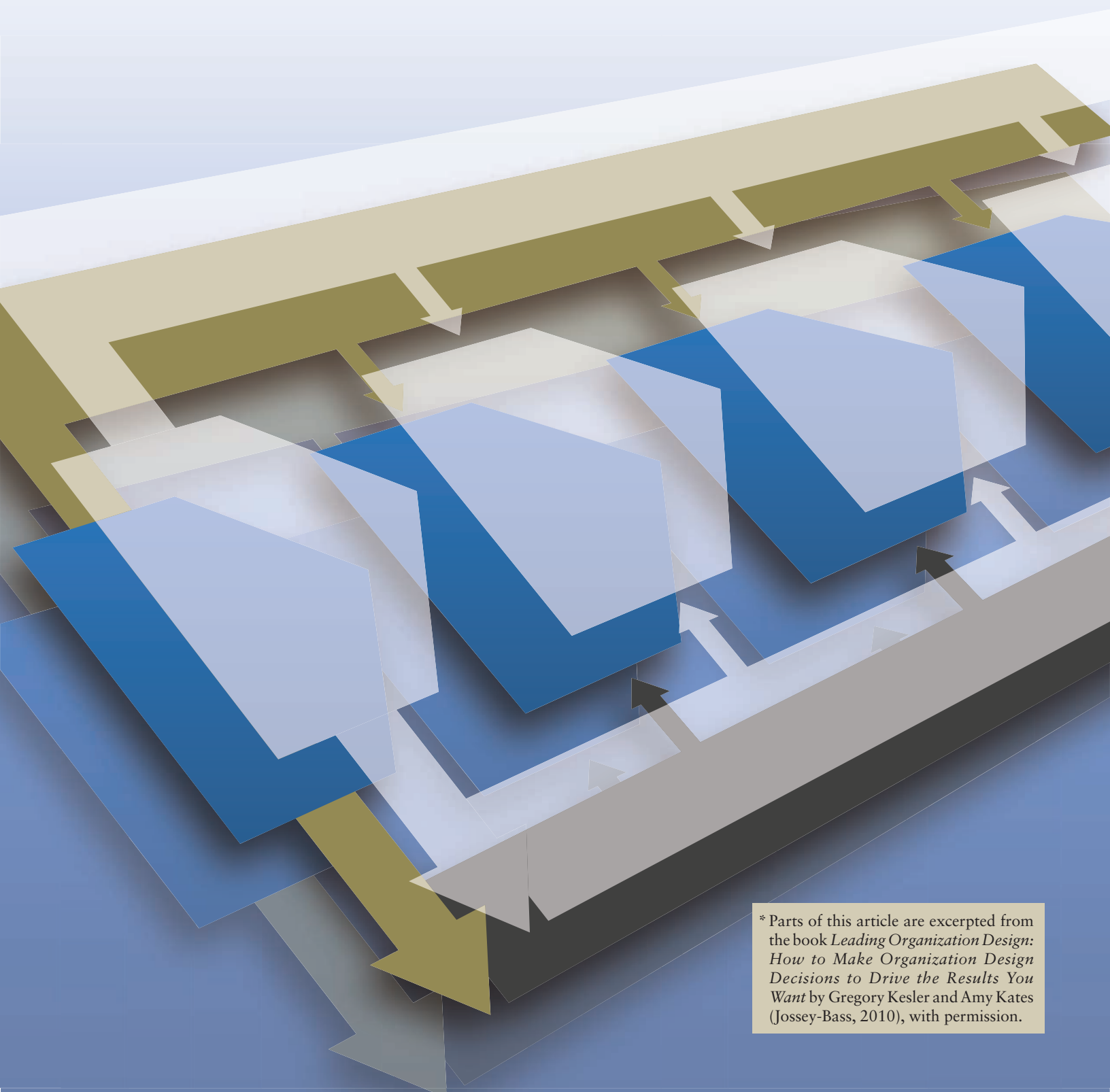


Designing Strategic Organizations: The New Work of Executives and HR

By Gregory Kesler and Amy Kates, Kates Kesler Organization Consulting*



* Parts of this article are excerpted from the book *Leading Organization Design: How to Make Organization Design Decisions to Drive the Results You Want* by Gregory Kesler and Amy Kates (Jossey-Bass, 2010), with permission.

We long have been fascinated by the overlap between leadership and organization development. One of the most difficult challenges for new general managers, who have been promoted after leading functional teams in marketing, sales or operations, is to make their leadership impact scalable across a multi-dimensional organization.

Today's general managers understand the importance of organizational capabilities to compete, but many are less clear how to create them. They grapple with the question of how to align the components of the organization to execute strategy and remove barriers so that members of the organization can make the right decisions and do their best work.

