Realising the impact of organisation design
Ten questions for business leaders
This global report, Realising the impact of organisation design – Ten questions for business leaders is the collation of research conducted on 130 organisation design projects across the United States, Canada, United Kingdom, Netherlands, Belgium, Southern Africa and Southeast Asia. Our in-depth research surmised in this global report, outlines three simple steps to approaching organisation design; Decide, Design, Deliver.

By applying these three steps, we have succeeded when many others have failed. We hope you enjoy reading this report and welcome any comments you may have.

Kind regards,

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Report Summary
Done well, organisation design can make a significant improvement in performance, because it amplifies the alignment of the organisation to its strategy and business model. It can improve speed to market and customer experience improvement. And it can go a long way toward trimming costs.

Although, not all are successful in their organisation design journey. In fact, fewer than 20 percent of these projects exceeded the original business case values that were used to justify them in the first place. And that’s not all.
- Most organisation design projects proceed to the design phase with very limited analytical work. The analytics that do take place are often based on incomplete or very high-level data sets
- Most design projects don’t go far enough in addressing real organisational or structural issues
- In more than 60 percent of cases, these important projects are left up to middle management to design and implement. There’s too little sponsorship, oversight or involvement from senior executives
- Often, businesses embark on organisation design projects in search of benefits they can’t achieve through organisation design alone – or even at all.

So what’s the different between success and failure? It’s the approach taken by those who get it right, that is following three simple steps:

**Decide:** Is organisation design the right solution for the business?
**Design:** The right future organisation is not based on structures alone.
**Deliver:** Realise the planned benefits and value through thorough implementation.

To a significant degree, the way projects turn out is up to the leaders. Case after real-world case shows the outcome of organisation design hinges on a sponsor who has the energy to drive necessary decisions, the profile and personal characteristics to build commitment in the organisation, and the stamina to stay the course. In addition, having a strong team of independent advisors helping throughout the journey, sharing optimal design options seen in other organisations, helps avoid implementation pitfalls and facilitates the process against tight timelines.

And time is of the essence. Anything you can do to accelerate the process means less money spent implementing a change, and more money saved (or made) operating under a better model.

The laser focus applied in those three crucial stages of an organisation design programme – decide, design, and deliver, will enviably save you time, money, and effort. And help succeed where many have failed before.
The majority of organisation design initiatives start out with the best of intentions, but few live up to expectations. What they do provide is disruption, as people and positions shuffle for very little gain in real value. Restructuring efforts like that can undermine faith in the wisdom of an organisation’s leadership, which actually erodes value and team coherence.

The first three of our ten questions are the ones leaders should ask before deciding whether to conduct an organisation design project.

1. Have you really unpacked the intent behind redesigning your organisation?
A variety of internal and external influences can trigger organisation design initiatives. An executive may just have the intuition that something is amiss. Or the market or regulatory environment can deliver an unmistakable imperative for change. It is essential to identify and express the true purpose and intent of the change in the context of the organisation’s wider strategy. Only this perspective can position the design change in a way that supports broader business goals. Is organisation design the root cause of the symptoms you wish to address? Or might alternative interventions achieve a similar result with less cost or risk? For example, if the goal is to reduce cost, other actions such as asset optimisation, a facility relocation, or renegotiation of agreements with third party suppliers might be an easier, faster, and less disruptive course.

2. Do you understand where value is created and how to enhance it within your organisation?
This question contains many others. Which part of the organisation contributes most to the realisation of our strategy? Which processes are critical? Where are our critical talents? Too often, people see organisation design as the way to fix many business problems. But the complexity of the remedy may be larger than they imagine, and the value it unlocks may be smaller. So be realistic about goals – and unintended consequences. For example, cutting costs in back office areas may increase the administrative burden on front office staff and downgrade the customer experience, which ultimately destroys value.

3. Do you have a clearly articulated strategy and business model?
Too many strategies try to accommodate everyone. That leads to vague statements and rosy promises. An organisation design that works needs a clear strategy that helps guide specific decisions. Leaders must be clear on the business model they desire, so organisation design can align processes, structures and roles with their strategy. Qualitative or intuitive justifications for change can feel powerful, but they aren’t enough. A fact-based approach will illustrate any misalignment between the current and desired organisational state and lends substance to the case for change. It’s also vital not to focus so much on long-term strategic ambitions that you risk making near-term implementation more difficult. It is often easier to focus on interim states that are easier to understand and achieve – and, where possible, to build a degree of flexibility that helps the organisation deal with uncertainty. This is particularly important in organisation with a high likelihood of divestment or M&A activity.

Decide: Is organisation design the right solution for the business?

