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Design Society



Readings in Global Organization Design  
2005 Conference Proceedings

Designing a High Performing Organization to Achieve  
“World Class” Results

by Dr. Stephen D. Clement

Article #05-08-08-S1-1



**ORGANIZATIONAL DESIGN INC**

# **Designing A High Performing Organization To Achieve “World Class” Results**

**by:**

**Dr. Stephen D. Clement**

**August 8-11, 2005**

How can structure help a company to achieve “World Class” results



# Organizational Impact of the “Information Age”

## Whats In

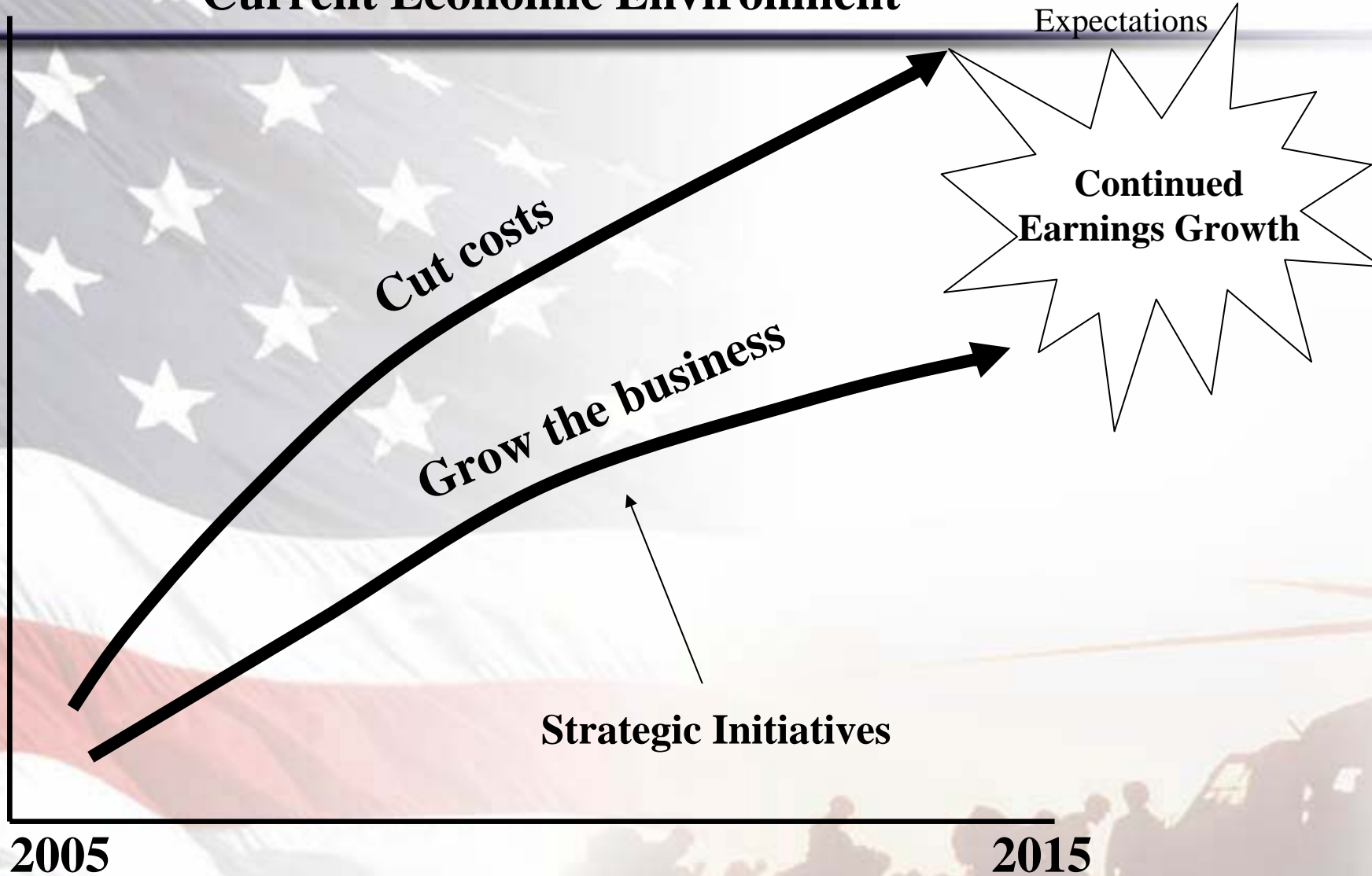
- E-Commerce
- Global Networks
- “Matrix frame of mind”
- Flat organizations
- Self Managing teams
- Leaderless groups
- Everybody talking to everyone

## Whats Out

- Accountability
- Hierarchy
- The right number of organizational layers
- Strong management & leadership
- Supportive culture



# Current Economic Environment



Board/Shareholder  
Expectations

**Continued  
Earnings Growth**

**Cut costs**

**Grow the business**

**Strategic Initiatives**

**2005**

**2015**

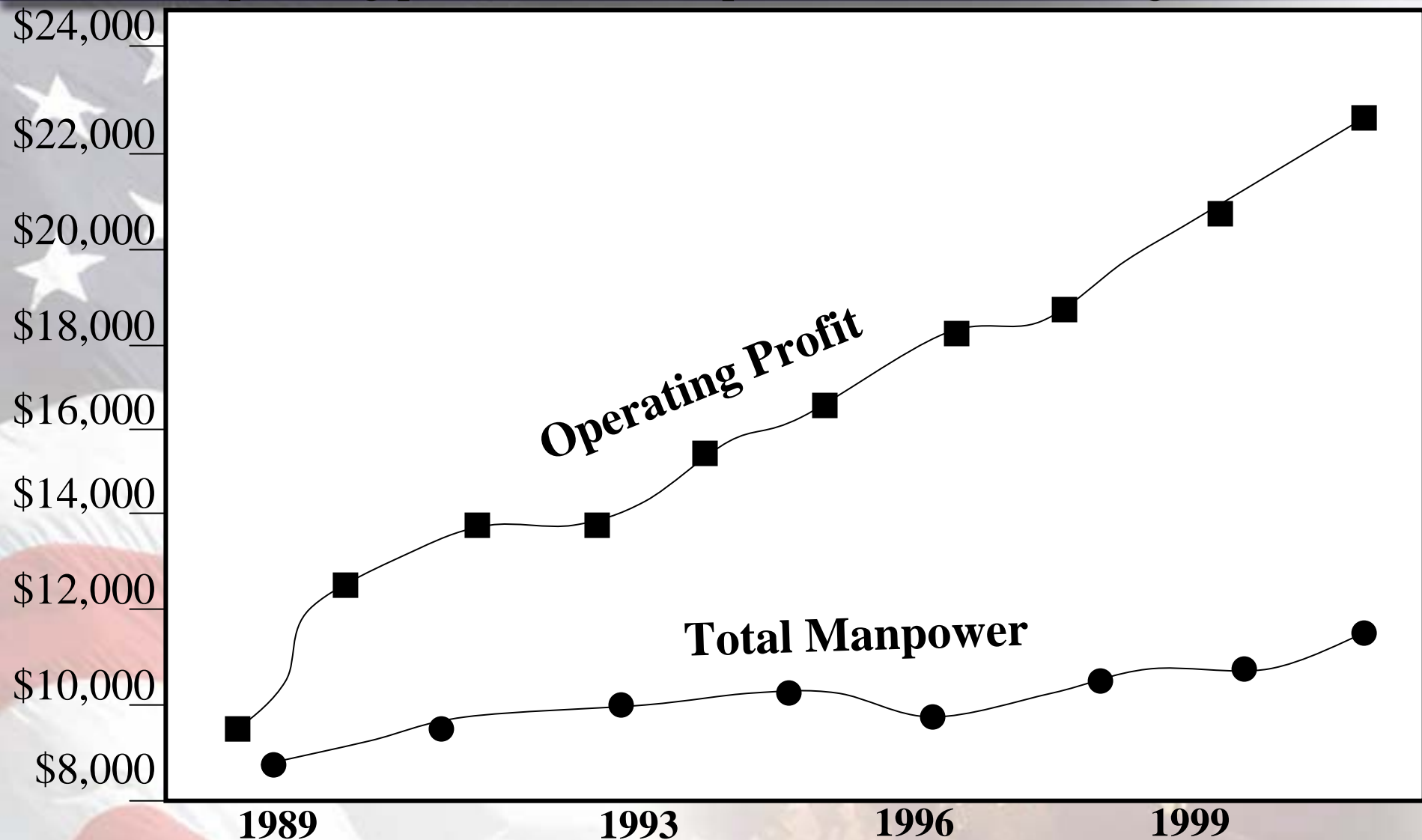
# Cutting Costs

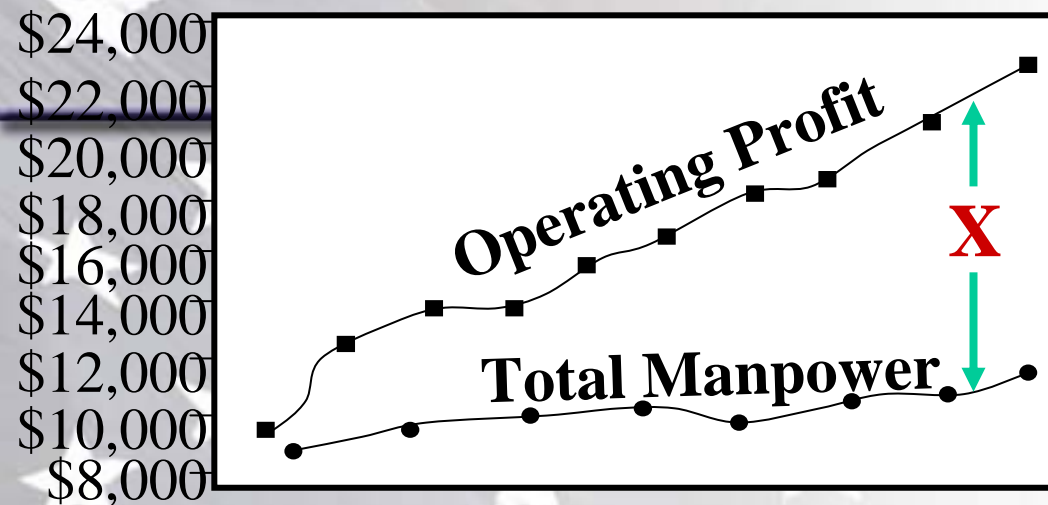
- **Downsize (eliminate a management layer)**
- **Establish shared service centers**
- **Re-engineer work processes (Lean 6 sigma)**
- **Reduce support staff**
- **Outsourcing**



# ABC Division

Net Operating profit before Corporate Overhead Charge (\$000)





**As X increases, so also does “stealth” variable Y**

- Y =**
- Employee burnout
  - Increased overtime
  - Increased accident rates
  - Higher turnover
  - Lower employee commitment
  - Ect

**So what is the real cost of saving?**





**“Do more with less”**

**“Do everything with nobody”**



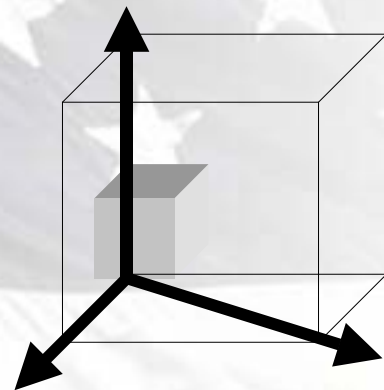
# Grow the Business

- **Growth brings with it complexity**
- **And complexity requires greater management capacity**



# Growth and Complexity

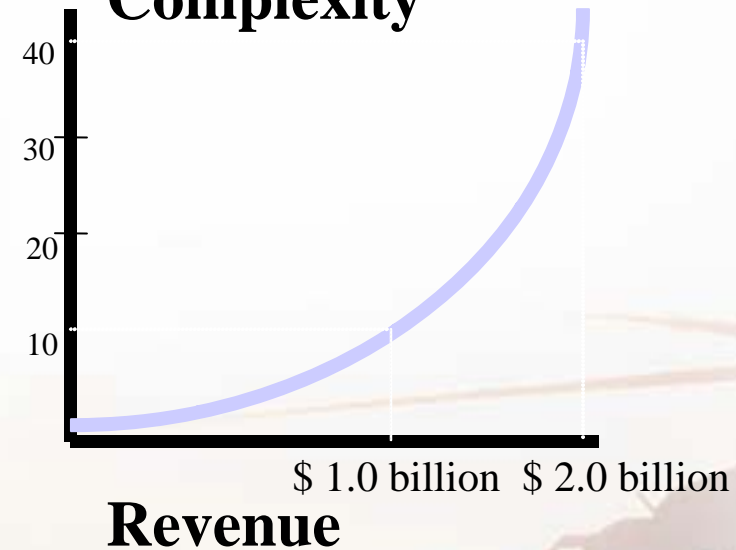
**Customer / Channels**



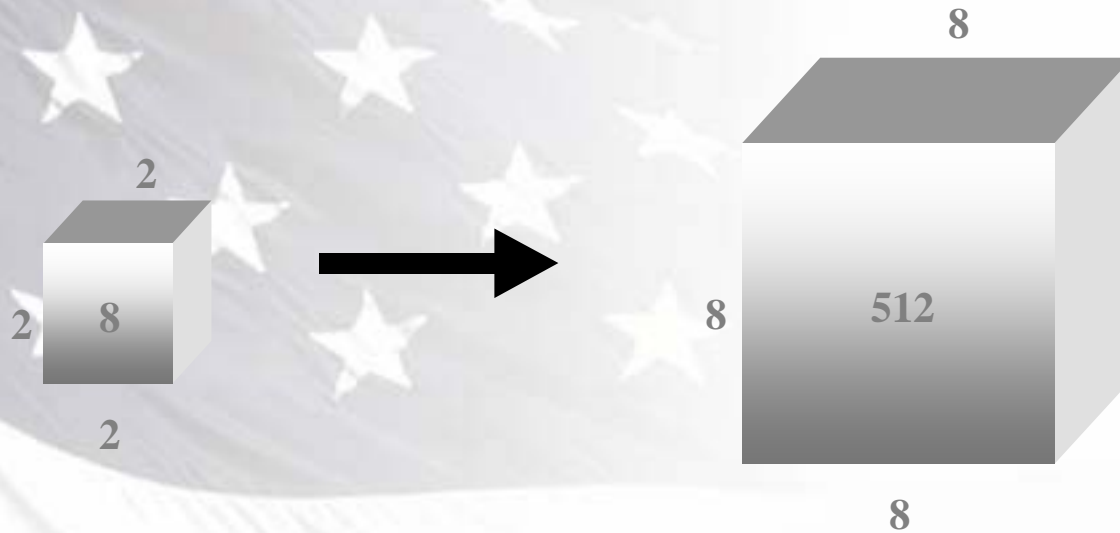
**Geographic Regions**      **Products**

