



READINGS IN GLOBAL ORGANIZATION DESIGN

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REDESIGNING A GLOBAL ORGANIZATION TO DEAL WITH INCREASING COMPLEXITY: THE INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES

by George Weber and Dwight Mihalicz

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The second non-profit application relates to a recent case of a major requisitebased organizational redesign in a high-profile, global, not-for-profit humanitarian agency to demonstrate the universal applicability of these beneficial concepts. George Weber, one of the co-authors and Secretary General and CEO of the International Federation of Red Cross and Red Crescent Societies between 1992 and 2000 sponsored the project, and Dwight Mihalicz, also a co-author and project director, tell the successful redesign story.

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WRITING CONSULTANT

Forrest Christian

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Redesigning a Global Organization to Deal with Increasing Complexity: The International Federation of Red Cross and Red Crescent Societies

George Weber and Dwight Mihalicz

WHAT'S IMPORTANT

- A CEO describes the implementation of a stratum VI organization in a global system with 5,000 employees, 16 regional offices, 185 national societies with \$24 billion (CDN) in annual expenditures
- The CEO used RO to enhance the organization's fast response capability in disaster situations, the increasing complexity of its international operations, and the leadership capability of local areas.

We were trying to deal with crisis situations around the world, the consequences of armed conflicts and disasters, and, at the same time change the organization in very fundamental ways, while dealing with a multinational culture operating in four official languages.

—George Weber, Former Secretary General and CEO¹

The key drivers in the private sector, employee satisfaction, client satisfaction, and improved organizational effectiveness, are the same in the public and the not-for-profit sector. In the private sector, one can measure the bottom line in terms of increased profit, or return on investment. In the not-for-profit and public sectors, one looks at how effectively and efficiently the donor or tax payer dollars are being used.

In this article, we will present how organization design principles can be applied in a not-for-profit organization, and in particular one that is truly a global organization, an agency recognized around the world simply as the Red Cross.

Context

Despite the high profile enjoyed by the Red Cross,² its failure to execute a strong organization design was threatening its ability to deliver on its key mandate, helping the most vulnerable people of the world. I was appointed Secretary General and Chief Executive Officer of the International Federation of Red Cross and Red Crescent Societies (International Federation) in 1992.³ Based in Geneva, Switzerland, the International Federation is a global body that directs, coordinates, and links the activities of 185 (at press time) National Red Cross and Red Crescent Societies.

Today, as then, the International Federation is the largest international humanitarian organization in the world. It comprises a total of 97 million members and volunteers and 298,000 paid staff members that in turn provide service to 233 million people on an annual basis. With some \$24 billion (CDN) in annual expenditures, the International Federation operates directly and indirectly in nearly every country of the world.

1 George Weber is Former Secretary General and CEO, Dwight Mihalicz is Former Project Director: This article represents the views of the authors and does not reflect the official position of the International Federation of Red Cross and Red Crescent Societies.

2 For simplicity's sake we use the popular term "Red Cross" to refer to Red Cross and Red Crescent in all of its international and national components.

3 Although this is a co-authored article, as a matter of style we have used the first person of the CEO.

The purpose of the organization is to improve the situation of the most vulnerable people through the coordination of disaster relief and providing them with the capacity to cope. It operates in some of the toughest conditions around the world.

Beyond the need to have an organization that can move swiftly in its relief operations, the International Federation also has the responsibility for the development of National Red Cross and Red Crescent Societies. Through support and development, the intent is for National Societies to be self-sufficient in terms of domestic programs, to be able to deal with disasters of a local nature, and to have the capacity to be the first wave of response for cataclysmic disaster.

The International Federation also represents the collective interests of its member national societies in their dealings with other inter-governmental bodies and international organizations, such as the UN, and acts as a permanent body liaison amongst the National Societies. The International Federation is governed by a General Assembly that meets every two years. It is made up of the entire member national societies and observers (UN and other international organizations), some 800 people in the body, to which the Secretary General is held to account for the activities and operations of the International Federation.

When I took over as Secretary General in 1992, I inherited a Secretariat headquarters in Geneva, Switzerland, with 12 regional offices. The International Federation was assisting about 15 million people around the world, through its relief operations, and had 149 member national societies. During my mandate, from 1993 to 2000, the regional offices grew by about 30 percent. In addition, there were 50+ country offices around the world, a number that rose or fell on almost a monthly basis, dependent upon various major relief operations in any country around the world. I had some 5,000+ Secretariat employees of 92 different nationalities working around the world.

