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By Vanessa Gavan

Organisational Design: A New Perspective

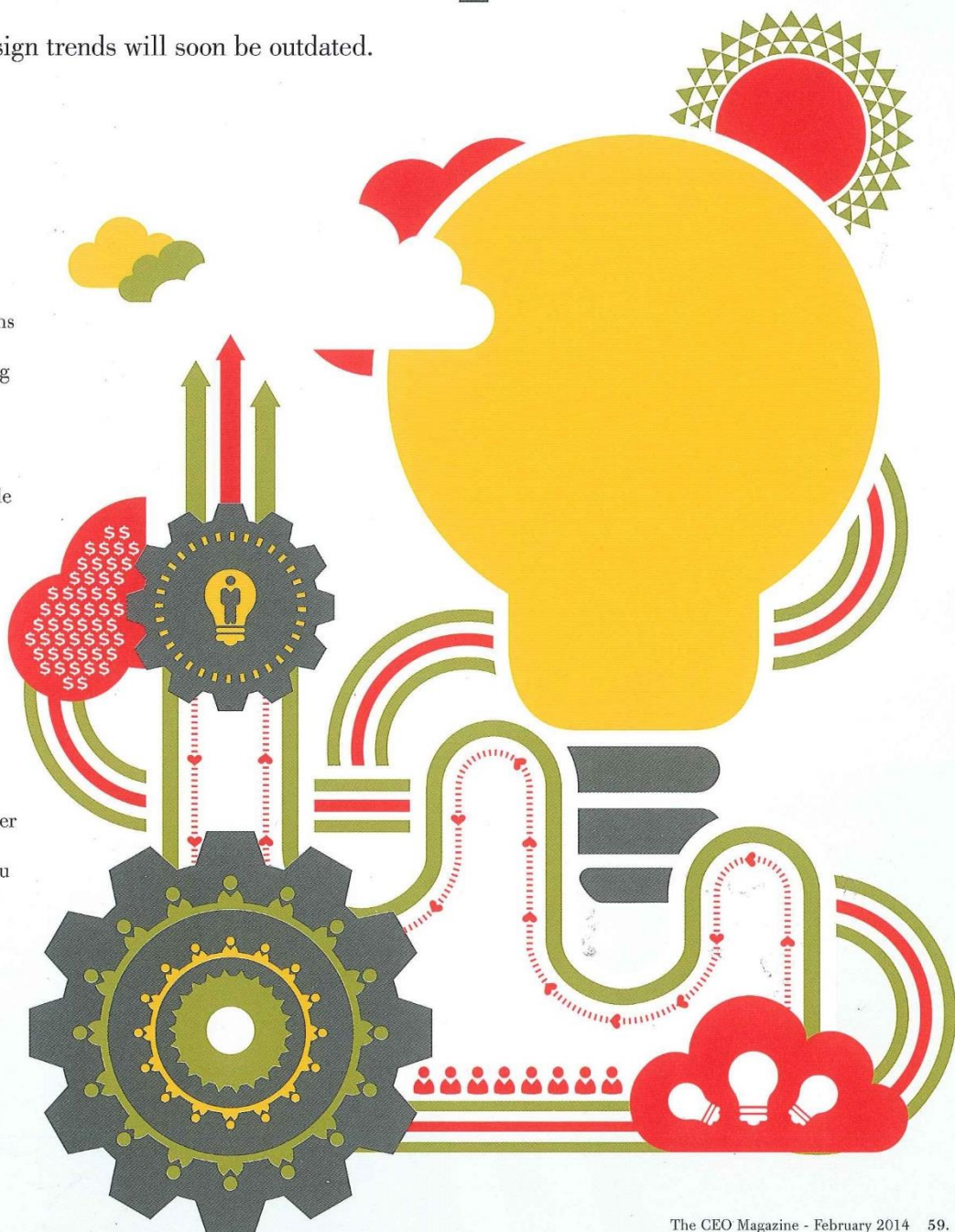
Today's organisational design trends will soon be outdated.