- **Consumer individuality**
- **Product variety**
- **New distribution systems**
- **Globalization of markets**

**Complexity**



# Managing Increased Complexity



**When a company doubles in size,  
management capacity needs to triple.**



# What is a Viable Strategy for dealing with this phenomenon?

- **Hope** - “But hope is not a method”
- **Prayer** - “Great concept but sometimes prayers are not answered quickly”
- **Luck** - “Better off going to Las Vegas”



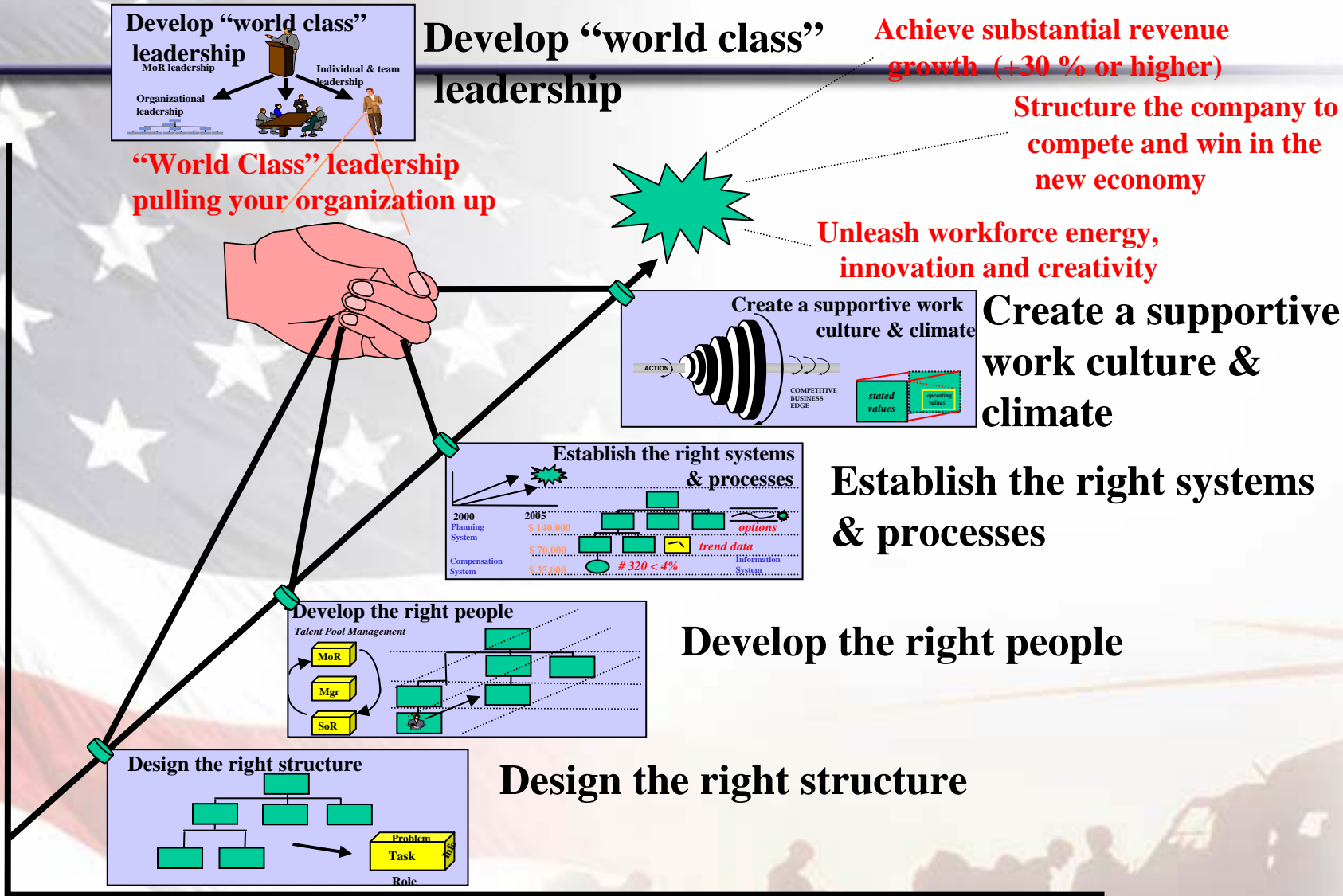
# Achieving Sustained Earnings Growth Requires:

- **An Innovative Business Strategy**
- **The Right Organizational Structure  
To Implement That Strategy**
- **Capable People To Do The Work**

**In Other Words:**



# Building A High Performance Organization To Achieve "World Class" Results



## **This Session's Focus:**

- **Designing The Right Structure**



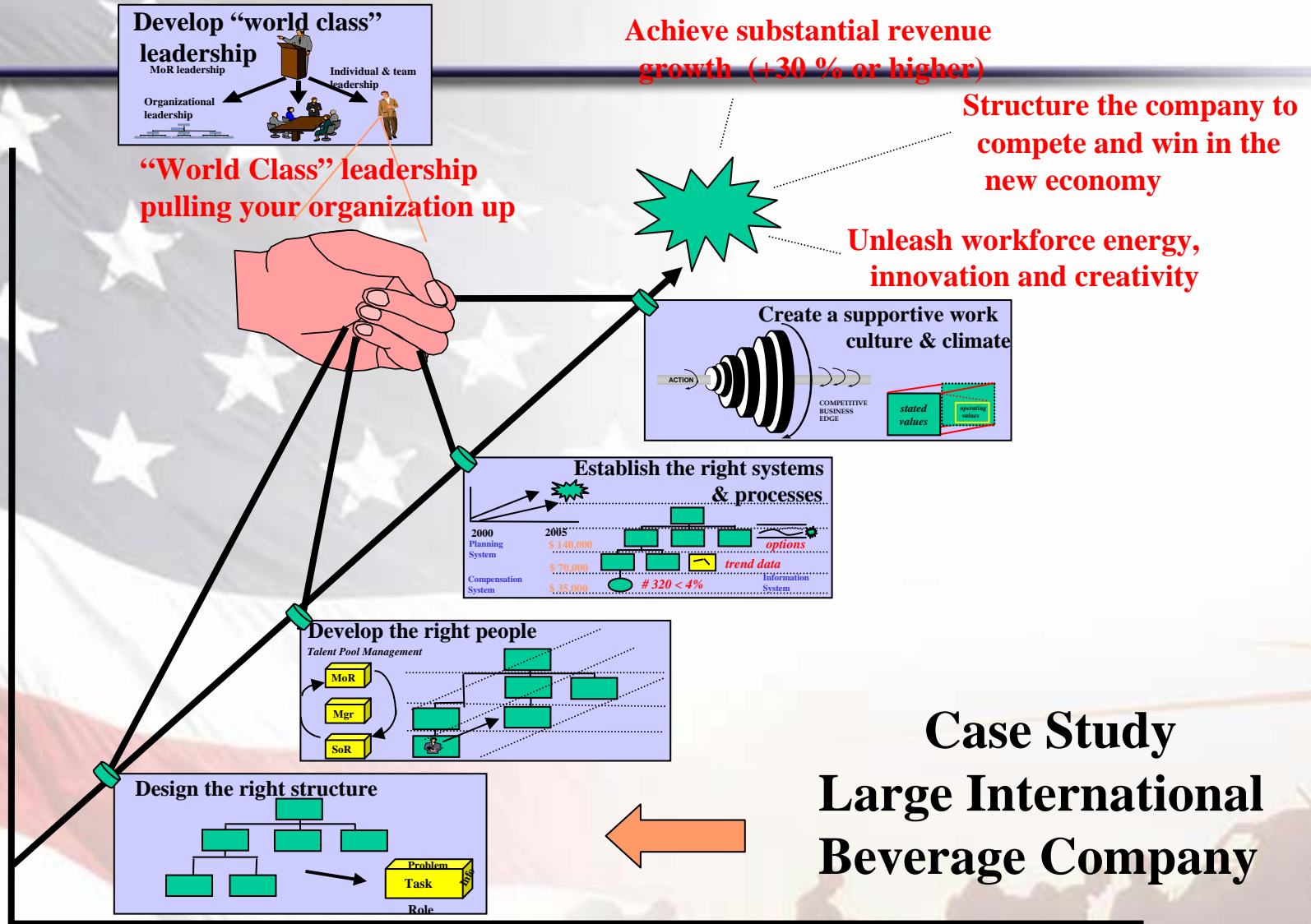


# Typical Organizational Structure Problems

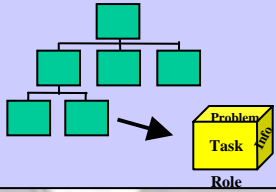
- **Too many roles in a given layer**
- **Missing roles**
- **Individuals working at the wrong level**
- **Too many organizational layers**



# Building A High Performance Organization To Achieve "World Class" Results



Design the right structure



# Case Study

## Large International Beverage Company

**I. Purpose: To dramatically improve the productive effectiveness of front-line sales operations.**

**II. Major Findings: Sales organization.**

**1. Identified basic structural problems in the existing business unit (BU) structure, e.g., role overlap and missing roles (figures 1-2)**

