



## **The Role of Organization Design in the 21<sup>st</sup> Century**

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### **Abstract**

Traditional organizational models are giving way to new intervention models and models in an age of uncertainty, globalization and accelerated change. Therefore, organizational design in the 21<sup>st</sup> century has become a step-by-step methodology which identifies dysfunctional aspects of workflow, procedures, structures, and systems, and realigns them to fit current business realities/goals according to Keidel before developing plans to implement the new changes. Galbraith further states, “that the process focuses on improving both the technical and people side of the business.” For most companies, the design process leads to a more effective organization design, significantly improved results (profitability, customer service, internal operations), and employees who are empowered and committed to the business. The hallmark of the design process as reported by organizational consultants Byran and Claudia is, therefore, a comprehensive and holistic approach to organizational improvement that touches all aspects of organizational life. This article motivates a discussion on three aspects of organizational design, its definition, its redefinition, and its role in the 21<sup>st</sup> century.

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## **Organizational Design Defined and It's Redefinition**

According to Galbraith, "Organizational Design (OD) is the practice of effectively designing the structure of an organization "to shape the decisions and behaviors" of an organization." He presents the *Star Model* as an OD framework to define a working balance between: Strategy (formula for winning) Structure (placement of power and authority in an organization) People (human resource policies) Processes (description of how the organization functions) and Rewards (systems to align goals with performance). The critical factor is to ensure that all the aspects are coherently aligned to one another. Galbraith summarizes that the balance achieved in the implementation of the five areas differs in each organization. Keidel suggests that during the 20th century; organizations generally were national or business unit-centric and based on the "keep it simple" principle. The whole organization was designed often by one "strategic leader." The guiding principle was the efficiency of the organization often utilizing information technology systems to re-engineer business processes. Employees were required to bend around the systems, processes, and changing business needs.

However, in the 21st century, Handy states that "the role of OD is being redefined because organizations cannot compete with old paradigm structures. The world has become global and complex, and organizations must not only accommodate the complexity but design it to remain competitive." Nadler and Tushman call this process of reframing OD organizational architecture. According to Merriam-Webster one definition of architecture is to delineate the "manner in which the components of a computer or computer system are organized and integrated." This becomes an important concept to OD, so we will apply lessons learned from the Information Technology domain. OD in the 21st century must follow the same principles. OD is a framework to enable a strategy rather than an end in itself. Handy advocates that an emphasis on people in the OD process will bring agility to transforming traditional organizational forms. This socio-technical system approach is distinct from the philosophy of many past organizations but presents the relevant background to the consideration of the role of organizational design.

## **Role of Organizational Design**

The new organizational design recognizes the value of people and their capacity to generate ideas. Nadler and Tushman make a very succinct point about organizational design and capacity for workers to interconnect internally and externally. Uncontrolled by geography, physical plants, travel times, and interminable delays in getting the right information to the right people, organizations have been freed to forge new relationships with customers, supplier, and partners. The role of organizational design in contemporary 21<sup>st</sup>-century corporations is to streamline and simplify the vertical and linear structure. Traditional lines of supervision tend to create walls or silos, which block free movement of knowledge and block bilateral relationships. For instance, Jack Welch of General Electric Corporation is an example of silo structures preventing communication between business units. Nadler and Tushman maintain that during and post the Welch era, GE became leaner, more competitive, and shallower in vertical structure.

The role of 21<sup>st</sup>-century organizational design is to stimulate the intangibles of knowledge generation. Business acknowledges talent markets and formal networks that create

and exchange knowledge. Within that design, Handy supports the point that business leaders have the role of both developing intellectual property and developing the individuals who have those assets as posited by Handy. In this view, leaders facilitate knowledge generation rather than supervise a workforce. In the 21<sup>st</sup> century organization, the role of design allows operational overlays. Within organizational knowledge markets, workers have networks among other knowledge markets that facilitate the free exchange of information and collaboration among professionals. However, these overlays and networks do not exist naturally; organizations must take action to put them into place. In 21<sup>st</sup> century organizations, leaders have a responsibility toward knowledge networks; granting them resources necessary to develop common capabilities, develop incentives for membership, as well as standards and protocols for sharing information. Keidel further communicates that these networks provide workers with an opportunity to inspire, self-direct, and support the common interest of the group.