Sometimes changing an organisation design can be the wrong approach to address current performance issues. It is vital to be very clear on why you undertake a redesign. Can you clearly articulate how each planned change will relate to the way your organisation creates value?
Case example
A mining company board advised leadership to transform the organisation because the holding group that owned it was pursuing a rapid growth strategy to ‘double the business by 2020.’ Following a deep analytical and strategic exploration with the senior executive team, this was the plan:
1. Aggressive and inorganic growth through joint ventures
2. More efficient deployment of scarce resources
3. Greater standardisation in geographically dispersed operating sites

It was clear that splitting the company’s focus between the ‘business of tomorrow’ (strategic objective 1) and the ‘business of today’ (strategic objectives 2 and 3) would take a new approach.

The organisation design that emerged was well placed to meet the challenges posed by the group without compromising current operations. Because the company made the up-front investment to clearly define the strategic direction, the organisation design process had widespread buy-in from senior leadership and was fully implemented within six months.
Design: The right future organisation is not based on structures alone

If organisation design is the answer, there is a right and wrong way to approach it. The scope of an intervention should extend to elements beyond the organisational structure itself. Leaders should also reflect on the ways changes in one part of an organisation can affect the overall system. Being clear on how significant the change will be and how decisions will be made can significantly speed up project delivery.

Reorganisations are complex undertakings, all the more so because of how rapidly competitive dynamics can change. Supplier, employee, and customer webs are becoming more global. Disruptive technologies, multigenerational talent, and heightened regulation are introducing new challenges. Social media and the dynamics of multi-generational talent are changing the ways firms communicate, both internally and externally. Amid all this change, executives are finding their own organisations hard to navigate.

To deal with these complexities and avoid common pitfalls, executives who plan to undertake organisation redesign should ask themselves the next sequence from our list of ten questions.

4. How ambitious do you want to be, and how far are you prepared to go, with organisation design?

Once an organisation’s leaders define the strategic imperatives that underpin their decision to pursue reorganisation, they should consider the amount of change they are comfortable introducing. That depends in part on the documented core capabilities that support the change strategy. How ambitious can the future vision be? Which areas need immediate intervention, and what changes can be deferred? In the end, design change is about managed disruption – driving for ambitious change in areas that promise disproportional returns, while saving energy in other areas that can benefit from more time and deliberation. Every organisation answers these questions differently. One company might begin with radical shifts to new service delivery models in back-office functions. Another might start at the source with core operational or ‘business’ functions.

New organisational forms are being introduced on a regular basis, but that doesn’t mean the newest and shiniest thing is the right one for you. Whether these new organisational models or more traditional frameworks are appropriate for your business boils down to your strategy and how ambitious you are in your goals.

5. Are you clear on the scope, approach, tools, and the pace of the project?

Organisational design is about more than structure charts. Getting from the status quo to the desired end state requires a deliberate, carefully sequenced design plan, and that starts with crystal clarity on scope. The senior leadership team should have open discussions about the breadth (some functions or all functions?) and depth (how far down to design?). For example, some organisations prefer analytics, benchmarking, and peer practices, while others want an inside-out view that builds from internal consultation and consensus. Similarly some organisations prefer a highly automated design experience with interactive visualisation tools, while others look for simple one-on-one advice. Regardless of the methods and approaches selected, a carefully designed plan that integrates milestones, dependencies, and broader transformation objectives is essential. Finally, the speed of the project creates a trade-off: Going too fast can mean too little engagement and consequent downstream challenges. Going too slow risks too much disruption.
Case example

A large petroleum company had announced a change in executive leadership with a new CEO. Through the establishment of a Business Improvement Initiative (BII) Team, the company initiated a significant enterprise cost reduction program. Driven by dramatic cost pressures and a narrowing revenue stream across the oil and gas industry, the BII team identified headcount reduction as an early cost savings win and set up a program to restructure and facilitate the organisation design, employee selection, and transition management phases.

As part of the project initiation, leaders designed and customised discrete process steps to facilitate the organisation design, selection, and transition processes. A data-driven solution set was configured and deployed to support the decision and selection process, which provided transparent, consistent, and reusable approach and support systems for workforce reduction and alignment efforts. The data set for analysis included the recording of employee selection decisions and the associated costs and savings of those decisions. The result was a data-driven organisation design and modeling solution that matched design and staffing to business case reduction targets.
Deliver: Realise the planned benefits and value through thorough implementation

Perhaps the most difficult part of an organisation design job is implementation. The steps you carry from paper into real life will affect the ways people work every day. They will realign the personal connections people value. That’s hard enough when everyone is on the same page – but getting people motivated to change, or even just getting their attention, can make it even harder. Implementation is a journey, not an event. It takes deliberate management.

Working through the ‘decide’ and ‘design’ stages of an organisation change requires significant effort, but the real heavy lifting comes when it’s time to deliver the promised benefits. Organisations are made of flesh-and-blood people who have different ideas, various incentives to align, and varied reserves of the time and attention it takes to engage with a new design and understand what it means.

