

White Paper

” Achieving organizational effectiveness through thoughtful organizational design “

ACHIEVING ORGANIZATIONAL EFFECTIVENESS THROUGH THOUGHTFUL ORGANIZATIONAL DESIGN

In the fast-paced world we are living in today, there is probably just one thing that remains certain – constant change. Therefore, it is crucial for companies to find a way to be flexible and adapt quickly to altered conditions.

Engaging in thorough organizational design to maintain organizational effectiveness has become inevitable for companies to survive and gain competitive advantage in an everchanging environment.

What is organizational design and why is it important?

Organizational design is the creation of an environment that facilitates a company to achieve its goals, fulfill its purpose, and most significantly, deliver on its vision. Since these aspects are different for every organization, there is no one way or standard template to perform organizational design. For that reason, a company needs to identify its own approach to this and align it to its own strategy and needs.

The continuously changing circumstances in which organizations are finding themselves, combined with their own growth and advancement require frequent reconsideration of established processes and structures. This is essential for them to remain

efficient, effective and thus, competitive. Therefore, organizational design should not be considered a one-time project but rather a continuous, cyclical process. It starts with a critical examination of existing structures and processes that leads to the derivation of several recommended actions aimed at improving results and achieving goals more easily. After implementing these changes, a new evaluation is necessary to monitor whether the outcome delivered the desired results. This restarts the organizational design process.

Once this process becomes habitual and integrated into a company's core values, organizational effectiveness can become a sustained reality.

Considerations when designing an organization?

There are several aspects that should be considered before and throughout the organizational design process.

What strategy am I following?

The strategy pursued by the company is probably the most important factor to consider in organizational design. After all, the goal is to create an alignment between employees, their work, and competencies and the organization's strategy and business objectives. Whether your product is meant for a large audience and its price is comparably low or whether it is the other way around, largely determines the required form of the organization. Consider, for instance, if and to what extent coordination and cooperation between different departments is necessary and make sure it is reflected in the outcome of your organizational design process.

In which environment am I operating?

As mentioned before, a changing environment is something with which every company has to deal. However, for some organizations these changes may be more frequent and more impactful than for others. Aspects influencing the stability of a company's surroundings can be:

- the industry in which it operates
- raw materials needed for production
- conditions of the labor market
- rules and regulations as well as
- the culture of the country in which the company is located.

The more unstable the environment of an organization, the more it needs to be able to quickly adapt to changes. For companies in a rather stable environment, it might make more sense to establish standardized processes to focus on efficiency.

Size and age of the organization

As companies age and grow, the challenges, which they have to face, change. It is crucial to know in which state of development one is currently in to ensure that the set goals and chosen strategy are reasonable. Keep in mind that processes are likely to become more complex the bigger the organization grows and establish ways to adjust organizational structures to stay on track to achieving your goals.

Which technology am I using?

Before jumping into the process of reorganizing the entire organization it makes sense to take a look at the currently implemented technology. Are there systems in place that can quickly provide you with data necessary for you to make informed business decisions or do you need to manually gather the required information in various Excel sheets? The answer to this question may greatly impact your organizational design processes.

Are people ready for change?

Starting the process of designing an organization will sooner or later result in changes made to business processes and/or structures. It remains paramount to have all employees on board and ready to accept changing conditions. This can sometimes be challenging. Make sure that employees understand why it is necessary to abandon old habits and point out how things will change for the better if they do so. Keep them engaged throughout the process and communicate plans as well as results for them to not feel left out.

