

The Definitive Guide to Organization Design

The Journey to Agile

the
joshbersin
company

A Global Industry Report

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Introduction

What comes to mind when you hear the words “organization design”? Do you think about company structures? Organization charts and hierarchies? Spans and layers? Reporting structures? These topics ultimately point to the biggest question: How do we organize for success?

Over the past few years, companies have been redesigning everything—products, services, experiences, organization structures, jobs, business models, and work itself. Employees are also embracing change: 60% of people have switched jobs, managers, or companies since the start of the pandemic in March 2020.¹

Companies are experimenting with everything. New McKinsey research finds that companies focusing on an operating model design that touches seven or more elements are three times more likely to experience a successful redesign.² But with a dozen elements to focus on, according to McKinsey, where should an organization start? Do certain elements matter more than others?

Most companies start by designing the organizational hierarchy, defining elements such as the functional areas of the business; who reports to whom; job descriptions, responsibilities, and tasks; and levels and salaries. Yet as soon as this is set up, things change. Automation shifts tasks and activities. You wonder whether you should create “service delivery” groups to serve other groups, or whether to organize around customers, geographies, or products. And where’s the line between “general corporate services” and independent business areas that run their own operations?

Then you realize the company needs to be more agile, because no matter how well you design the hierarchy, it starts to get in the way. New products, projects, or initiatives cross over functional boundaries. Should you have agile teams? Project-based work? Or should you go all the way to a full agile model and create squads, tribes, and cross-functional guilds?

These questions arise every time a company starts a new business, moves into a new geography, or introduces a new product or service. Most companies organize around people, identifying top leaders first and then designing the organization around them. Even IBM, one of the most advanced companies in the world, told us its most frequent approach to reorganization is to identify the new general manager and then design the organization around that person.

There is a science to organization design, but it's often lost on many companies. Not only is this domain immature and inconsistently practiced, but it's also not always clear who even owns the problem. Should HR decide how things get set up? Should operations? What about senior leadership or top-performing business leaders?

Our research finds that nearly 60% of companies have very simplistic approaches to organization design—meaning that they either have no intentional organization design or that they design their organizations around structures, spans, layers, and hierarchies. This traditional “functional hierarchy” was invented in the 1800s, optimized for industrial businesses where the workforce was primarily “labor” (people who did what they were told to do) and “management” (people who decided what other people did).

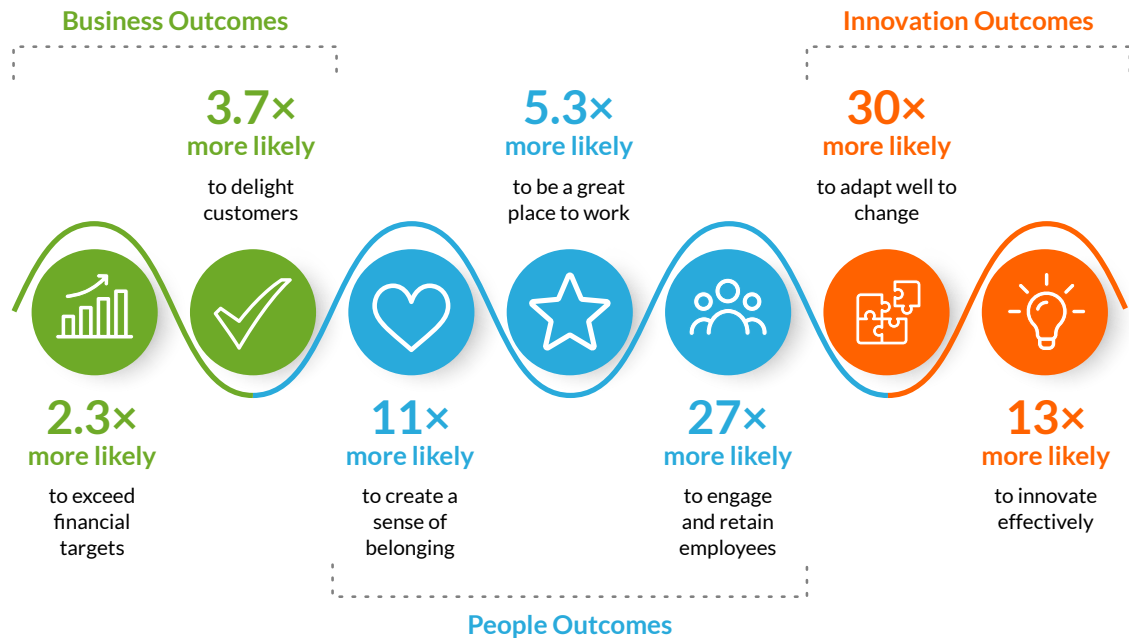
Today, with more than 90% of jobs categorized as “service roles”—roles that require human ingenuity or empathy—we need organization models and structures that empower individuals, clarify what's important, and assign responsibility in a way that works for cross-functional teams, projects, and solutions. And we need organization design that excites and engages people, gives them a sense of autonomy and ownership, and encourages continuous innovation and creativity.

As we discovered in our research, organization design may be the most important consideration in business. It encompasses a company's organization structure, culture, rewards system, and leadership. Yet the research also showed we have a lot to learn. Great organization design is agile and accountable; it's continuous and business-integrated; it creates clarity and productivity; and it encourages the growth of individuals and businesses. Agile and accountable organizations are not just more adaptable to change—they are more profitable, their customers are more satisfied, they deliver higher employee engagement and retention, and they encourage innovation (see Figure 1).

FIGURE 1

The Business Impact of Agile and Accountable Organizations

AGILE AND ACCOUNTABLE ORGANIZATIONS ARE:



Source: The Josh Bersin Company, 2022

We've undertaken this major global study to help business leaders, HR executives, and consultants see this broader context and develop more agile and accountable organization design. In this report, the following chapters will help you continue the journey:

- **Why Organization Design Matters Now**
- **Where You Stand**, within both our Organization Design Maturity Model and the broader market
- **Working Solutions**, providing the findings of our research and leading practices for action
- **Examples of Excellence**, showcasing how leading agile, accountable organizations got there
- **Getting Started**, with actionable advice for how to advance through the levels of our Organization Design Maturity Model ■



1

Why Organization Design Matters Now

How do you design the organization to perform, scale, and adapt rapidly?

At a time when change arrives at warp speed and disruption can strike at any time, designing an organization to perform, scale, and adapt is more relevant than ever. To learn how to do this, we studied organization design practices and approaches throughout 2021—the year we hoped would mark the world’s return to a prepandemic “normal.” Yet while the U.S. economy has recovered strongly, organization models have not been able to adapt. What’s going on?

Key Insights

- The raging war for talent has underscored why traditional organization models are no longer fit for purpose.
- Our Organization Design Framework details 7 critical elements and 20 dimensions that enable companies to become agile, accountable, and future-proofed.
- Organization structure is the least important problem to be solved—focus first on the business model, the operating model, and the work and jobs that need to be done.

We are now experiencing the most competitive labor market in a lifetime. People left the workforce during the pandemic for a variety of reasons, and now, in 2022, the war for people is raging: 1 in 10 jobs in the United States is now vacant.³ At the same time, employees feel empowered: almost a third of U.S. workers voluntarily left their employers in 2021.⁴ Meanwhile, countries such as Australia and New Zealand closed their borders because of COVID-19, causing critical talent shortages. (The United States has experienced a similar talent shortage after slashing its immigration rate.⁵)

How can you better attract, retain, and reskill the people you have? Old-school hierarchies get in the way: upwards of two-thirds of millennials will not wait two years for a promotion.⁶ We either need organizational models that can adapt, reward people quickly, and encourage people to stay, or models that are flexible enough to accommodate a transient workforce, where people quit and then come back after a few years.

Where We Are Going

There's no shortage of topics critical to organization design, from the emergence of remote and hybrid work to engaging and retaining deskless or essential workers. More than 70% of the global workforce cannot work remotely: they come to work every day, hoping to stay safe and looking for wages and career growth like everyone else. How do we optimize culture, work environment, and jobs for retail workers, truck drivers, nurses, pharmacists, hotel receptionists, and cruise ship stewards?