To make the process work as well in practice as it does in theory, start with more of our checklist questions.

7. Is the organisation prepared for potential shifts and disruptions?
Changing the organisation can be a significant disruption. Accountabilities change, people move or leave, and new capabilities emerge. The effectiveness of an organisational change can lie in how well you prepare everyone for the transition. Act early to help people understand the impact. If you give people and teams enough time at the beginning to prepare the organisation for change, it can smooth implementation issues later.

8. Have you learned from past attempts to implement organisational change?
Companies are better at initiating change than they are at executing it. A common phenomenon is that enthusiasm swells upon the announcement of an organisational restructuring then drops when excitement turns into work. This makes benefits elusive for three reasons.
• Good design teams can think creatively and break out of established paradigms, but this skill seldom translates to execution. In other words, great designers are rarely great builders, and vice versa
• Competing priorities and all the moving parts that go into daily business simply get in the way of elegant designs and ultimately derail them. Maintaining the integrity of a design through the execution phase requires vigilance: Are all those daily, heat-of-the-moment decisions aligned with the master plan? Executives like the designing part, but they often delegate implementation to lower levels, and that makes it harder to preserve a grand vision
• Just as design means much more than structure, capability-building means much more than switching employee reporting lines. Designing an organisation with new capabilities is where initiatives like these ultimately create value.

9. How are you going to balance collective accountability, maintain momentum and maintain integrity of the design?
Getting to the decision point regarding an organisational change is the last step in the job, but it is a critical juncture. It’s important to keep energy and commitment levels high while approvals are pending, design teams morph into implementation teams, and external advisors disappear. This is another way advanced planning can help organisations avoid common pitfalls and enjoy all the planned benefits of the change.
Case example
A 100-year-old lending institution decided to redesign its business and operating models in an attempt to ward off the threat of bankruptcy. The program involved extensive redesign of the core banking divisions and retail branches.

In order to balance accountability, integrity, and implement the design, the CEO and the top eight executives led a steering committee that remained active throughout the two-year project. This committee had authority to approve all design decisions and implementation accountabilities. Once the group endorsed each step, it was allocated to an accountable executive and management team for implementation.

The result of this approach was full implementation of the board-endorsed design within 12 months. The new, financially sustainable business has shown double-digit growth in both the size of its loan book and overall profitability.
Do you have leaders with the capability, energy, and stamina to lead the design and embed results?

At the executive level, leaders sponsor and drive organisational change. At the program level, other leaders facilitate the design and bring it into reality. At both levels, organisation design requires deep commitment and intense participation. This isn’t only because leaders are the ones with authority. They’re also the ones with strategic insight and emotional intelligence. When staff and stakeholders embark on the journey from the old to the new, it’s easier when they feel they have someone to follow.

These undertakings can be long and challenging. They demand significant energy from key people. And they can test longstanding relationships. Leading an organisation through the process of becoming something else takes capability, stamina, and a willingness to stay the course.

Finally: The most critical factor in organisational change is leadership

When an organisational change project has a clear champion with the power to act, it’s much more likely to reach its objectives. A wealth of experience underscores this correlation between leadership’s commitment to the proposed change and the achievement of planned outcomes and benefits. That leads to the last of the ten critical questions.

10. Do you have leaders with the capability, energy, and stamina to lead the design and embed results?

Case example

A large public-sector organisation was undergoing a difficult organisation transition as the result of a merger. There was extensive duplication of effort, senior leadership was in conflict, and there was no authoritative vision of the right way forward.

The incumbent CEO spent limited time engaging key stakeholders, did not discuss options fully with the board, and did not invest working time with the design team. Support for the design process consequently dropped to dangerous levels. Eventually, the chief executive resigned.

The incoming CEO took a contrasting approach. She appointed some of the organisation’s best people to the design team and empowered them to engage across the organisation to fully understand all points of view. The new CEO engaged with the design team herself, and led comprehensive and high-quality discussions at a board level. Her energy and commitment levels led to significant increases in engagement and buy-in, and soon all but a handful of senior stakeholders supported the design. In this environment, implementation was also more effective and robust. The result was improved organisational outcomes for many years after the change initiative ended.
What we’ve learned is that organisational design really is a company’s conversation with itself. What are you trying to achieve? What stands in the way? How can you get from here to there? People can’t improve without honest self-awareness and a plan. Neither can organisations.

Creating and implementing a new design can be a significant organisational accelerator in complex business environments. But there are no guarantees in merely committing to change. It takes precision and careful emphasis on all three phases – decide, design, and deliver. Asking the right questions at each phase – and acting on the response – can save time and effort. And it’s the only way to link the effort you’re expending with the results you want.
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