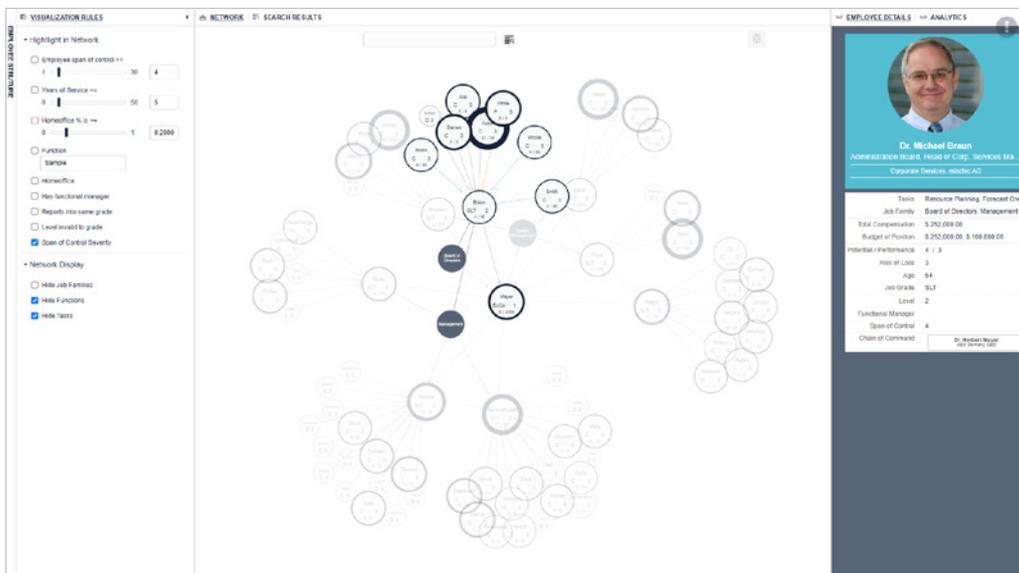
Go beyond structure

When designing an organization, you should not necessarily focus on the organizational structure only. It is also important to understand the processes and strategies as well as the connection between them that form the company. Once it has been identified where things are going wrong in these areas and what is required to fix it, the necessary changes to the organizational structure will come naturally.

Organizational effectiveness as a result of good organizational design

Organizational effectiveness is a direct result from proper organizational design. It requires leaders to set well-defined goals as well as to outline possibilities to achieve these. This, in turn, provides a framework for managers to establish clear processes aiming at reaching the set business objectives. Finally, it is essential to have employees who are engaged and dedicated to performing in their best possible manner focusing on the desired results. Summing this up, all people in an organization – no matter whether leaders, managers, or employees – need to use their skills and capabilities to the best extent possible to achieve organizational effectiveness.

However, just like there is no universal approach to organizational design, there is no universal measurement for organizational effectiveness. In general, organizational effectiveness is directly related with how efficiently a company achieves its business goals. Measuring the effectiveness of an organization, therefore, depends on the goals that a company has set out for itself. For some this can be a certain growth rate whereas for others it might be about the results of a customer satisfaction survey. Note that it is not always about the financial performance of an organization.



Ingentis org.manager allows for a quick overview of the span of control for each manager using visualization rules. From there, individual employee profiles can be accessed easily.

Using technology to achieve organizational effectiveness

The rapidly changing environment in which organizations are operating is to a great extent caused by the fast development of technology. It can, therefore, be said that technology has contributed in large part to the rising importance of organizational design and organizational effectiveness. Consequently, it is only logical to turn back to technology to overcome these fairly new challenges.

Using the right tools can help you gain a quick overview not only of the organizational structure but also of relevant HR data and key metrics, for instance, through data visualization. As humans tend to be visual beings, especially larger amounts of data can more easily be understood when they are pictured in one way or another. Besides visualizing a classical org chart, this can also be achieved in the form of a dashboard or in a grid analysis. Making use of software can help detect potential issues preventing the organization from achieving its goals as well as derive recommended actions to solve these. While, by now, it should be clear that the ideal approach to organizational design and, thus, org

effectiveness looks different for every company, there are some aspects that can be used as a starting point. Take a look, for instance, at the number of employees in each hierarchy level. Usually, the lower the level, the more employees. If that is not true for your company, analyze why that is, and if changes need to be made to fix this. It may be that one of the hierarchy levels is redundant.

Another factor to consider can be span of control. While it is not necessary that all managers supervise the same number of employees, it still makes sense to examine the structures a little more closely. Let us assume there are two executives. One of them is leading a team of five people whereas the other one is leading a team of 20 people. Now, this imbalance could result from different levels of complexity regarding the area of responsibility. If these are rather similar and there is no other obvious reason for the disproportion, there is a good chance that a more equal distribution of employees would help the two managers and their departments become more effective.