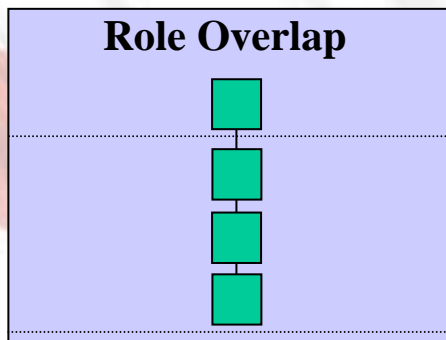


Figure 1

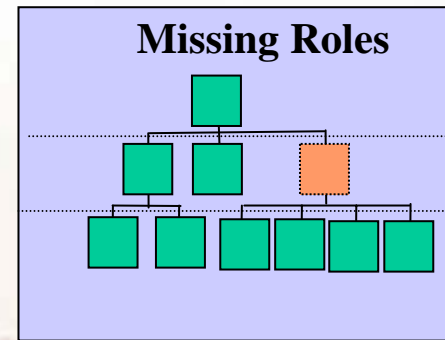


Figure 2



# Business Unit Organization (Sales Extant Structure) Role Overlap

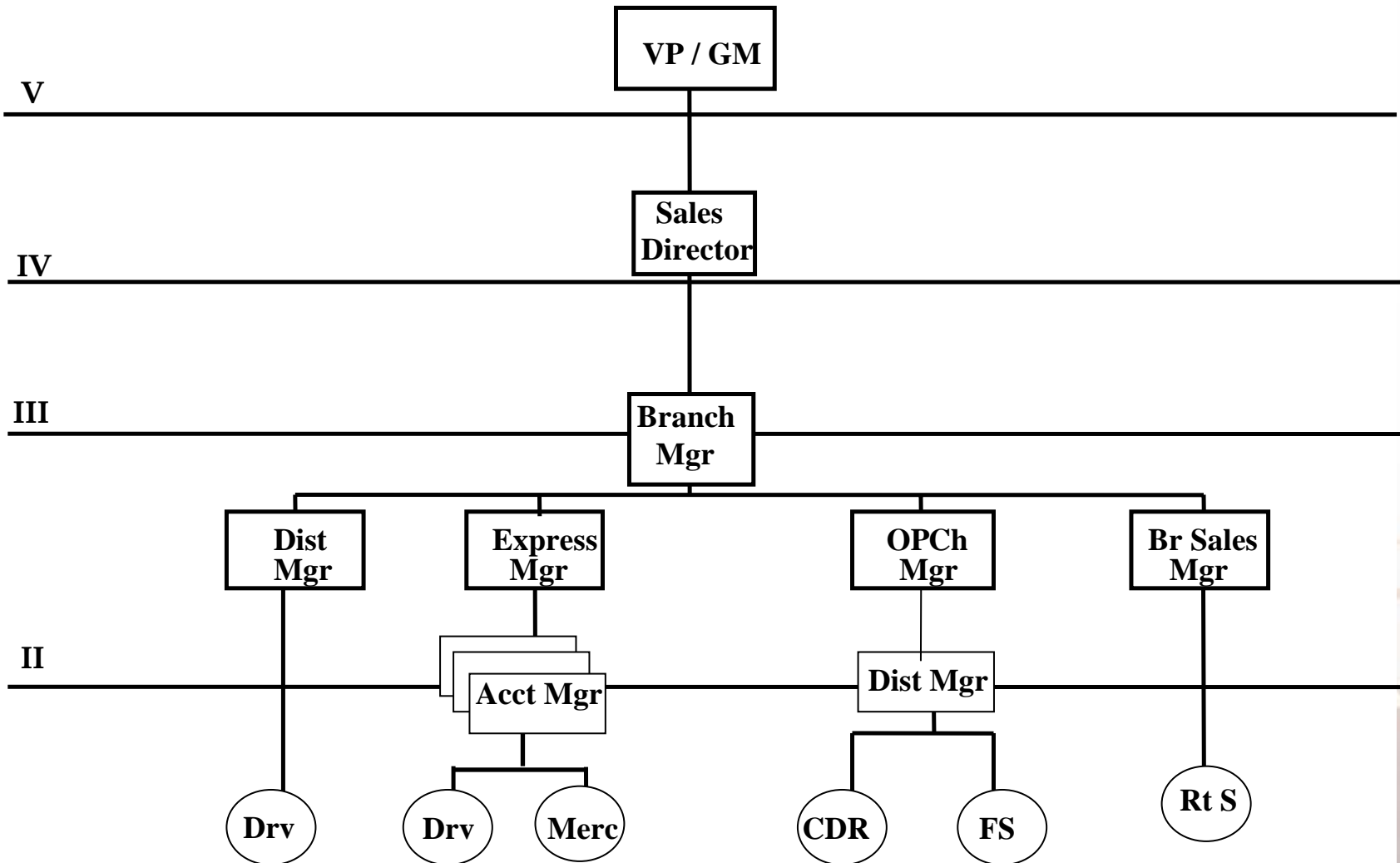


Figure 1



# Sales Organization (Extant Structure)

## Missing Roles

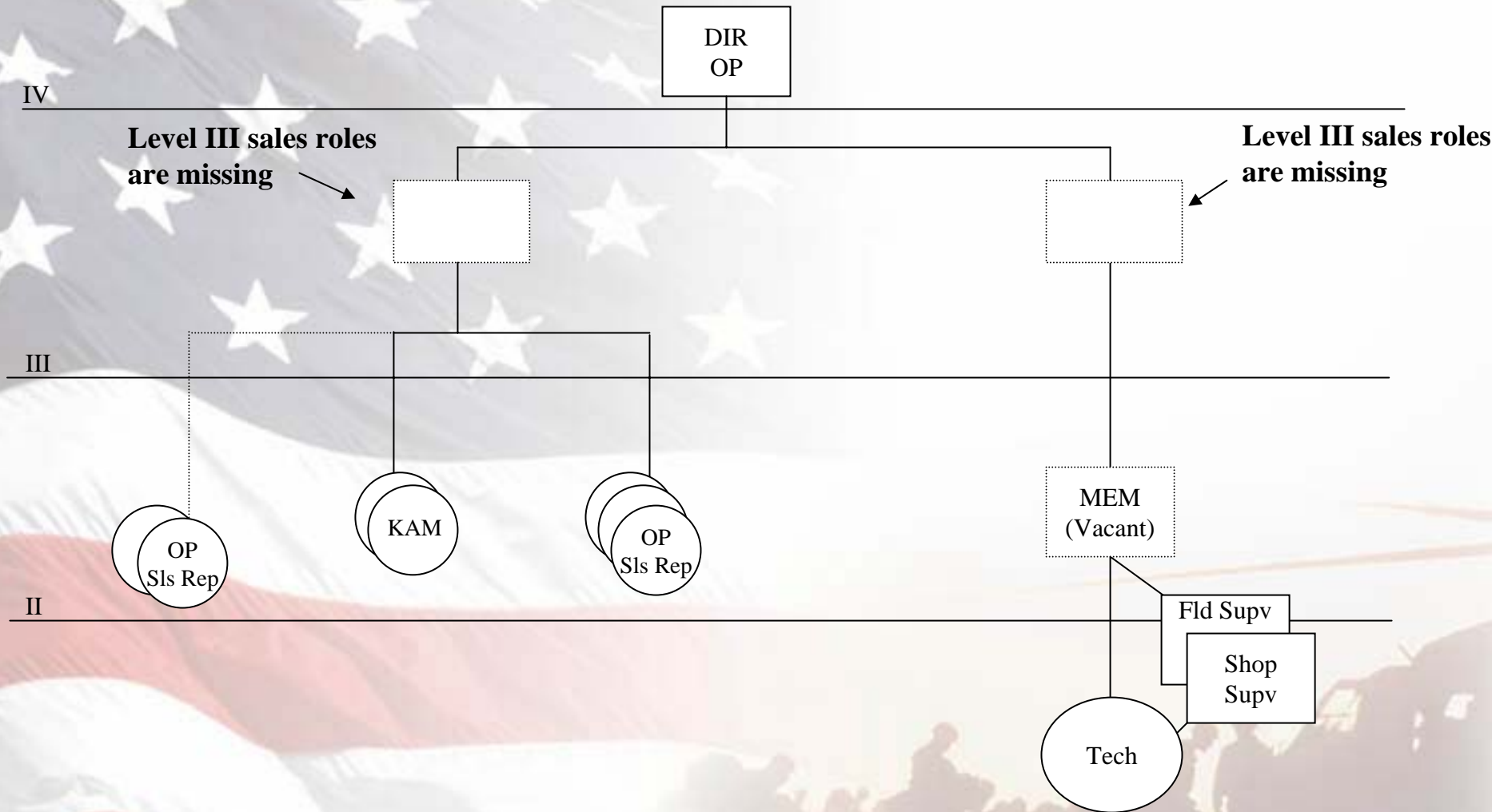
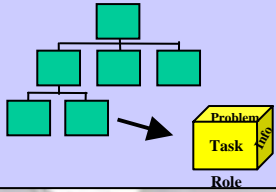


Figure 2



Design the right structure



## Case Study

### Large International Beverage Company

## II. Major Findings: Sales organization (cont.)

**2. Discovered that existing roles were poorly defined in terms of underlying accountabilities and authorities.**

**3. Identified some managers working at too low a level (figures 3-4).**



# Sales Organization

(Working Structure-the structure that reflects how work actually gets done)

## Managers Working at Too Low a Level

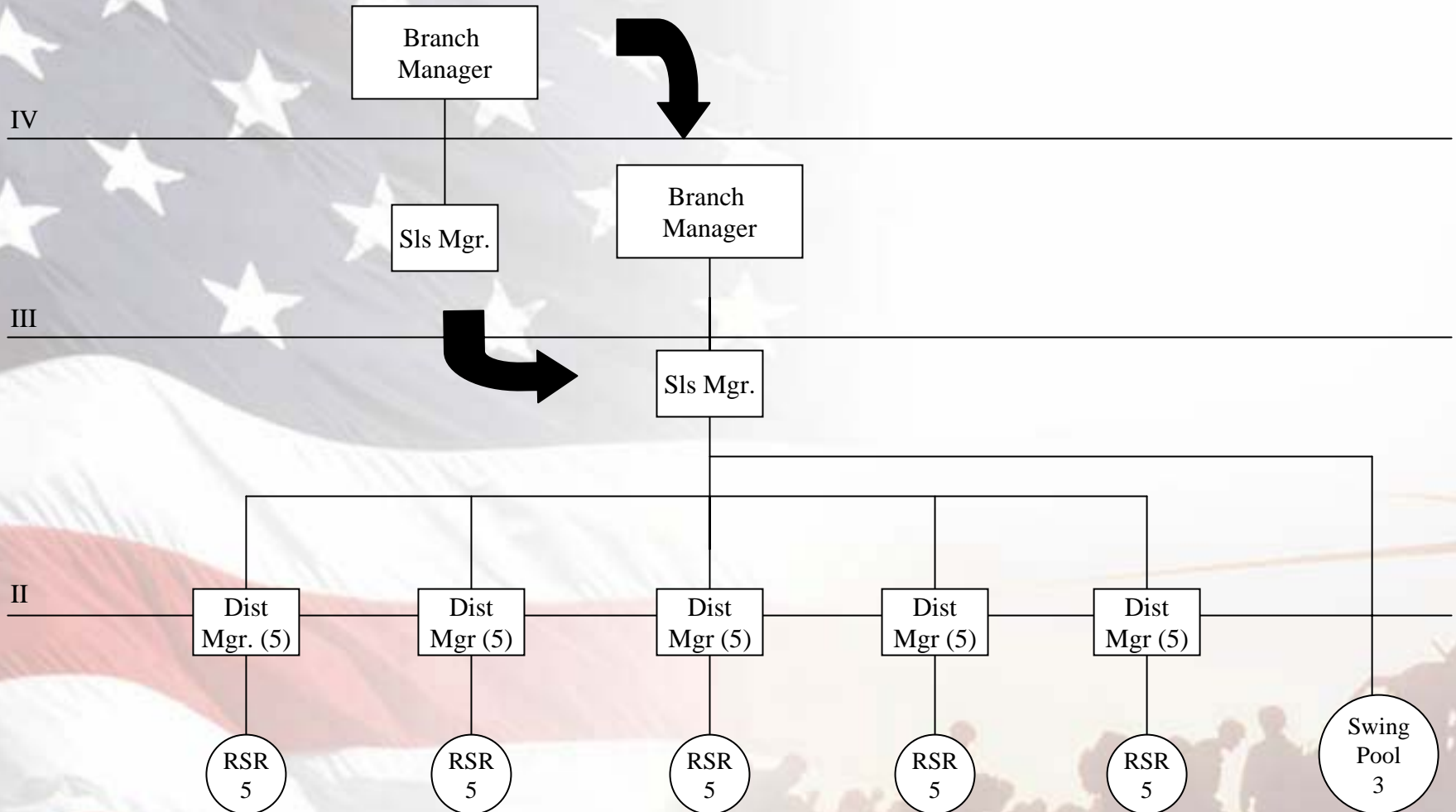


Figure 3



# Business Unit Organization (Customer Development Structure) Managers Working at Too Low a Level

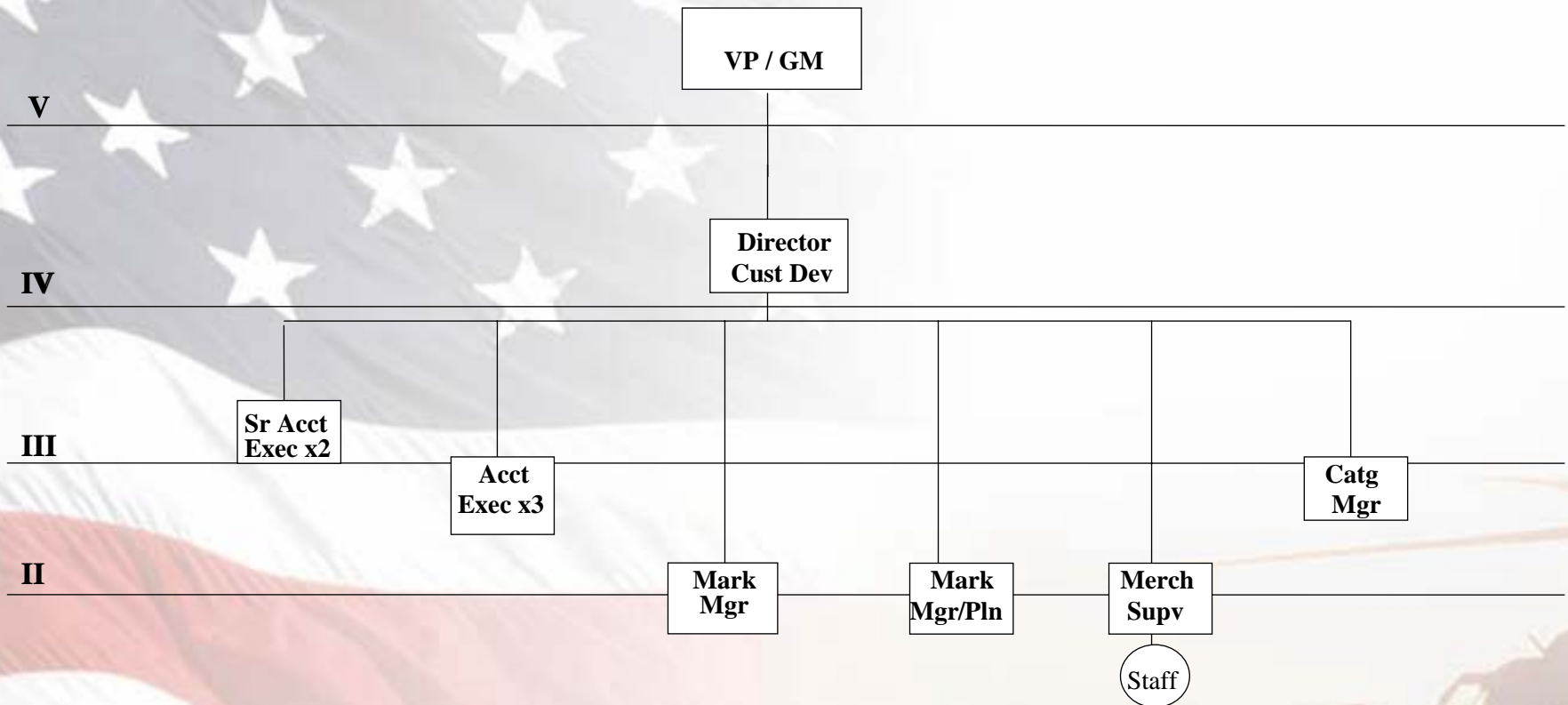
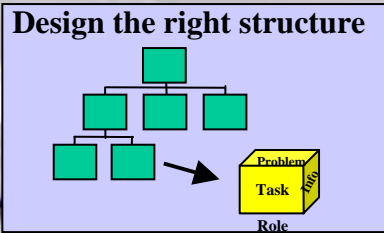


Figure 4







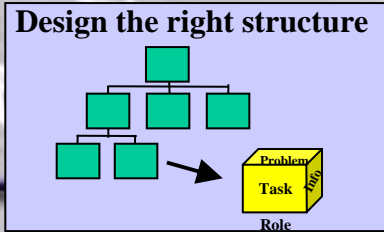
## Case Study

### Large International Beverage Company

## III. Major Interventions:

1. Redesigned the front-line sales organization (figure 6).
2. Developed detailed role descriptions for all division roles.
3. “Re-engineered” key sales processes that crossed traditional channel and functional boundaries.