Organization design must also address the relentless impact of digital transformation and

industry convergence. Companies in every industry now understand digital is not just a way to cut costs and improve efficiency but a new way of doing business. Healthcare companies are becoming multifunctional businesses dependent on telemedicine and informatics. Traditional banks are forced to become fintech companies. Energy companies are diversifying beyond carbon to invest in electricity, solar, and chemicals. The list goes on. Every one of these industry changes presents a new set of business models, operating models, and accompanying job-design, work-design, rewards-system, and capability models.

While functional hierarchies will always exist, there are few legacy functional hierarchies left. Johnson & Johnson, for example, recently decided to split its highly disparate set of businesses into three different companies, primarily because economies of scale no longer worked when it was set up as just one organization. General Electric (GE) and IBM have done the same. The old idea that a functional hierarchy creates scale is now defunct: we need organizations that learn, adapt, and grow in a coordinated way. Top-down hierarchies—filled with management approvals, committees, and bureaucracy—are in the way.

All of this means it's time to take organization design seriously. It's not a niche discipline best left to specialized consultants who design your new model and leave you to pick up the pieces. It's one of the most strategic things we do, and it can't be done just once—it needs to be a continuous process.

So join us in this journey as we share what we've learned.

The Organization Design Framework

Organization design has been around for hundreds of years, going back all the way to the 1700s. In the 1970s, Jay Galbraith developed the Star Model,⁷ which essentially showed that structure is only one part of organization design and that rewards, culture, job design, and processes are all important.⁸ But despite this long history, we found through our research that fewer than 15% of companies have an organization design team, expert, or process—so there's a lot of work to do.

A lot has happened since the 1970s. Back then, we didn't have personal computers, let alone smartphones. The internet and social media were

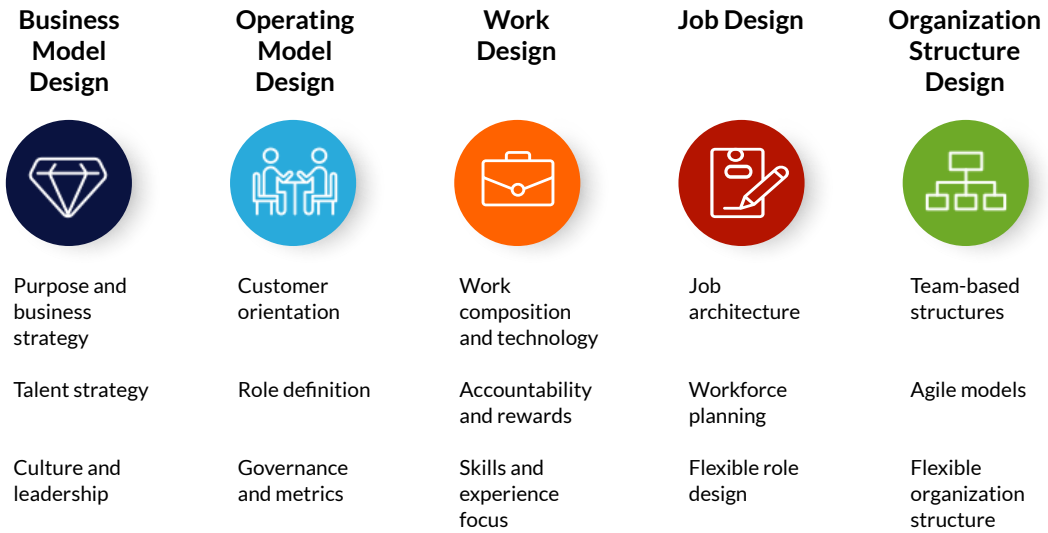
decades away, data and analytics were hard to come by, and if you wanted to find out a fact, you had to either know it, ask somebody, or look it up in a book. Technology didn't really factor into the equation. It was not possible to do most jobs remotely, and physical proximity often drove leadership decisions.

No wonder it's time for a new look at what makes an organization work. But what specific elements of agile, accountable organizations should you consider for your company? Our Organization Design Framework comprises seven major elements, each of which makes a different contribution (see Figure 2). Altogether, the seven elements include twenty dimensions (*italicized in the following paragraphs on page 11*):

The old idea that a functional hierarchy creates scale is now defunct: we need organizations that learn, adapt, and grow in a coordinated way.

FIGURE 2

The Organization Design Framework



Methodology and Approach

Organization design roles and skills
Methodology
Technology and data



Implementation and Adoption

Change management and communication
Measurement and evaluation



Source: The Josh Bersin Company, 2022



Business Model Design

Defining the *purpose and business strategy*:
addressing questions about the company's mission, vision, and purpose

Identifying the *talent strategy*:
determining what people and workforce approaches are required to support the business strategy

Addressing *culture and leadership*:
identifying what supporting cultural constructs and leadership models enable the strategy to be successful



Operating Model Design

Involving *customer orientation*:
determining who your customers are, what success looks like, and how to operate for optimal customer outcomes

Undergoing *role definition*:
defining high-level roles for the operating model

Identifying *governance and metrics*:
deciding what success measures flow horizontally versus vertically and what the high-level accountabilities are



Work Design

Determining *work composition and technology*:
accounting for what people and teams will do to drive success, as well as the role of technology in automating, augmenting, and transforming the organization

Defining *accountabilities and rewards*:
determining what the accountable party will do to accomplish outcomes and how they will be rewarded for achieving the desired results

Incorporating a *skills and experience focus*:
determining what skills and capabilities are required to accomplish outcomes and how to create a great employee experience through designing work right



Job Design

Identifying the *job architecture*:

deciding how to organize individual roles and jobs as well as the architecture of job families, functions, and jobs

Conducting *workforce planning*:

creating strategic and tactical plans for required jobs, skills, and capabilities

Using *flexible role design*:

building flexibility into the design of jobs to account for change



Organization Structure Design

Creating *team-based structures*:

organizing teams and functions for success

Incorporating *agile models*:

building agility into approaches and hierarchies to prepare for the future

Using a *flexible organization structure*:

incorporating flexibility to make the organization adaptable



Methodology and Approach

Determining *organization design roles and skills*:

deciding who is involved in organization design and what skills they need

Deciding what *methodology* is used:

defining methods and approaches to use for organization design

Choosing how to deploy *technology and data when designing*:

using advanced methods like organizational network analysis or specific organization design tools and people data



Implementation and Adoption

Supporting *change management and communication* to adopt organization design:

leveraging effective change interventions and communicating changes to the workforce and stakeholders

Determining *measurement and evaluation*:

identifying success metrics and evaluating the effectiveness of models and structures

We developed this framework based on numerous conversations with people from leading companies around the world: chief human resources officers (CHROs); business leaders; and organizational development, talent, and people analytics experts, as well as with consultants and experts in the field of organization design. It's designed to help you zero in on the most crucial ways to enable your organization to become agile and accountable—and to stay that way in the future.

The Purpose of This Framework

There are dozens of management practices that contribute to organization design. Rather than analyze them independently, we decided to group the 20 dimensions into the 7 elements listed in Figure 2. Every design project or issue should be based on this foundation. You should not, for example, try to design structure without considering the business model, the operating model, or the work and jobs that need to be done. In fact, in our Organization Design Process (see Figure 23 on page 64), structure comes last because it is the least important problem—other elements are far more critical.

As you read through this guide, we encourage you to revisit the framework. Not only has it been validated by dozens of senior leaders and by many case studies, but it can also form the basis for your own consulting efforts, just as it forms the basis of our own education and certification programs, delivered through our SuperClass on organization design.

Conclusion

Any organization design project is not a standalone exercise: it should be part of solving a problem. This framework can be used in any scenario you encounter. For example, you might use it to address the following questions:

- Is your company growing at exponential speed and in need of organization design to help it scale and grow when it's difficult to hire fast enough?
- Are underperforming business areas holding back high-growth areas? Should these be separated or somehow reengineered to be better balanced?

- Are your service delivery teams (such as finance, HR, and sales) not keeping up or adapting to competitive change, and are they possibly not designed to innovate and grow?
- Even if your company is performing well, do you need more innovation to find new customers, address new market segments, or attack new technology and product opportunities?

These are just a few of the myriad situations where strategic organization design is needed. In each case, walk through the seven parts of the framework, and you'll arrive at new ideas, designs, and solutions to your problems. ■



Where You Stand

Our Organization Design Maturity Model tells you where your organization stands—and how far it has to go.

