



Transformational Organizational Design: Appealing to Successive Generations of Workers

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Organizational design is among the competitively differentiable variables. Companies enjoy a material degree of latitude in such designs. Potentially gratifying options are abundant. One of the prevalent organizational design issues is the disparity between generational norms of senior management and their subordinates, particularly entry-level new hires. This phenomenon rightly affects choices aimed at sustaining corporate momentum. Wise leaders adjust their modus operandi to avoid a generation gap trap. Organizational designs must appeal to the best and brightest of succeeding generations. This tactic bodes better than demanding that new hires accede to legacy norms. The omnipresent reason is that new hires have choices. Accordingly, this effort endeavors to examine organizational design from the perspective of Generation Y employees. Juxtaposed against strategy, the categories parsed are: process, people, and tools.

A recent mentoring episode was the genesis for this article. A junior professional asked for assistance in evaluating a bevy of enticing career options among highly reputable employers. The facilitation method chosen was a criteria-based matrix.¹ A criteria-based matrix is intended to displace subjectivity with objectivity. The process is further described:

- First, identify evaluation criteria.
- Afterward, each evaluation criterion is weighted on a scale of 1-10, one being the lowest weighting and 10 being the highest weighting.
- Next, individual offers are rated by each evaluation criterion. A low rating corresponds numerically to one, a medium rating corresponds to five, and a high rating corresponds to nine.
- Then, for each option's evaluation criterion, the weighting factor is multiplied by the rating factor to create an evaluation criterion product, or score.
- Subsequently, the criteria products are summed for each option to determine an option total score.
- Finally, a "winner" is identified by the option with the highest total score.

Figure 1 below demonstrates the tool.

| Options | Compen-sation | | Corporate Culture | | Type of Work | | Challenge | | Autonomy | | Visibility | | 7th Criterion | | Work-Life Balance | | T o t a l |
|-------------|-----------------------------|-----------------------|-----------------------------|-----------------------|-----------------------------|-----------------------|-----------------------------|-----------------------|-----------------------------|-----------------------|-----------------------------|-----------------------|-----------------------------|-----------------------|-----------------------------|-----------------------|-----------------------|
| | Weighting | 7 | Weighting | 10 | Weighting | 9 | Weighting | 8 | Weighting | 8 | Weighting | 8 | Weighting | | Weighting | 10 | |
| | Rating: L=1, M=5, H=9 | S c o r e | Rating: L=1, M=5, H=9 | S c o r e | Rating: L=1, M=5, H=9 | S c o r e | Rating: L=1, M=5, H=9 | S c o r e | Rating: L=1, M=5, H=9 | S c o r e | Rating: L=1, M=5, H=9 | S c o r e | Rating: L=1, M=5, H=9 | S c o r e | Rating: L=1, M=5, H=9 | S c o r e | |
| Alpha Offer | 9 | 63 | 5 | 50 | 5 | 45 | 5 | 40 | 1 | 8 | 1 | 8 | | 0 | 1 | 10 | 269 |
| Beta Offer | 9 | 63 | 1 | 10 | 5 | 45 | 5 | 40 | 5 | 40 | 5 | 40 | | 0 | 1 | 10 | 293 |
| Gamma Offer | 9 | 63 | 1 | 10 | 5 | 45 | 5 | 40 | 1 | 8 | 1 | 8 | | 0 | 1 | 10 | 229 |
| Delta Offer | 5 | 35 | 9 | 90 | 5 | 45 | 9 | 72 | 9 | 72 | 9 | 72 | | 0 | 9 | 90 | 557 |

Figure 1

The exercise revealed that the most lucrative compensation packages lost! The mentee was persuaded by what the firm does, how they do it, and the culture of colleagues doing it, i.e., the chosen firm’s organizational design eclipsed economic rewards. Figure 2 depicts a model of the mentee’s thought process. From the mentee’s perspective, the “winning” option rested within the converging subset of processes, people, and tools (the triangle in the dead center of the figure whose arced sides are red, green, and black).