## Case Study

### Large International Beverage Company

#### **IV. Outcomes:**

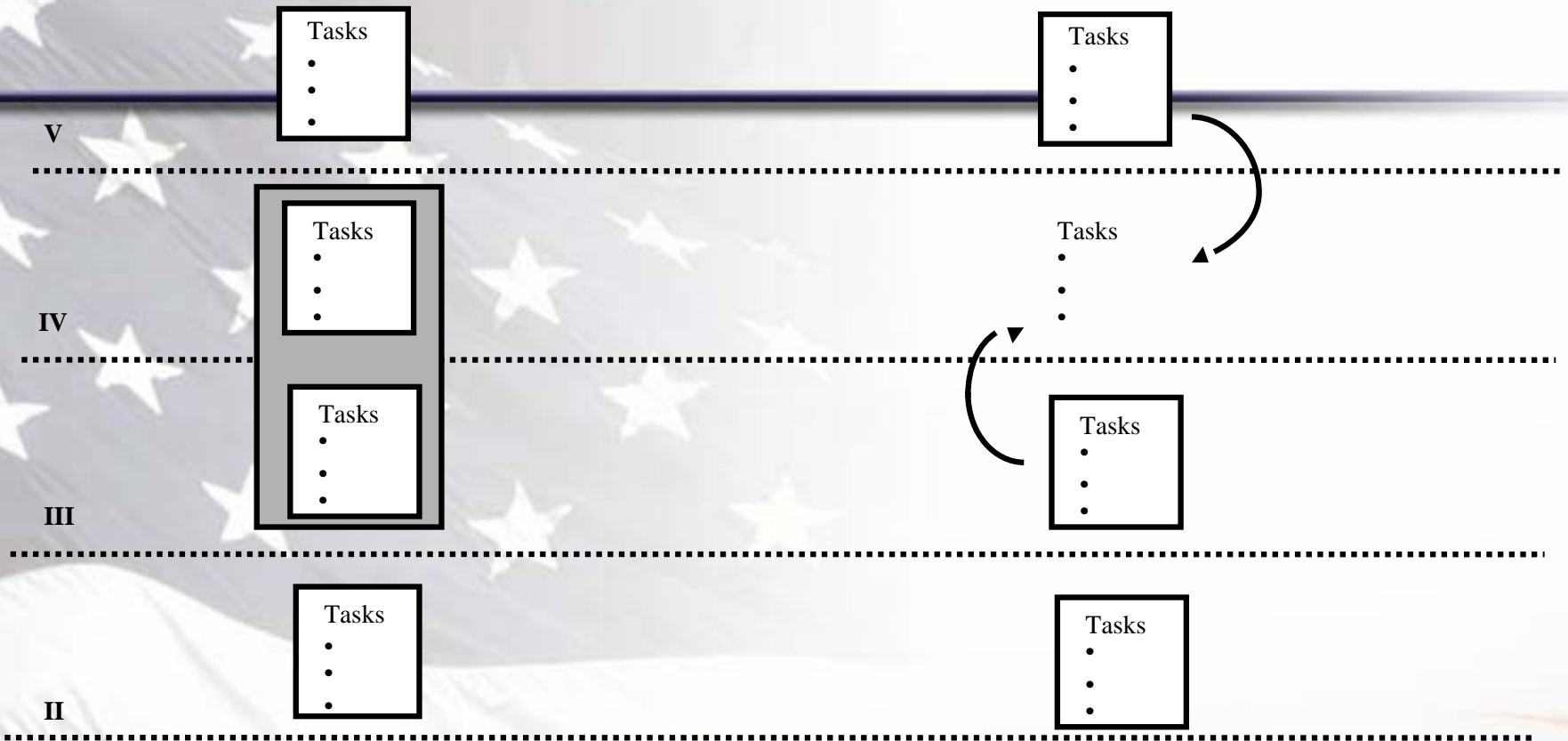
**A. Increased front-line sales effectiveness greater than 25%.**

**B. Reduced the size of corporate staff: - 20%.**

**C. Achieved significant improvements in program execution and customer service.**



# The impact of combined or missing roles



## COMBINED ROLES

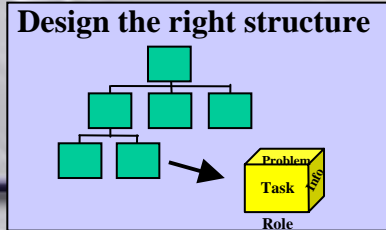
- If two independent roles are combined, especially across organizational levels, the combined work load is likely to exceed the capabilities of a single person.
- Generally, when the workload in a given role is too much for a single person, the short-term task requirements tend to drive out the longer range work

## MISSING ROLES

- When there is a missing role, either the subordinate has to step up to perform the higher level work, the next higher level manager is pulled down to perform that work, or some (or all ) of the work doesn't get performed at all.
- Generally, the higher level manager is pulled down to perform some of the more critical tasks because the lower level individual does not possess sufficient capacity to do the work while the remainder of the work is usually ignored.

Figure 9





## Case Study

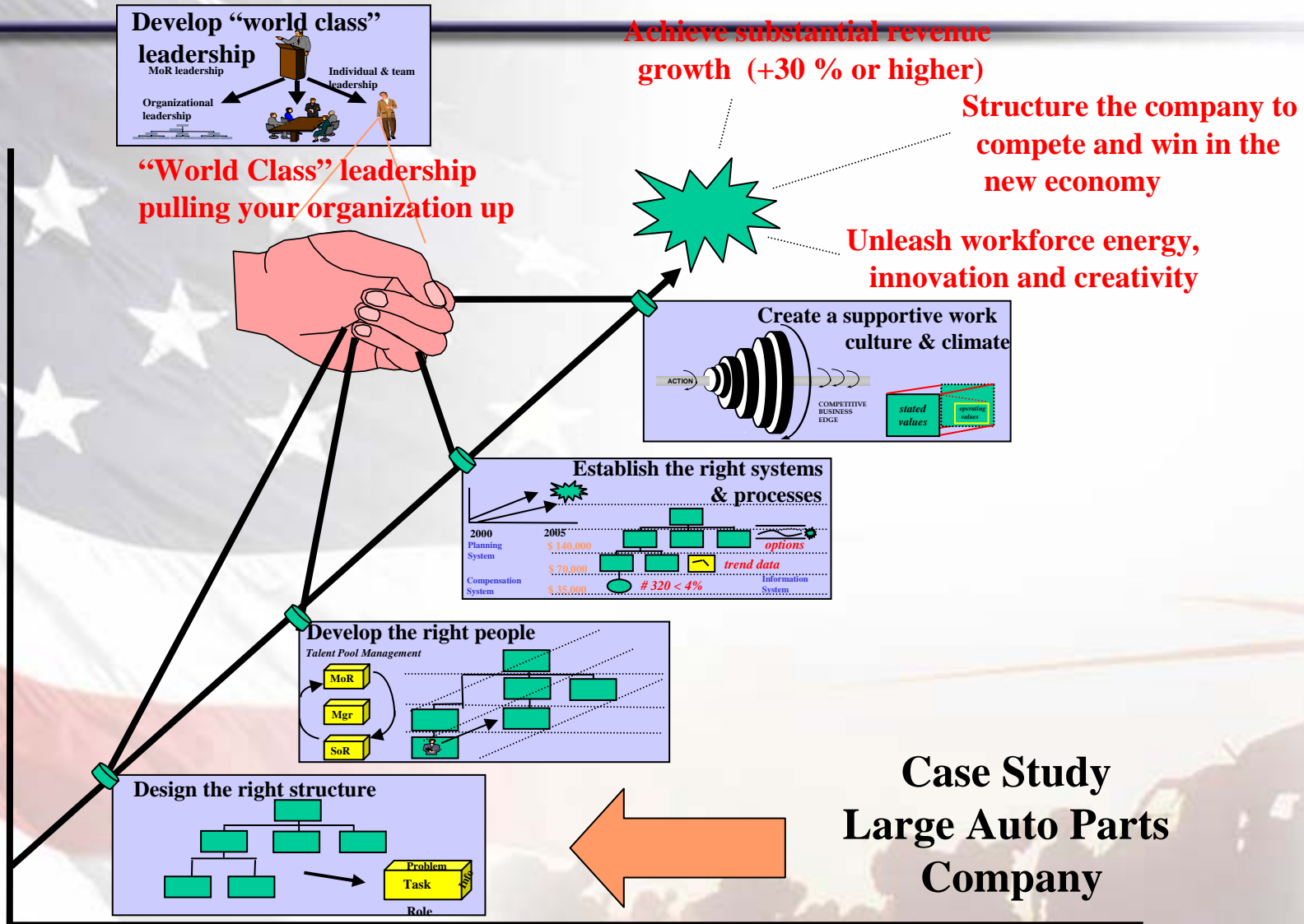
### Large International Beverage Company

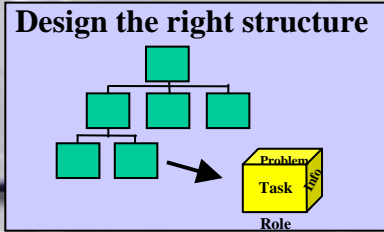
#### VI. Lessons Learned (cont.)

**B. In the new economy, power has increasingly shifted to the customer, thus, sales work in general has become more complex. Therefore, the overall quality of the existing talent pool had to be systematically raised to effectively cope with this increasing complexity (figure 10). Approximately 50% of the existing front-line sales managers had to be replaced in the restructuring effort.**



# Building A High Performance Organization To Achieve "World Class" Results





## Case Study

# Large International Auto Parts Company

## Major Findings:

1. The organizational analysis uncovered significant role layering at the first line manager level. All of the existing managers were found to be operating within the same organizational layer. There was a major role void at the unit manager (level III) layer.



# Operations Function-Extant Structure

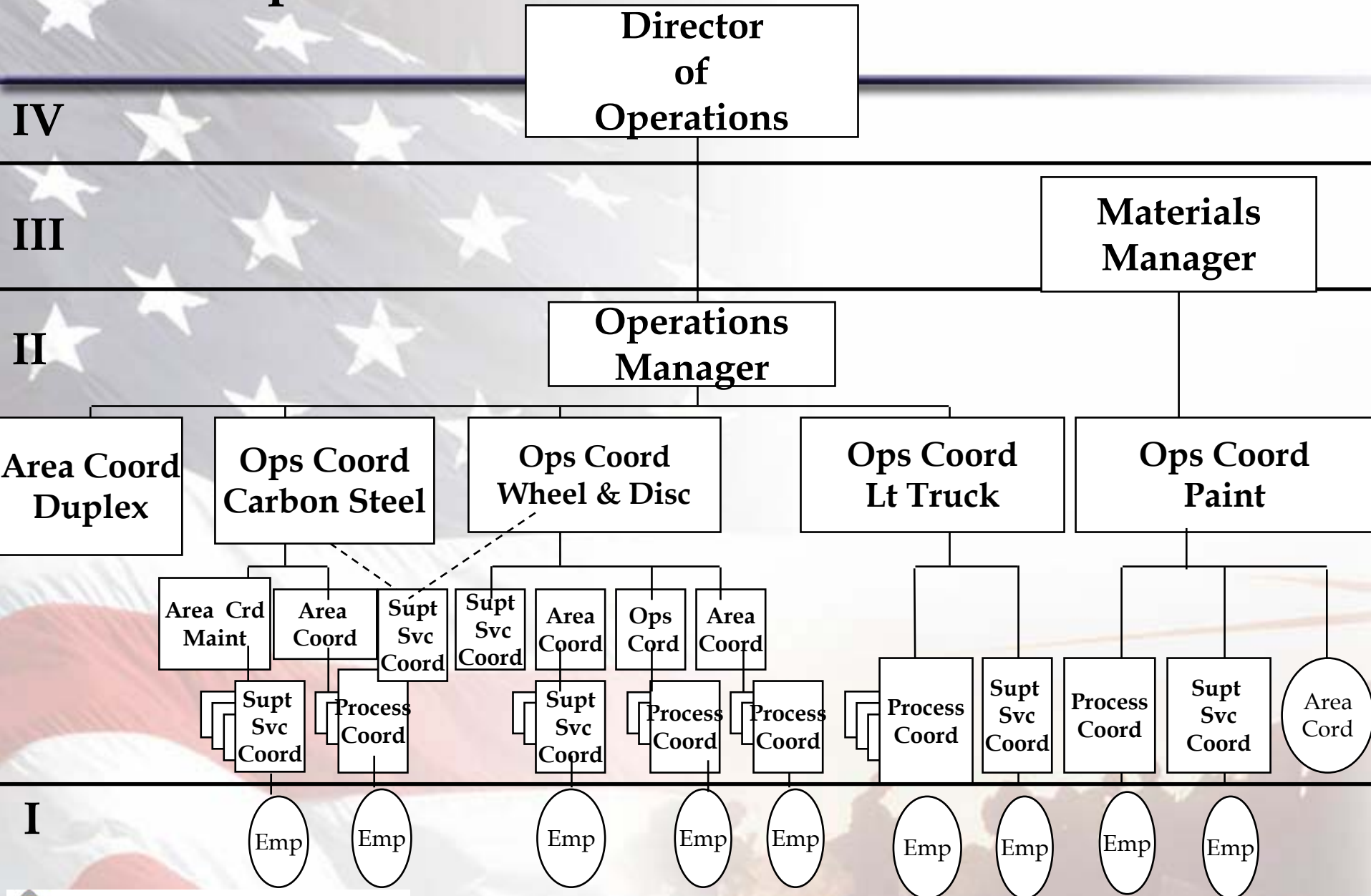
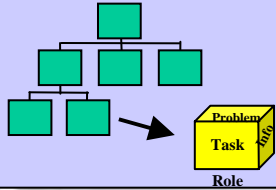


Figure 6

Design the right structure



## Case Study

# Large International Auto Parts Company

## Major Findings:

2. The Director of Operations was forced to operate at two levels simultaneously. This factor detracted from his ability to concentrate on the longer tasks associated with improving plant operations. e.g., lean manufacturing





# Operations Function-Extant Structure

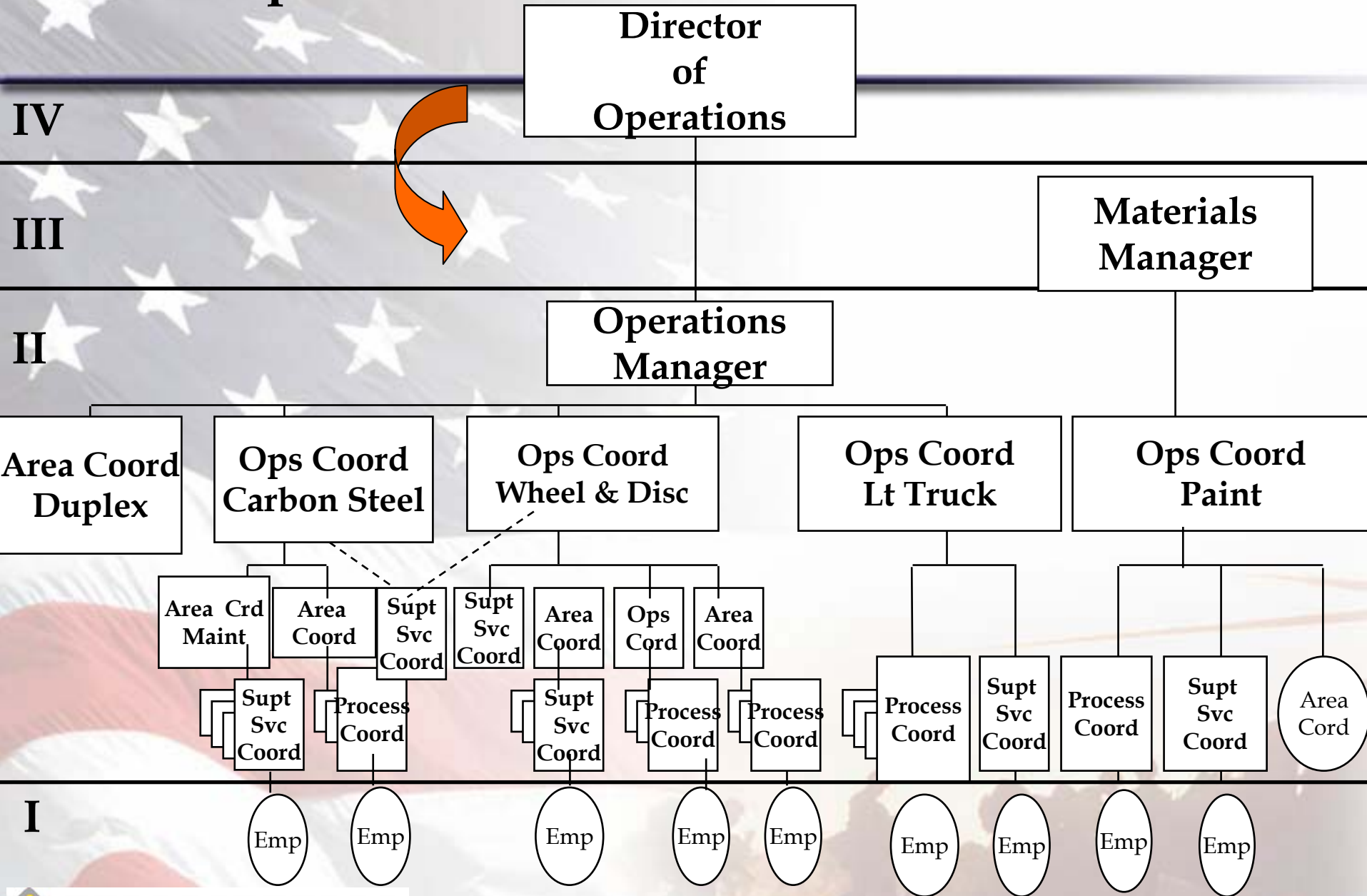
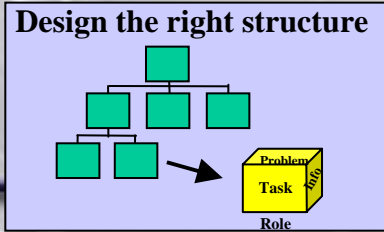


