

Introduction

Although every company is different, and there is no set formula for determining the appropriate design for your organization, we have identified 10 guiding principles that apply to every company. These have been developed through years of research and practice at PwC and Strategy, using changes in organization design to improve performance in more than 400 companies across industries and geographies. These fundamental principles point the way for leaders whose strategies require a different kind of organization than the one they have today.

Source: <https://www.strategy-business.com/article/00318?gko=-c7329>

1. Declare amnesty for the past.

Organization design should start with corporate self-reflection: What is your sense of purpose? How will you make a difference for your clients, employees, and investors? What will set you apart from others, now and in the future? What differentiating capabilities will allow you to deliver your value proposition over the next two to five years?

2. Design with “DNA.”

Organization design can seem unnecessarily complex; the right framework, however, can help you decode and prioritize the necessary elements. We have identified eight universal building blocks that are relevant to any company, regardless of industry, geography, or business model. These building blocks will be the elements you put together for your design

3. Fix the structure last, not first.

Company leaders know that their current org chart doesn't necessarily capture the way things get done — it's at best a vague approximation. Yet they still may fall into a common trap: thinking that changing their organization's structure will address their business's problems.

4. Make the most of top talent.

Talent is a critical but often overlooked factor when it comes to org design. You might assume that the personalities and capabilities of existing executive team members won't affect the design much. But in reality, you need to design positions to make the most of the strengths of the people who will occupy them. In other words, consider the technical skills and managerial acumen of key people, and make sure those leaders are equipped to foster the collaboration and empowerment needed from people below them..

5. Focus on what you can control.

6. Promote accountability.

Design your organization so that it's easy for people to be accountable for their part of the work without being micromanaged. Make sure that decision rights are clear and that information flows rapidly and clearly from the executive committee to business units, functions, and departments. Our research underscores the importance of this factor: We analyzed dozens of companies with strong execution and found that among the formal building blocks, information and decision rights had the strongest effect on improving the execution of strategy. They are about twice as powerful as an organization's structure or its motivators.

7. Benchmark sparingly, if at all.

One common misstep is looking for best practices. In theory, it can be helpful to track what competitors are doing, if only to help you optimize your own design or uncover issues requiring attention. But in practice, this approach has a couple of problems.

8. Let the “lines & boxes” fit company purpose

For every company, there is an optimal pattern of hierarchical relationship — a golden mean. It isn't the same for every company; it should reflect the strategy you have chosen, and it should support the critical capabilities that distinguish your company. That means that the right structure for one company will not be the same as the right structure for another, even if they're in the same industry.

9. Accentuate the informal.

Formal elements like structure and information are attractive to companies because they're tangible. They can be easily defined and measured. But they're only half the story. Many companies reassign decision rights, rework the org chart, or set up knowledge-sharing systems — yet don't see the results they expect.

10. Build on your strengths.

Overhauling the organization is one of the hardest things for a chief executive or division leader to do. But there are always strengths to build on in existing practices and in the culture.

Make a list of the things that hold your organization back: the scarcities (things you consistently find in short supply) and constraints (things that consistently slow you down). Taking stock of real-world limitations helps ensure that you can execute and sustain the new organization design.

10 Principles



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