We asked leaders in hundreds of companies what they are doing in organization design: what's working well, what's missing, and where they need to improve. Based on responses from 356 companies and close to 800 comments (see "Our Methodology" on page 18), we discovered a distinct lack of confidence. The majority of companies are not agile and accountable when it comes to managing their organization design: they feel unsure, they're only dealing with tactical issues, and they do not have clear guidelines for optimizing their organization redesign.

Key Insights

- While companies today are very clear about what business they are in, they struggle to define what success looks like, who is accountable for what, and how people are supposed to do their particular jobs.
- The majority of companies sit at the lower levels of our Organization Design Maturity Model, which identifies where organizations are in their journey to organization design excellence.
- Just 11% of companies have achieved the highest level of maturity—addressing the right business problems with organization design—and have moved beyond talking about being agile to actually making work processes agile at the core.

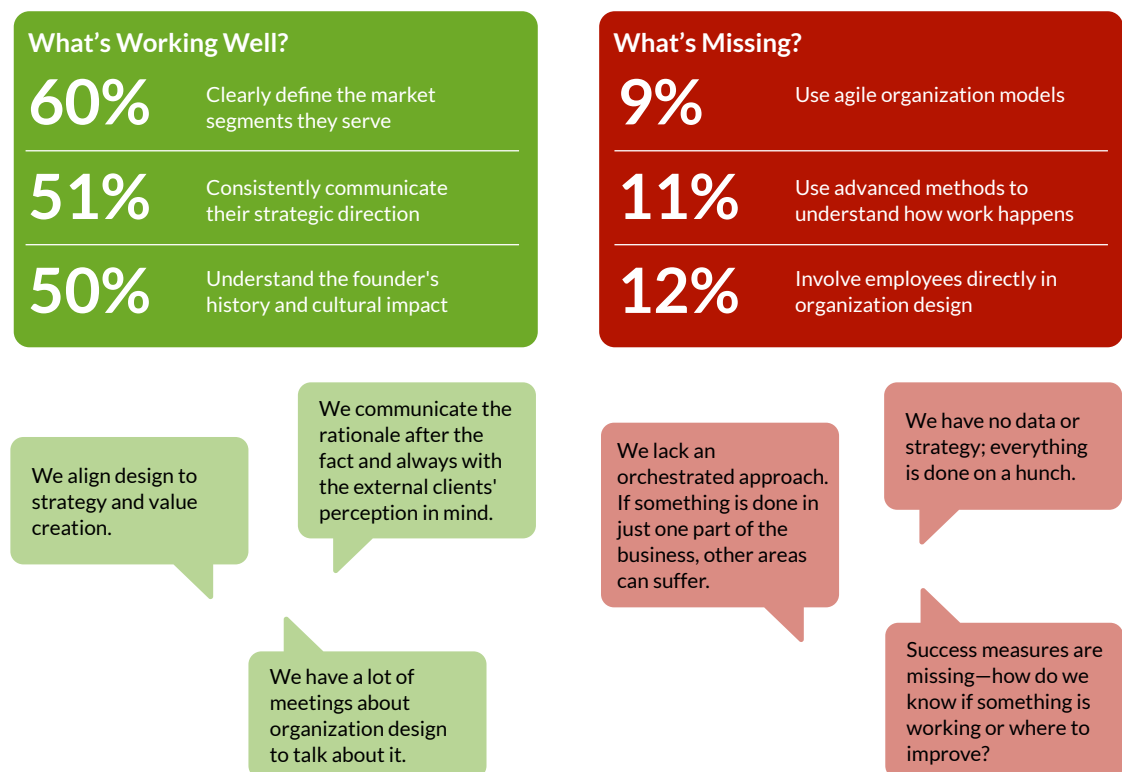
The functional organization model, which structures companies into horizontal business functions, is no longer fit for purpose. It originated when businesses were “labor-driven”—when organizations created specialized, skilled roles for labor, managed and administered by management. Companies today don’t really operate like integrated, hierarchical machines. While there are many routine tasks to do (such as sending invoices, paying bills, and answering customer calls), much routine work has been automated. Many studies show that upward of 90% of all jobs in the United States are now nonroutine: that is, they’re dependent on human ingenuity,

perspective, judgment, and creativity.⁹ If we put people into jobs as if they were cogs in a machine, they will be likely to grind the gears because, unlike cogs, people operate in different ways.

In short, organization design is no longer about who leads what and what the spans of control are. Today, it’s a serious and strategic discussion about what work needs to be completed to achieve objectives and what skills are adjacent to each other to deliver on this. So what’s working for companies, and what’s missing? (see Figure 3).

FIGURE 3

Strengths and Opportunities for Companies in Organization Design



Source: The Josh Bersin Company, 2022

Our Methodology

After many months of reviews and hundreds of discussions, we conducted a broad-based survey designed to investigate all dimensions and elements of our Organization Design Framework (see Figure 2). Companies were asked to respond to 74 questions, including some open-ended ones, and we analyzed the resulting data (see appendix for our full research approach).

What's Working: Communicating Business Strategy and Culture

First, the good news: our research shows most companies are very clear about what business they are in. Three in five companies clearly define the market segments they serve, and more than half consistently communicate their strategic direction, understand the organization's history, and clearly define their culture. Much of this clarity came about because of the pandemic: to survive, organizations needed to clearly understand their business strategy, mission, and purpose. Our previous research on agility also identified a clear focus on mission, vision, and strategy as one of three top success factors driving business resilience during the pandemic, leading directly to customer satisfaction and profitability.¹⁰ Of course, while it's important to communicate vision and strategy, it doesn't necessarily translate into success. Knowing your job and the actions and skills needed to succeed are critical.

What's Missing: Acting upon Data and Insights on How Work Happens

While communicating vision, strategy, and culture is important, people want specifics. Many respondents said their company is not clear about what success looks like, who is accountable for what, and how individuals are supposed to do their particular job. Companies tend to hire people based on a job description and then expect them to figure out how to be successful. Our research found employees want to be involved in the design of their work, yet only 12% of companies involve employees in organization design. Advanced techniques such as organizational network analysis and activity modeling are available, but only 11% of companies take advantage of them. And although every company talks about agile and digital, just 9% of companies actually use agile organization models (the very lowest scoring item on our survey).

Organization Design Today: Inconsistent, Hierarchical, Traditional

When we talk to business and HR leaders about organization design, we find a lot of insecurity. Many are confused, uncertain about their role in design, not sure how much they are "allowed" to play in the strategy area, and generally dissatisfied with progress.

This dissatisfaction is evident in how respondents described organization design in their companies (see Figure 4). Inconsistency is problematic because

FIGURE 4

How Would You Describe Your Company's Organization Design?



Source: The Josh Bersin Company, 2022

it erodes employee trust and confidence. In addition, hierarchical models are often too inflexible to adapt to today's rapidly changing business environment, and traditional models are no longer valid because we are breaking into new work models. These new work models include hybrid experiences opening up as a possibility for deskbound workers¹¹ as well as rapidly shifting deskless realities (read more about this in our playbooks on these topics).¹²

Although organization design is a priority for HR and business leaders, companies lack the insights needed to make the process consistently great, to break open traditional and hierarchical models to advance those that put people first, to prioritize support for amazing customer experiences, and to flex to allow

for innovation and ingenuity by trusting people to do their best work. Our Employee Experience study also identified inconsistency as the key theme,¹³ which makes sense: employee experience and organization design go hand in hand, as the experience we have is dependent on our work, our operating model, how leaders behave, and the culture of our company. All of these topics are considerations of organization design.

The bottom line is that companies can no longer outsource organization design to consulting companies or other outside parties. Instead, people who deeply understand the company culture, strategy, and operations—and the employee experience—need to be at the center of this work.

For example, Prudential set up a center of excellence for organization design. These experts serve as an internal knowledge hub, developing company-specific tools and resources and supporting business partners through coaching and mentoring. The initiative allows Prudential to adopt a continuous improvement mindset to organization design, making the business more adaptable, more forward-looking, and less reactive. It also helps reduce the need for large-scale disruption every two to three years.

The Organization Design Maturity Model

Let's get back to where you are today. Where does your company fit in this complex puzzle? Our maturity model will help you understand. Through our work with hundreds of companies around the world, we look at the maturity of their practices, evaluate their level of performance, and statistically cluster the practices into four groups:

- Level 1 companies perform poorly and typically have no expertise in organization design.
- Level 2 companies understand and work in this area but tend to take a traditional approach and are not seeing strategic impact.
- Level 3 companies innovate, focus, continuously improve, and typically see some excellent outcomes and impact on financial results, culture, innovation, and growth.
- Level 4 companies far outperform others: they have mastered this domain, and we use them as role models for others.