Figure 6



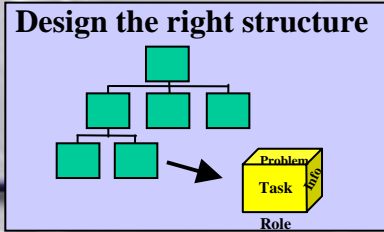
## Case Study

# Large International Auto Parts Company

## Major Findings:

2. Several existing managers, who were operating at too low a level, did not appear to have sufficient “cognitive capacity” to function effectively at the correct organizational level





## Case Study

### Large International Auto Parts Company

## Results:

1. Reorganized the plant around major product lines.
2. Reduced annual operating costs by over 20%.
3. Maintained existing production volume and quality output levels.
3. Upgraded the quality of the existing management team.
4. Decentralized the central engineering group and allocated the engineers to operations.



# The Production Units

IV

Director  
of  
Operations

III

Operations  
Manager

Operations  
Manager

II

Ops Coord  
(Dept Mgr)

Ops Coord  
(Dept Mgr)

Ops Coord  
(Dept Mgr)

Ops Coord  
(Dept Mgr)

Little Wheels

Big Wheels

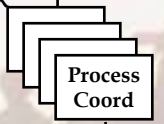
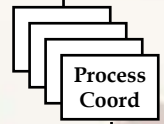
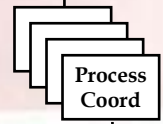
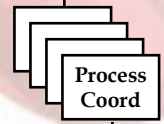
448  
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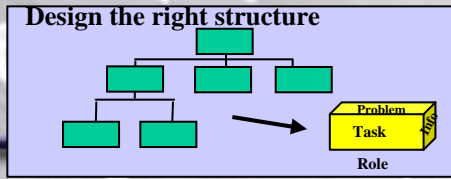
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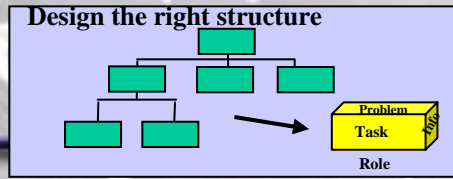
# Large International Service Company

## I. Purpose:

**A. To implement a new division structure sufficient to achieve the long-term corporate growth strategy.**

**B. To dramatically improve front-line service operations.**



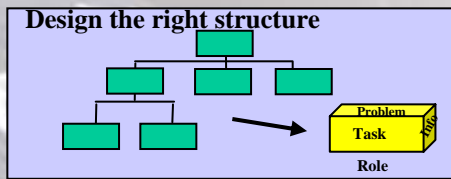


# Large International Service Company

## II. Major Findings:

**A. The company did not have a consistent business unit (BU) structure. Some BUs had a full complement of supporting roles while other units relied on the corporate staff to provide necessary support.**



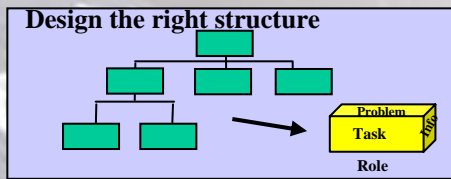


## Large International Service Company

### II. Major Findings:

**C. The front-line service organization suffered from being under-resourced at the route level, experienced role compression at the managerial level and contained roles that were not clearly defined (figure 1).**





## Large International Service Company

### III. Major Interventions:

**A. Business Unit Structure - Established a uniform BU structure throughout the company.**

**B. Implemented a new service organization at two sites (figure 4) – a high performing one and an average performing organization.**





# RVP Organization

V

IV

III

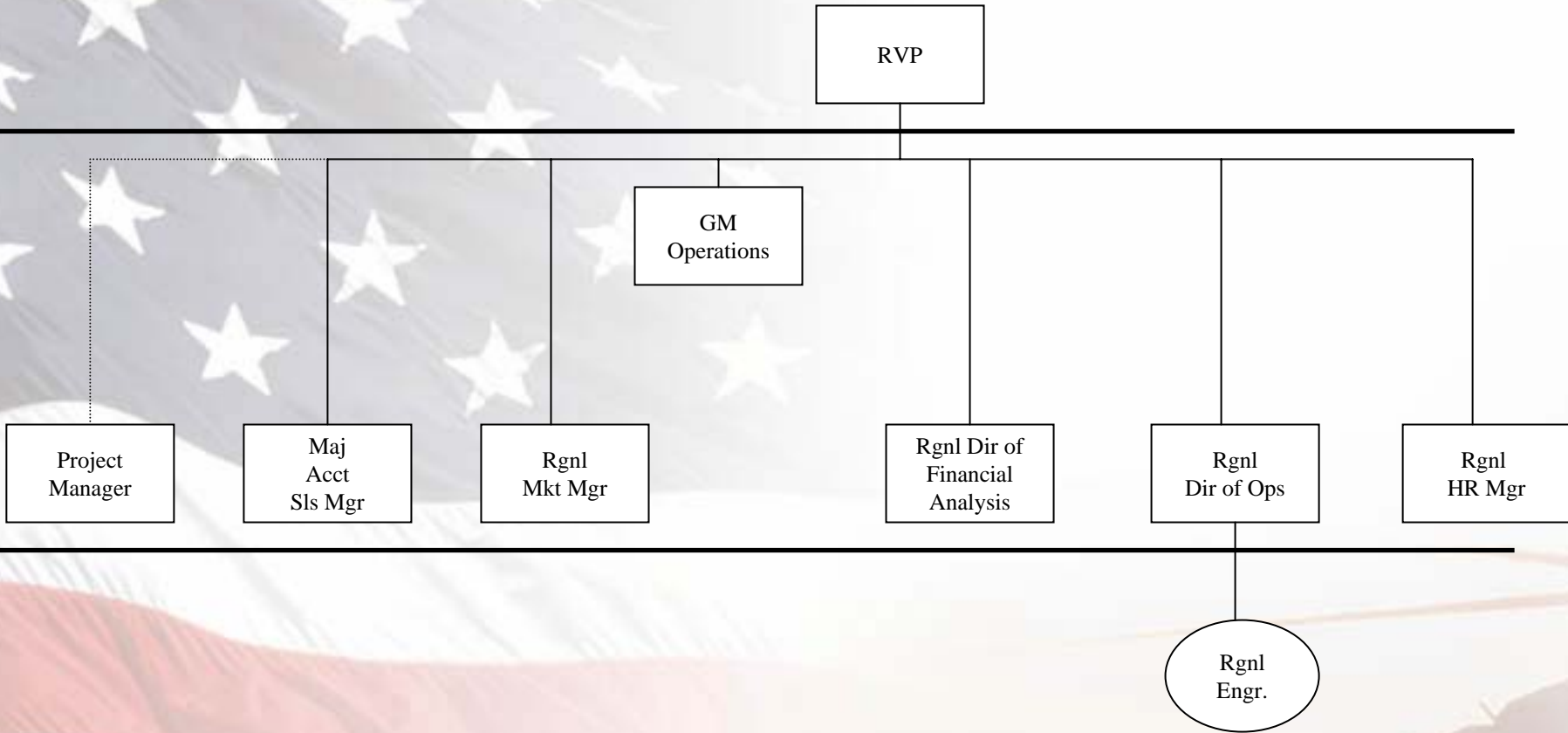


Figure 2

# The Front-Line Service Team (Recommended Organization)

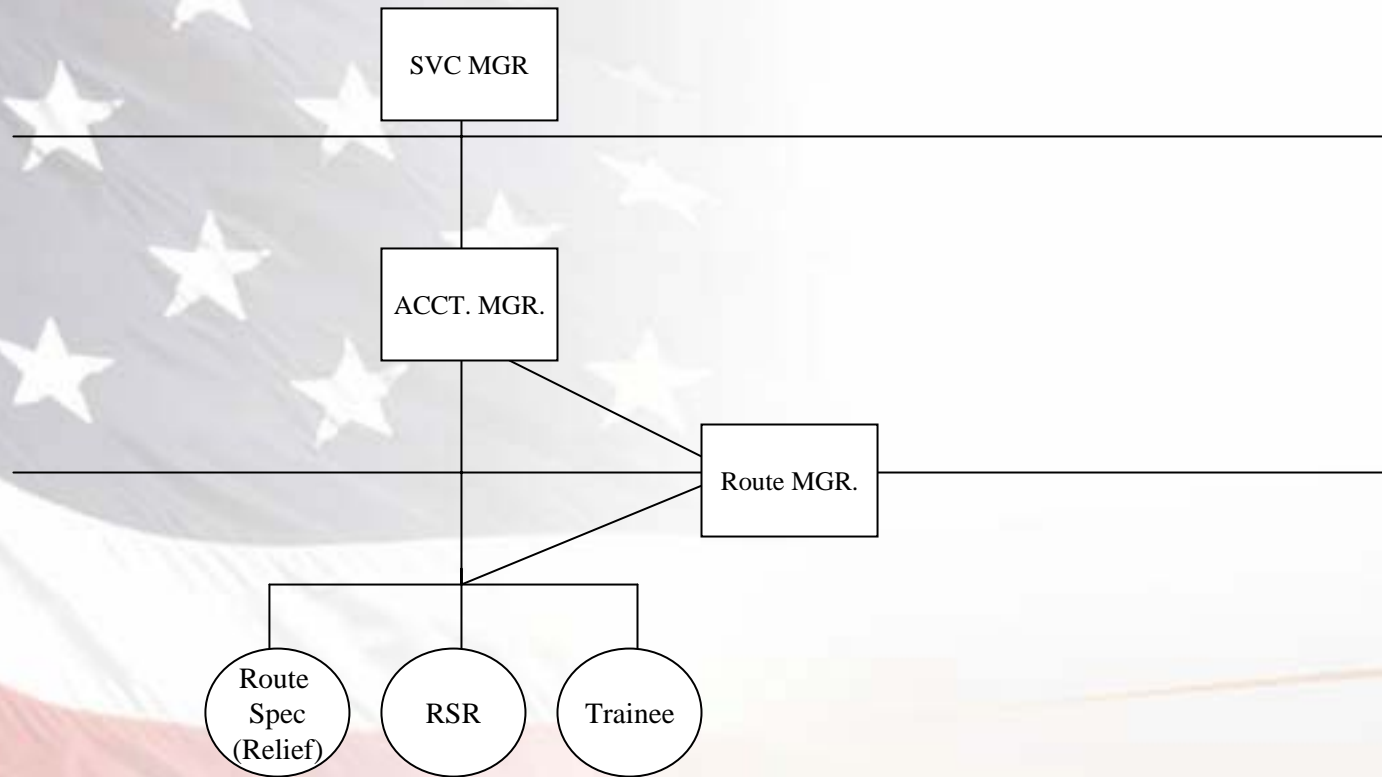


Figure 7



## Large International Service Company

### Outcomes:

	<b>High Performance Site</b>	<b>Avg Performance Site</b>
<b>Quit Accounts</b>	<b>+30 %</b> ( Cleaned up low margin accounts)	<b>- 36%</b>
<b>Account growth</b>	<b>+17%</b>	<b>+35%</b>
<b>Turnover</b>	<b>+11%</b> ( Up-graded front-line personnel)	<b>- 52%</b>
<b>Account Manager Visits</b>	<b>+8%</b>	<b>+11%</b>
<b>Performance Reviews</b>	<b>+5%</b>	<b>+140%</b>
<b>Cost of Service</b>	<b>&lt;1%</b> (added 8% more people)	<b>&lt;1%</b> (added 8% more people)

# Designing The Right Structure

- **Underlying Concepts & Principles**
- **Theory Base**

# Basic Organizational Structure Principles

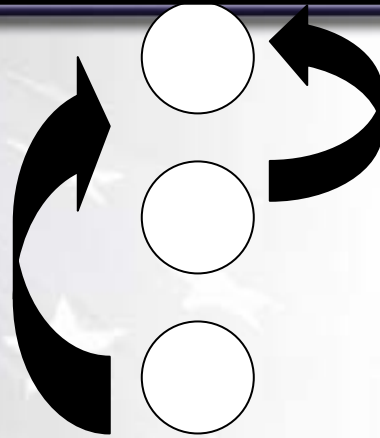
- **Organize around “work”**
- **Establish the proper number of organizational layers**
- **Clearly define roles in terms of underlying accountabilities and authorities**
- **Ensure all roles “add value”**



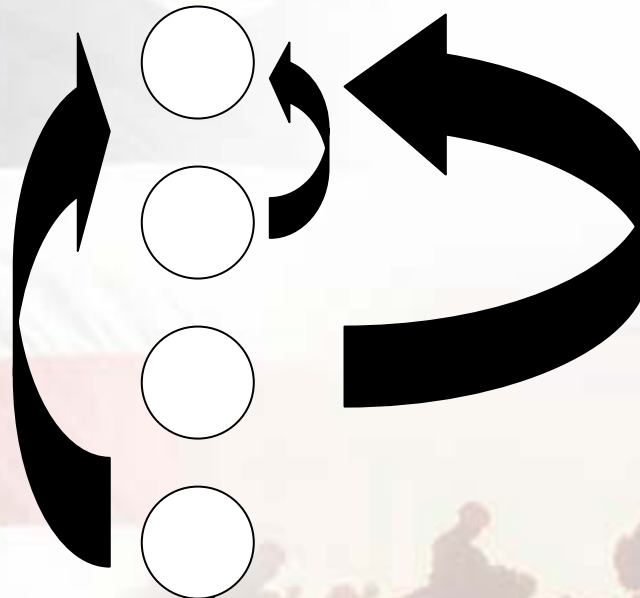
# What is the proper number of organizational layers?

