix in one location could create unexpected results in multiple locations. The code or system became “fragile” which required careful care and feeding until it was replaced wholesale. In addition, large, new software development projects failed at the rate of 40-60%,<sup>viii</sup> often due to changing requirements.

In contrast, *Agile Programming*<sup>x</sup> emerged in the 1990's as an alternate model for developing systems. Code is developed incrementally in modules making provision to incorporate changing requirements continually. One of the principles of the *Agile Manifesto* is “The best architecture, requirements, and designs emerge from self-organizing teams.”<sup>x</sup> In other words, the cross-functional team performing the work will know and decide the most sustainable architecture to put in place. Members recognize that architecture is a framework to build the system around, but not an end in itself.

OD in the 21<sup>st</sup> century must follow the same principles; OD is a framework to enable a strategy rather than an end in itself. Crocitto and Youssef advocate that an emphasis on people in the OD process will bring an agility to transform traditional organizational forms.<sup>xi</sup> This socio-technical system approach is distinct from the philosophy of many past organizations.

### ***Importance of OD Role***

What has prompted this change? Ashkenas et al state, “Twenty-first century business is in the midst of a social and economic revolution, shifting from rigid to permeable structures and processes and creating something new: the *boundaryless organization*.”<sup>xii</sup> They posit that boundaries are necessary to prevent chaos, yet they must allow greater flexibility and fluidity of movement between people, processes, and production.

If OD recognizes the need for flexibility and continual change, it will remain a viable concept in future organizations. OD practioners must encourage organizations to be agile. Ashkenas states that the old success factors of size, role clarity, specialization, and control have been replaced in the new paradigm with speed, flexibility, integration, and innovation.<sup>xiii</sup> The question then becomes: “How can organizations make the switch?”

### ***Redefining Roles of Leaders***

The role of leaders becomes a critical success factor. Crocitto states, “Agility is dependent upon leadership’s ability to create an agility vision and mission” and promote “a learning organization and acceptance of change.”<sup>xiv</sup> Thus their ability to strategically envision a new future and communicate it is paramount.

Leaders recognize the vision cannot be fulfilled alone. Ashkenas, among others, acknowledges that team players at every level must act strategically based on their skills rather than position. He compares this to a Jazz Band<sup>xv</sup> where the coordination for the change in music is shared amongst members rather than delegated to a conductor. This allows for constant improvisation. Each member gets the chance to be a “featured” player and to intuitively follow the lead of other players. Thus they are self-organizing, use strategic thinking to pick new directions, and yield to one another in the name of team spirit and unity. Communication, in this case non-verbal, is critical.

In organizations, the role of OD must be exercised by leaders and team members at all levels of the organization. Complex global organizations must have leadership teams comprised of members from different disciplines and nationalities to be successful. Simplicity of leadership is no longer an option. In addition, leaders at every level of the organization must be empowered to self-organize their team to improvise how to complete the mission they have been given. Communication between different levels and business units is critical to ensure that efforts to meet customer and business needs are coordinated and non-duplicated. Thus the need for community – a place of shared understanding and goals, needs to evolve.

### ***Redefining Citizenship***

Organizations always look for the magic bullet for success. According to Handy in *The Hungry Spirit*, some of the purposes pursued have included increasing shareholder value or increasing efficiency by downsizing, outsourcing, or reducing benefits.<sup>xvi</sup> If we look further back to the “Robber Barons”, the organizational purpose was owner profit. These purposes demonstrate the Western values of profit and the expendability of people. Handy presents a new direction. He states, “Americans are increasingly talking about the ‘soul’ and the personality of an organization.”<sup>xvii</sup> Quoting Dean Berry, he adds that workers want to bring their whole personalities to work and be in agreement with the values and purpose of the organization. When organizations, leaders, and workers share the same values a synergy and energy is released where the needs of all three are satisfied. This implies that each employee must be viewed as a citizen of the organization rather than a hired hand.

I would add this means that organizations are returning to the thinking of our country’s fathers. Thomas Jefferson in the *Declaration of Independence* (1776) penned, “We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness.”<sup>xviii</sup> Abraham Lincoln echoed those thoughts in the *Gettysburg Address* (1863), “This nation, under God, shall have a new birth of freedom -- and that government of the people, by the people, for the people, shall not perish from the earth.”<sup>xix</sup> I propose it will be organizations “of the people and by the people” that will bring freedom to businesses.