The organization was faced with increasing demand. The sheer number of people who had been displaced by natural calamities and political upheavals was escalating. The International Federation also had to turn its mind to the complexities of dealing with different types and increasing numbers of security issues. And as national societies were created and developed new capacities, they wanted different types of assistance to further evolve their capacity. For instance, the newly created National Societies had competent leaders in place who wanted their people trained instead of

bringing in foreign delegates to do the work. While this increased overall capability, it also increased the complexity of a disaster operation. There were also requests for the International Federation to provide more timely services and different types of services to the National Societies as they increased in strength.

On top of everything else, the call for more accountability and transparency was getting louder. As much of the funding was raised from governments, the Secretariat had to be accountable for reporting in their formats and to meet their standards. And having dealings with 30 different governments, each with its own systems, meant that the International Federation had to do customized reporting.

Despite these new and pressing needs, staffing at the Geneva headquarters wasn't keeping pace. The Geneva staff complement remained relatively constant during my term, while the delegation and locally hired staff fluctuated depending on the number and size of disaster relief operations under way.

In summary, this period of time was marked by increasing complexities, increasing demand, higher standards of accountability, and a budgetary requirement to meet these needs with the same or only slightly higher resources.

Need for an Organization Assessment Review

Prior to my arrival, there had been a one-year period without a Secretary General and the organization had drifted somewhat. The role had 16 direct reports, at different levels, and functional alignment was not ideal. And as a new CEO, I needed to travel six to seven months a year in order to energize the organization on realizing its potential, to get the national societies and donors to cooperate with the Secretariat, and to deal with the governments.

The Secretariat had greater volumes of information requiring specialization, and the environment was increasingly competitive, because more humanitarian organizations were developing international programming.

There was a desire to maximize effectiveness within available resources. There was money for direct assistance and operations, but not a lot more money to deal with core infrastructure. There was a need to expand services, enhance competencies, and to handle a larger and more difficult workload, but with nearly similar resources.

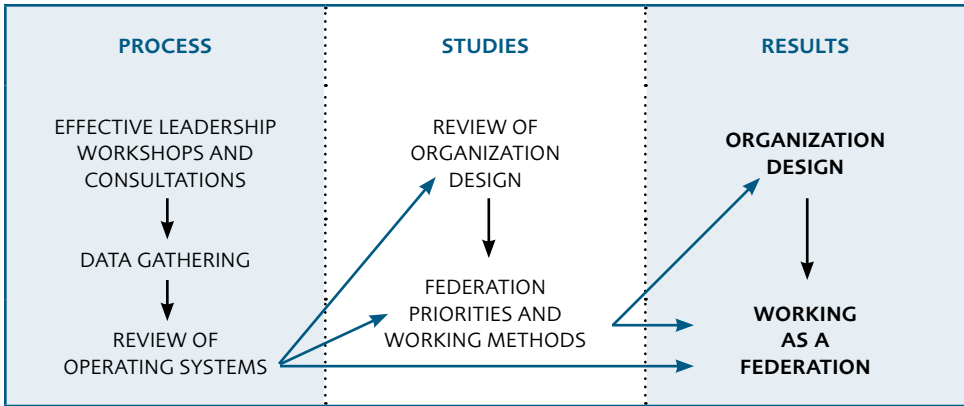


FIGURE 3.5.1: INTERNATIONAL FEDERATION CHANGE MAP

Method

Figure 3.5.1 shows a map of the method used.

Column 1 shows the three streams of work I launched early in my tenure. This work was carried out in my first year to create a climate ready for change. One of my first steps was to put in place workshops and training for managers to help them be more effective in their roles, and to establish ongoing development for the high potential employees.

In parallel, I launched significant data-gathering processes, workshops, SWOT (strength/weakness/opportunity/threat) analysis exercises, and we consulted with national societies. In early 1994, I set up a project team under the leadership of Dwight Mihalicz (article co-author) to review the operating systems based on all the feedback. This resulted in sets of recommendations for improvement in 12 major areas.

The results of these three streams of work became input, as shown in Figure 3.5.1, to the next steps in the change process, labeled as studies. Column 2 shows this work.

For the review of the organization design, we engaged Capelle Associates for its specialized expertise in organization design assessment and implementation. The Capelle Associates approach, based in large part on Elliott Jaques’s Requisite Organization concepts, included a complete assessment of the organization design. The internal project team supported the process. Capelle Associates did the following:

- Conducted a literature review to identify best practices;
- Reviewed strategic or other internal documents;
- Interviewed every manager, both in Geneva and the field, to collect time span information and gather information on their roles and those of their direct reports; and
- Conducted a task analysis in terms of how did people do their work to help us understand how to better align work to roles.

