



GO Global Organization
Design Society

READINGS IN GLOBAL ORGANIZATION DESIGN

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IMPROVING ORGANIZATION PERFORMANCE BY OPTIMIZING ORGANIZATION DESIGN

by Ronald G. Capelle, Ph.D., CMC, C.Psych

Founding Member and Senior Fellow of The Global Organization Design Society

Ron Capelle's keynote presentation and these powerpoint slides are based on his book "Optimizing Organization Design: A proven approach to enhance Financial Performance, Customer Satisfaction, and Employee Engagement".

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IMPROVING ORGANIZATION PERFORMANCE BY OPTIMIZING ORGANIZATION DESIGN

*Ronald G. Capelle, Ph.D., CMC, C.Psych.
President & CEO, Capelle Associates Inc.*

Global Organization Design
Conference 2014

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OPTIMIZING ORGANIZATION DESIGN: THE ROOTS

- Builds on work of Elliott Jaques and his colleagues.
- Time span is fundamental to our research and practice
- Information processing capability is fundamental to our research and practice

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2

OPTIMIZING ORGANIZATION DESIGN: THE EVOLUTION

- Proof – Research and Executive Experience
- Benchmarking Databases
- Assessment Approach
- Implementation Approach
- Systems Based Models
- Deliverables / Organization Planning & Review
- Tasks

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3

OPTIMIZING ORGANIZATION DESIGN LEADS TO IMPROVED ORGANIZATION PERFORMANCE (1)

- Conclusion is based on over 25 years of experience
- Research Proof: 24 research studies
- Executive Proof: over 100 large scale projects
- Manager – Direct Report Benchmarking Database
(over 59,000 manager – direct report relationships from 76 organizations)
- Employee Satisfaction Benchmarking Database
(over 13,000 employee responses from 38 organizations)

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OPTIMIZING ORGANIZATION DESIGN LEADS TO IMPROVED ORGANIZATION PERFORMANCE (2)

- Builds on Craddock Requisite Organization Annotated Bibliography
- Links to Buckingham & Coffman – Relationship with Manager
- Links to Heskett & others – Service Profit Chain

Capelle, R.G. (2013). *Optimizing Organization Design: A Proven Approach to Enhance Financial Performance, Customer Satisfaction and Employee Engagement*. San Francisco: Jossey-Bass.

OPTIMIZING ORGANIZATION DESIGN BENEFITS (1)

- **Better Employee Satisfaction**
 - Improves manager – direct report relationship and numerous related factors
- **Better Customer Satisfaction**
 - Increases alignment and clarity, and supports better customer focus
- **Better Financial Performance**
 - Average potential annual cost savings of about \$2,500 per position
 - Improved financial performance on an ongoing basis

OPTIMIZING ORGANIZATION DESIGN BENEFITS (2)

- **Sustainable Competitive Advantage**
 - Better financial performance, customer satisfaction and employee satisfaction
 - Strong organization design implemented with strong change management practices
- **Significant Return on Investment**
 - Cost savings and enhanced financial performance
- **Better Strategy Implementation**
 - Organization design is the foundation for strategy implementation

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OPTIMIZING ORGANIZATION DESIGN BENEFITS (3)

- **Better Human Resources Management**
 - Organization design is the foundation for human resources management
 - Determine how many levels or strata an organization should have
 - Place each position in the correct stratum
 - Improve manager – direct report alignment
 - Break down silos and improve work across the organization
 - Improve talent management

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WHAT IS ORGANIZATION DESIGN?

- An organization is a stratified human system
- Systems based organization functioning and organization change models
- Includes alignment of positions, accountabilities and authorities, people, deliverables and tasks
- Research and principle based... robust and flexible
- Starting points are understanding the strategy and understanding the work