A key design question is whether people are the servants of the organization or the organization is a servant of the people? Practitioners of Organizational Design need to incorporate the values of community, empowerment, and pursuit of job satisfaction into future organizations. Many organizations are publishing values statements in addition to mission and vision statements. Successful companies will align their organizational culture to those values, or employees will see the incongruence and not remain. Employees desire an organization with mutual objectives and practices, not one they serve as a slave without a voice.

### ***Future Implications***

As stated earlier, Galbraith defined OD as the practice of designing an organization “to shape the decisions and behaviors” of an organization. If organizations are “of the people and for the people” the question then arises “Is Galbraith’s definition negated”? On one hand, one could argue absolutely. Today people help shape the design rather than solely the structure defining the behaviors of people. Yet, the five elements identified in the *Star Model* (strategy, structure, people, processes, and rewards) remain the primary tools to shift an organization. So what if we redefine Organizational Design to be a corporate activity led by many people at all levels? Then like the Jazz Band different people will lead and follow at different points. Thus the organizational design will change incrementally as self-organized groups reshape different aspects of the organization. The real change originates from whether the organization is organizational structure-centric or people-centric. However, even in the latter the people need to work not as individuals with unique agendas, but rather as a team working towards the same goals. This is a reframing of Organizational Design.

What does that mean for you as a leader in the 21<sup>st</sup> century? First, you must embrace the paradigm change. Then take ownership to envision a preferable future and what changes in strategy, structure, people, processes, and rewards will be required to make your organization more effective. Be willing to voice those recommendations and then work hard to implement them. This next step may be harder. You must listen as team members improve upon your ideas or perhaps come up with better ones. This takes humility and an acknowledgement that others may have better insights due to their diverse backgrounds. The end result of the collaboration may be different than your original vision. Yet it will allow all workers to have not only buy-in, but a single eye to work toward the joint goals. This multiplies the effort and effectiveness of the organization. All win.

#### **About the author:**

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<sup>i</sup> Thomas L. Friedman, *The World is Flat, A Brief History of the Twenty-first Century* (New York: Farrar, Straus and Giroux, 2005), 10.

<sup>ii</sup> Marsha Walton, “Scientists: Sumatra Quake Longest Ever Recorded” <http://www.cnn.com/2005/TECH/science/05/19/sumatra.quake/index.html>

<sup>iii</sup> Jay R. Galbraith, *Designing Organizations, An Executive Guide to Strategy, Structure, and Process* (San Francisco: Jossey-Bass, 2002), 9.

<sup>iv</sup> *Ibid.*, 9-14.

<sup>v</sup> Jay R. Galbraith, *Designing the Global Corporation* (San Francisco: Jossey-Bass, 2000), 1.

<sup>vi</sup> David A. Nadler and Michael L. Tushman, *Competing By Design, The Power of Organizational Architecture* (New York: Oxford University Press, 1997), 7-10.

<sup>vii</sup> “Architecture,” <http://209.161.33.50/dictionary/architecture>

<sup>viii</sup> IT Cortex, “Failure Rate,” [http://www.it-cortex.com/Stat\\_Failure\\_Rate.htm](http://www.it-cortex.com/Stat_Failure_Rate.htm)

<sup>ix</sup> Jim Highsmith, “History: The Agile Manifesto” <http://www.agilemanifesto.org/history.html>

<sup>x</sup> Jim Highsmith et al, “Principles Behind the Agile Manifesto” <http://www.agilemanifesto.org/principles.html>

<sup>xi</sup> Madeline Crocitto and Mohamed Youssef. “The Human Side of Organizational Agility,” *Industrial Management and Data Systems* 103, no. 6 (2003) : 388-397.

<sup>xii</sup> Ron Askenas, Dave Ulrich, Todd Jick, and Steve Kerr. *The Boundaryless Organization, Breaking the Chains of Organizational Structure* (San Francisco: Jossey-Bass, 2002), 1-3.

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<sup>xiii</sup> Ibid., 6.

<sup>xiv</sup> Crocitto, 391.

<sup>xv</sup> Ashkenas, 47-48.

<sup>xvi</sup> Charles Handy, *The Hungry Spirit, Beyond Capitalism: A Quest for Purpose in the Modern World* ( New York: Broadway Books, 1998), 146.

<sup>xvii</sup> Ibid., 149.

<sup>xviii</sup> Thomas Jefferson, "Declaration of Independence" <http://www.ushistory.org/declaration/document/index.htm>

<sup>xix</sup> Abraham Lincoln, "The Gettysburg Address" <http://showcase.netins.net/web/creative/lincoln/speeches/gettysburg.htm>