Organizational Design Assessment: A Practical Tool for Creating Organizational Agility

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Abstract

Organizational design is a recognized responsibility of leadership and organizations must develop the ability to continually redesign themselves in response to the environment. An assessment tool developed by Kessler and Kates (2011) is reviewed and its application to gap analysis and clarification of design issues and options is considered. A call to action is made for leadership practitioners to assess organizational design on a regular basis to ensure evolving design allows work to focus on strategic priorities and keep pace with changes in the environment.

Keywords: Organizational design, leadership, design drivers, organizational design tools

1. Introduction

There is little disagreement that the world of business is uncertain and often a volatile environment. Globalization, technical advancement and the rapid pace of change are dictating how we do business. The future is not just a replication of the past, but there is a need for innovation and radical reinvention of our business models.[1] Organizations of all types and sizes, whether they are domestic, global, public or private must develop the ability to continually design and redesign themselves.[2] People are at the heart of any organization and the relationship between how they are organized to produce the required work is integral to whether the organization's strategic objectives succeed or fail. All organizations want great talent but great talent is helped or hindered by the organization in which it is asked to work and the organizational design will either inhibit or facilitate the results created by talented people.[3] In uncertain and ever-changing environments the agility necessary to redesign a responsive organization is not only necessary but becomes a key competency.

One of the primary leadership responsibilities is to ensure the organization's design correctly organizes and focuses employee's work to be responsive to customers and stakeholders.[4] But how should the leader of an organization approach organizational redesign? This paper will review Kessler & Kates' (2011) assessment process using the Six Design Drivers model to gain insight into analyzing the gap between the current state and the desired future state. It will conclude with a call to action for increasing the priority of organizational assessment to ensure the upkeep of design matches the ability to meet strategic organizational goals.

2. Drivers of Organizational Design: Use of a Tool

One of the vexing problems with organizational design theory is its lack of specificity in creating useful prescriptions for practical application in the face of challenges posed by the environment.[5] The following review of the Six Design Drivers Model will demonstrate a useful method for understanding the benefits or desired structures from the design of an organization are trade-offs that will be made in any redesign. Using these drivers in an assessment of strengths and weaknesses is a framework that begins to outline and guide the design choices that can be made. The Six Design Drivers model by Kessler and Kates adapted from the early work of Walt Mahler represents six benefits that specific organizational design choices might provide while demonstrating the dynamic tension between them.[6] Figure 1 illustrates the Six Design Drivers Model.

Management Attention as a driver is a structural element that focuses management time and attention to critical business imperatives. Elevating management attention to a specific issue can result in increased costs trading off the leverage of existing resources and costs to pay for this extra attention.

Leveraging Resources creates economies of scale and is often done through centralization, a structural change that can force management attention. Coordination and Integration as a driver bridges operating units and links disparate parts of the organization to operate as one and it will force decision-making laterally across the organization. It operates as a trade off to specialization, which, as a driver, requires a depth of expertise in particular areas. Keeping specialists and groups connected to the business units and customers is a challenge when balancing coordination and integration. Control and Accountability is a driver that places authority and accountability for a set of results with a single person. This can come at the cost of a more chaotic but innovative learning structure within the organization.

Using these drivers in an examination of strengths and weaknesses is the next step in the gap analysis. A highly simplified example from a health care organization with multiple sites is illustrated in Figure 2. A complete analysis would include several issues under each driver.

In looking at this simplified example, this organization's design issues begin to come into focus:

1.) Revenue generation is undergoing a total shift from design options that focus on daily visits to payment for health care outcomes of patients. This will clearly become a design priority for Management Attention.
2.) Customer service has taken a large share of management priorities from other initiatives.
3.) Improved data collection is integrated and spawned greater specialization.
4.) Control remains with the Executive team at the expense of less performance.
5.) The cultural environment is enhanced with employee empowerment that threatens current control and accountability structures.

Reviewing these gaps begins to offer design options. For example in creating design options, this organization will need to ensure sufficient management attention on the design of the revenue generation operations to account for the change in reimbursement to maintain profit margins. A special task force may be designed to drive this issue at the management level. Greater specialization and its cost of less integration and more expense will need to be taken into consideration in the revenue generating design model as well. Decentralization of control must be dealt with to accommodate changes in levels of decision-making and accountability given that employees are empowered yet site performance is not optimized. High accountability measurements and training modules may be design features put into place. A leadership development structure may be a design option to deal with a growing emphasis on being a learning organization.