BETTER ALIGNMENT OF POSITIONS

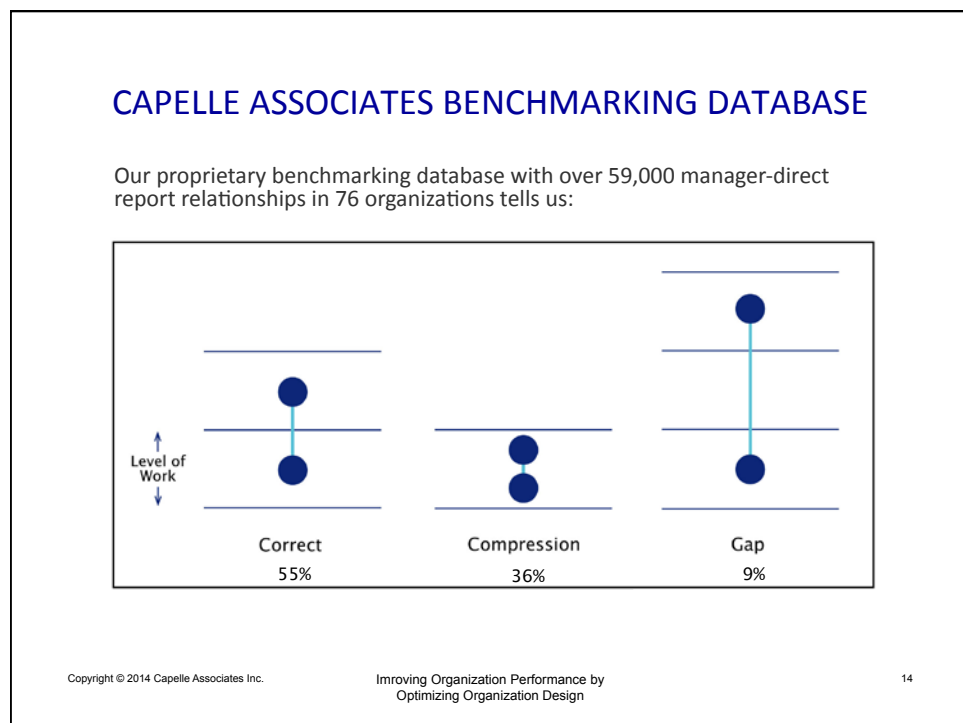
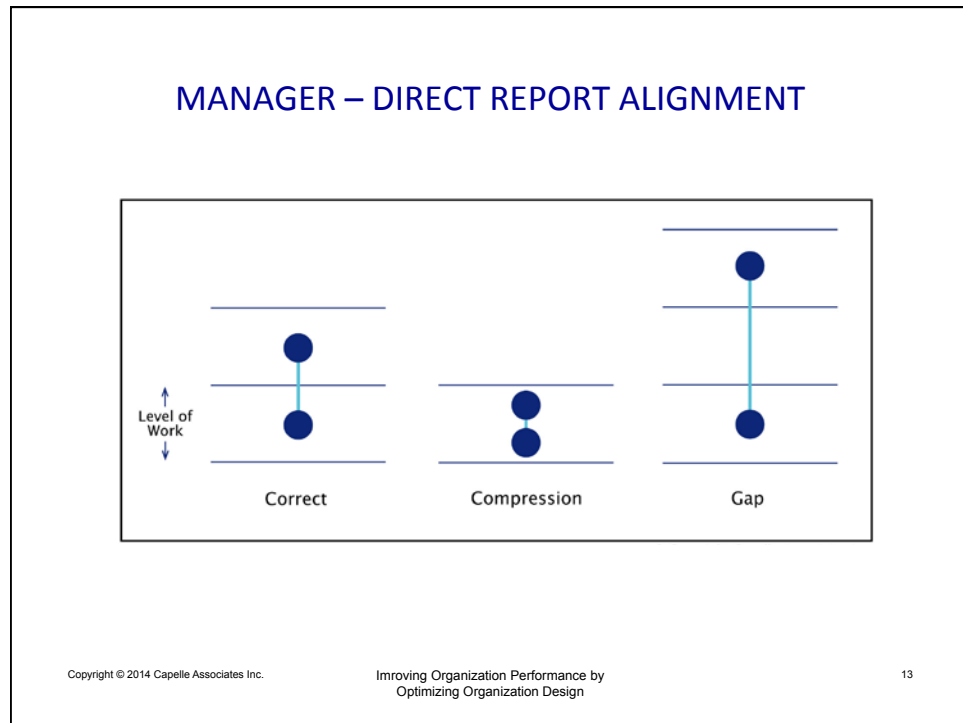
- Vertical and functional alignment
- Functional alignment is related to strategy
- Vertical alignment can be determined by time span analysis
- Helps to determine how many levels or strata are necessary and places each position in the correct level or stratum

VERTICAL ALIGNMENT OF POSITIONS

Level or Stratum	Sample Position	Time Span	Information Processing
4	Vice President	2 - 5 years	Parallel (if and only if)
3	Director	1 - 2 years	Serial (if then... then)
2	Manager or Professional	3 - 12 months	Cumulative (and-and)
1	First Level Position	0 - 3 months	Declarative (or-or)

MANAGER – DIRECT REPORT ALIGNMENT

- Single most important organization design sub factor
- By itself leads to better organization performance
- Every employee should have a manager exactly one level or stratum above, both in terms of complexity of work done and capability to work at that level