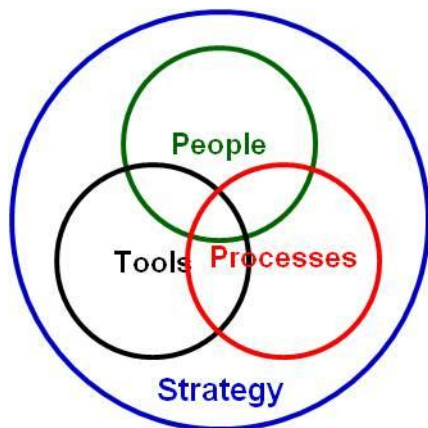


Figure 2

The mentee’s behavior mimicked the economic irrationality of decision making, a refutation of the economic self-interest rationality model.² Moreover, the experience substantiated Herzberg’s hygienic and motivating factors, as well as embodied the fulfillment and self-actualization criteria of Maslow’s hierarchy.³ Interestingly, the mentor in this exercise is a baby boomer and the mentee is a Gen Y-er. Even more interesting is that the Gen Y-er was less surprised by the outcome than was the baby boomer.

Sustainable strategy relies in part on an articulating function of processes, people, and tools. For baby boomers running organizations, generational descriptors are material motivational variables. Twenty-first century organizational design must be capable of capitalizing on the intellectual property of employees to foster enduring competitive advantage for the organization, its leaders, and its followers.⁴

Strategy

Strategy is not the central focus of this article; however, it is the appropriate point of juxtaposition for effective organizational design.

All businesses are experiencing the following changes in their environment: (i) the globalization of customers, (ii) the preference of customers for partnerships or relationships, (iii) the customers' desire for solutions, (iv) the rise of electronic commerce, and (v) the steady increase in the power of the buyer.⁵

In response, "the primary [leadership] responsibility . . . is to determine an organization's goals, strategy, and design, therein adapting the organization to a changing environment."⁶

Strategy entails "positioning a business to maximize the value of the capabilities that distinguish it from its competitors."⁷ The "correct" strategic answer for a business addresses the basic question, "What are we going to do?" Competing in an increasingly boundaryless [*sic*] environment demands that strategy must encompass the issues of speed, flexibility, integration and innovation.⁸ Strategic execution must be congruent with purpose, vision, and values. Purpose and mission statements afford similar utility. Here, purpose is more compatible with the tenor of the article:

[Purpose] statements are enduring statements of [intention] that distinguish one business from other similar firms. A [purpose] statement identifies the scope of a firm's operations in product and market terms. It addresses the basic question that faces all strategists: "What is our business?" A clear [purpose] statement describes the values and priorities of an organization.⁹

Vision statements cover three crisp points: (i) guidance, (ii) options, and (iii) motivation.¹⁰ Values impart "enduring beliefs that a specific mode of conduct or end state of existence is personally or socially preferable to an opposite or converse mode of conduct or end state of existence."¹¹

Strategic thinking aligns with purpose, vision, and values. Strategic thinking is the "cognitive processes required for the collection, interpretation, generation, and evaluation of information and ideas that shape an organization's sustainable competitive advantage."¹² Diverse input and inclusion are best practices in pursuit of strategic thinking.¹³ Moreover, this practical pursuit reconciles with Gen Y DNA. To wit, inclusiveness improves dispersion of specific knowledge and facilitates change management.¹⁴ Employee inclusion fosters collaboration, teamwork, and personal development.¹⁵

According to Ivancevich, "A firm's strategy must be aligned with employees' competencies and performance if profitability, growth, effectiveness, and valuation are to be achieved."¹⁶ Ten suggestions outline effective employee development: (i) test for ability, focus, and ambition; (ii) stress futuristic skills; (iii) top-grade the ranks; (iv) deliberately assign challenging assignments; (v) place aspirants in demanding roles; (vi) individualize development plans; (vii) annually assess the talent pool; (viii) leverage compensation; (ix) hold talent town halls; and (x) personalize and reconcile individual career paths with the strategic vision.¹⁷

Ratcliff says that “Organizations are essentially networks of personal interconnections . . . [that] become a key component of strategic planning.”¹⁸ For entry level Gen Y-ers commencing careers, strategy is evaluated through a social consciousness prism.¹⁹ Gen Y-ers recognize the vast amount of time that will be consumed by work, and, consequently, want to know that their endeavors matter in relation to their values.