The New, Complex Work of Leaders

As business strategies become more complex, leaders have to do more than be able to inspire individuals and guide the work of teams. Leaders also have to understand organization. To make good organization decisions, leaders need to have a robust diagnosis of the issues and opportunities, an involvement strategy to ensure they consider a wide range of views and engage key stakeholders, conceptual frameworks to guide trade-offs, and a disciplined project management approach to turn decisions into action.

Business strategies and organizational forms are more complex than ever for a number of reasons:

- **Global expansion** and the reality of competing with ever more sophisticated local players
- **Changing business models** and the need to manage a portfolio of varied business models
- **Innovation** in process as well as product
- **Efficiency pressures** to increase volume, reach and capability without adding overhead expense

Organizations will be as complex as the strategies they are designed to execute. The ability to manage a multi-dimensional organization that is capable of executing a multi-faceted strategy actually provides competitive advantage over firms whose management can only do one thing well. For example, today's IBM

is able to keep many balls in the air at once through a web of structure, business process and human relationships. It is a very difficult design for competitors to copy.

HR's Role In Guiding Organization Design

Guiding a leader through a significant organization design project with the goal of building new capabilities may be some of the most important and complex work that a human resource professional can undertake. It requires a deep, trusting relationship with the client, knowledge of the business, and an ability to bring broad HR domain expertise — talent, organization, change, learning, compensation and project management — to the effort.

The internal HR or OD professional also needs to bring an organization design toolkit and well-developed consulting skills if he or she wants to influence, and not just support, the design process. We often hear some variation on the following from internal HR and OD staff: "I'm brought in too late on decisions or my client doesn't believe that using a process and involving anyone beyond the current executive team is even worthwhile. How can

facilitation support. If your HR staff wants to be positioned closer to strategy development, rather than wait to be handed implementation work, they need to be ready to provide business leaders with all the elements to enable them to make better, faster and easier-to-implement organization design decisions.

Elements of an Effective Design Decision

Human resources can support leaders in the organization design process in the following five ways:

1. Define the Right Problem
2. Use Effective Design Frameworks
3. Involve the Right People in the Process
4. Tie Talent and Organization Together
5. Implement the Change

1. Define the Right Problem

The first step to effective organization design is to build a business case for change. The business case is made up of the key elements of the strategy, an analysis of the current state of organization, and a clearly defined set of design criteria.

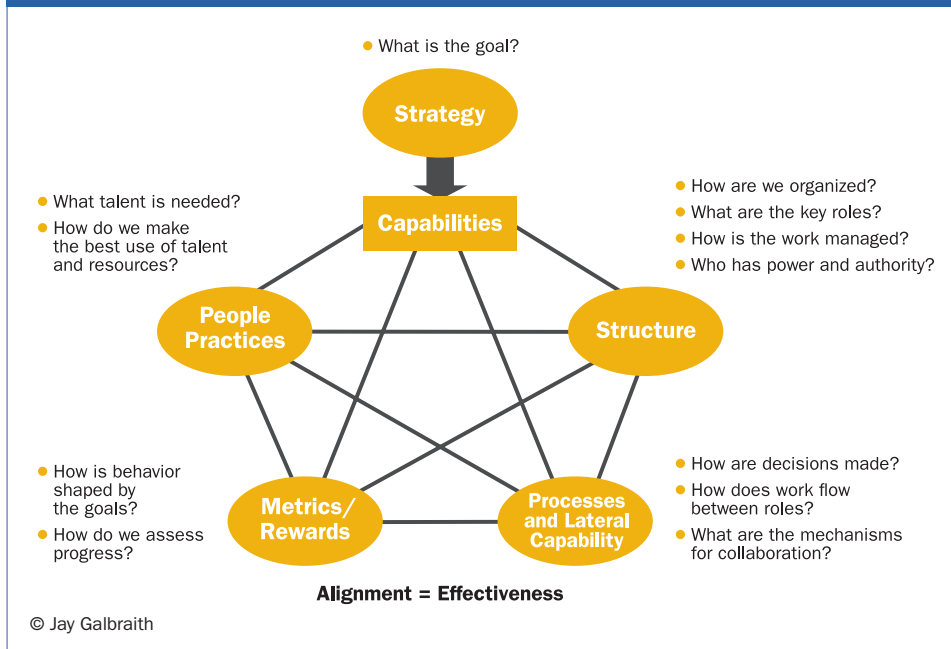
A working knowledge of organization design has become an essential personal competency for successful senior leaders.

I add value earlier in the decision-making process and give my business leaders confidence in my ability to manage this work?"