In general, our maturity levels are not directly related to geography, organizational size, or industry. However, while any company can evolve from Level 1 to Level 4, we do find some industries tend to operate at higher levels, particularly those with the most experience in disruption.

As you'll see from the model (see Figure 5), driving impact requires organizations to both understand the principles in this research and embrace the perspective of employees in the organization design. This is a process of designing jobs, work, rewards, and structure around your business needs, the skills you have, the technology platforms you embrace, and your culture.

Level 1: Haphazard Structure (25%)

Companies at this level are not intentional in their organization design. Jobs, roles, and hierarchies just happen because managers can define their own as they see fit. With nobody helping to navigate the organization's overall needs, managers are heavily focused on meeting their quarterly financial targets and just hire for jobs they think they may need. HR doesn't consult with managers on what skills they may need for the current environment or for the future, and finance comes in as a controller to put a lid on spiraling costs. This reactive, cost-focused approach doesn't help build for the future and often doesn't even help address today's customer problems. And because there is no overarching plan or consistent approach, it's pretty much chaos—nobody knows who is responsible for what, things are either duplicated or fall through the cracks, and, because people don't see a way to grow or expand their careers, the employee experience suffers.

FIGURE 5

The Organization Design Maturity Model



Source: The Josh Bersin Company, 2022

Level 2: Traditional Design (33%)

These organizations have made the switch to intentionally designing the organization, but they are heavily focused on creating functional organization charts, reducing spans and layers, and moving sticks and boxes on the organization chart—that is, solely focusing on the organizational hierarchy. The design is mostly focused on solving today’s problems. These might include an underperforming business unit, an issue with a leader, or unclear decision-making that results in customer problems. Rigid hierarchies and detailed job descriptions tend not to reflect the actual work happening and often become obsolete the minute they are created.

Designing the organization is a behind-closed-doors process, often involving highly paid external consultants and senior leaders. Employees are only at the receiving end of these designs, which means their experience and expertise are not reflected in the models. HR is brought in after the design is completed to execute on the resulting change: hiring new people, shifting around organization structures, updating the human-capital management system, and communicating to affected employees. As these designs are very much focused on solving current issues, companies at this level often have to redesign again after a short time, causing disruptions for employees and leaders alike.

Level 3: Connected Culture (31%)

Organizations at this level are truly thinking about organization design. Business and HR leaders realize strategy, operating models, work models, leadership, rewards systems, and job designs must all be aligned for the company to be successful today and tomorrow. Cross-functional teams start to evolve, and there is much communication and many meetings about more agile ways of working. The focus shifts beyond fixing problems to creating a responsive design, with the mission and vision of the company factoring heavily into these discussions with an intense focus on creating the right culture. The time horizon expands beyond merely reaching quarterly goals to supporting the annual strategic plan. HR has a broader role to play as an employee advocate and as leadership support with models and processes. More and more, HR consults with its business partners on jobs and work models. But at the end of the day, companies at this level revert to seeking agility in functional hierarchies designed around leaders, not around the work itself.

Level 4: Agile and Accountable (11%)

When companies address the right business problems with organization design, use data and technology to define different options, and focus on accountability and agility, they can move beyond talking about agile to actually making work processes agile at their core. Importantly, this doesn't mean just implementing tribes and squads—agile organization models are much less important than you may think. Instead, companies at the highest maturity level start with the work itself, identify the outcomes that will define success, and then define skills and experiences needed and who is accountable for the work. They then include employees in developing their experience. A talent marketplace is indispensable for

matching people with opportunities. Not surprisingly, professional services firms are often more mature in this respect than other, more traditional industries, and leaders who have a background in this industry will be able to lead their companies into a future that is agile and accountable. But, as we show with the examples of Telstra, Nestlé, and Bosch Power Tools (see Chapter 4), companies in any industry have the ability to achieve this highest level of maturity. HR's role is different, too. The CHRO plays an active leadership role, bringing together the CEO and leaders from finance, IT, operations, sales and marketing, and facilities to define the new reality together—a reality in which every person has crystal clear work goals, understands what skills and experiences are required, and has the tools, resources, and leadership support to succeed.

What's the journey to improving your organization's maturity like, and why should you care? Later in this guide, we describe the significant advantages in business, people, and innovation outcomes that come from increased maturity (see Figure 17 on page 54) and outline a plan for you to advance, no matter where you are today. It's a long, tough journey to advanced maturity, but it's absolutely necessary to survive and thrive in today's volatile business climate.

Conclusion

You now know why organization design really matters, what it comprises, what organizations believe they do well and don't, and where you stand within the Organization Design Maturity Model. Let's put this foundational knowledge to work by examining the most effective practices—those that have an outsize effect on business outcomes—and looking at the role of HR in creating the maximum impact for a company, today and in the future. ■



Working Solutions

Organization design is highly complex, spanning dozens of practices and strategies. Do all of them matter? Do some have a bigger impact? And what can organizations do to leverage the most powerful ones?

We analyzed the impact of every dimension of our Organization Design Framework on business, people, and innovation outcomes. What we learned was clear: while all dimensions matter, the most important are accountability and rewards, flexible structure, and effective change management. The precise design model or job architecture is less important than you might think.

Key Insights

- Not all dimensions are equal when it comes to driving organization design work and their impact on business, people, and innovation outcomes.
- Traditional actions such as designing jobs or organization structures have the lowest impact on outcomes, yet they remain a focus for many organizations.
- How you operate matters more than how you organize, as underscored by the 15 essential practices we identify.

The Dimensions That Matter Most

What matters most when it comes to the impact of organization design? We analyzed the impact along the following outcome categories:

- **Business outcomes:** financial performance and customer satisfaction
- **People outcomes:** employee engagement and retention, a sense of belonging and that the company is a great place to work, and an organization design aligned with the culture
- **Innovation outcomes:** change adaptability and effective innovation

Leading companies such as Bosch Power Tools, IBM, Nestlé, Telstra, and Cardinal Health are adopting these principles with a variety of agile work processes, sometimes without the formal agile methodology, to drive business results and develop their best talent. For example, pipeline company DCP Midstream decided to pay hourly employees a standard premium when they step outside their current realm of expertise and learn the discipline of another technical role. This is an example of a new rewards system coupled with accountability, agility, and change enablement.

Figure 6 shows what our research uncovered.

FIGURE 6

The Impact of Dimensions of Excellence on Organizational Outcomes

Strength of impact ● Moderate ● Medium ● High ● Very high

Business Model Design	Operating Model Design	Work Design	Job Design	Organization Structure Design
Purpose and business strategy	Customer orientation	Work composition and technology	Job architecture	Team-based structures
Talent strategy	Role definition	Accountability and rewards	Workforce planning	Agile models
Culture and leadership	Governance and metrics	Skills and experience focus	Flexible role design	Flexible organization structure

Methodology and Approach			Implementation and Adoption	
Organization design roles and skills	Methodology	Technology and data	Change management and communication	Measurement and evaluation

Source: The Josh Bersin Company, 2022

What practices have the lowest value? Traditional, formal design elements. A focus on finding the right organization design methodology, on using formal agile models, or on designing the job architecture alone is not very impactful. Without a business-driven design supporting your own culture and purpose—and without bringing employees into the mix early—the best model will not be useful, because it won't fit your unique needs.

Five Key Findings

How do organizations move up in maturity to become both agile and accountable at scale? Our research finds great organization design solutions are more strategic than implementing principles from the agile manifesto¹⁴ and using traditional organization design methodologies to reduce spans and layers. Here are the five biggest findings.

1. Demystifying organization design pays off.

Most companies feel insecure or inexperienced at organization design (see Figure 7). While two in five companies clearly understand their business model and one-third excel at operating model design, companies fall short in the design of work models, jobs, and organization structures.

We also found many companies do not have an organization design team studying these issues in a holistic way. One could argue that every HR business partner and senior HR professional should understand the principles of organization design, but that structure doesn't do justice to the process. It needs a team that owns this domain, studies the organization design practices that

work (and don't work), and benchmarks your company against others (and also against your own company, either by department or over time). This process of demystifying and defining the domain is healthy in itself. Otherwise, people tend to just wing it and try whatever feels right. Without a dedicated organization design capability, designs are inconsistent and lead to siloed approaches across the business (and massive inefficiencies).