Processes

Processes define and determine how the company executes strategy. “Processes can directly alter patterns of activity, behavior, and performance.”²⁰ According to Hoffman, “The role of design allows operational overlays. Within organizational knowledge markets, workers have networks among other knowledge markets that facilitate free exchange of information and collaboration among professionals.”²¹ Effective designs “impact . . . individuals, group relationships, and the political dynamics of the organization.”²² Consequently, business model processes are an integral part of organizational design, i.e., “the unique ways in which each organization structures its work.”²³ Both processes and structure are part of Galbraith’s star model of organizational design.²⁴

Process configuration within the business model should accentuate company core competencies. Core competencies tend to be retained in the business model, whereas those functions not so designated are candidates for outsourcing.²⁵ Outsourcing accomplishes two primary objectives. First, outsourcing provides the opportunity to tap into vendors’ core competencies. Not only does this shore up a firm’s weaknesses, but it also achieves strength through synergistic collaboration. Second, outsourcing enables the company to keep headcount lean and remain within the optimum size of the organizational headcount.²⁶

Another perspective on processes is direct and indirect impact on the outcome.²⁷ Whether retained or outsourced, processes must be evaluated for their contribution to enterprise value. This may entail eliminating processes or changing them to yield better results. The overwhelming percentage of business model process steps contributes no enterprise value.²⁸ Only value-adding and value-enabling process steps should survive scrutiny for retention within the business model.²⁹ Capacity and scalability are enhanced via eliminating non-value added steps.

Outsourcing processes crosses the threshold of virtual blueprint, thus making the business model a hybrid design. Technology is a potent enabler of hybrid designs. Indeed, dynamic information flow can be the mortar that holds the design bricks together in the most efficient configuration.³⁰ A hybrid business model that keeps its vital core competency functions and outsources its perfunctory ones is an alternative means of enabling the firm to remain smaller and nimbler around the important processes while amplifying bandwidth for accretive customer interaction.³¹

Not only do processes constitute how products are delivered to customers, but processes also describe how teams coordinate activities within the organizational structure. Good processes promulgate the competitive advantage of speed.³² In toto, process patterns pursue homeostasis to define economies of scope for functions supporting many internal and external customers. Moreover, the same holds true for economies of scale for specialized functions. The aggregated

processes require some type of supervisory structure to achieve a threshold of governance.³³ The supervisory structure influences the three types of human relationships: (i) cooperation, (ii) control, and (iii) autonomy.³⁴ The tenor of these relationships is depicted in organizational charts.

Overly complex structures collapse beneath the weight of vague and ambiguous responsibilities.³⁵ Cooperative organizational designs tend to be deceptively flat.³⁶ Professionals within these structures have indistinctly defined roles, i.e., they have great latitude in doing whatever they think necessary to get the job done. Cultures of these units may be ad-hoc or clannish.³⁷ General consulting may fit this description. A controlled environment is traditionally bureaucratic.³⁸ Machinations, timing, and outcomes are predictable. These cultures may be observed as hierarchical.³⁹ A traditional, tenured factory floor may be indicative of this configuration. Autonomous structures are characteristically flat.⁴⁰ The teams within these autonomous units align to accomplish the objective, but otherwise are isolated from the rest of the organization. These teams may model clannish, ad-hoc, or market-focused cultures.⁴¹ A creative “skunk works” unit within a larger organization is such an example.