Organization design decisions support strategy execution. We often see the strategy function asked to lead and guide the project, with HR used only as an adjunct team member or engaged narrowly for staffing or

Clarify the Strategic Priorities. Sound organization design decisions depend upon a clear strategy, as organization design is a first step in turning strategic thought into action. Anyone involved in the design process must understand the strategy and its implications, and agree that achievement of the strategy will lead to superior results for the company. If the strategy is vague, full of conflicting

EXHIBIT 1: THE STAR MODEL FOR ORGANIZATION DESIGN



objectives, or so broad that it does not set out clear choices, it will not lead to a workable organization. If the strategy has not been explained and understood fully, stakeholders coming into the design process will bring different assumptions that will lead to conflict rather than creativity. Finally, if those who must execute the strategy do not believe it will lead to a better future, then there will be little commitment to undertaking the hard work of organizational change. The work of HR often starts with facilitating a strategy clarification session.

Define the Case for Change. Once the highlights of the strategy are called out clearly, you can assess the current state and understand the problem you are trying to solve. The task is to assess the current structure's ability to deliver the key elements of the strategy. This often means identifying gaps, but the organization problem is not always a gap. We work with many successful companies where the leadership of the organization defines a future change in the environment created by new technology, geographic expansion or competitor moves, and initiates a proactive shift in strategy while the current business remains strong. The problem in this case is that the current structure is now misaligned to execute its new task.

To build a compelling case for change, you must complete a current state assessment that includes financial data, customer feedback and interviews and focus groups with leaders

and employees in the organization. HR adds value by objectively gathering the data and providing an integrated and actionable analysis of the issues and opportunities.

Set the Design Criteria. To gain the most benefit from a change in organization, go beyond fixing today's problems to think about capabilities needed 12-36 months into the future that will differentiate the business from its competitors. The capabilities become the "design criteria" that all options are tested against. This practical and positive focus on creating strength is motivating and engaging for the design team and employees, and encourages expansive thinking, often resulting in more creative ideas than a problem-fixing approach allows.

Getting the design criteria right helps deliver better outcomes throughout the entire design and implementation process. Correct design criteria determine what basic units of organization will be most effective and what business processes, cross-functional teams and forms of power allocation will be required. They also provide the means of measuring the results of the new design. HR can play a role here by challenging the leadership team to make the trade-offs necessary to create a concise, yet robust, set of design criteria.

Bank of America, which has been through multiple organizational changes as it has grown through a series of major acquisitions, employs a robust and disciplined assessment

process around both organization and culture issues. In the fast changing financial services landscape, good assessment data helps ground decision makers in the current realities of the organization undergoing change, link decisions to strategy, and align executives around the highest impact capabilities to pursue.

2. Use Effective Design Frameworks

Organization design has evolved as a field with a body of knowledge. Human resources leaders should be students in the field and need to be equipped with a small but high-powered set of design frameworks. Let's look at a few that we believe are the most useful.

The Star Model. Jay Galbraith's Star Model, shown in Figure 1, has been the gold standard for conceptualizing organization design since the early 1970s (Galbraith, 1995).

The Star Model has proven to be a simple, yet powerful, way to guide leaders as they align structures, processes, measures and talent to support a strategy. The big idea behind the Star Model is that there is no one right configuration of resources. Different strategies require different organizational forms. Even within the same industry, companies with similar products and customer sets will need different organizations, because each has a formula for success that requires different capabilities.

The elements organizations need to align — structure, process, rewards, and talent — are factors that a leader can both control and make decisions about. Behavior, performance and culture are all outputs of how these four elements are aligned. That numerous academics and consultants have created variations on the Star Model over the past 30 years only attests to its status as the most influential model used in organization design.

Five Milestone Design Process. Design work needs a road map to organize and sequence the tasks. Without a progression of steps, design logic is lost and shortcuts are taken too easily. The Five Milestone Process, shown in Figure 2, works in a variety of settings (corporate, government, non-profit) and is quite scalable to be effective at the enterprise level or within business units and major functions. We use the word "milestones" deliberately to focus on outcomes, rather than activities. Like markers on a road, these indicate when one has finished a phase of decision making and is ready to move on to the next.

Capabilities required by the strategy inform decisions regarding priorities and trade-offs at each milestone. Equally important is the operating model of the business — how closely the parts of the organization are related. The operating model impacts decisions at each step by specifying how and to what degree the components need to be linked and integrated. For example, although Gallo has a broad portfolio of wines and spirits that it sells around the world, its strategy depends on close connections between business units to find synergies and leverage scale. Therefore, functions such as finance, procurement and supply chain play a strong role in linking the pieces of the organization together. The company’s design mirrors this fine balance between granting autonomy to the business units to exploit market opportunities and requiring commonality and standards across the enterprise to gain efficiencies.

