



OLIVER WYMAN

Delta Organization & Leadership

Organizational Architecture

Redesigning to Meet Strategic Demands



MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN



Your Problem: “There’s no question that we need to redesign our company in order to improve performance—and we have to do it quickly. Where do we start?”



It's inevitable that at some point you'll reach the conclusion that the way your organization is designed stands in the way of its success. You're not alone. In today's fast-changing world, the days when the same organizational design could be effective for a decade or more are long gone. As you rethink your strategies to meet the new demands of the marketplace, you have no choice but to devise new organizational designs to implement those new strategies.

Constant changes in the competitive environment provide plenty of compelling reasons to think about organizational redesign. These efforts are often prompted by a need to:

- Achieve greater speed, innovation, and responsiveness to customers
- Expand the capacity to pursue new markets or provide new offerings
- Address internal issues, such as excessive overhead and insufficient coordination

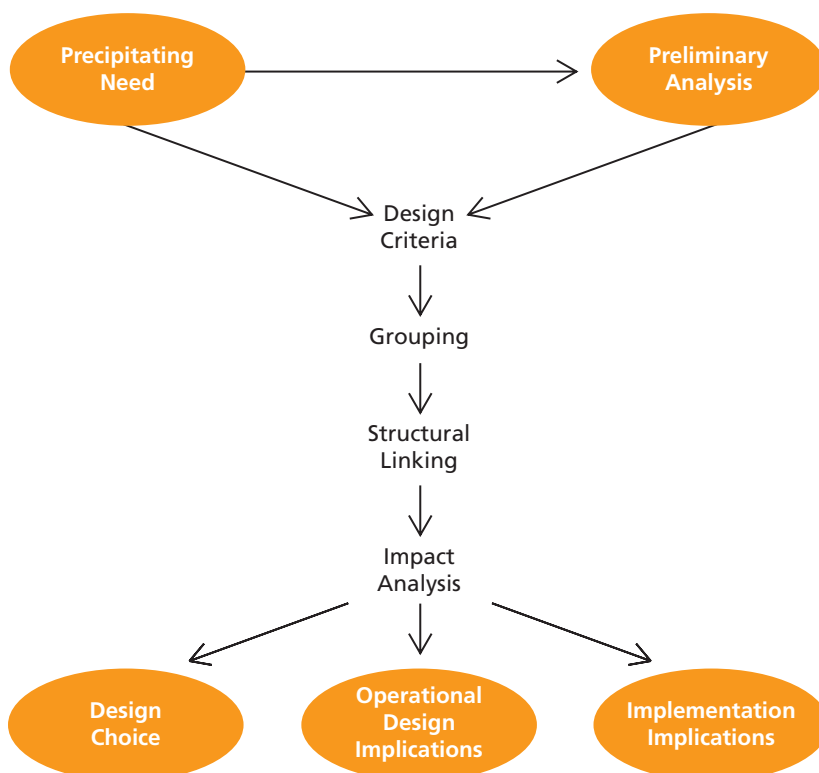
The problem is that all too few organizations actually achieve the intended benefits of their difficult, disruptive, and costly redesign efforts. Generally speaking, failed organization design efforts fall into two categories:


■ **Poor Design.** Too often, redesign is largely cosmetic; it consists of nothing more than rearranging boxes on the organizational chart. The result is an organization that looks different on paper but performs much as it did before because none of the underlying problems have been addressed.

■ **Poor Execution.** In other cases, a strategically sound redesign can be implemented so ineptly that the organization actually loses value. In the midst of chaotic change, collective paralysis sets in; agile competitors move quickly to woo neglected customers and seize poorly served markets, and the organization quickly loses ground it may never be able to recapture.

As a result, any leader contemplating a large-scale organizational redesign faces dual challenges. The first is to devise a new organizational design that truly addresses the underlying strategic demands, rather than merely performing a corporate facelift. The second challenge is to construct and implement the redesign using processes and techniques that will actually enhance performance, creating benefits that far outweigh the inevitable costs of large-scale change.

Strategic Organization Design Process





Our Approach: Organizational Architecture

We describe Oliver Wyman – Delta Organization & Leadership's approach as “organizational architecture,” a concept that goes far beyond the limited rearrangement of formal structures that is typically associated with organization design.

We view the organization as a complex system that includes several interrelated components: strategy, people, work, formal arrangements (e.g., structures, processes, and practices), and informal arrangements. The degree of alignment among these components determines the organization's effectiveness. Therefore, successful organizational architecture addresses the internal relationships that drive performance and the ripple effect caused by change anywhere in the system.