The Art and Science of Fit for Purpose

One of our fundamental findings is that organization design is not something you copy from a book; it represents a very strategic set of decisions about how your company will work and must be fit for purpose. Your design should be based on the competitive environment, the industry, customer requirements, the markets you operate in, the people who work with you, your culture, and your own point in time—the art of organization design is in balancing all of this. The science part is the use of objective design principles—tailored to your organization's situation and strategic objectives—as guardrails. Take the following examples:

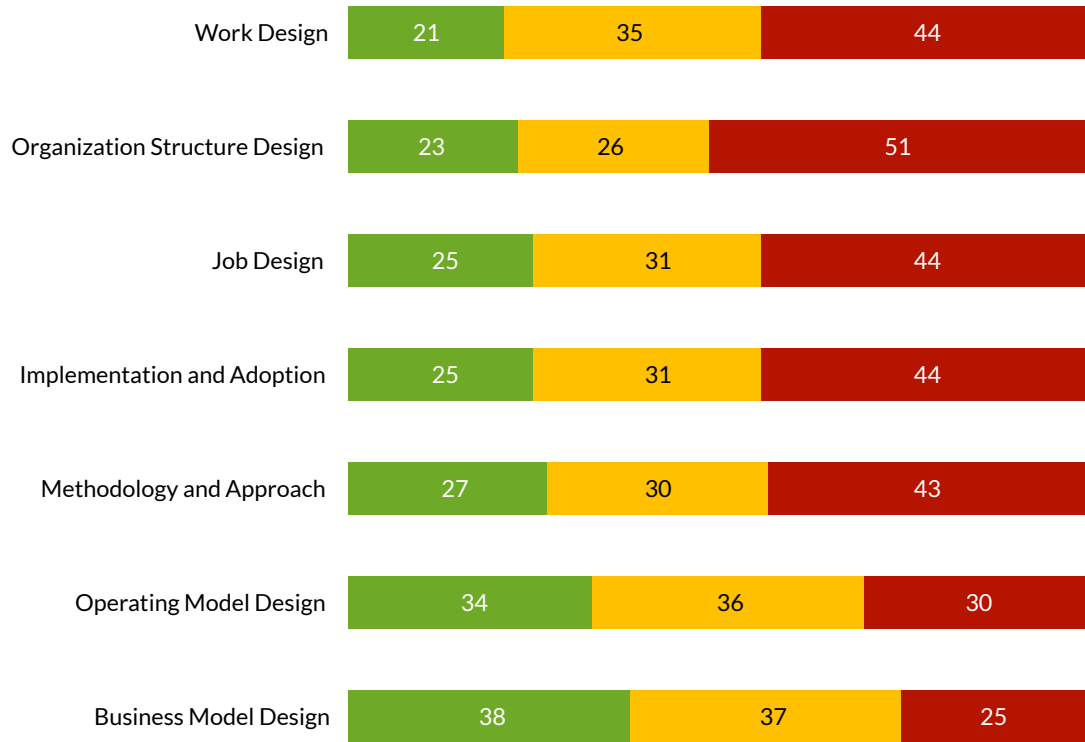
- A global food company empowers general managers in each country to control sales, marketing, distribution, and even product packaging. Its organization design is based on the finding that, at the organization's scale and maturity, optimizing growth requires each country to have special brands, versions, and even products. A smaller company may never consider this, but a local regional food company would.
- A global professional services company used to reorganize around a new person when a team is underperforming. (This "hero model" of organization design is very common.) Yet after reviewing the results, the company's CHRO realized it's a hit-or-miss approach: some leaders succeed because of their individual

FIGURE 7

Few Companies Feel Their Organization Design Efforts Are Truly Effective

Companies at each level of effectiveness, %

● High or very high ● Moderate ● Low or none



Source: The Josh Bersin Company, 2022

capabilities in one area but have no perspective on how to organize a large team. The CHRO is now leading an effort to study the organizations that succeed and identify the common design elements that work.

→ The CHRO of a global technology company found its organization design strategy of rotating senior leaders every two years wasn't creating the expected growth or leadership pipeline. It later found that its businesses fell into four types—start-up (new product businesses), growth (hypergrowth early-stage businesses), mature (large businesses that need

to be optimized for profit and penetration), and turnaround (businesses under competitive attack or simply out of date)—and each required a different leadership model and organization structure. It now rotates “growth leaders” into new “growth businesses,” instead of trying to create general managers out of everyone.

Each of these examples underscores the fact that you are the chief designer of your organization. And, as our methodology points out, you should start with the business model, the operating model, work, and jobs—and only then look at structure.

The Importance of Agility

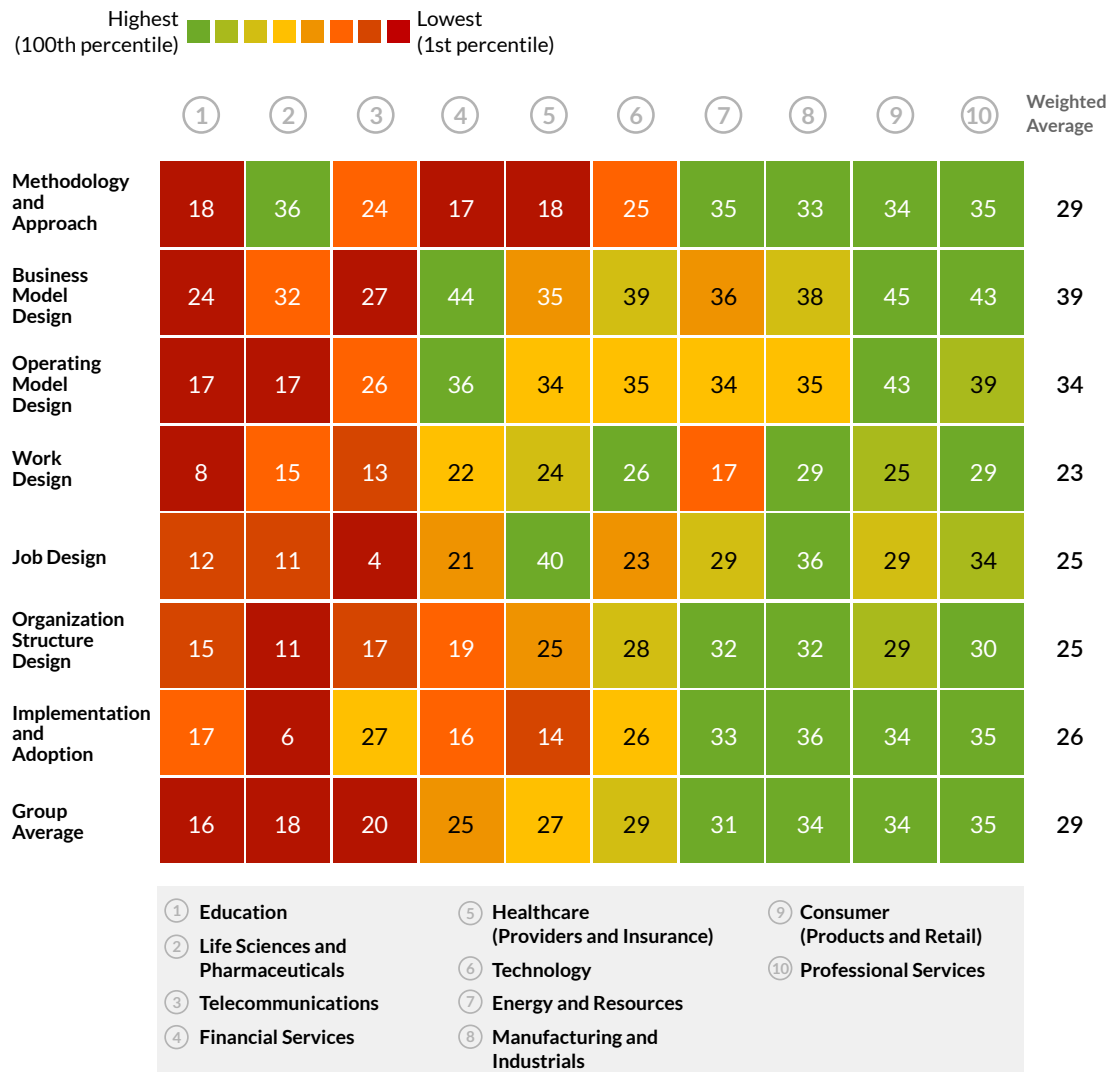
We looked at organization design strategies by industry and uncovered striking differences (see Figure 8). Professional services companies fare best. In consulting companies, for example, a traditional functional hierarchy is not possible. Project managers are accountable for managing the

work, partners are responsible for development and career support, and resource managers serve as internal staffing agents. Business functions like finance and HR are there to support the consultants, but, ultimately, the consulting teams are constantly reorganizing to address new market needs.