Structural Building Blocks. Organization design decisions start with the major blocks of work that the top leaders in the new organization will manage. Understanding the options for how to group work and the trade-offs among alternatives is essential to making good organization design decisions. Getting the strategic grouping aligned with the strategy makes the rest of the design task much easier.

There are four basic building blocks that general managers and other senior leaders should know something about (Kates and Galbraith, 2007):

- **Function, or know-how**
 - A functional structure is organized around major activity groups such as

finance, human resources, research and development, manufacturing and marketing. Functional structures can promote standardization and reduce duplication, and create economies of scale.

- **Geography or region**
 - The geographic dimension is employed as a company saturates its home market and grows by expanding into new territories. The benefit of having local managers focused on these differences is that they can tailor the company’s standard products for local tastes and compete successfully against competitors that are more familiar with the local market.
- **Product**
 - Typically, a functional structure evolves into a product structure when a company finds itself with multiple product lines that diverge in their underlying business models. These new product lines require different organizational capabilities and a different configuration of functional expertise. They are often the focus of profit and loss divisions in large, multi-product companies.
- **Customer or market**
 - Customers, particularly businesses buying from one another, often want a single point of contact, products customized to meet their needs, or an integrated bundle of services and products. Such a structure allows for a dedicated service relationship.

Six Design Drivers. This powerful framework provides a construct for analyzing the

strengths and weaknesses of the current state against the business plan and provides a way to evaluate which of the four basic structural building blocks is likely to be most effective in driving a given strategy. (See Table 1) Every organization design involves a set of trade-offs. The six design drivers describe a set of generic capabilities or benefits that a given design may deliver. HR professionals can learn the model quickly and help executives call out the inherent trade-offs and tensions that exist in any organization design option.

Tyco Flow Control illustrates how exploration of the tensions among the design drivers can result in more nuanced design decisions. Like many organizations, TFC is building a professional services offering (for example, consulting, education, upgrades, installation or monitoring) to add value to and differentiate its industrial product set. The design process yielded forceful arguments to elevate and consolidate service under a central “czar” (management attention). Other voices pointed out that the delivery of service is a local activity and must be closely integrated with the business units and geographies (control and accountability). Discussions arose regarding how to create technical excellence (specialization and learning and motivation) if resources were dispersed. The result of the analysis is an appreciation of the complexity of the design problem by the decision makers and a solution that uses a sophisticated blend of structure, role, process and metrics to place resources close to the business but link them across the enterprise.

Governance in the Matrix. Most senior leaders have come to accept the matrix organization, despite its often frustrating nature. Today, it is usually the only option available to capture all the value that can be exploited from widespread geographic markets, global brands and products, and large, demanding customers. Learn to love it. The secret to value extraction in the matrix is to make the tension work effectively across those competing voices — not to reduce the tension. Power relationships among the pieces have to be defined for smart business decisions to be made. Collaboration and coordination are expensive in management time and attention. Thoughtful choices with clear, cross-boundary decision rights are essential:

- How much authority will be delegated to operating units versus managed from the center?
- How independent should operating units be from each other versus how much inte-