---

Who is your boss?



Found a pattern of 7



**“Work” - The exercise of discretion and judgment in carrying out tasks and/or accomplishing goals.**

- **Tasks - An instruction or requirement to do something**
  - **Drill this hole**
  - **Machine this bearing**
  - **Call this customer**
  - **Analyze this market segment**

- \* Task implementation involves applying problem solving and information processing skills**
- \* Tasks, problems, and information vary in terms of increasing complexity by organizational layer**



# LEVEL I COMPLEXITY

**PRESCRIBED LIMITS: RULES. POLICIES. LAWS**

RESOURCES

METHODS & PROCEDURES

VALUES

(Immediate Action)

**PATHWAY**

**GOAL**

RESOURCES

METHODS & PROCEDURES

**WHAT**

**PRESCRIBED LIMITS: RULES, POLICIES, LAWS**

Time horizon: less than 3 months



# LEVEL I COMPLEXITY

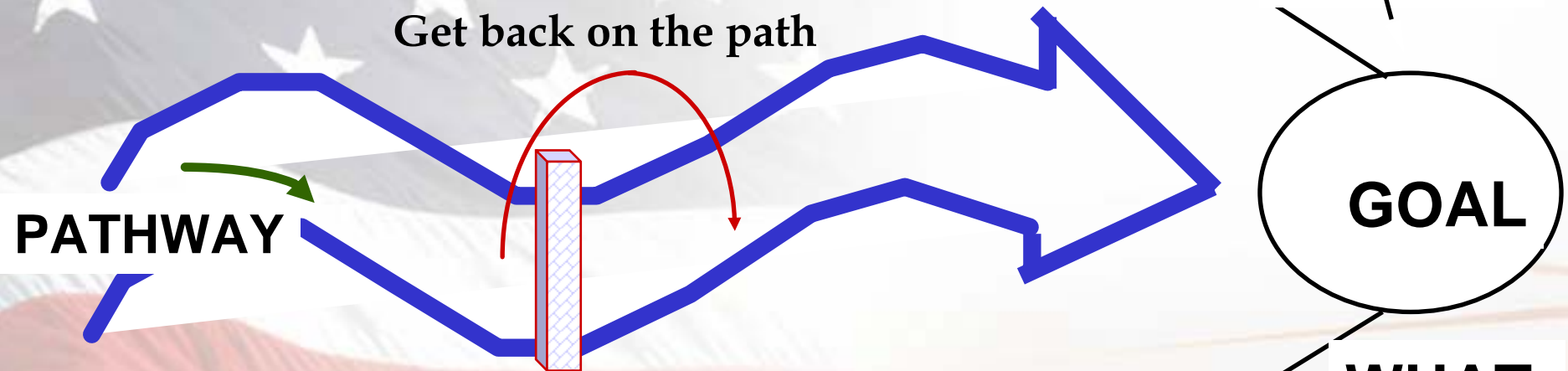
**PRESCRIBED LIMITS: RULES. POLICIES. LAWS**

**RESOURCES**

**METHODS & PROCEDURES**

**VALUES**

Get back on the path



**GOAL**

**WHAT**

**RESOURCES**

**METHODS & PROCEDURES**

**PRESCRIBED LIMITS: RULES, POLICIES, LAWS**

Time horizon: less than 3 months



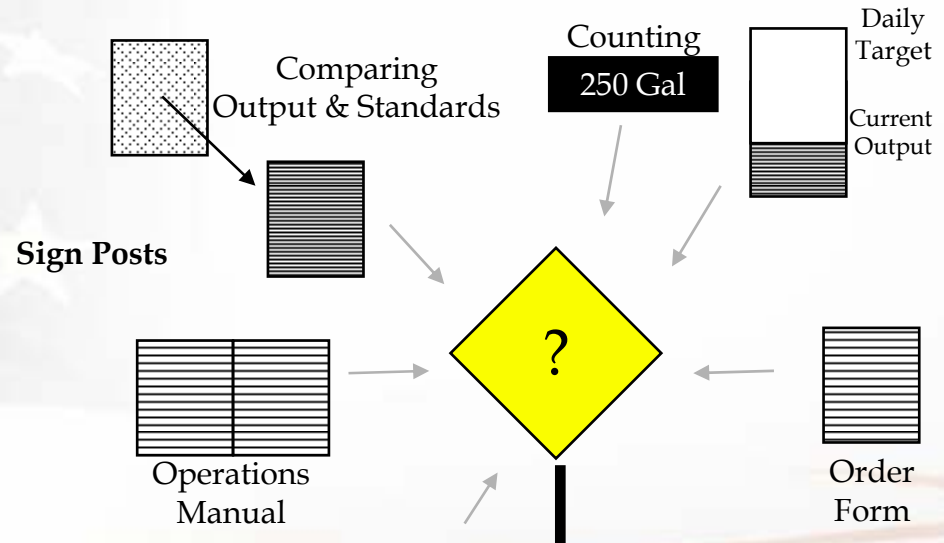
# LEVEL I WORK - ORGANIZATIONAL COMPONENT

## 1.3 Information Processing

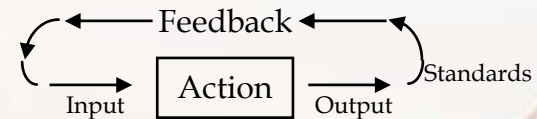
### 1.31 Information Characteristics

- Obtain and evaluate hands-on (direct) feedback
- Monitor daily and weekly progress toward goals
- Compare achieved output to prescribed standards
- Use and interpret bar charts
- Access and use procedural manuals

1.32 How information is understood: "Different, unrelated sign posts along the path..."



**Question:**  
How do I use this  
data point (sign)?



# LEVEL II COMPLEXITY

**PRESCRIBED LIMITS: RULES, POLICIES, LAWS**

**RESOURCES      METHODS & PROCEDURES**

**(Accumulated Knowledge)**

**VALUES**

**GOAL**

**WHAT  
by WHEN**

**TIME HORIZON: 3 mos - 1 year**



**PATHWAY**

**Stay on  
the path**



# LEVEL II COMPLEXITY

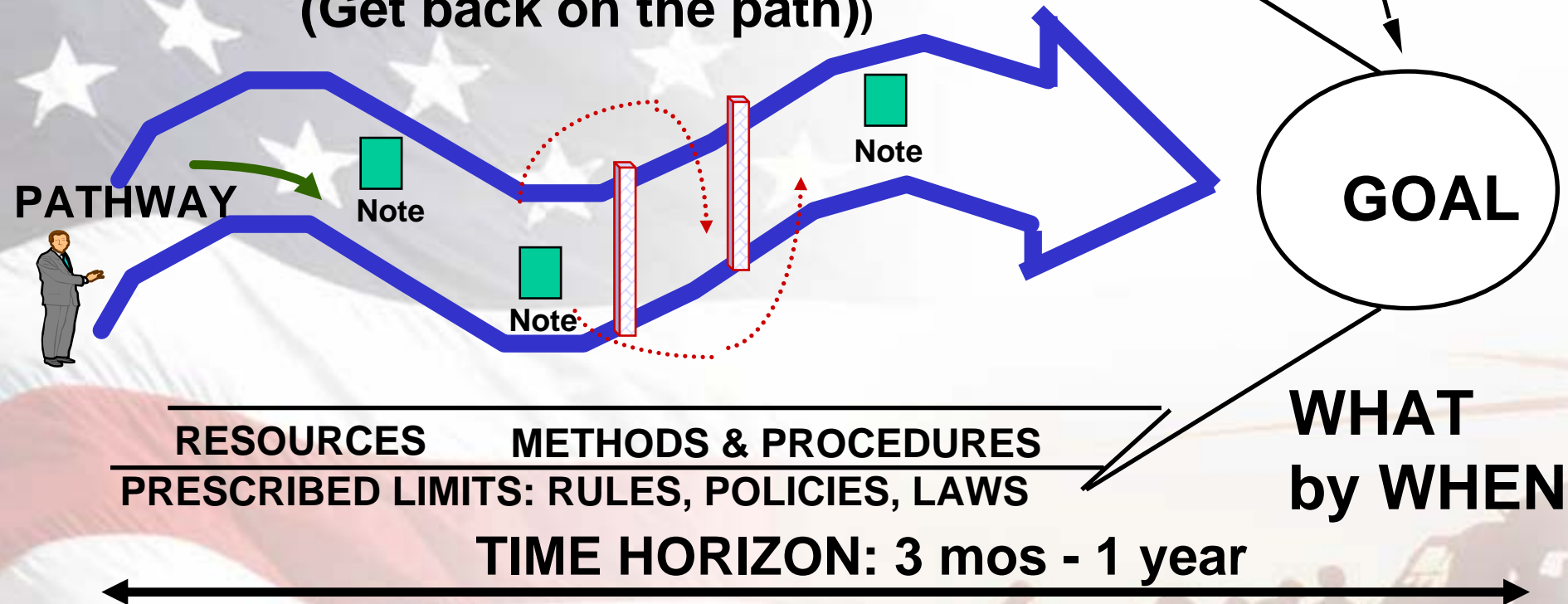
**PRESCRIBED LIMITS: RULES, POLICIES, LAWS**

**RESOURCES**

**METHODS & PROCEDURES**

**(Get back on the path)**

**VALUES**



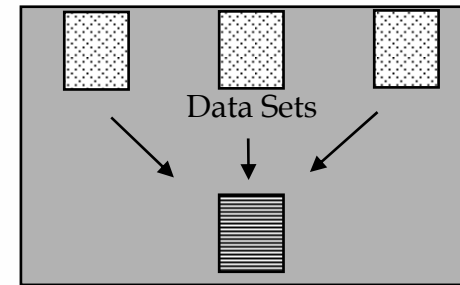
# LEVEL II WORK - ORGANIZATIONAL COMPONENT

## 2.3 Information Processing

### 2.31 Information Characteristics

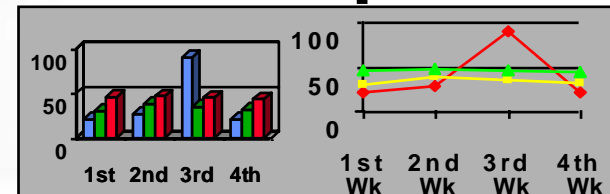
- Access databases
- Accumulate key data elements
- Confirm relevant background data
- Identify and gather additional data
- Categorize data
- Integrate (synthesize) data and draw conclusions
- Pattern recognition
- Focuses on the work processes occurring at level I

2.23 How information is understood: "Accumulate Key Data & Take Preemptive Action..."

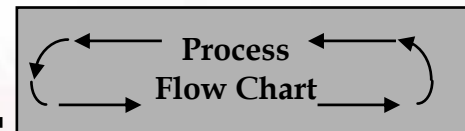


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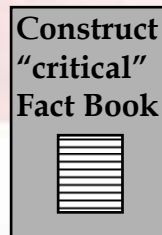
Detect Trends