FIGURE 8

Professional Services Companies Lead across Organization Design Elements

Companies that are effective or very effective in each element, %



Source: The Josh Bersin Company, 2022

There is a lesson here: in many ways, every company is becoming a professional services company. First, as companies move into service businesses (such as consulting, advisory services, customer service, and member services), they start to need the agility of a consulting firm. But even more importantly, in a well-designed company, every business function or team has internal customers to serve. The agile professional services model encourages people to help each other, work on cross-functional projects, and align their incentives toward broader goals. These techniques are important for more and more industries every day.

At the far left of the chart in Figure 8 are industries and companies with deep functional skills. Education, life sciences and pharmaceuticals, and telecommunications companies have enduring expertise in science, technology, network design, and other technical areas. These functional areas are differentiating and strategic to a company's success, so it makes sense for them to be organized in silos.

Note the relative lack of expertise our heat map displays for the financial services, healthcare, and technology industries. Banks and financial services companies are large, diversified, and local. They tend to have local branches, industry and market segment expertise, and very complex products. And they are highly regulated (as are healthcare companies), so they cannot reorganize or redeploy people without training, compliance processes, and structure. This is why they tend to lag fintech companies that reinvent their businesses quickly.

Healthcare is a complex industry filled with regulations, deep domain skills, and myriad operational problems. As you'll read in our upcoming healthcare research, these organizations are becoming more agile every day, and new career paths are emerging. But most are traditional by design and

are only starting to reinvent themselves with new business models and more empowered teams.

Technology companies are almost always functionally organized, typically because of their need to innovate and scale at speed. They often have product business areas, and they tend to specialize in industries and geographies as they grow. But because of their rapid growth, they tend to keep organization designs simple during their early stages of growth.

Telecommunications companies are an interesting hybrid. They're large companies, often spanning multiple industries. Most now publish and distribute content, provide consulting services, and even offer marketing services to corporate, retail, and communications businesses. They're also very experienced at moving people around. Telstra, Australia's largest telecommunications company, shows it's possible to work in agile ways even in these less nimble industries (for more, see "Telstra: Transforming Business and HR with Agility at Scale" on page 49).

Better Organization Design, Better Outcomes

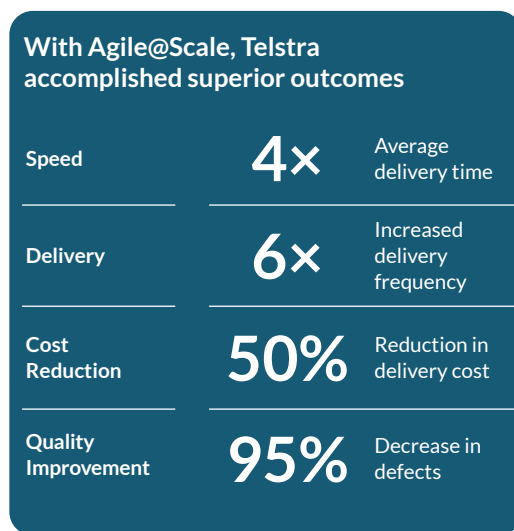
In a time of constant change—digital transformation, remote and hybrid work, globalization, gig work, and the convergence of industries—demystifying organization design for HR and line leaders is not just nice to have; it's critical to business success. No matter the industry or geography of your company, demystifying organization design really pays off.

Companies that work through these complex topics with HR capabilities and data to constantly realign their business are more than twice as likely to have outstanding financial performance, almost four times as likely to delight their customers, thirteen times more likely to innovate effectively, and twenty-seven times more likely to engage and retain employees.

Operational outcomes improve significantly, too. Telstra's agile transformation resulted in incredible improvements in speed of delivery, quality, and throughput (see Figure 9).

FIGURE 9

Driving Superior Outcomes: Telstra's Agile@Scale Success



Source: Telstra, 2021

Similarly, when Bosch Power Tools started working in agile teams, its cost structure improved, and it started solving its customers' business problems rather than merely building products. Instead of

selling drilling tools, for example, it now provides drilling solutions. Importantly, both Telstra and Bosch Power Tools didn't just move to agile ways of working: they evolved all elements of their organization design to enable them to work optimally in an agile way at scale.

2. How you operate matters more than how you organize.

Organization design is traditionally about structure. Who reports to whom? What management hierarchies do we have? These rigid models were set for the industrial era and designed for efficiency and scale. There was a strict distinction between management and labor, information didn't flow easily, and managers were the decision-makers and controllers of labor. How do traditional structures fare in today's world of service workers, converging industries, hybrid work models, and the Great Resignation?

When we ranked the elements of organization design by their impact on overall outcomes, organization structure design placed last. Work design had the most impact in driving outcomes—but it's also the area in which companies are least effective (see Figure 10). It represents a huge opportunity.






How do traditional structures fare in today's world of service workers, converging industries, hybrid work models, and the Great Resignation?

FIGURE 10






Work Design Has the Most Impact, but Few Companies Do It Well

Impact and effectiveness of organization design elements

Relative Impact on Outcomes

	Work Design	VERY HIGH
	Business Model Design	
	Operating Model Design	
	Job Design	
	Organization Structure Design	MODERATE

Companies That Are Effective or Very Effective, %

	Business Model Design	39
	Operating Model Design	33
	Job Design	25
	Organization Structure Design	24
	Work Design	21

Source: The Josh Bersin Company, 2022

Strategy Before Structure

Companies that understand the needs and expectations of their stakeholders, employees, and customers, as well as the culture and its impact on organization design, are:

- 1.9X more likely to accomplish outstanding business outcomes
- 6.5X more likely to accomplish exceptional workforce outcomes
- 6.6X more likely to innovate and adapt well to change

But most work in organization design focuses on increasing the span of control, designing the hierarchy, and clarifying various roles—all issues of structure, not strategy. Organization design is a business design problem, one that goes to the fundamental issue of what your company is here to do.

For instance, most software companies realize small agile teams perform much faster than large, monolithic waterfall groups. Yet how should these teams be set up? Our research shows that even in team-centric companies, there are myriad options. Should we organize around product functions? Technologies? Components?

Sales and marketing organizations face a similar dilemma. Do you organize around customer segment? Products? Industry? Geography? These questions have no right or wrong answer, but they're all questions of strategy. So, before you get too bogged down in spans and layers, it's critical to set out the overall business goals and how the organization helps you achieve them—and work backward from there.

Collaborating across the Company and Using Technologies to Design Work

Why do many companies skip from strategy right to the structure, missing the important element of designing the work itself? For one, there is often confusion around who owns “work.” HR, operations, IT, facilities, employees, and managers need to collaborate for effective work design. In the early days of the pandemic, these cross-functional teams—led by HR and driven by necessity—came together naturally to determine new ways of working. Second, work design seems ambiguous: What’s the output? In our framework, we define it as deciding on activities, work breakdown, processes, accountability, and rewards, as well as what skills and experience are needed to get required outputs and the role of automation in work.

Today’s technologies can help with work design. ONA (organizational network analysis)—a visualization of the flow of communication and information—can show how people work. Companies such as Uber, McKesson, and Pfizer use it to support merger integration, increase innovation, and reduce collaboration overload. But only 1 in 10 companies uses these advanced technologies to understand how work happens.

Similarly, software as a service (SaaS) solutions such as OrgVue use activity analysis to help organizations quickly understand the connection between how the workforce is organized and what work is performed. Armed with this information, companies can more confidently redesign their future organization, whether it’s which activities to stop or automate to free up time for more value-adding tasks or how to reallocate tasks to match the unique skills requirement of a role.