The time span information was used to help understand the current number of levels in the organization, and to identify the gaps and compression between managers and their direct reports.

This resulted in a comprehensive report on the organization design changes required for a properly stratified organization and the recommendations for change.

In a parallel stream, an internal task force worked on International Federation Secretariat priorities and working methods. Even though there was a strategic plan that had been approved by governance, the organization was not aligned in terms of execution. This group also provided a series of recommendations.

We set up five task forces to help implement the recommendations. This led to a new organizational design, and a new working concept of “Working as a Federation.” Fundamental to the change vision was a desire to do less with internal Secretariat resources and engage, borrow, and use more National Society capacity to do some of the work, so that the Secretariat could better cope with its mandate.

Findings

Although there were dozens of recommendations coming out of the various streams of work, the findings can be summarized in four areas.

1. The first and most significant finding is that there wasn’t enough management depth to deal with the global complexities facing the organization. The Secretariat needed greater management depth, both in terms of capability and in terms of specialization. The organization design of the Secretariat was not appropriate to handle the complexities and challenges facing it. A key recommendation was to add another layer of management, to change the International Federation from a stratum V to a stratum VI organization

2. Second, systems and procedures needed improvement, both in Geneva and worldwide, together with improvements to the linkages between Geneva and the field.

3. Third, the Secretariat needed a better balance between relief functions and development functions. It is easier to raise money for relief operations than it is to get money for developing institutional capacity. However, by developing local institutional capacity, there is a better ability to cope with local disaster situations, when one only has to send in one or two foreign workers to assist a local capacity, as opposed to a whole team. In cases of larger disasters, the increased capacity means that the first wave of the relief operation in the hours after the disaster can be handled locally, while the resources of the International Federation are being marshaled.

4. Finally, the planning system needed refinement.

Results

Capelle Associates recommended that the Secretariat restructure as a stratum VI organization to deal with the complexity that it faced as a global organization. The plan included placing the Secretary General role at VI, with four subordinate stratum V roles, thereby reducing the Secretary General's span of control from 16 to 9 direct reports. The Constitution, i.e., the Statutes of the Federation required that the executive council (i.e., the board) approve the general outline of the Secretariat. An overview of the new organization design, including the addition of the two new Under Secretary General roles was presented and approved for implementation.

The reorganization created two core units of the Secretariat. The first was Disaster Response and Operations Coordination (DROC), accountable for both disaster response and operations coordination. The second was National Society Cooperation and Development (NSCD), accountable for relations with national societies and for spearheading the concept of "Working as a Federation." The two other approved Under Secretary General roles (Finance and Administration and Communications and Policy Coordination) are not included in this figure.

There were two aspects to the increased complexity. One was in terms of addressing the organization's ability to move swiftly in employing its relief operations. Yet, it was also clear that if the organization were to grow, it had to ensure that people put more emphasis on the longer term. This included the development of capacities