BETTER ALIGNMENT OF ACCOUNTABILITIES AND AUTHORITIES

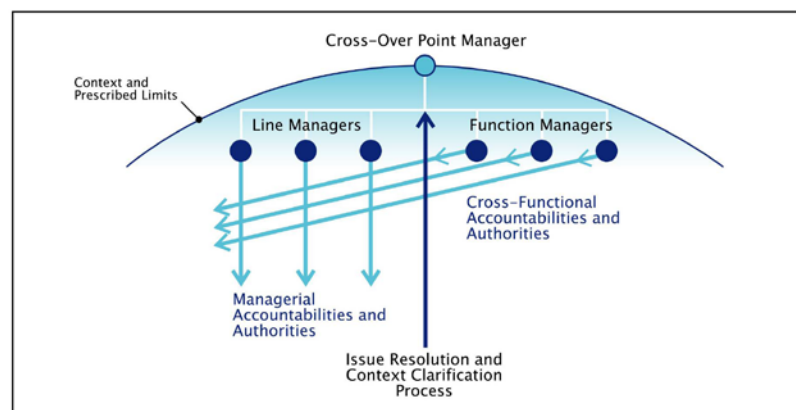
- Improve employee, supervisor, manager and manager once removed accountabilities and authorities
- Improve cross functional accountabilities and authorities
- Breaks down silos and has advantages over traditional matrix approach

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CROSS FUNCTIONAL ACCOUNTABILITY AND AUTHORITY FRAMEWORK



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16

BETTER ALIGNMENT OF PEOPLE

- Current matching and future requirements
- There are three key factors
- The first is skilled knowledge (knowledge, technical skill and social process skill)
- The second is application
- The third is information process capability

BETTER ALIGNMENT OF DELIVERABLES

- Vision, mission, values, strategic positioning, operational plan, resource plan
- Potential integration of strategic planning, business planning and performance management systems
- Creation of organization planning and review system
- Level of work is often below level of compensation

BETTER ALIGNMENT OF TASKS

- Get the right tasks done at the right levels
- Professionals spend about 50% of their time doing lower level tasks
- Potential annual cost savings are about \$10,950 per professional position
- As well, opportunity to improve employee satisfaction

HOW DO YOU IMPROVE ORGANIZATION DESIGN?

- There are generally two steps
- Assessment (use best organization design framework to assess what is, and determine what should be)
- Implementation (use best organization design framework and change management practices)

ASSESSMENT

- Start with initial discussion, proposal and contract
- This determines scope (all or part of organization)
- Gather information, including time span analysis
- This could include document review, literature search, employee information, interviews, questionnaire
- Prepare report (analysis, benchmarking and recommendations)
- Support meetings and decision making

IMPLEMENTATION

- Project scope, structure and process
- Project management and people change management
- Improve organization systems and practices
- Train and qualify an internal team
- Develop managerial capability
- Use a cascading, iterative approach
- Objective is sustainable improvement

OTHER TOPICS

- The Role of the Board
- Project Management
- Process Management
- Compensation

IMPROVING ORGANIZATION DESIGN: FUTURE OPPORTUNITIES

- Strategy – Organization Design Linkages
- Process – Organization Design Linkages
- Other Organization Design Situations
 - Contractors
 - Informal network
 - Outsourcing
 - Inter-organization
- Research
 - Define intervention
 - Measure outcome
 - Define / measure failure
 - Understand / improve sustainment

FOR FURTHER INFORMATION

- To contact Ron Capelle
 - rcapelle@capelleassociates.com
 - 416-236-3044 ext. 259
- To read reviews of Ron's Optimizing Organization Design book
 - www.amazon.com
- To obtain a free copy of the first chapter of the book (Why Organization Design Matters)
 - <http://www.capelleassociates.com/optimizing-organization-design/>
- To view Capelle Associates website
 - www.capelleassociates.com

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GO Global Organization Design Society

GO SOCIETY PURPOSE AND VALUES STATEMENT

To support the organizing of work in a responsible, fair and healthy manner in which people are led in a way that enables them to exercise their capabilities.

The Society believes this requires applying a systems framework* emerging from reflective inquiry in which levels of work and capability are the initial paradigm and growth in human awareness is the essential process.

The benefits are organizational effectiveness, fulfilled people and organizations designed for value-creation, sustainability and social well-being.

Note: inspired by the work of Wilfred Brown and Elliott Jaques

The *Global Organization Design Society* was founded in 2004 to establish and operate a worldwide association of business users, consultants, and academics interested in science-based management to improve organizational effectiveness.

The GO Society fulfills its purpose by:

- 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. The GO Society supports the learning and development of current and future practitioners by holding world conferences and professional development workshops, publishing books and a journal, and maintaining a resource-rich web site with related articles, monographs, books, videos, blogs, discussion groups, and surveys.

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GLOBAL ORGANIZATION DESIGN SOCIETY

32 Victor Avenue
Toronto, ON
Canada M4K 1A8
Phone: +1-317-644-0472
Email: info@GlobalRO.org
<http://GlobalRO.org>

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