The Importance of Flexibility in Job Architecture

Most large companies spend a lot of time designing detailed, “accurate” job descriptions that identify tasks, responsibilities, and activities. Yet as soon as a job is designed, the world around us has changed, and the description is no longer relevant. The most successful companies design jobs for the future, not just for today. They define them according to broad goals and accountabilities and build flexibility into them (see Figure 11).

3. Agile organizations separate work management from people management.

Many companies assume you have to be a technology company to work in agile ways. Our study shows that with the right approaches, any company can become agile and accountable.

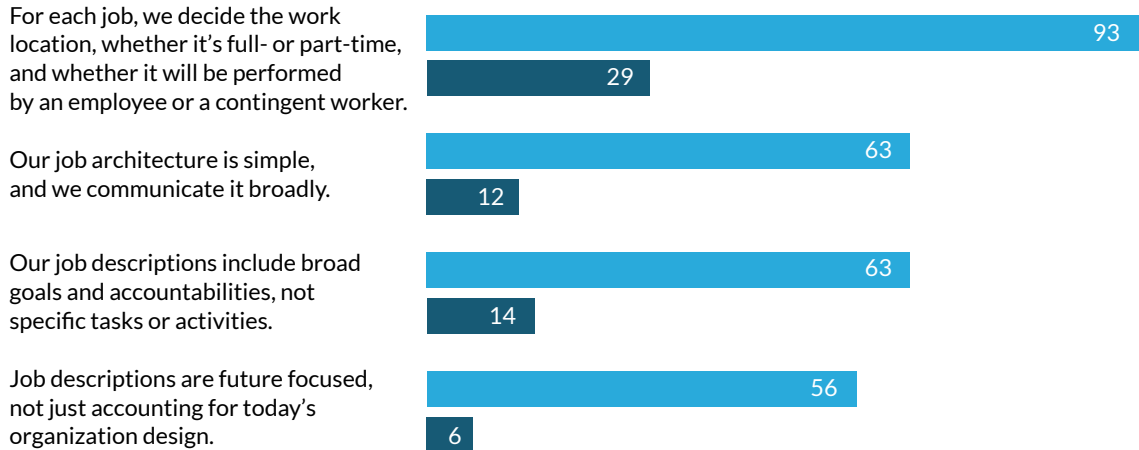
The journey to agile is not about an agile manifesto or specific models but about a shift in mindset and actions to put employees and customers first and to drive accountability. The famous Spotify model can work for your company,¹⁵ but there are many other approaches that don’t involve squads, tribes, chapters, and guilds. Just 2% of low-maturity companies use agile organization models, but even at the highest level of maturity, only about one in three companies use them (see Figure 12). Companies such as Telstra (telecommunications), Cardinal Health (healthcare), Nestlé (consumer products), and Bosch Power Tools (manufacturing) all made this journey without actually using “agile structures.”

FIGURE 11

Job Design Approaches of Low- and High-Maturity Organizations

Study respondents, %

■ Level 4 Maturity ■ Level 1 Maturity



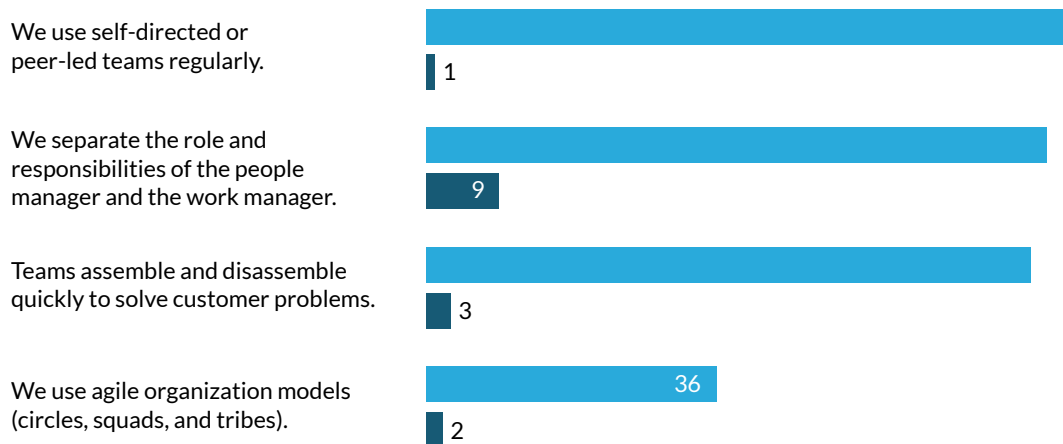
Source: The Josh Bersin Company, 2022

FIGURE 12

Team and Management Approaches of Low- and High-Maturity Organizations

Study respondents, %

■ Level 4 Maturity ■ Level 1 Maturity



Source: The Josh Bersin Company, 2022

Revisiting the Organization Chart: It's About People Management

Any company in any industry can be agile—not just technology companies. Early in the pandemic, many companies started agile cross-functional work teams. Southwest Airlines brought together grounded flight attendants to support reservation desks in processing millions of flight cancellations and refunds. Target, Walmart, and Sainsbury's rapidly developed online ordering and home delivery services to support touchless grocery shopping.¹⁶

Did they change their organizational hierarchies? No—they used agile ways of working without changing their structure or hierarchy. So, rather than thinking about organization design as just a hierarchy, think about designing work for success—in other words, make thinking about how to optimally organize to deliver work your priority.

Defining People Managers and Work Manager Roles Separately for Maximum Impact

In traditional functional organizations, work management and people management are the same. This notion stems from the industrial age, when the role of the manager was defined by deciding what work needed to happen and then passing that down to "labor." In an age of service and knowledge work, we need to redefine the roles of work managers and people managers. Companies need to define work managers and people managers for their own purposes, but instead they often split these concepts according to project management versus career coaching or cross-functional team management versus deep functional expertise (see Figure 13). Consulting companies use "resource managers" who effectively play the role of people managers by helping consultants find projects and client-facing work and hone their skills and by supporting them in making connections to other parts of the firm.

FIGURE 13

Work Manager vs. People Manager

Work Manager	People Manager
Designated by the flow of work	Designated by functional hierarchies
Accountable for deliverables and milestones	Accountable for career and skills development
Manages projects and timelines	Leads, inspires, and coaches in functional areas
Often dynamic and changing based on project needs	Mostly stable and enduring based on function
Manages cross-functional work teams	Leads functional expertise
Squads and tribes*	Chapter and guilds*
Represented by a project structure	Represented by an organization chart
Needs strong project management skills	Needs strong people leadership skills

* A squad is a small unit of people (usually between 6 and 12) working together on a long-term mission. A tribe is a group of squads working in related fields with no more than 100 members. A chapter is a collection of people who share a similar skills set and work in the same tribe. A guild is a wider community of people who share the same interest. (Source: "Understanding Squads, Tribes, and Guilds," Wrike / www.wrike.com/agile-guide/squads-tribes-guilds/)

Source: *The Josh Bersin Company*, 2022

Talent Marketplaces: Democratizing Access to Opportunities beyond Hierarchies

In the past few years, talent marketplaces—run by vendors including Gloat, Phenom People, PeopleFluent, Eightfold AI, and Fuel50—have helped match people with opportunities beyond their hierarchies. Nestlé, Bank of America, Unilever, HSBC, Truist, and Seagate use talent marketplaces to help their employees grow their skills and careers and work in more agile ways. This becomes especially critical when people managers and work managers are no longer encompassed by the same role. A work manager who has a specific project need can go to a talent marketplace and find qualified people, discuss the project with them, and then quickly deploy them on their project. Beyond this, talent marketplaces are a huge booster of employee satisfaction and retention, with no change management required and a huge immediate uptake of the solution.

4. Employee experience and capability considerations need to be part of the design, not an afterthought.

When we think of organization design, a focus on individuals—their experience and the skills needed for success—often comes when implementing a new model. This approach is inherently flawed. Not only do HR and business leaders frequently misunderstand the work people do, but behavioral science and empirical evidence show that when people are not involved, change management becomes an uphill battle. We wrote an entire playbook on change agility in which we outline these principles of involvement.¹⁷

We've written extensively about employee experience, most notably in our recent *The Definitive Guide: Employee Experience*.¹⁸ Incorporating employee

experience considerations into work design is the second most effective practice (see Figure 15, which details 15 essential practices of an agile and accountable organization). Companies that incorporate employee experience considerations into work design are:

- 5.8X more likely to be financially high performing
- 20X more likely to delight customers
- 16X more likely to be seen as a great place to work

Yet only 22% of companies do. Why? Because it seems easier to design an organization in a conference room and then bring employees along. Companies miss a big opportunity when they don't incorporate employee experience considerations—and they pay later. *The Definitive Guide: HCM Excellence* showed designing work with employees, not for them, results in much better outcomes.¹⁹ Boeing, Target, GE, and other companies have done just that, using different employee personas, from frontline workers and first-level supervisors to executives, HR professionals, and recruiters.