3. Conclusion

Organizational design is a leadership competency and responsibility that is taking on even greater importance as organizations require agility to respond to the environment. Kessler and Kates' model of the Six Design Drivers and examination of them in terms of strength and weakness offers a practical tool for organizational assessment of design gaps. When these gaps are reviewed, design options and key priorities begin to take shape. Regular use of such an assessment on a yearly basis or when a disruptive force enters the marketplace will give leaders a tool and practice to continually shape and evolve design options in order to maximize responsive to an uncertain environment. Leadership practitioners are called to develop further their competencies in organizational design through regular review and ensure the design retains maximum alignment with priorities and work to be delivered by employees. In an ever-changing environment agility created by understanding tradeoffs and designing for them could become a competitive advantage.
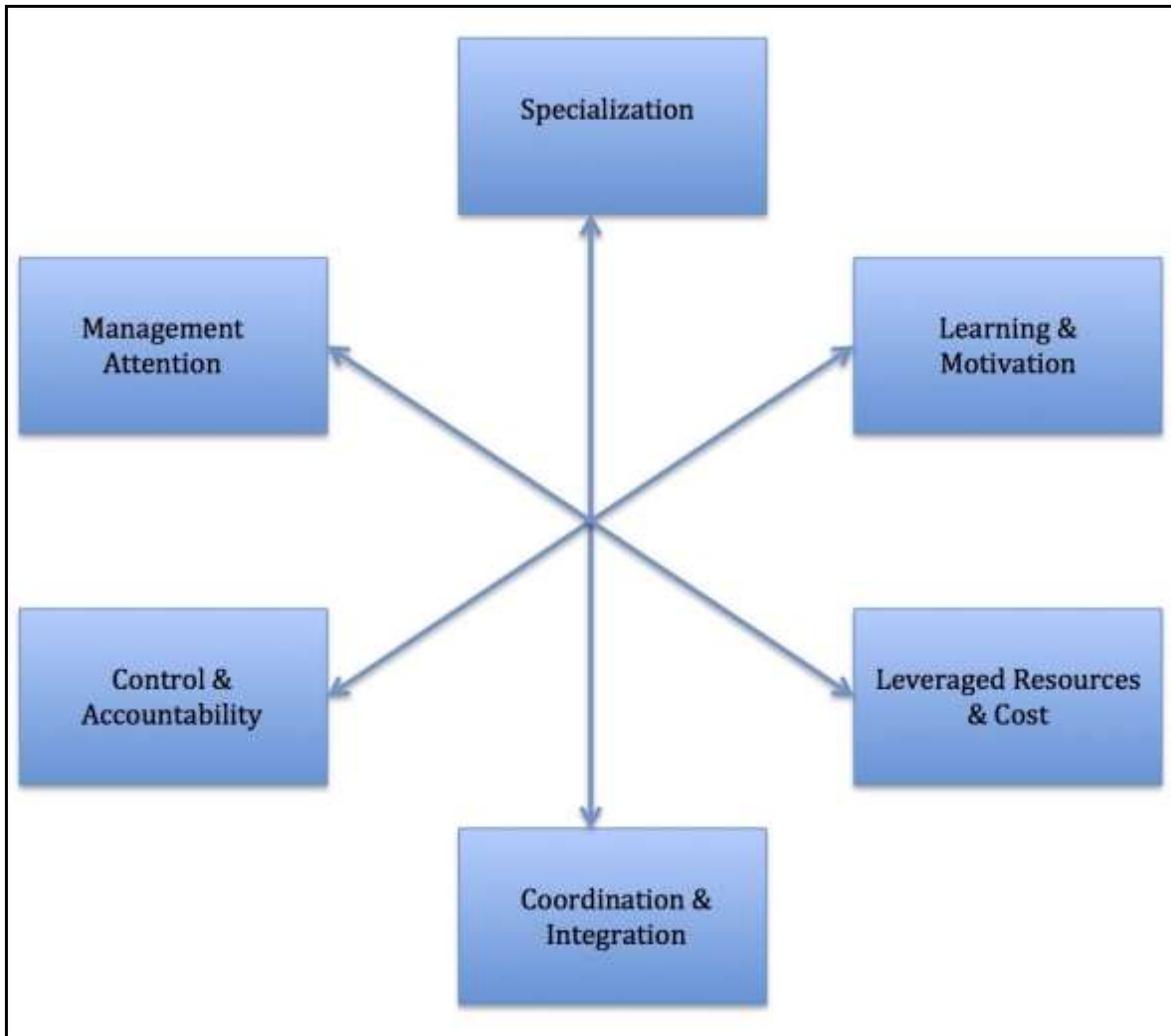
Figure 1

Figure 2

Design Driver	Strengths	Weaknesses
Management Attention	Focus on increasing patient visits creates strong revenue stream.	Reimbursement for services is moving away from volume to value.
Leveraged Resources and Cost	Centralized call center has enhanced customer service.	The move to centralization utilized Management Attention away from other priorities.
Coordination and Integration	Implementing Electronic Health Records has produced common procedures resulting in improved data collection	Highly sophisticated systems have added cost through specialization.
Specialization	High sophistication of technology systems and quality improvement systems are producing better outcomes.	Technology Units and Quality Units are not capable integration throughout all business lines.
Control and Accountability	Executive Team owns results for the organization and has all decision-making authority.	Delivery sites have less ownership and performance is not optimized.
Learning and motivation	Employee morale is heightened by recent implementation of "learning organization."	More decentralization of ownership in decision-making is threatening centralized accountability.

4. References

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