More specifically, we view the organization as a system for processing information, the primary activity in most organizations. That perspective is central to the fundamental decisions about “grouping”—determining which activities should be aggregated to make it easier for the right people to share and process information.

Of course, grouping involves implicit trade-offs—the walls that enclose a group, giving its members a shared purpose and view of the world, also diminish their capacity to communicate and share information outside their group. Thus, grouping decisions must be followed by decisions about linking mechanisms, which provide coordination and control.

Two other elements are also crucial to our approach:

- We strongly believe in participative design. Internal staff and external consultants can provide valuable support, but the real work should be done by those people who a) understand how the organization actually works and b) will be responsible for implementing the design.
- We always recommend consideration of several alternative designs. Design teams often rush to adopt an obvious choice. Instead, they should consider several options so they fully understand the implicit trade-offs.

How Oliver Wyman – Delta Organization & Leadership Can Help

Oliver Wyman – Delta Organization & Leadership brings to each engagement a firmly developed conceptual approach refined through our experience with more than 200 organizations.

We have assisted with design efforts involving everything from departments and staff functions to complete corporate redesigns for Fortune 500 companies.

In each case, we bring a fresh, objective perspective and a set of tools to support and facilitate the design process. Our goal is to enable your organization to create its own design strategy, to develop and select from among its own design alternatives, and then to successfully implement that design.

More specifically, we can help by

- Conducting an organizational diagnosis to identify design-related problems and their root causes
- Structuring the design process from start-up through implementation
- Providing leadership facilitation for design teams, as well as for executive teams involved in design work
- Offering training and technical support for design team
- Assisting in the development of design criteria-specific statements that describe how the redesigned organization should perform
- Drawing upon the design expertise we have developed through our work with companies in a wide range of industries

- Developing a communication plan that will engage key stakeholders and support implementation of the new design
- Using our experience and client network for benchmarking and developing contacts with companies that have been through a major redesign
- Designing and conducting an ongoing assessment of effectiveness of your redesign effort

Finally, we can draw upon our experience in the leadership and management of large-scale change to help your organization move beyond design to effective implementation.

Our role is to support top leaders and their people. We collaborate with clients by deploying small teams of highly experienced consultants who work in the background to help support your people, not to substitute for them.

As You Move Forward...

As you contemplate a major organization redesign, the challenges you face are enormous. So, whether or not you choose to work with us as you move ahead, we urge you to keep these vital issues in mind:

1. Don't try to embark on this without a thoughtful plan. Students of organization design have learned a good deal over the past 25 years. Work with someone who has a proven set of tools grounded in a solid conceptual framework.
2. Your goal is to change the organization, not the organization chart. A redesign that does nothing more than make superficial changes is doomed to fail.
3. Involve the right people now, or watch the design fail later. Those responsible for implementing the design should play a role in planning it. Involving more people might take a little longer in the beginning, but the implementation will be better and faster.
4. Don't leap at the obvious solution. There's rarely one perfect design—insist on a range of alternatives and then base your decision on a clear understanding of the trade-offs each option involves.

About Oliver Wyman – Delta Organization & Leadership

Oliver Wyman is building the leading global management consultancy, combining deep industry knowledge with specialized expertise in strategy, operations, risk management, organizational transformation, and leadership development. Delta Organization & Leadership works collaboratively with CEOs and senior executives to meet the challenges of building talent, accelerating organizational performance, and driving business success. Our Executive Learning Center provides top-tier executive education around the world, designing and implementing customized programs that develop the leaders you need to compete and grow.

We bring deep expertise and a track record of high-impact solutions that minimize business risk by:

- Maximizing CEO and senior team effectiveness
- Making your strategy work
- Building an effective board
- Managing the business of change
- Redesigning your organization
- Developing a pipeline of the right leaders for your business
- Securing commitment through communication and engagement
- Bringing meaningful data to decision-making

To obtain further information about Oliver Wyman – Delta Organization & Leadership, please contact us at deltainfo@oliverwyman.com or the telephone numbers below.

Visit us online at
www.oliverwyman.com

North America

Toll-free: 1.866.909.8239

Atlanta	Philadelphia
Boston	Portland
Chicago	San Francisco
Montreal	Toronto
New York	

United Kingdom

London: 44.20.7343.9500

France

Paris: 33.1.70.75.01.30

Germany

49.69.710.447.600

Frankfurt	Munich
Hamburg	

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