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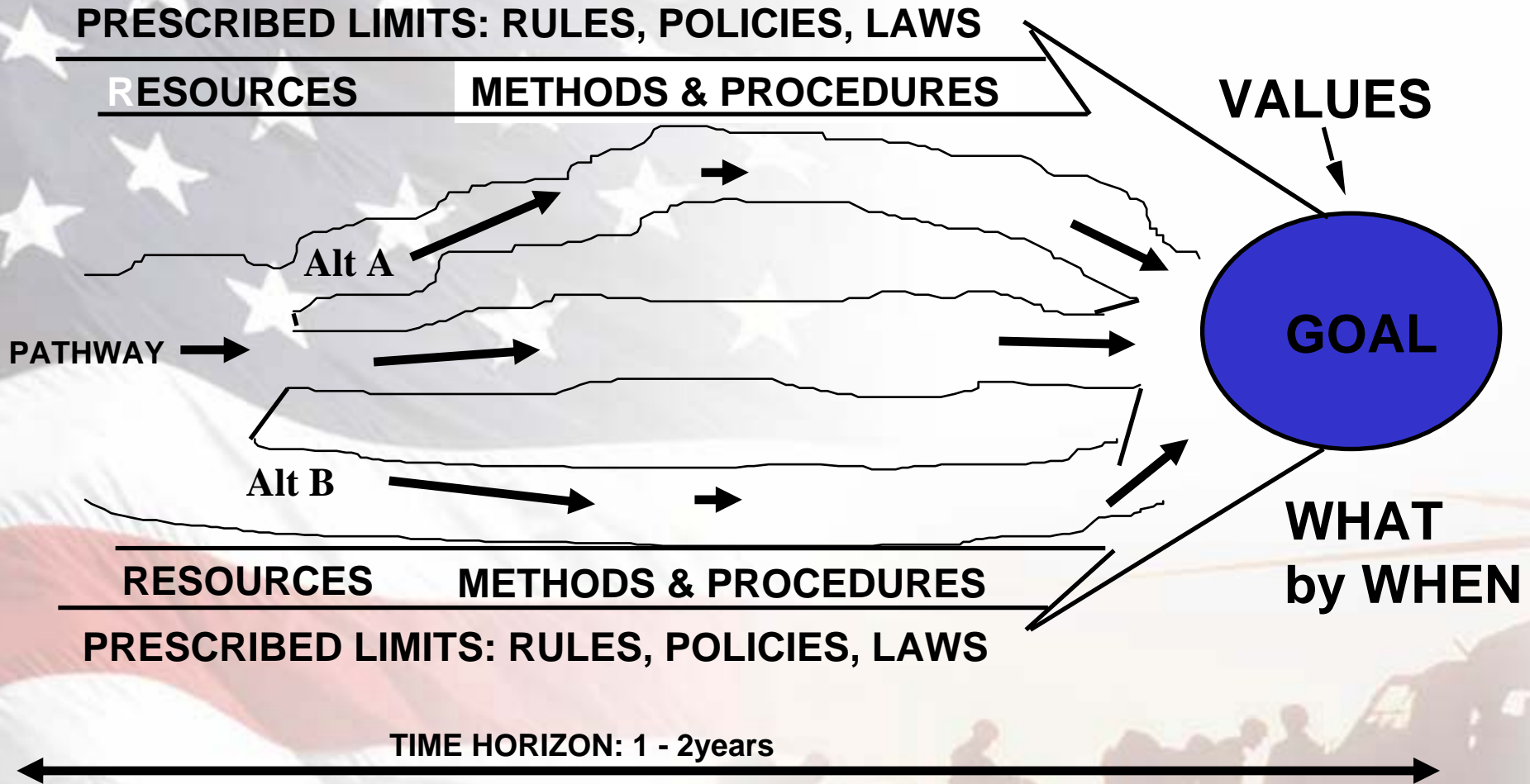
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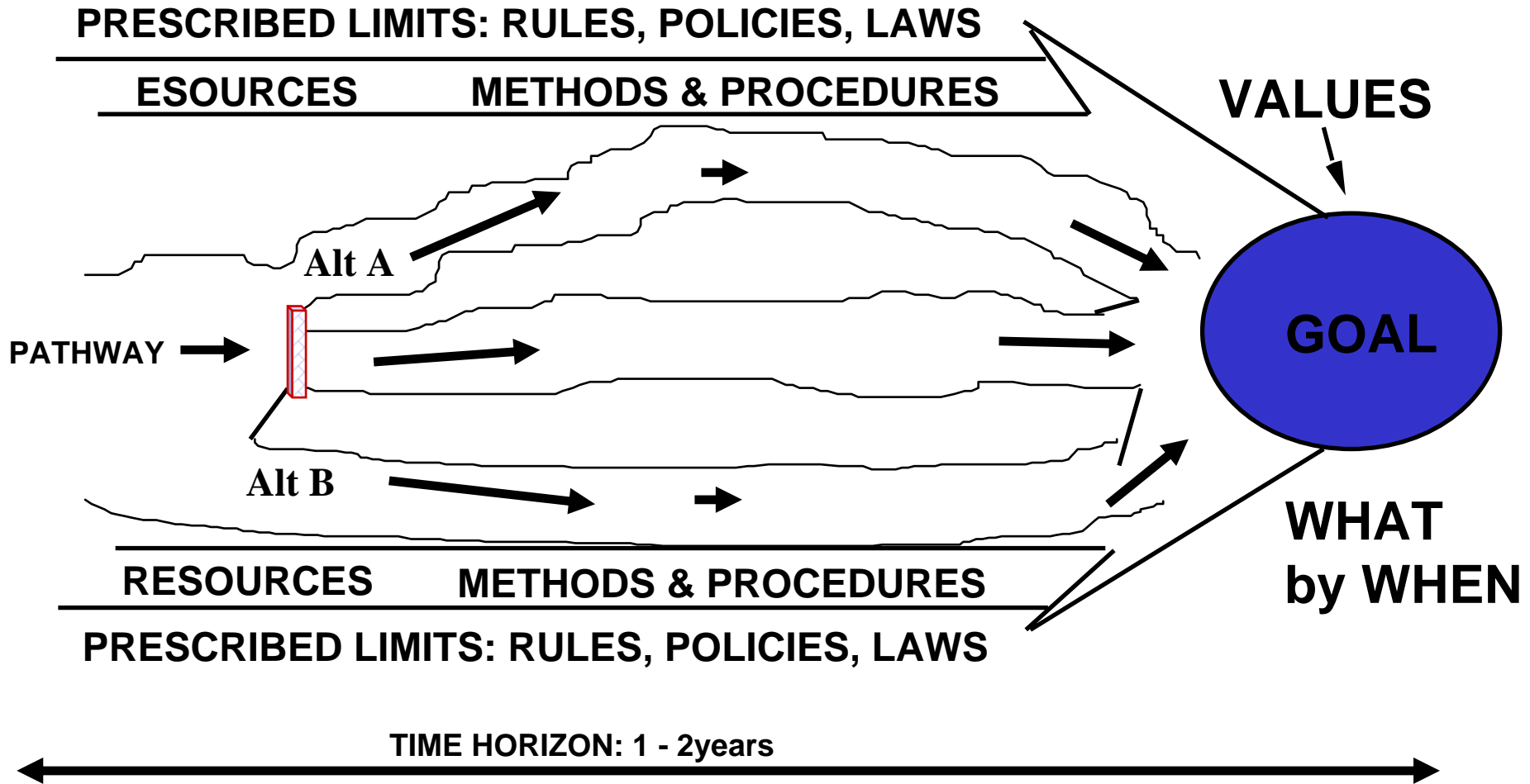
What do these "signs" mean?

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# LEVEL III COMPLEXITY



# LEVEL III COMPLEXITY





# LEVEL III WORK - ORGANIZATIONAL COMPONENT

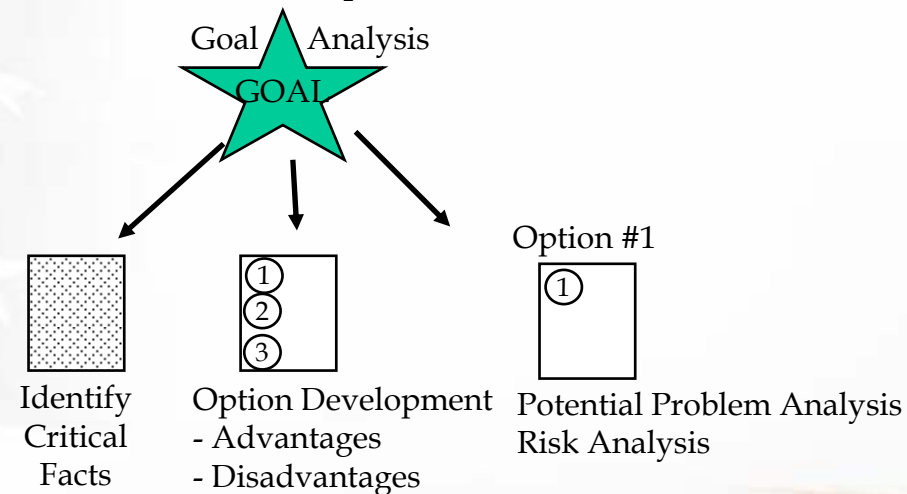
## 3.3 Information Processing

### 3.21 Information Characteristics

- Generate and monitor an input-output data stream
- Recognize patterns in data
- Generate "what-if" data
- Follow a logical sequence of data
- Capture and categorize problem data

3.13 How information is understood: "Accumulate multiple data sets to be used as the basis for assessing trends"

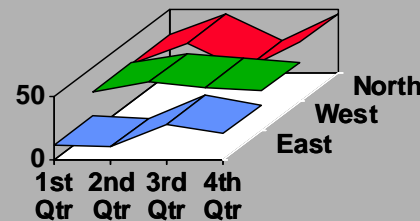
### Plan Development



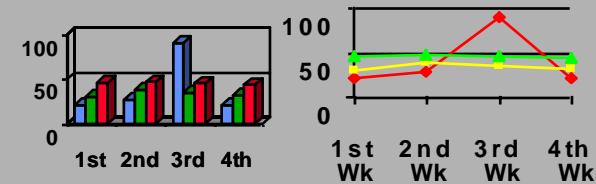
What is the likelihood that a given event will occur?



=



### Trend data

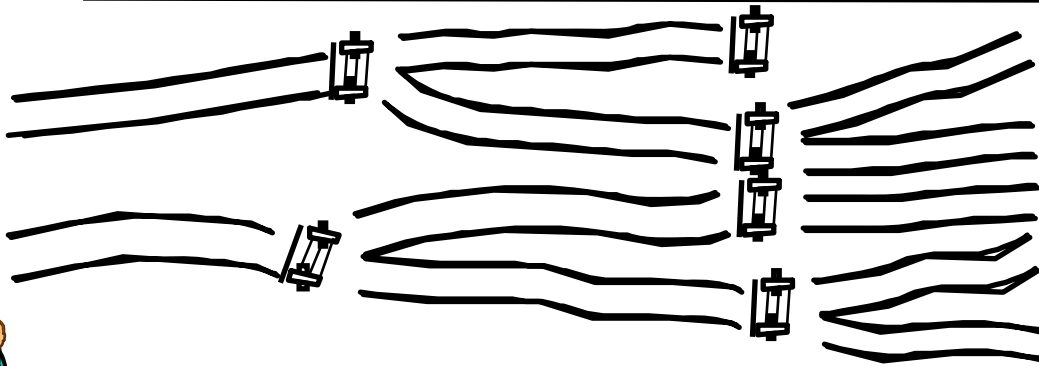


# LEVEL IV COMPLEXITY

**PRESCRIBED LIMITS: RULES, POLICIES, LAWS**

**RESOURCES**

**METHODS & PROCEDURES**



**PATHWAY**

**(Parallel Processing)**

**VALUES**

**GOAL**

**WHAT  
by WHEN**

**RESOURCES**

**METHODS & PROCEDURES**

**PRESCRIBED LIMITS: RULES, POLICIES, LAWS**

**TIME HORIZON: 2 - 5years**

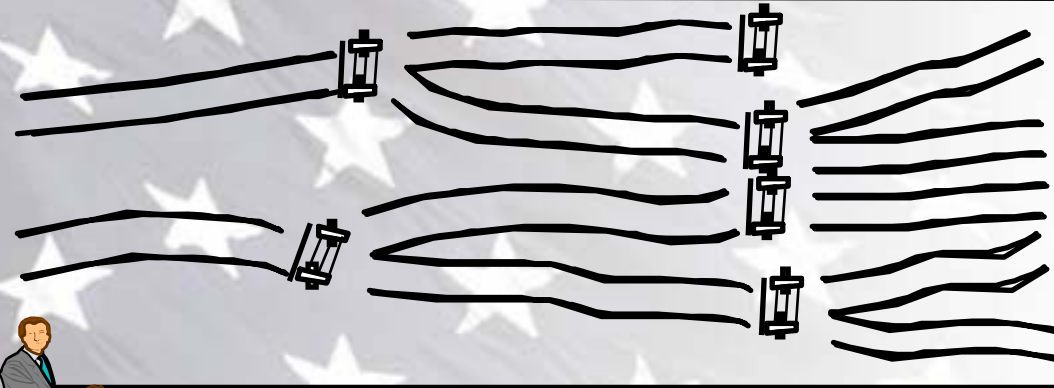


# LEVEL IV COMPLEXITY

PRESCRIBED LIMITS: RULES, POLICIES, LAWS

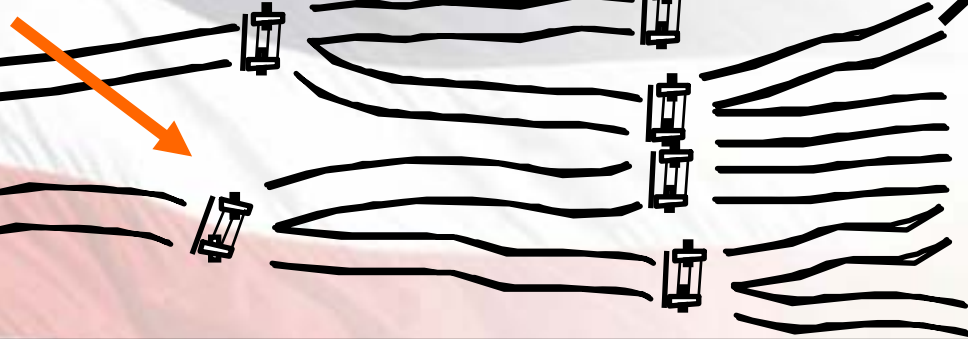
RESOURCES

METHODS & PROCEDURES



PATHWAY

(Parallel Processing)



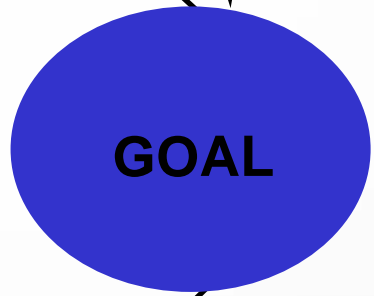
RESOURCES

METHODS & PROCEDURES

PRESCRIBED LIMITS: RULES, POLICIES, LAWS

TIME HORIZON: 2 - 5years

VALUES



WHAT  
by WHEN



# LEVEL IV WORK - ORGANIZATIONAL COMPONENT

## 4.3 Information Processing

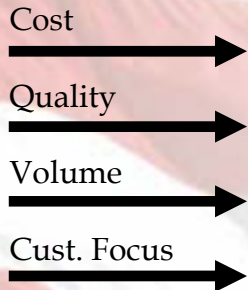
### 4.31. Information Characteristics

- Identify essential elements of information
- Identify, gather and process outcome (system performance) measures
- Define system capability data
- Integrate aggregated cost data

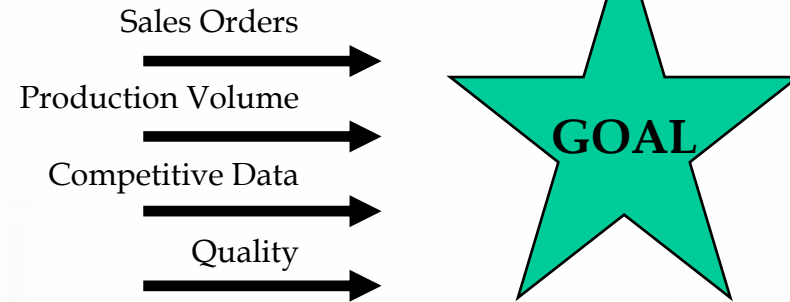
4.32 How Information is understood: "Identifying and managing variance and discrepancy data elements..."