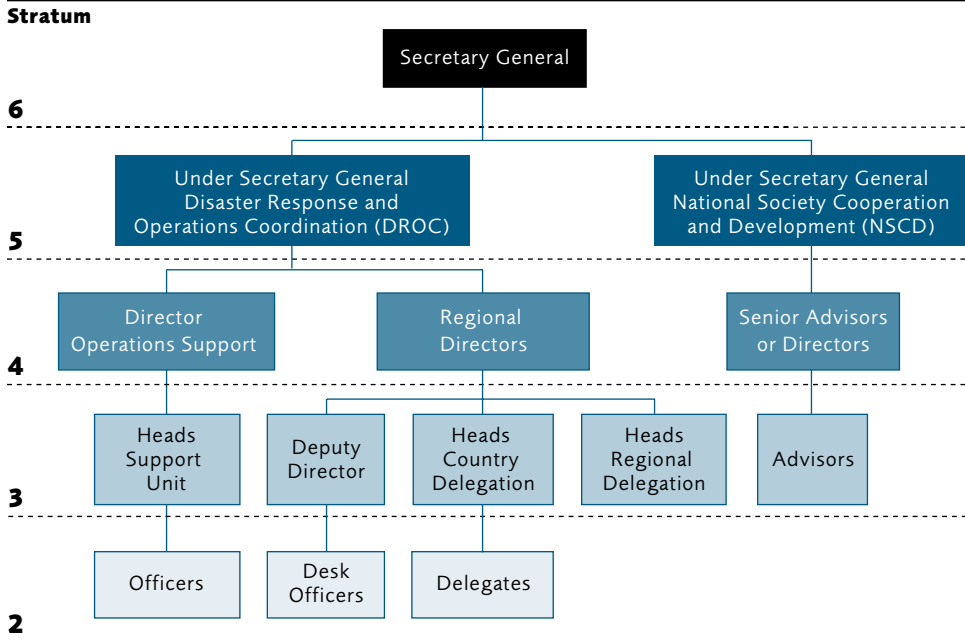


FIGURE 3.5.2: ORGANIZATION DESIGN OF INTERNATIONAL FEDERATION CORE AREAS

locally within the institutional capacity and building the relationships that would be necessary with donors.

It was important to have a better balance between the short-term orientation, which as a disaster response organization was the operating culture of the host, and the need for longer-term strategies and activities for the development of the International Federation.

We also created deputy director positions in larger regional departments. We created five regional departments, with a regional director and some desk officers similar to the situation in a foreign ministry. They were accountable for the delegations and the national societies in their region. This made it possible to clarify the accountabilities between the field and Geneva. The heads of regional and country delegations were to be the direct reports to the directors of the regional departments. In some cases, the heads of regional and country delegations did not know who, in fact, they were reporting to, at many times, because the Desk Officer was the main contact. That situation was resolved and the compression in this area was removed.

The three roles of deputy director, head of country delegation, and head of regional delegation were direct reports of the stratum IV regional director role. This greatly clarified the accountabilities of the field-based roles, who could be confused about the relationship between their role, the desk officer in Geneva, the functional specialist in Geneva and the functional specialist in the region. The deputy director and the two head roles were given clear managerial accountability, and the regional director was made accountable for the integration and setting the context for the cross-functional relations.

A process was then put in place to clarify cross-functional accountabilities and authorities. Many of the delegates, as part of the regional or country delegations, were specialist delegates. This required a relationship back to the specialist departments in Geneva. So, at times, they were taking instructions from and listening more to the Geneva specialist people rather than their country delegation manager. The clarification of managerial accountability and authority as well as cross-functional accountability and the authority system resulted in a clearer direction and better understanding of relationships, as opposed to everybody doing their own thing.

We also put in place a new business planning and review process. Each manager was accountable for developing a business plan. The process started with the Secretary General and his operational plan for the Secretariat (which was linked to the Federation's strategic plan), and cascaded down through the organization so that each plan was a subset of that person's manager's plan. This clarified the key accountabilities of each person, which would help to achieve the strategic plan of the organization. It also reinforced the managerial and cross-functional accountabilities and authorities.

Change Process

There were three parallel processes used in order to implement the change:

1. Implementation of the new organization design;
2. Establishment of International Federation priorities and working processes;
and
3. Improvements to operating systems.

It was unusual to do this work in a parallel way. Traditionally, the priorities work is completed before the organization design work is started, because of the implications

for strategy. However, this turned out to be one of the real strengths of the project. By setting up close communications between the two project teams, and planned iterations between them, both pieces of work had even better results than might be expected in the more traditional approach. It was also possible to move ahead more quickly. This was achieved by setting up a strong internal project team led by co-author Dwight Mihalicz, project team director. Mihalicz and his team provided support to each of the processes to assure the necessary iterations were carried out, and then supported the managers accountable for the implementation of the changes.

There was extensive communication. Bulletins were issued on nearly a weekly basis. These were supplemented with e-mails and staff meetings, both in departments and total group meetings. There was continuous communication over an 18-month to 2-year period.

Through the extensive use of task forces, project director Mihalicz was accountable for keeping the project on track. Implementation was then the accountability of line management with support from the project team. The complete implementation process took two years. The Executive Management Group continued to monitor and handle implementation once the internal project team had finished its work.

Lessons Learned

In terms of lessons learned, it was important that the Secretariat had external consulting support to bring necessary expertise, objective judgment, and analysis to the undertaking. This was especially important for the transfer of knowledge and skills in organizational design and taking work out of the system through process mapping and task analysis. While obtaining methodology from outside was important, it was also important that the internal project team and the external support worked very closely together.

In an international organization, fundamental change to an operating culture is difficult. It takes at least five to eight years to change an operating culture. A multinational culture can be more difficult to change, because people from all over the world with different levels of understanding of management systems are trying to work together for change.