EXHIBIT 2: FIVE MILESTONE ORGANIZATION DESIGN PROCESS

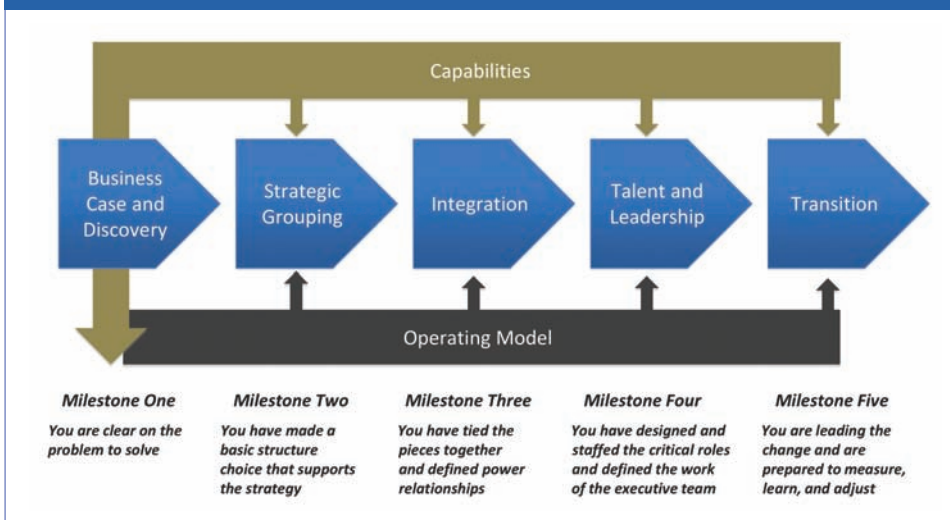


TABLE 1: SIX DESIGN DRIVERS	
Management Attention	<ul style="list-style-type: none"> • Structural elements that force attention to critical imperatives • Elevates an organizational component in the hierarchy <p><i>Examples:</i> Emerging-markets executive, incubators for new product development, functional “czar” for a new process</p>
Leveraged Resources and Cost	<ul style="list-style-type: none"> • Creates economies of scale from concentrating like activities (for cost management and efficiency) • Centralized corporate units • Flat and simple structures with wide spans of control <p><i>Examples:</i> Shared service centers</p>
Coordination and Integration	<ul style="list-style-type: none"> • A role or unit that is responsible for a “whole” outcome end to end • Ties together separated groups—often through process or technology • Allows for another dimension of decision making laterally across the organization <p><i>Examples:</i> Product management, project management, global category teams, account or brand management</p>
Specialization	<ul style="list-style-type: none"> • Differentiates or separates out a role/group by expertise or functional activity • Assures technical excellence—centers of expertise <p><i>Example:</i> Central R&D function serving multiple product lines</p>
Control and Accountability	<ul style="list-style-type: none"> • Provides simplicity and clarity of reporting • Elevates or centralizes problem issues to assure they are controlled <p><i>Examples:</i> Quality reporting to the top executive, product divisions with full accountability under a general manager</p>
Learning and Motivation	<ul style="list-style-type: none"> • Positions designed to provide leadership development experience • Big jobs designed to be challenging and motivating • Units that retain and develop critical skill sets—innovation, development, etc. <p><i>Examples:</i> Small P&L units created to grow future general managers; rotational assignments, project roles</p>

gration and coordination is needed among them to leverage shared investments?

- What role will support functions play in the business and with how much power and influence?

Governing the matrix by managing these conflicts constructively is the core work of senior leaders and absolutely critical to organization effectiveness. Defined decision-rights, executive team development, effective management routines, shared metrics and cross-company people development programs are a number of frameworks and tools that HR professionals can bring to this process. (Kesler and Schuster, 2009.) The goal is to allow managers and leaders to make better decisions without sacrificing speed or value creation.

For example, Nike is a fast-paced consumer goods company. Innovation and responsiveness to local markets are part of its competitive advantage. Nike’s leaders have become adept at managing a four-dimensional matrix of products, categories, geographies and functions. Clarity in the matrix speeds decision making. Managers know the boundaries — it is not okay for locally generated product enhancements to diminish or contradict the brand stories that come from the center.

3. Involve the Right People in the Process

We strongly believe that involving a broad range of perspectives in the design process — from the assessment to the generation and evaluation of alternatives — enriches the quality of decisions people make and eases the task of transition and implementation. The HR professional, bringing a sophisticated understanding of business dynamics, can help ensure that the right voices are brought into the process.

Design Teams. There are generally four different ways to involve people in the design process.

- **The Expert Model**
 - In the expert model, the leader works with a very small group of advisers and an internal or external consultant. Even the executive team may not be aware of the work. The leader makes a decision, and the group carefully orchestrates and creates communication and launch plans. This approach is appropriate if the redesign will result in a significant downsizing and the leader knows that certain segments of the organization will be closed down or sold off. In other situ-

ations, there may a number of members of the executive team that will be replaced. In these cases, decide and take these actions before involving more people in designing the new organization.

- **Executive Team as Design Team**
 - Here, the executive team works closely with the leader to develop and evaluate options. This approach is successful when the executive team works well together and needs to make quick decisions. An executive team may advocate for this approach, and it can be effective, but it has some drawbacks. Because the group that reports directly to the leader is the often the most insecure in the design process — their past success is no longer what the organization needs for the future and at least some of their roles or power bases are likely to shift — we find that the executive team members tend to defend the status quo. An outside consultant can play a catalyst role, challenging the thinking of the group, but only if the consultant is quite assertive, willing to offend stakeholders and the top leader welcomes that role.
- **Delegated Design Team**
 - In this approach, the executive team identifies a small group of high potential employees two or three levels down and assigns the task of exploring design options. The design team presents back a set of alternatives and a recommendation to the executive team. This design approach has the appeal of an action-learning developmental experience for the staff involved, and we usually find that these design teams do excellent work. A problem with the delegated design team is that if the executive team is allowed to only review proposed options, rather than fully participate in developing and owning them, they tend to default to the most conservative alternative — as they have not been part of the learning process. We’ve seen many design teams who worked hard to come up with an honest and creative recommendation and then become frustrated to find themselves in the middle of a turf war.
- **Multi-Level Design Team**
 - We find that a multi-level design team that mixes members of the executive team and managers at two or three levels below results in the best input and overcomes the problems the options above pose. With this approach, however, the design work cannot be kept a secret.