### 1. Plan Process - Orchestrate progress on multiple pathways simultaneously

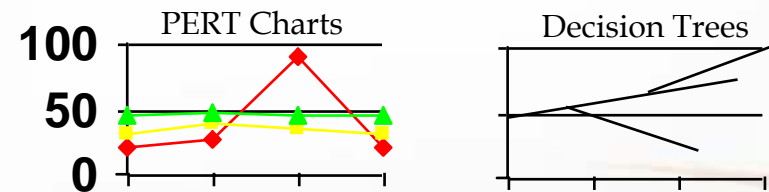
- Allocate additional resources to ensure uniform progress
- Manage interdependent variables which cut across existing pathways



### 2. Integrate multiple functions and outcomes



### 3. Problem Solving Tools



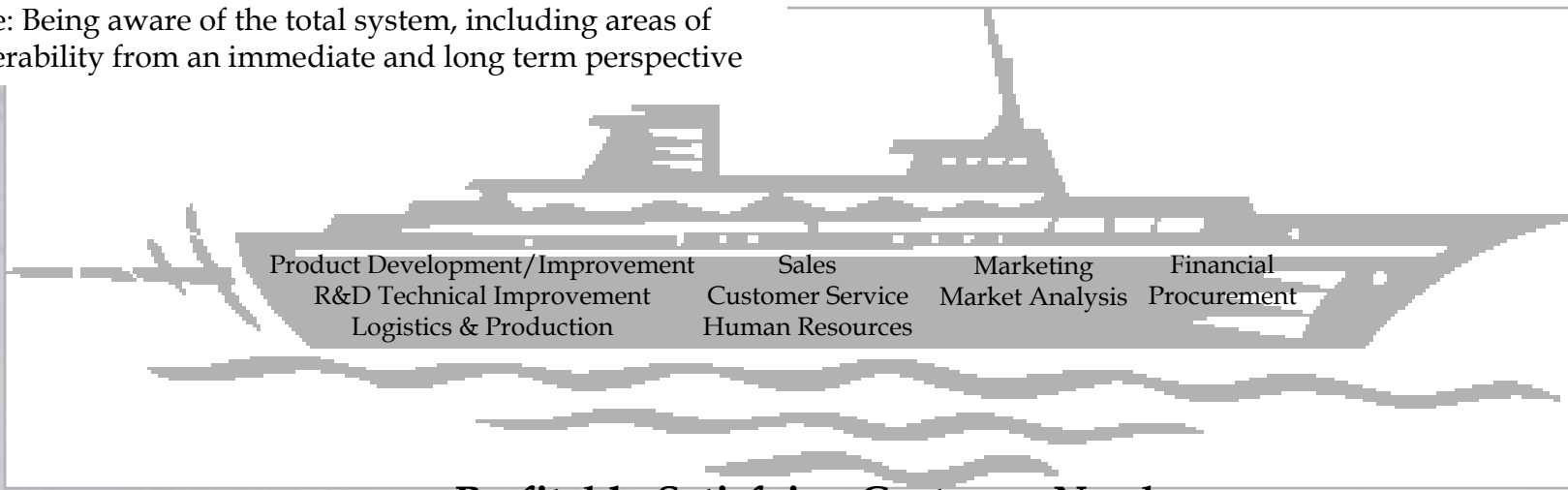
### 4. Identify Essential Elements of Information



# LEVEL V WORK - ORGANIZATIONAL COMPONENT

## 5.13 Mental Picture

5.13 Mental Picture: Being aware of the total system, including areas of opportunity/vulnerability from an immediate and long term perspective



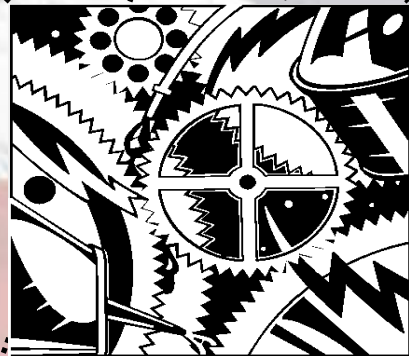
**Profitably Satisfying Customer Needs**

5.13b Mental Picture: Move business unit in a strategic direction

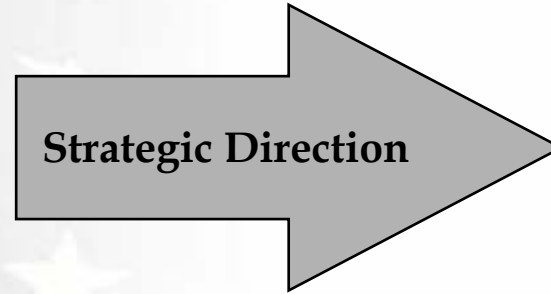


# LEVEL V WORK - ORGANIZATIONAL COMPONENT

## 5.23 Threat Recognition



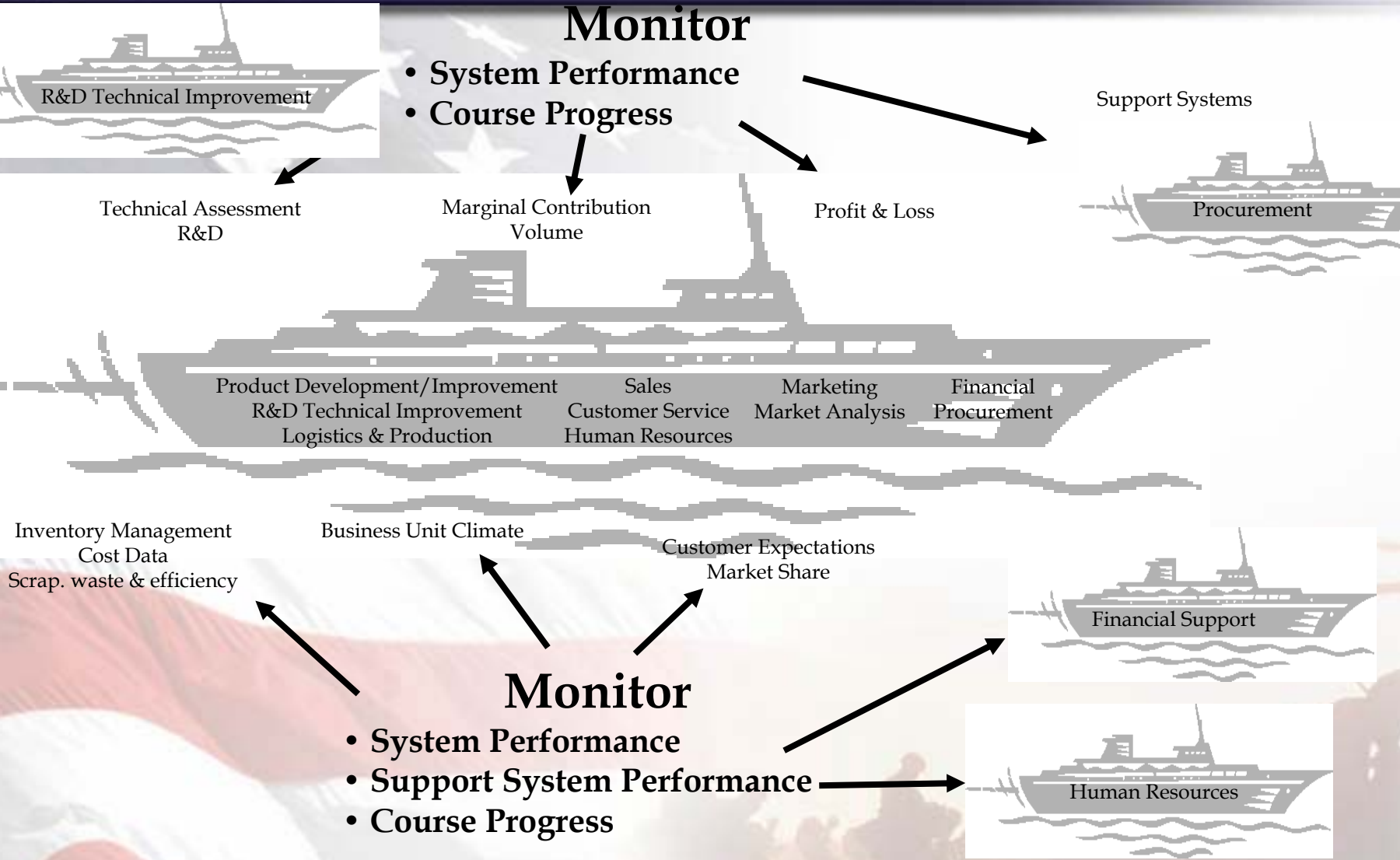
Internal - Component Failure



External - Course Threat

# LEVEL V WORK - ORGANIZATIONAL COMPONENT

## 5.3 Information Processing

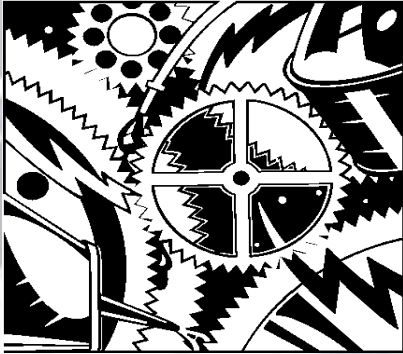


# LEVEL VI WORK - ORGANIZATIONAL COMPONENT

## 6.1 Task Complexity

Operate an effective two-way "gearing" function

Corporate Perspective



BU Perspective



Oversee a portfolio of stand-alone operations (BU's)

SBU 1



SBU 2



SBU 3



SBU 4



Corporate  
Goals &  
Objectives

Common  
Destination



# LEVEL VI WORK - ORGANIZATIONAL COMPONENT

## 6.2 Dealing with Worldwide Change

6.23 Threat Recognition: Accountable to preclude or eliminate unfriendly laws, policies or operating procedures

**Create a robust BU environment**



Political, economic, social and technical environment

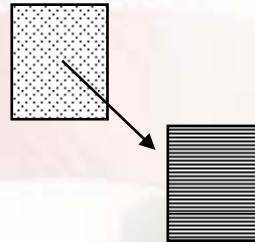
Political, economic, social and technical environment

*"SHAPING THE ENVIRONMENT"*

**GOAL**

**Helping create the future**

## Financial Modeling



# LEVEL VI WORK - ORGANIZATIONAL COMPONENT

## 6.3 Information Processing

### 6.31. Information Characteristics

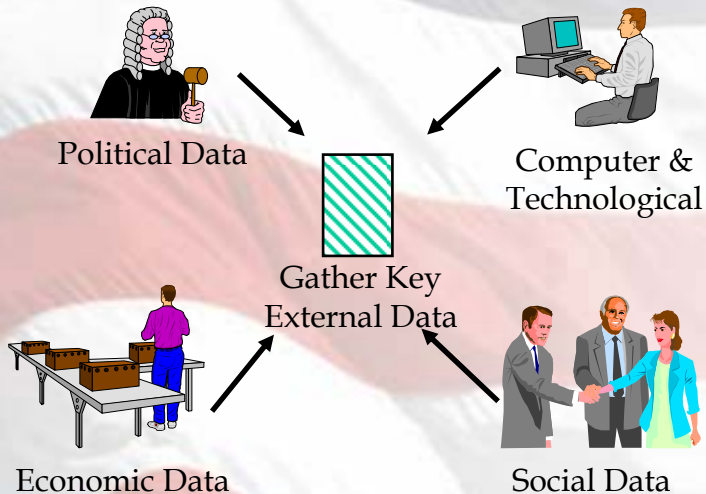
- Worldwide data gathering
- Access to large amounts of unfiltered data

### 6.32. Information Processing Examples

- Build and maintain worldwide networks
- Gather and synthesize political, economic, social, technical and intellectual change data
- Screen out insignificant data elements
- Chunk down large amounts of data into summary charts, graphs and pictures (visualization)

6.33 How Information is understood: Network internationally, accumulate key external data and create a friendly business environment

### 1. Information Sources



### 2. Network Internationally



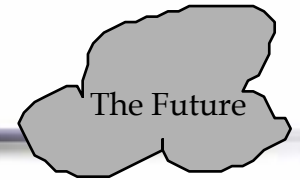
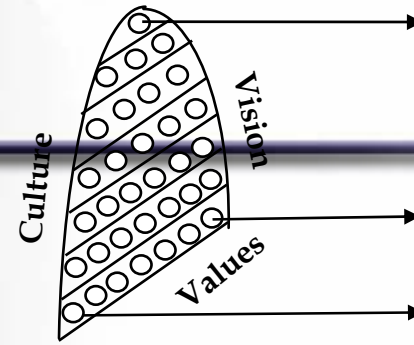
# Work complexity by organizational level

## SETTING DIRECTION FOR THE WHOLE COMPANY

*"What businesses should we be in?"*

VII

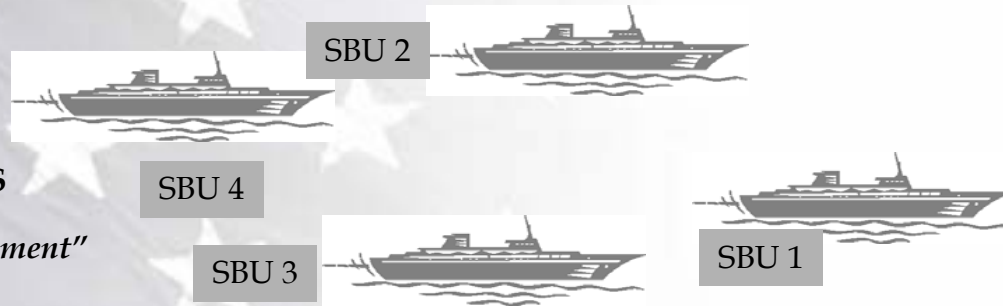
President



## LINKING COMPANY HQ WITH BUSINESS UNITS

*"Portfolio management"*

VI



## RUNNING A TOTAL SYSTEM

*"Synthesizing multiple business unit functions"*

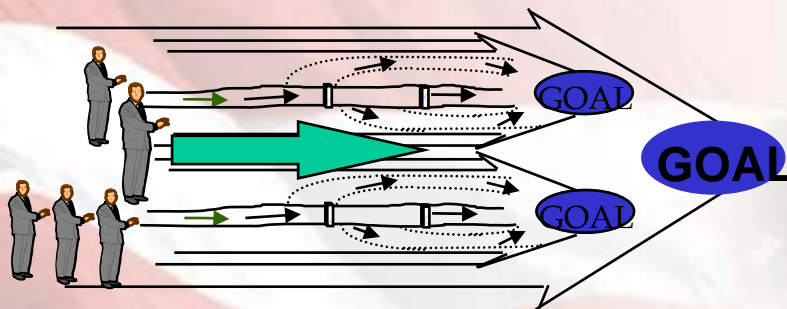
V



## FUNCTIONAL GENERAL MANAGEMENT

*"Integrating multiple functional initiatives"*

IV



# OUR PURPOSE

The Global Organization Design Society is a not-for-profit corporation registered in Ontario, Canada to promote the following objective:

The establishment and operation of a world-wide society of academics, business users and consultants interested in science-based management to improve organizational effectiveness for the purposes of:

Promoting among existing users increased awareness, understanding and skilled knowledge in applying concepts of Levels of Work Complexity, Levels of Human Capability, Accountability, and other concepts included in Requisite Organization and/or Stratified Systems Theory.

Promoting among potential users of the methods, appreciation of the variety of uses and benefits of science-based management, and access to resources.



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