THE FUTURE OF ORGANIZATIONAL DESIGN IS HUMAN-CENTRIC:

Principles and Methods that Create Future-Ready, Team-Optimized Organizations

Performance Improvement Perspective
HUMAN-CENTRIC ORGANIZATIONAL DESIGN (HCOD) INCORPORATES SERVICE DESIGN THINKING—THE PSYCHOLOGY OF CHANGE AND EMPLOYEE ENGAGEMENT TO CAPTURE THE HEARTS AND MINDS OF LEADERS AND EMPLOYEES AT THE START OF THE PROCESS—TO FOSTER GREATER COMMITMENT AND ACCELERATED BENEFITS REALIZATION.
TRADITIONAL ORGANIZATIONAL DESIGN METHODS NO LONGER WORK

The way we work has changed and will continue to change at an accelerated pace. There are multiple generations in the workforce, and each one has vastly different needs and values. Employees have put demands on employers to provide flexibility in work schedules. Technology continues to enable collaboration and open cross-functional doors in the organization—doors that were previously barriers. The bulk of modern work is now team-based.

A recent Harvard Business Review study found that “the time spent by managers and employees in collaborative activities has ballooned by 50 percent or more” over the last two decades and that, at many companies, more than three-quarters of an employee’s day is spent communicating with colleagues.¹ Companies can no longer afford to make organizational changes without putting employees—humans—first.

As the pace of corporate reorganization grows, organizational design methods must transform to ensure that changes are sustainable. Various studies place the failure rate of organizational design changes anywhere between 70 and 85 percent. In response, the process has become polarized. On one end of the spectrum, an analytical, intellectual approach results in rationalized organization charts that in theory will realize desired improvements. On the other, an emotional approach results in an irrational structure that accommodates for long-held internal factions and capability gaps between leaders and teams.

To create an organization that is future-ready and team-optimized, organizational design must find balance. It should be designed through a human-centric approach that creates a sustainable organizational design. It should start with an investment in a crystal-clear future state vision at the onset. And it must be relentlessly outcome-driven throughout a co-created experience that honors a healthy team-focused culture.

Through extensive client experience, North Highland has developed an approach that strikes this balance to help organizations be more future-ready. It is a process that creates high-performing agile teams that collaborate across functions to deliver measurable value. Human-Centric Organizational Design (HCOD) incorporates service design thinking—the psychology of change and employee engagement to capture the hearts and minds of leaders and employees at the start of the process—to foster greater commitment and accelerated benefits realization.

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THE COMMON CAUSES OF ORGANIZATIONAL DESIGN FAILURE

Despite staggeringly steep failure rates, enterprises continue to approach organizational design from a traditional purview. Here are a handful of red flags that signal the common causes of failure, which should be identified and remedied at the onset of organizational design efforts.

"FORM FOLLOWS FUNCTION" FORGETS PEOPLE: The most logical, elegantly designed organizational models fail to include the key drivers for employee engagement: teams organized around work they own, simplified interactions across teams, meaningful jobs that deliver value, and clear paths for career advancement.

LACK OF BELIEF THAT IT WILL BE DIFFERENT "THIS TIME": Lack of visible learnings and approach adjustments from reorganization failures in the past erodes employee trust and harbors resistance to work out the issues at the local level.

THE CONE OF SILENCE: Limiting the involvement of managers and employees in the organization design process extends the implementation timeline and effort to build buy-in to the change.

JUMPING TO ORGANIZATIONAL CHARTS: Starting with organization charts without stepping back and agreeing on "Why we are doing this?" and "How can we design the model to help our teams achieve our desired outcomes?" leads to greater frustration with impacted employees left to resolve true sources of role confusion, friction, gridlock and internal competition.

AVOIDING THE TOUGH DECISIONS: Failure to make the tough decisions to give up control, remove ineffective leaders, cut duplicate roles and resolve work complexity sends a signal to employees that there is not a deep commitment to real change.

COMPETING ORGANIZATIONAL MODELS: When leaders work independently using different approaches to solve organizational design issues, the consequence can be an enterprise-operating model that is difficult for employees to navigate and make a lasting impact.
SHIFTING MINDSETS, CHANGING BEHAVIORS: THE PRINCIPLES AND METHODS OF HCOD

HCOD accounts for these prevalent failure points to emphasize employee engagement over traditional change management. The methodology is centered on the following principles, which maximize ROI by shifting mindsets at the onset and changing behaviors throughout. This approach produces changes that stick for long-term organizational design success.

1. Compelling organizational vision and strategy
   Invest time in conversations over scripted talking points, and co-creation of change with impacted employees over delivering predetermined decisions. Consistently reinforce and celebrate successful demonstrations of these behaviors across your organization.