It should be used with projects focused on growth, innovation and improving effectiveness, where the energy and ideas of a broader set of employees can be harnessed and used. It is not appropriate if these employees will be asked to significantly downsize the organization or eliminate whole components.

Design Charette. Design is a type of innovation. As with other types of creative processes, the people who identify a problem may not be the best to solve it. In addition, creative thinking often occurs at the intersection of disciplines, when diverse perspectives come together. The Strategic Grouping phase is the most important point in the Five Milestone process where a diverse group needs to think both analytically and creatively. This step in the framework is when the future organization is set. Once the group makes choices, it narrows subsequent design options and closes alternative paths. Therefore, at this stage the leader should ensure that he or she is considering the widest range of options before committing to a preferred direction.

The HR professional, working as an organization designer, can play a critical role in determining how and when to engage the right people in the process.

We have experimented with many ways to foster innovative thinking and problem-solving. We have found that a design charette is the most effective vehicle to quickly focus a diverse group on a design problem, and generate and evaluate a range of options. A design charette is a multi-day, highly structured and facilitated working session. The term is borrowed from the architecture field and refers to a collaborative session where a group drafts a solution to a design problem. An organization design charette has three defining aspects:

- **Whole system in the room.** The design charette uses large group methodology to bring together representatives from as much of a complete system as possible to work holistically on a business issue (Axelrod, 2002). Group size is anywhere from 12 to more than 100 people.
- **Intensive and iterative.** The charette typically takes place over two or more days

and away from the office, if possible. It can also be conducted as a series of sessions that iterate the work forward. The work is rigorous with small groups working in parallel and then coming together to review, evaluate and revise.

- **Option Generation, Not Decision Making.** Design decisions are a leader's prerogative and responsibility. They cannot be delegated. The charette is not a forum to make collective decisions. A common mistake of design meetings is to allow participants to believe that they are coming together to reach a consensus on the future of the organization. Consensus means everyone agrees. To reach that point on such a complex topic means that some people will have vetoes and others will compromise their views. In a charette, success is defined as thoughtful input provided to the leader so that he or she can make well-considered, sound and defensible changes to the organization.

The quality of the participation process directly impacts the quality of decisions and

implementation. The HR professional, working as an organization designer, can play a critical role in determining how and when to engage the right people in the process. Charettes work in a variety of environments.

The New School, a growing university based in New York City, wanted to restructure to create a more cohesive and collaborative environment for faculty and students across its many programs and divisions. The school's dean was unsatisfied with the common academic practice of using committees to make recommendations. Past experience had resulted in fractious discussions, compromises and lack of commitment to decisions that were widely perceived to have been influenced by just a few players.

This time, the dean used a series of charettes that engaged a wide swath of students, faculty and staff in envisioning a new future. Well-thought-out communication between

the charettes informed those not able to attend of options and decisions and built shared understanding and momentum. Within two months a clear set of options had been generated, debated and iterated. The dean was able to make a well-informed decision, knowing he had a large majority of the affected community behind him and ready to implement.

4. Tie Talent and Organization Together

Organization and talent are the complementary engines of strategy execution. Senior leaders very much need to understand the connection between these two powerful enablers. Together they make it possible to create new products, serve customers and generate higher profits and growth. Human resources professionals must have full command of both talent and organization disciplines. They must be able to integrate them and provide insights to executives as talent and organization come together in the design work. Here are three opportunities:

Make the Right Talent Choices. Organization redesign is a window of opportunity to bring more or different talent into the business. Building substantially new capabilities often means changes in talent. Leaders must act with wisdom as well as courage. We encourage a mindset that ensures the right people are in the right seats when the redesign is complete.

The capabilities, established in the first milestone, inform the staffing needs. Talent "pivot points" are those few and targeted skill sets that will have a disproportionate impact on results in achieving the business strategy (Boudreaux and Ramstad, 2005). Like investments in new growth platforms, investments in new skills should not be allocated equally because not all skill sets have an equal impact on the capabilities you must create.