Gen Y-ers are more likely to gravitate toward cooperative scenarios, and least likely to aspire to controlling ones. Gen Y-ers may find fulfillment in autonomous scenarios, provided it comes with people interaction. The degree of open systems architecture is likely alluring to Gen Y-ers. “An open system is one that interacts with its environment: it draws input from external sources and transforms it into some form of output.”⁴²

Several structures are available for accommodating the business model processes. A functional structure hierarchically clusters similar specialties, e.g., engineers.⁴³ Divisional structures are commonly rationalized by organizational outputs, e.g., product line.⁴⁴ Divisions are largely autonomous, although they may reside in a much larger corporate family. Geographical structures are influenced by homogeneity of customers, e.g., the U.S. subsidiary of a German precision manufacturer.⁴⁵ Horizontal, or linear, structures are driven by core processes, e.g., manufacturing and assembly.⁴⁶ Whereas companies may achieve at least a partially virtual configuration through outsourcing, some business models are entirely virtual. Such business models may function as a sales organization in a host country while farming out production to another continent whose suppliers drop-ship to end customers.⁴⁷ Matrix structures are a final option. However, they may be tough on employees as they have at least two bosses, e.g., line and function.⁴⁸ The hazards of serving two masters is Biblically codified.⁴⁹

People

People execute the strategy, i.e., “the unique ways in which each organization . . . motivates its people to achieve clearly articulated strategic objectives.”⁵⁰ Wise organizational design positions the right people, with the right skills, in the right positions, at the right time, with the right information, and the right incentives aligned with the desired outcomes.⁵¹ The workforce is increasing diverse—more female and less Anglo.⁵² Keen leaders recognize this as an opportunity for refining a global market strategy. Accordingly, the organizational design must attract diverse contribution to realize these synergies. These employees may include high potential professionals, i.e., those likely to succeed in more challenging future roles.⁵³

Strategic initiatives stall or go astray because responsibilities are fragmented or unclear. Turf wars torpedo collaboration and knowledge sharing. Promising opportunities may flounder for lack of managerial attention.⁵⁴ Another possibility explains failure or stagnation: employees are not challenged to improve the business model. Those closest to the granular aspects of process are the subject matter experts for potential workflow improvement. Employees may be sitting on a trove of competitive improvements and only await empowerment and facilitation to implement them.⁵⁵

Provided the strategy is viable, the challenge for leaders is an organizational design that includes appealing career paths to Gen Y-ers. Job descriptions memorialize employees' roles and responsibilities; however, leaders must be cautious to avoid excessive restrictions to preclude warding off talented candidates. Challenging and varied stretch assignments conducive to skill development and personal growth are advisable. This enables the employee to be part of several different tribal networks for several different functions.

Most organizations rely on a fairly conservative selection process that focuses on narrow abilities and gives short shrift to broader or unusual potential, excluding some of the most promising candidates. . . . The real challenge may not be so much identifying talent as getting serious about seeking it. Most employers worry far more about the devastating effects of making a bad hire than about selecting someone who is competent but not exceptional—good, not great.⁵⁶

Organizational design should “focus on the social, cultural, and political aspects of design to make it sustainable.”⁵⁷ Deft performance management may contribute to this objective. Performance management is “the process by which executives, managers, and supervisors work to align employee performance with the firm’s [strategic] goals.”⁵⁸ Motivating people is complicated. Herzberg’s hygienic factors include compensation. These factors are de-motivating by their absence; however, their motivational potential is asymptotic. Herzberg’s motivational factors include those things most appealing to Gen Y-ers: achievement, recognition, nature of the assignments, responsibility, advancement, and personal growth.⁵⁹

Leaders responsible for Gen Y-ers should avoid five specific mistakes.⁶⁰ First, do not take Gen Y-er engagement for granted. Playing to strengths is highly correlated with engagement.⁶¹ Second, avoid prognostications based on past successes. Third, pour on the development training. Find the strengths of high potential employees and relentlessly cultivate those attributes.⁶² Fourth, place the high potential employees in realistic, challenging scenarios. Do not confuse policies with commandments. Exceptions can be made for aspiring leaders.⁶³ Fifth, do not assume that the high potentials will “take one for the team.” Indeed, Gen Y-ers are most likely the antithesis of the organizational man or woman.⁶⁴ Finally, embrace transparency for objectives and methods. Talent development is a continual process that keeps the Peter Principle at bay.⁶⁵ Effective leaders share talent development responsibilities.⁶⁶