Ingentis org.manager highlights managers exceeding a certain span of control. At the same time, it provides comprehensive analytics, regarding e.g. the distribution of grades and levels throughout the workforce.

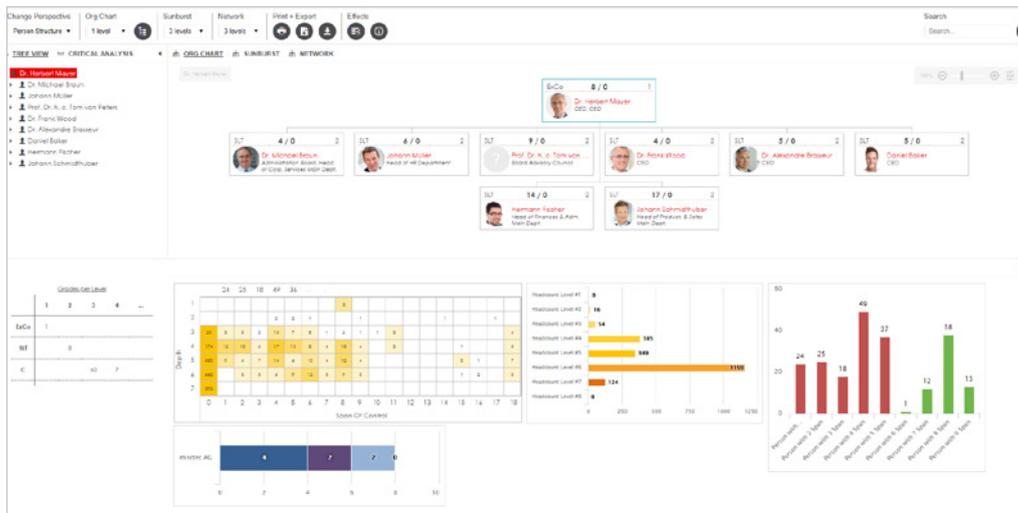
Should your organization use grades to classify the seniority of employees, this can also be an aspect to investigate. Does the grade match the hierarchy level of the respective employee or are there inconsistencies that need to be addressed? Another question could be

whether reporting lines are reasonable? Analyze, for example, if there are employees reporting to someone who actually has a lower grade than themselves and adjust accordingly.

How Ingentis org.manager can contribute to organizational design and effectiveness

Now this may all seem somewhat tedious, but it does not have to be. With its broad feature set, Ingentis org.manager facilitates the achievement of organizational effectiveness. By allowing for data visualizations in almost any form, our software provides an easy but also holistic overview of all kinds of information. In doing so, you can freely choose the metrics on which

you want or need to place your focus to make informed business decisions. Visualization rules can be added to further help identify specific areas that address ways of enhancing organizational effectiveness. The situations described in the previous paragraph are just some examples that can be addressed with Ingentis org.manager.



Ingentis org.manager provides invaluable insights helping to achieve organizational effectiveness. Span of control, number of levels, or headcount per level are just some examples – you decide on which aspects your company needs to focus on.

Additionally, its feature for workforce modeling comes in particularly handy in the context of organizational design and organizational effectiveness. Starting from the current state of the corporate structure, various what-if scenarios can be created. Thereby, key metrics affected by potential changes are updated in real-time allowing

for an immediate evaluation of their consequences. As a consequence, Ingentis org.manager enables you to more easily make decisions that result in desired outcomes and therefore, support you on your way to achieve and maintain organizational effectiveness.

Want to learn more?

For more information on how Ingentis org.manager can help achieve and maintain organizational effectiveness, contact us via mail@ingentis.com or visit our www.ingentis.com.

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About Ingentis

Launched in 1997, Nuremberg based Ingentis has evolved into one of Germany's most innovative service providers in the IT sector with a specialization in the development of HR specific products. Ingentis advocates fair, reliable business relationships. More than 2,000 companies worldwide count on this honest, successful approach.

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