For example, as the healthcare landscape shifts, medical device makers have found their customers to be as focused on connectivity to electronic medical records, infection control and workflow efficiency as the performance features of the products. Welch Allyn, a leader in front-line diagnostic devices, identified strategic marketing as a pivot point role as part of their organization design work. New roles, skills, and measures were needed to pull together a market segment view of the business to complement the product and geographic perspectives already well-developed in the company. ▶

We counsel clients to avoid “designing around people” in the sense that design decisions should not be made to accommodate skill gaps in the existing organization. We do, however, design with talent in mind to ensure that roles are configured to provide the variety of experiences that will develop depth of competence and leadership. Many companies find that they are lacking a deep bench of well-rounded, general management talent that can move into executive roles. Organization design is an opportunity to design-in development positions, to create bigger, more challenging positions and to establish experience paths among those jobs that can be used to grow future, senior leaders.

Design the Direct Report Structure. Determining how many positions and who will report to the leader in the new structure is a design decision, often separate from determining the organization model. Consider all factors such as available skills, creating big enough jobs to attract and retain talent, creating developmental roles, and creating potential successors. Human resources can help the top leader to define her direct report structure by asking:

- Where does the executive want and need to spend time, internally and externally (in which realm can she add the most value)?

authority, and they need new control and communication mechanisms. HR can help leaders form a point of view on what is the right number of layers for their business, and to set a plan to get there.

Define the Work of the Executive Team. Not all leadership groups need to be teams, but nearly all need to interact effectively on some basis. The operating governance model of the business determines how closely the executives need to work together across the business units — whether they are a hands-on operational group or more a strategy setting body. When all of the members have the same expectations about how often the group will come together and for what purpose, they will be more productive.

HR can help the executive team determine their management routines, the focus of their agenda, and the measures required to create the correct level of integration. Getting this right is important — if the team members operate too independently, they may miss opportunities to influence enterprise decisions and provide the alignment and clarity that the organization below requires. If they are too operational, they will spend expensive executive time on decisions that should be delegated down and neglect strategic work.

Set the Implementation Plan. Choosing the right implementation approach and creating a project plan to stage the process to ensure capabilities are built in a logical way and account for interdependencies is essential for a smooth transition. The fundamental reason for change influences the appropriate approach for staging the implementation and sequencing of tasks. If the company is currently healthy but an anticipated change in strategy drives the design change, then evolution can work well. Evolving over time to the new state, rather than abruptly changing everything, is less unsettling to employees, allows time to build new capabilities, and creates an orderly transition from the current core business to the new sources of growth and profitability.

However, there are circumstances where a “pull the band-aid off fast” approach may be warranted. If the strategy choices are clear and competitive pressures make it critical to move swiftly to recover market share or to stem financial losses, it often makes sense to move fast. A fast realignment is the right approach when an external change already has occurred and the current organization design actually hinders making the right strategy choices for the future. When Disney found its business under pressure from the 2008 recession, it accelerated changes that were already underway to gain efficiencies faster.

Navigate the Transition. As soon as a basic transition plan is in place, leadership’s commitment to seeing it through becomes the defining factor that separates organization design changes that meet their objectives and those that fail. A full year of work, with significant leadership attention and involvement, is not unreasonable for a substantial reorganization that requires the building of new capabilities.

Tipping points can be a useful tool to focus an executive team on the key times within the transition when they need a major step. Tipping points are tangible actions or decisions that the organization reads as evidence that something very different is happening. Typically, they shift budget, authority or decision rights from one unit or another. For example, global account leaders may be given vetoes in staffing of all regional sales roles as a way of shifting power from geographic units to global product lines. Tipping points are symbolic actions, because they have a disproportionate impact in altering power dynamics.

As more leaders search for ways to successfully execute complex strategies, interest in the field of organization design will continue to grow.

- Where do jobs need to be positioned to have necessary influence in the organization?
- Is the executive more comfortable with wide vs. narrow spans-of-control?
- What is the nature of matrix, dual-reporting relationships that some team members may have to executives outside the unit?
- What messages will be sent by placing given roles at the top versus lower in the structure?

The number of layers and span-of-control embedded in the structure also influence organization effectiveness. Excess layers of hierarchy tend to result in narrower jobs with less freedom to act. As organizations remove layers, they widen jobs with greater span-of-

5. Implement the Design Change

Implementation should be a core skill of senior leaders, and indeed, most are quite eager to get to this step. Unfortunately, the execution of new organization designs often is not completed well. HR professionals should prepare draft implementation plans and work with the executive team to identify all critical action items, to sequence them logically and to set a pace for leading the change. HR also needs to know when to recommend a project manager or team to support large implementation so that the weight does not fall all on HR. In our experience, implementation is mostly about discipline and hard work; human resources will gain considerable credibility by demonstrating tenacity and attention to detail.

Building the HR Organization Design Toolkit

Many human resources organizations have realigned their service delivery models to concentrate organization design and development expertise into small, high-powered centralized groups. At the same time, most companies have worked to refocus the HR generalists into business-partner roles that pull organization and talent tools into the operating units. To create a shared capability across the HR function requires investments in methodology and skill building, as well as an understanding of what makes for an excellent organization design practitioner.