Relative to the structure of the firm and the professionals comprising that structure, team culture must be indefatigably forged. The odyssey will likely pass through the forming, storming, norming [*sic*] and performing stages of development.⁶⁷ Decision making through this journey may be improved according to the following recipe: “(i) prioritize the decisions that must be

made; (ii) examine the factors involved in each; (iii) design roles, processes, systems, and behavior to improve decisions; and (iv) institutionalize the new approach through training, refined data analysis, and outcome assessment.”⁶⁸ Double-loop learning also behooves the routine.⁶⁹

Tools

Tools are the instruments that affect how the people prosecute the processes of strategy. With the advent of the industrial revolution, the tools of manual labor yielded to the efficiencies of automation. Scientific management became a byproduct of the industrial revolution.⁷⁰ While productivity surged, the isolation and discontentment of workers increased. As substantiated by the Hawthorne Studies, people are social creatures who enjoy commingling camaraderie with work.⁷¹ The information revolution enables this preference.⁷² Whereas George Orwell’s *1984* Big Brother depiction of technology once petrified people, high tech tools are now embraced for their corporate and personal utility. Technology with “service oriented architecture . . . designs and deploys software that supports business . . . activity.”⁷³ Three criteria should guide technology evaluation: (i) business model criticality, (ii) the performance—or lack thereof—of present systems, and (iii) the predictability of its cost to value.⁷⁴ More interestingly, however, these efficiencies may cohabitate with flexible lifestyle choices to alter when the work is actually performed.⁷⁵ In deference to Gen Y-ers, for example, employers increasingly indulge environmentally conscientious employees who eschew the traditional commute from suburbia to metropolis to reduce their carbon footprint. E-mail, telecommunication, instant messaging, and video tools like Skype enable sufficient connection in this virtual design. Consequently, dexterous firms are capable of reinventing themselves toward competitive advantage. Moreover, these firms reset Handy’s sigmoid curve while enhancing contentment of their employees.⁷⁶ A windfall from this design might be expense reduction. To wit, an ad agency with virtual employees and processes may contend with less office space.

Incentives loom large among within the leader’s toolbox. Appropriate awards are part of viable performance management. Managers should beware, however, the ghost of scientific management, whose rote tasks are part of an “if/then” reward system. By contrast, a “now, that” alternative is more aligned with the creative knowledge worker—especially when creativity is part of the desired outcome.⁷⁷ Employees cannot be predictably creative on demand during a 9-5 routine. Inspiration may occur at 2:00 a.m. Sunday morning for a person who attended a contemporary church service Saturday evening.

Balanced scorecards are especially relevant to contemporary designs.⁷⁸ First, consider a possible Gen Y-er’s perspective on the balanced scorecard categories: finance, customer, process, and learning and growth. The financial metrics entail the ability to make profits in order to survive. However, the other three categories make the quest more personal. Gen Y-ers are more likely to respond to the type of customer served and the purpose for the service. For example, selling tobacco products is more likely dodged in favor of something akin to rehabilitation prosthetics for veterans. Returning to process, the Gen Y-er is more likely to at least want knowledge of the supply chain—if not immersion within it—out of sense of connectedness. Finally, the ability to enhance skills for marketability and personal fulfillment means that leaders must be keen to

training and development, as well as variety of accretive projects to keep their Gen Y-ers engaged.

Perhaps an underappreciated tool for palpating the firm pulse is the employee survey.⁷⁹ Most employee surveys tend to be bulky. In deference to the shorter Gen Y-er attention span, perhaps a corollary to the net provider score survey has merit.⁸⁰ The only statistically valid customer survey question is a variation of “Would you recommend Brand X to your friends and family?” The reason the question is so potent is that it requires the respondent to invest personal capital in the answer. Could an employee survey constructed in this manner be comparatively useful, e.g., “Would you recommend this company as career fulfilling to your friends and family?” Two follow-up questions may be further enlightening: (1) If not, why not? (2) If so, why so? The freeform follow-up questions may consume more time to analyze than a Likert scale. However, the responses afford leaders a trove of content for connecting with their Gen Y-ers.