Quick-fix design solutions rarely work, yet few businesses are adopting a long-term, holistic, and sustainable approach to their design needs. Grappling with options around their organisation's structure while trying to maintain 'business as usual' is just too hard for many CEOs, so reactive fixes to immediate design problems are common.

Good organisational design—which goes beyond structure—is fundamental to successful performance. Without proactive, optimal design that aligns with long-term strategic goals, your business will be forever 'fixing'. The key is to make your starting point the organisation you aspire to be, not the organisation you are now.

What is organisational design?

Effective design is a crucial part of how organisations develop. It can significantly transform a business's structure, culture, and strategic direction. >



In essence, organisational design is the mapping, arrangement, and coordination of parts into a systematic whole. The 'whole' is the organisation and the 'parts' are the people, processes, systems, structure, enablers, and culture that make up that organisation.

The parts will malfunction if the design is wrong or inadequate. This applies whether your business has a 100-year history or is a start-up. Getting it right up-front or on a continuous basis is vital for business success.

Surprisingly, many leaders are unaware of how much organisational design can help or hinder bottom-line results, even though there are many examples in corporate history.

One success story is Nokia's response to a massive slump in revenues and market share in the early 1990s. The company changed its strategy, structure, and business model to match emerging trends and help it compete with more nimble competitors. Nokia's leaders decided to focus on new products and technology and to divest all businesses except telecommunications. They

later broke the huge mobile-phone business unit into smaller, product-focused units with centralised support functions. By 1998, Nokia was the world's largest mobile-phone manufacturer.

Not all reorganisations go so well. Sometimes a new design achieves the opposite of what it was supposed to, resulting in alienated customers, disappointed shareholders, or financial challenges. The roll-call of major companies whose failures are studied by MBA students includes Xerox, Honeywell, and IBM. However, most large corporations have failed at some point.

As history shows, undertaking organisational design can be risky. It is a major initiative—the impact will be felt across your business and stakeholders for some time.

Choosing when to do it is as important as deciding how to do it.

When is organisational design necessary?

It is easy to ignore the need for a rethink about design when you are consumed by day-to-day business imperatives. But all organisations have life cycles of growth and slumps, and taking time to refocus and regroup to maintain a competitive advantage is vital for survival.

The need for change can creep up. Sometimes it is the result of incremental factors: your biggest customer appoints a new accounts manager, a competitor refreshes a product, or there are relevant legislative changes. The impact of these initiatives is slow to build, but, ultimately, it reaches critical mass and you realise your organisation must regroup to remain relevant and profitable. However, by then, it could be too late.

Conversely, organisational design is not a form of continuous improvement and will not

effectively solve short-term issues. We all know businesses that use restructuring as a problem-solving tool. Continuous, ad hoc redesign may temporarily put out fires, but it will not solve fundamental problems with how your business operates. It may even create new problems. It also confuses, frustrates, and unsettles customers, staff, and other stakeholders.

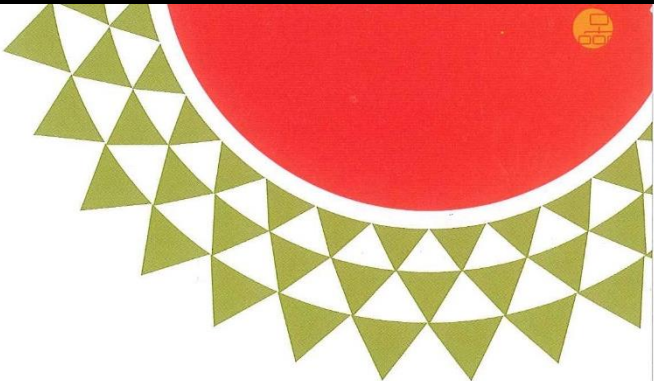
Successful organisational design means revolution and innovation, not tinkering around the edges. So the time to invest is when your organisation is impacted by a game-changing event. For example:

- mergers and acquisitions
- starting a new business
- major expansion
- significant economic downturn
- new technologies and systems
- new CEO with different ideas
- poor shareholder value
- financial difficulties
- changing competitor landscape
- new customer needs/expectations.