Shared Methodology. This includes an agreed-to, common set of concepts and principles that guide HR and the business when making design decisions; a straightforward and well-understood process that ensures sound decisions, a disciplined approach, and the right involvement and governance at each step. The methodology also requires a customized and easy-to-use set of tools managers perceive as beneficial to decision making and implementation. MetLife trained more than 100 members of the HR team in a common organization design methodology. While not all business partners will have opportunity to use the toolkit every day, this shared language of design facilitates the ability of the centralized organization development staff to work smoothly with their colleagues in the field. In this way, a small group of experts can be leveraged across a large population of generalists to create a common, high quality experience for all their clients.

Skilled HR/OD Staff. The individuals tasked with guiding the organization design process need a solid understanding of the methodology, concepts and tools that the company will use; mechanisms to maintain methodology, share best practices and foster continued learning within the community of practice; and clear roles and responsibilities for initiating and carrying out design projects. The goal is to build a capability in which the HR team can work consistently and seamlessly together across client groups, and all clients experience confident and capable HR staff regardless of who is assisting them. This builds credibility for the function, not just for individual HR staff members. Gallo is using teams of

HR staff drawn from across the business to support organization design projects. This action-learning approach not only enhances technical skills, but the deep exposure to different parts of the business also builds the type of business understanding and acumen that line managers value in their HR partners.

Organization Design Competencies. Organization design requires a particular set of competencies and skills (Kates, 2010):

- **Diagnostic and Analytic Skills.** The ability to ask the right questions and make sense of the answers. Like a physician who sorts through symptoms that may have many causes and determines the correct underlying disease, the organization designer has to be able to determine the root causes of performance issues in the system. The designer then analyzes what changes will have the most impact with the greatest likelihood of success.
- **Deep Curiosity about Organizations as Systems.** Effective organization design consultants like to solve multi-faceted problems and do not stop at easy answers or one-dimensional solutions. They must be able to see an organization as more than a collection of individuals and to be able to discern the interconnected political, social and information networks that have formed.
- **Design Mindset.** Designers take problems and frame them so that the right questions are asked, a wide range of options is generated, and the best solutions are chosen. They know that the process is rarely linear, but rather iterative and enhanced by contributions from different perspectives. Designers are often ambidextrous thinkers, comfortable with solving for both the possible and the practical.
- **Consulting and Facilitation Skills.** Successful organization design requires a high level of confidence and competence to guide leadership teams through what can be a creative but sometimes emotional and contentious process. All of the core consulting skills—contracting, assessment, facilitation, written communication and presentation abilities—are used. In addition, one has to be comfortable with surfacing and managing conflict, as the core of design is to debate options and differences before choosing a solution.

As more leaders search for ways to successfully execute complex strategies, interest in the field of organization design will continue to grow. Leaders will naturally turn to their close advisers for assistance with this work. The HR function must be ready to inform and guide the organization design decision process if it is to be seen as the domain expert in this arena.

We believe that organization design is among the most strategic work that an HR professional can undertake. While the work may be a natural fit for the function, many HR professionals have not yet mastered these skills. We hope to see more HR leaders build the toolkit we have described so that their HR staff can be their business' first choice in organization design partnership. **P&S**

References

Axelrod, R. H. (2002) *Terms of engagement: Changing the way we change organizations*. San Francisco: Berrett-Koehler.

Boudreau, J., and Ramstad, P. M. (2007) *Beyond HR: the new science of human capital*. Boston: Harvard Business School Press.

Galbraith, J. R. (1995) *Designing organizations: an executive briefing on strategy, structure and process*. San Francisco: Jossey-Bass.

Kates, A. Organization design. In W. Rothwell, J. M. Stavros, R. L. Sullivan, and A. Sullivan (eds.) (2010), *Practicing organization development: A guide for leading change*. 3rd Edition. San Francisco: Pfeiffer.

Kates, A., and Galbraith, J. R. (2007) *Designing your organization: Using the star model to solve five critical design challenges*. San Francisco: Jossey-Bass.

Kesler, G., and Schuster, M. (2009) *New thinking from drucker's legacy: Design your governance model to make the matrix work. The Journal of the Human Resources Planning Society, People & Strategy*.

The Authors

The authors are managing partners at Kates Kesler Organization Consulting, based in New York City.

Gregory Kesler consults with corporations around the world in organization design, executive talent management, and human resources planning.

Amy Kates consults, writes, and teaches on the topic of organization design. She is the author of two bestselling books on the topic with Jay Galbraith.