A final tool relevant to futuristic organizational design is the style of leadership. Traditional options are an unlikely fit. By contrast, servant, transformational, open source, strength-based, meta, and distributive styles appeal more to Gen Y-ers.⁸¹ The hallmarks of these styles are sincerity, empathy, transparency, empowerment, inspiration, and inclusion.⁸² The leader’s role is not to squeeze human assets for the most value, but rather to provide support to develop talent en route to personal fulfillment. Productivity and reduced turnover are byproducts of this style. Southwest Airlines is a good example of this model. The carrier reasons that happy employees lead to customer satisfaction and gratifying financial results.⁸³

Conclusion

According to Gould and Campbell, “Organization design is neither a science nor an art; it is an oxymoron. Organizational structures rarely result from systematic, methodical planning. Rather, they evolve over time, in fits and starts, shaped more by politics than by policies.”⁸⁴ By whatever black box alchemy that organizational design evolves into its existing, stable configuration, the design must increasingly appeal to Gen Y talent in order to thrive in a Darwinian market. Otherwise, the forces of entropy threaten the firm’s demise.

The model referenced in this article first focused us on strategy. The strategic challenge entails how products, prices, placements, and promotions are most successful through the three design topics: processes, people and tools. Organizational processes must be repeatable, reliable, scalable, and robust. These decisions drive economies of scale and scope to accomplish efficiencies. In complement, the people recruited for process responsibility must be acculturated, trained, motivated, empowered, challenged, recognized, rewarded, and retained. The labor pool is increasingly Gen Y. Thus, the leadership response to organizational design must, by necessity, be attuned to Herzberg’s motivating factors to provide self-actualization aspirations for talented employees.⁸⁵ Finally, the tools of organizational design must jibe with Gen Y orientation. This means liberal punctuation of workflow with technology to bolster autonomy, flexibility, speed, and productivity. Not only does this technology possibly violate the comfort zone of baby boomer bosses, but such tools are likely to change rapidly—aligned with the technological evolution of Moore’s law.⁸⁶ Leaders and followers who engineer organizational design will discover that both good structure is difficult to accomplish, and a plethora of “right” options are

available. Organizational design choices have a nebulous half-life. To wit, “effective organizational design is a never-ending process.”⁸⁷

Global and virtual organizations are further challenged by cultural diversity. Xenophobia is to organizational design what HIV is to the body. Geert Hofstede⁸⁸ documented five descriptive categories of diversity: (i) power-distance, (ii) long-term orientation, (iii) masculinity, (iv) individualism, and (v) uncertainty avoidance. Cultural variation may be understood via other profiling tools. For example, the Organizational Cultural Assessment Instrument identifies the options of hierarchical, or controlling; clan, or cooperating; adhocracy, or creating; and market, or competing (Cameron & Quinn, 2006). Gen Y-ers are least likely attracted to hierarchical cultures. Deductively, two alternatives appear alluring to Gen Y-ers. First, market and adhocracy tendencies may conflate to drive external focus and differentiation. Second, clan and adhocracy proclivities may blend to produce flexibility and discretion.

In summary, the nostalgic visual comes to mind of the entertainers on the Ed Sullivan Show who balanced multiple spinning plates on a cluster of poles. Each plate had a distinct start time but spun at a dissimilar speed from other plates. Thus, it was possible for multiple plates to simultaneously enter the wobbly state that threatened their toppling from the pole and certain breakage. The entertainer was compelled to continually monitor the poles to address the plates whose deceleration threatened their individual ability to balance. In analogous fashion, leaders are challenged by organizational design and must strive for “flow” which neither bores nor overwhelms their Gen Y-ers.⁸⁹ Flow balances the business model objectives with the employees’ unique DNA of gratification and fulfillment. The generational impact on organizational design is likely to be a repeated cycle. Accordingly, Gen Y-ers should master their developmental lessons as they will likely face equivalent challenges when they are in charge.

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