## **Discussion**

Design of the 21<sup>st</sup>-century organization expands beyond physical infrastructure into a network-based knowledge generating professional workforce. Moorman and Kreitman suggest that these organizations do not resemble post World War II organizations of neatly aligned desks and workers supplying their specific piece of the product, but that workers in this century may not have an office or desk. In the age of information in which knowledge is the product, working professionals use technology that facilitates working outside of an office environment. The paradox, according to Handy, is that big organizations need to think small even when operating globally. Small autonomous units are more agile and mobile. They are better able to understand their strengths, weaknesses, opportunities, and threats (SWOT). Handy further maintains that small units of knowledge professionals reach customers faster and more personally. In this century, organizations still operate by creating and sharing the vision, having a mission and set goals. However, they must understand how to maintain energy within dispersed workgroups and among separate group members. To achieve goals, LaFasto and Larson contend that 21<sup>st</sup>-century organizations need to focus on goals using mental energy, physical energy, and spiritual energy.

- Mental energy - having creative people who join their ideas for goal achievement.
- Physical energy - assuring everyone on the team performs.
- Spiritual energy - having collective esprit, encourage everyone to have a voice, eliminate the fear of failure, have members willing to rock the boat, establish an atmosphere of cooperation and collaboration.

Therefore, as organizations evolve, so does the role of design. The role of design in 21<sup>st</sup>-century organizations places value of the system as though it is an organism. Further explained by Moorman and Kreitman, this role is a "...wise body that does not put its parts in opposition or competition with each other. ... Nor does it require that everybody part meet the same standards." The role of organizational design as an organism, therefore, suggests adaptively rather than adaptation. This design allows for collective access to knowledge and memory, but, even more importantly, ability to tap into knowledge and memory to facilitate thinking, coordinate knowledge and memory, and share an ability to evaluate results of new behavior according to Moorman and Kreitman.

## Conclusion

The paradox of design in 21<sup>st</sup>-century organizations combines big operations with small agile subunits. Organizational design is not one of static buildings and rows or desks with people acting upon only one part of a product. Gates asserts that, “The new role for organizational design incorporates skilled knowledge workers whose product is information and information sharing across broad spans as voiced by Gates.” The design role is one that recognizes the value of each part as a contributor. For example, in the natural world of each plant and animal contributing to the environment, small subunits take from and provide to each other for the greater organizational good and the greater global good. Organizations capable of surrendering old design roles for new design roles release their hold on workers according to Handy. New professional information age workers generate knowledge products in free-flowing networks unimpeded by work center silos. The role of organizational design in the 21<sup>st</sup> century turns loose the reigns of control allowing professional knowledge workers to generate networks of sharing across time and space. Instant global communications mean they can work seamlessly, together, a world apart. As stated earlier, Galbraith defined OD as the practice of designing an organization “to shape the decisions and behaviors” of an organization. Today’s organizations are “of the people, for the people, and by the people.” People help shape the design rather than solely the structure defining the behaviors of people. The five elements identified in Galbraith’s -- *Star Model* (strategy, structure, people, processes, and rewards) remain the primary tools to shift an organization, and allowing the organizational design to change incrementally as self-organized groups reshape different aspects of the organization. This is a reframing of Organizational Design.

What does this mean for leaders in the 21<sup>st</sup>-century? Moorman and Kreitman suggest that leaders first must embrace the paradigm change, and take ownership to envision a preferable future and what changes in strategy, structure, people, processes, and rewards will be required to make your organization more effective. Second, be willing to voice those recommendations and then work hard to implement them. Third, a critical step is to listen as team members improve upon your ideas or perhaps come up with better ones. This takes humility and an acknowledgment that others may have better insights due to their diverse backgrounds. The end result of the collaboration may be different than your original thought. Yet it will allow all workers to have ownership and a passion to achieve common goals. When this happens as described by Handy, everyone wins because this multiplies the effort and effectiveness of the organization.

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## About the Author

Betty Johnson is a graduate of the Regent University Doctor of Strategic Leadership program and enjoys using her knowledge of leadership to develop, implement, and evaluate programs to enhance the professional development of others. She has worked in higher education in many capacities for thirty years and currently serves as the Assistant Dean for Faculty and Staff Diversity, Development, and Leadership at the Harvard T.H. Chan School of Public Health. Please contact the author at [Bljohnso@hsph.harvard.edu](mailto:Bljohnso@hsph.harvard.edu).