It was important to constantly re-energize the process. This was challenging, as it was important to maintain operations at the same time. As a consequence, change

of this nature, in an organization of this type, takes much longer than would normally be the case,

Employees attracted to an organization such as the International Federation tend to have a value set oriented towards assisting people and making a lasting change in the world. When that is a person's orientation, it is hard to get them to focus on process improvements. Communication and initiatives need to be persistent and compelling to help people see the big picture and to help them understand that investment of energy now can enhance effectiveness later. Helping employees understand the benefit of this trade-off was essential to success.

One of the key elements was getting the accountabilities right with respect to Geneva and the field. This was important for the managerial accountabilities and authorities, which were established in the restructuring. What was even more important, and more difficult, was getting the cross-functional accountabilities and authorities right. This was an ongoing process that needed continuous reinforcement.

Another lesson learned was the importance of moving quickly to fill key positions. There was a delay in filling one key position, which caused some issues with some of the key checks and balances within the Geneva Secretariat.

The change process was without question a success. In 1992, the International Federation had been handling some \$410 million (CDN) annually in appeals. This money would be used, for example, to assist a country's population to cope after a natural disaster, or to help it reinforce its infrastructure to deal with the effects of an armed conflict situation, such as refugee movement or internally displaced persons. By early 2000, appeals had grown by 54 percent, to \$631 million (CDN) in relief operations, but the number of beneficiaries assisted had doubled. And there were an additional 27 national Red Cross / Red Crescent Societies, about an 18 percent increase.

Summary

- The International Federation was able to help more people. The number of beneficiaries doubled while quality of service also improved.
- The donors supporting the International Federation increased their financial donations and provided more people and materials to achieve International Federation objectives.

- National Societies were able to do more work. This is critical, because it's the local people, at the community level, responding in the first hours of a disaster that make the biggest difference. The capacity of the national societies to handle a threshold of numbers of people affected by various situations increased by at least 50 percent. Because of this increased sustainability, the International Federation was able to increase the overall range and scope of its activities.
- Internal staff surveys showed that employees were positive about what had happened in terms of this change process, the reorganization, and new organization design.

After two years, we brought Capelle Associates back to Geneva to assess the progress we had made against the changes recommended. Significant progress had been made, including the following:

- Change had occurred.
- There was the beginning of an attitude shift that change is necessary.
- There had been good staff involvement in the change process.
- There had been good communication to staff about the change process (updates and other communication forms).
- There was a clearer Secretariat direction, including “Working as a Federation.”
- A new organization structure had been implemented.
- There was greater clarity about accountability lines (“who reports to whom”).

The review also helped us reinvigorate the change process, by helping us understand where we needed to increase our efforts in order to institutionalize the changes.

The bottom line is that the Secretariat was able to meet all of the expectations placed upon it under very trying circumstances. These results were only possible because an aggressive change plan was developed, implemented, and reinforced over a period of time. Obtaining external expertise and transferring it internally was essential. As a result, the International Federation was able to do more with its scarce resources. Not only was it able to make a greater difference in people's lives, the employee's felt better about themselves and their work. In total the International Federation improved at carrying out its fundamental mandate, to improve the situation of the most vulnerable people in the world.

ABOUT THE AUTHORS

Dwight Mihalicz was the internal project director for the assessment and implementation process described in this chapter. He currently consults for, and is senior vice president of Capelle Associates Inc. He has held senior management positions in national and international organizations, where he has been involved in the leadership and strategic planning for large-scale, complex projects, such as global re-design and start-up operations. He has extensive experience in project and change management processes with large organizations.

Mihalicz completed his MBA at the University of Ottawa and is a certified management consultant (CMC). He is the author of several publications, and director of the board of UNICEF Canada, where he has held several volunteer positions including chairperson of the board.

George Weber is Secretary General Emeritus of the International Federation of Red Cross and Red Crescent Societies (one of the largest humanitarian organizations in the world), a distinction he received following seven years as its chief executive officer. Prior to that, he was the Secretary General and CEO of the Canadian Red Cross Society.

Weber is currently CEO of the Canadian Dental Association, a professional membership organization and chairs one of the five major international committees of the FDI World Dental Federation.

In addition to his current responsibilities, he continues to serve on several boards. He attended McGill University in Montreal, Canada, and the Graduate School of Business Administration at Harvard University in Boston, Mass. and is trilingual, speaking English, French, and Spanish.



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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

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GLOBAL ORGANIZATION DESIGN SOCIETY

32 Victor Avenue
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Phone: +1 317 644 0472
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