Developing a sustainable design

While these events are an impetus for change and frequently drive organisations to seek help from an external provider or consultancy, they should not be the primary driver for your design. The only driver that will lead to the optimal outcome is the desire to build a sustainable business by developing a design that fully aligns with your organisation's strategic vision.

The more they align, the more successful the design will be.



If your organisation is suffering from the global economic downturn and you believe the answer is to cut costs by reducing headcount, start your design program by defining your organisation's strategic intent.

The right design for your business may not be the same as your competitors'. Like many other aspects of business management, organisational design is prone to trends. You may be familiar with the current buzzwords: 'borderless', 'follow the sun', 'self-organising', 'crowd sourcing', 'customer-centric', 'freemium', and 'experience design'. Many organisational models reflect these trends, and each has its own merits. Some models will survive and some will not. So while we take into account current design trends when working with client organisations, they are just one of many inputs.

Emerging principles that are influencing today's design reflect a quantum shift in the consumer marketplace. Fundamental societal changes are occurring that will impact businesses in the future and are already driving consumer behaviour. To be sustainable, Australian organisations must align how they go to market with these changes, and organisational effectiveness design is a vital part of that realignment.

An approach to organisational design

One method involves a four-phased approach: analyse, design, implement, and embed. This approach allows a clear focus on high-level alignment of the organisational design with the organisation's strategic intent.

First, review the program and people elements. Then apply a structured framework to diagnose and formulate recommendations. Once these are agreed, move into the implementation phase. Finally,

ensure the changes are embedded in the organisation.

Sometimes Maximus is approached by a client wishing to cut out the review phase and implement a specific design because it achieved reportedly successful results for another organisation.

However, it not possible to take another organisation's design, apply it directly to your enterprise, and expect it to work. Each organisational design starts from a unique place: your strategic intent. The process may lead to the design model our client favours and it may not. It may even lead to a new design that underpins a different way of doing things—the growth of internet shopping is an example. Investing time in the exploratory journey that will uncover the correct model is a vital step that cannot be eliminated.

The process is systematic, strategic, and comprehensive; it is not a quick fix. But the outcome will be a design that supports business success both today and in the future.

Organisational design in action

The Australian arm of a global oil- and chemicals-storage organisation engaged Maximus to review its strategic direction and goals. It was a high-performing organisation that wanted to ensure its culture, structure, and management supported future growth.

It sought Maximus' help with:

- aligning HR with business strategy and drivers
- defining and implementing a culture and values solution
- identifying and scoping a best-practice talent-management approach

Organisational design is the mapping, arrangement, and coordination of parts into a systematic whole.

- defining and aligning performance and achievement objectives at all levels
- reviewing and restructuring HR processes across the organisation
- creating an ROI framework and assisting HR in evaluating the results.

Based on the organisation's culture and readiness for change, Maximus designed a four-phased solution centred on priorities that we identified with the organisation.

Each phase focused on two key deliverables, and Maximus took a measured approach. Maximus helped the organisation to change its processes, reporting methods, and structure to ensure the changes were embedded organisation-wide.

To date, the updated structure and new approach to performance have provided a robust framework for improving performance across all parts of the organisation. The client has built on this foundation, embarking on additional initiatives such as succession-planning and high-performance team development. •

About Vanessa Gavan

Vanessa Gavan has consulted to a range of leading Australian and international organisations to enhance business strategies, improve executive leadership capability, redesign organisational structures, and deliver operational performance solutions. For more information, contact vanessa.gavan@maximus.com.au or visit maximus.com.au.