2. Aligned organizational strategy and metrics
   Organizations should identify the factors that most directly contribute to the all-up vision and then measure them across the business—from sales to finance to IT—to incentivize the behaviors and outcomes that most directly support the vision.

3. Simplified operating model
   Organizations are complex. In the midst of near-constant change, humans need a visual way to understand how work flows through the value chain in order for them to find their place in it. An ideal operating model visually demonstrates how functions are organized and how work flows across them, key collaboration points, and strategic governance with clear decision-making rights.

4. Experience the future now
   This organizational end state connects leaders with their organization’s reason for being and assigns value (for the customers, company and employees), capabilities and accountabilities down to the team level to make it real.

5. Ways of working
   Consider this principle the great matchmaker. Here is where the broader team dynamics are defined by clarifying the boundaries, value, accountabilities and expectations on how functions successfully interact to deliver value against the all-up vision.

6. Empowered team structure
   Organize jobs around a “center of gravity” where people share ownership of value-based outcomes and accountability for achieving performance metrics. Give individual teams the chance to co-create, experiment, and iteratively execute their methods to find their own paths toward the all-up vision. This approach may take longer than a traditional top-down mandate, but it is more likely to deliver value sooner and be ultimately sustainable.

7. Competency-based career frameworks
   These frameworks, which include industry-standard jobs and both expertise-based and people-manager career paths, provide clear expectations and opportunity for advancement. Tie metrics back to the all-up organizational vision and allow people to self-build themselves into the employee of the future.
The previous principles are at the heart of the HCOD methods used to engage leaders and employees in evolving with their future organization. The work is organized to allow leaders and employees to design, build, test and then experience the new future before it goes live, giving them greater control and leaving them more deeply invested in driving value.

**DESIGN**

**Leader alignment:** Gain leader alignment on the future state direction and the steps to get there in a way that improves employee engagement. For example, buy-in can be generated and a better final result can be achieved by delegating some decision-making authority to managers two or three levels removed from the C-suite. Involving middle management in the organizational design creates a sense of responsibility and investment in the final state they’re helping to create.

**BUILD**

**Co-creation:** Psychology of change research has demonstrated that meaningful change isn’t possible until individual players are internally motivated to create it themselves. Co-creation is an effective means of influencing those internal motivators while enabling cross-function and multilevel alignment. HCOD engages leaders in a facilitated process to build upon a preliminary blueprint at each stage of the organizational design. The intent is to shift mindsets, reveal possibilities, past successes and build ownership in the future.

**TEST**

**Model testing:** Applying real-life scenarios around how work will flow across functions in the future operating model reveals flaws to be addressed iteratively prior to implementation.

**Prove the value:** Engaging leaders and key employees in collaboration sessions allows them to agree on ways of working so they can identify highlights to preserve and hotspots to overcome.

**EXPERIENCE**

**Build belief in the future:** Build leader and employee belief in the operating model through creative communications, interactive activities and visible sponsor involvement. For example, visualizing the future state through creative communication methods is highly effective in connecting with a diversity of employees, particularly if they are distributed globally. Bringing the operating model to life—beyond slides, charts and maps—involves creating a 3-D experience where leaders and employees can gain a meaningful understanding of how the future will look and feel.

Additional methods may include empathy and journey mapping: A “lack of buy-in at all levels of an organization” is cited as the most common roadblock to transformation success. Yet only 35 percent of transformation leaders are extremely confident in their organization’s ability to motivate employees on an emotional level. Bringing empathy into the design of the future state organization is an incredibly powerful way for leaders to step into the shoes of impacted employees and consider how they will be empowered to create value and advance in their careers.
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The way we work has changed; so, too, must the way we approach organizational design.

We must acknowledge and design against the common causes of failure, and apply principles that truly shift mindsets and change behaviors. Then we must design, build, test and experience the future collaborative model—as a team—to create organizations that are more resilient, outcomes-driven and effective, even in the face of near-constant change.


3 North Highland survey of 202 VP-level and above executives in US- and UK-based organizations with $1B or more in revenue, February 2017
ABOUT NORTH HIGHLAND

North Highland is a global management consulting firm known for helping clients solve their most complex challenges related to customer experience, performance improvement, technology and digital, and transformation. We add value and support our clients across the full spectrum of consulting, from strategy through delivery. We bring the big ideas, then we make them real. North Highland is an employee-owned firm, headquartered in Atlanta, Georgia, with more than 3,000 consultants worldwide and 60+ offices around the globe. The firm is a member of Cordence Worldwide (www.cordenceworldwide.com), a global management consulting alliance. For more information, visit northhighland.com and connect with us on LinkedIn, Twitter and Facebook.

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