Capability Considerations

Organization design needs to include a serious, strategic evaluation of what skills are adjacent to each other and which clusters, or “tribes,” belong together.

We distinguish skills and capabilities because skills are so granular and won't always reflect your business needs. Business capabilities are things any businessperson would understand, while “skills” may be technical domains. In HR, for example, “building an employment brand” is a business capability, but it requires many complex skills. Roles should be combinations of capabilities that belong together,

and jobs should be combinations of various roles in the human resources management system (HRMS). (See Figure 14.)

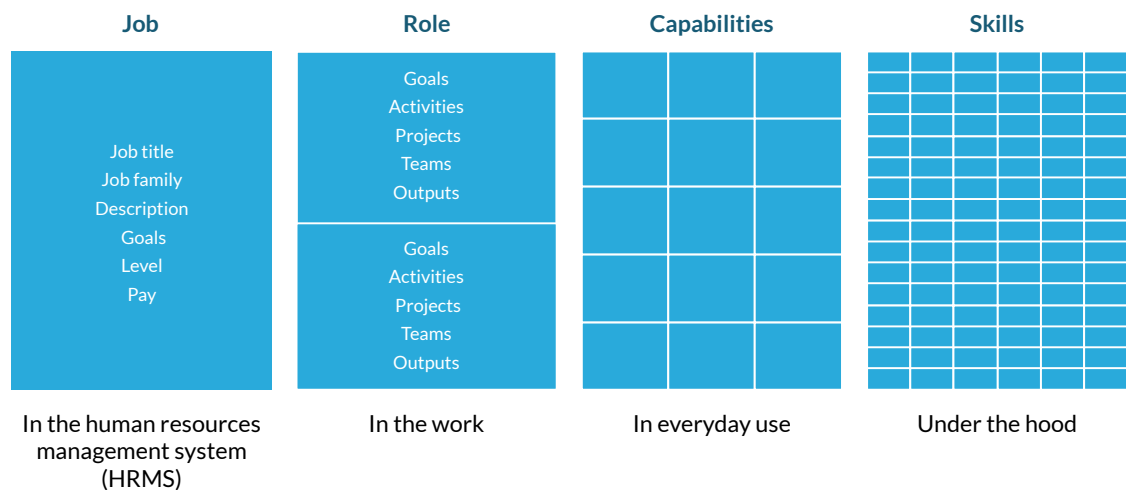
As part of the organization design process, companies need to define the business capabilities that drive success annually, either at a company level or in a functional area. For example, our discussions revealed Walmart needed 5,000 pharmacists for its retail pharmacies, so it built a career pathway in its Live Better U program, helping store associates become pharmacists through training, rotation, and educational assistance. Target, Disney, and Amazon have similar programs to build pathways to high-priority roles. To define the business capabilities a company will need in the future, you need to understand the strategy of the business and the work that needs to be delivered (as defined in our Organization Design Framework in Figure 2 on page 10).

The Importance of Talent Intelligence

To define future capabilities, it's not enough to just look at your own company; it's also important to see what skills are in the market. Vendors such as Eightfold AI, Censia, Emsi, and SkyHive provide access to trending skills collected directly from job postings. We call this near-real-time data on emerging skills—by location, industry, and job level—“talent intelligence,” and it's at the heart of any skills project or organization design effort. These must be deep insights into your industry to identify emerging job clusters so that you can define new roles, structures, and career pathways to develop toward future needs. Without these insights, you are flying blind. Talent intelligence helps you see what's next in your industry, allowing you to prepare for it. We launched an entire [new line of research](#) on this topic to help C-level leaders get ready for the future.

FIGURE 14

Jobs, Roles, Capabilities, and Skills



Source: The Josh Bersin Company, 2022

5. A focus on accountability and rewards makes success sustainable.

One of the big findings of this study is that accountability is vital to organization design. In fact, identifying what the accountable party will do to drive success is one of the most effective practices as it relates to business, people, and innovation outcomes (see Figure 15). Combined with identifying rewards for accomplishing these results, it sets the basis for operationalizing the business model, the operating model, work design, and job design.

Identifying a Single Accountable Person for Each Outcome

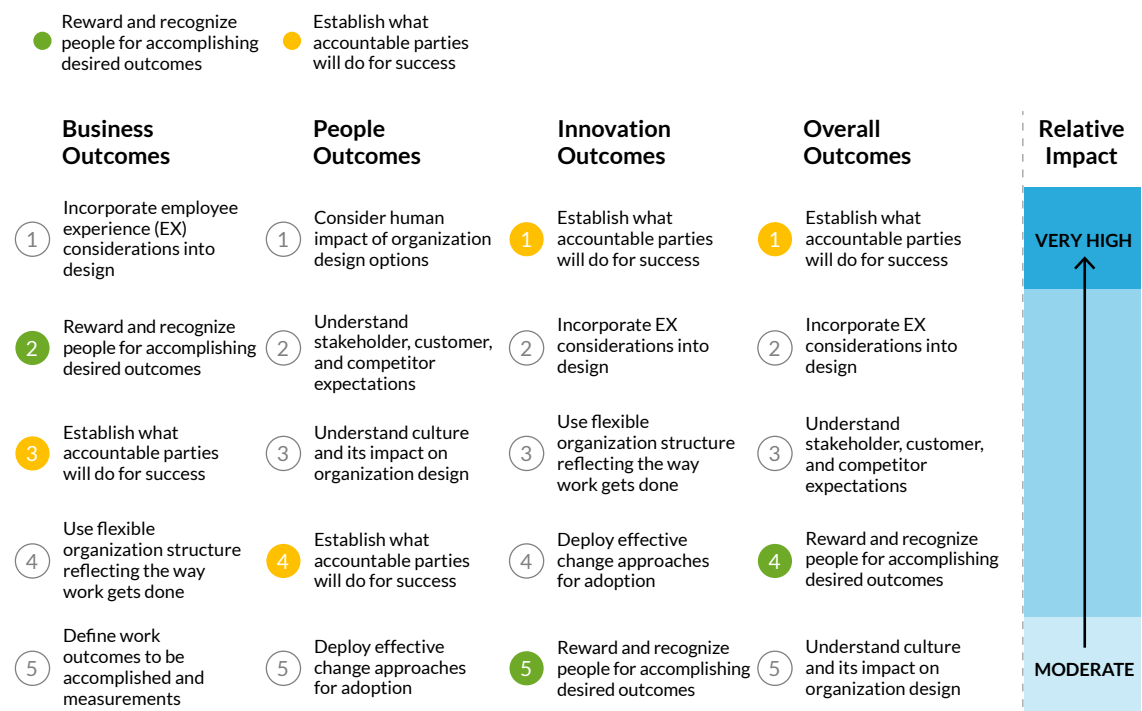
Why is accountability so important? In short, if it is not clear who's accountable for a specific

outcome, chances are it won't be achieved. In our DEI (diversity, equity, inclusion) study, we found that the most mature companies are those that hold themselves accountable for DEI outcomes.²⁰ As part of operating model design, top-line leaders must know what each part of the business (whether a function or a team) is accountable for and what the decision rights are. In turn, it's critical to involve employees on the journey so they know what they're accountable for individually and as a team.

Companies have to define their own accountability matrix. One company might make the sales rep accountable for closing the deal, which means all support processes need to enable the sales rep. In another company, the product owner might be accountable instead. For example, one large bank didn't have an accountable party for customer

FIGURE 15

Practices with the Highest Impact on Outcomes



Source: The Josh Bersin Company, 2022

experience, only for customer service—leaving behind topics like customer onboarding, products, online and offline experience, and pricing. Once the bank instituted a separate customer experience group to work across the entire bank, customer satisfaction improved by 10 percentage points within six months.

Activity-based design is extremely important here, along with regularly assessing the effectiveness of your design. When conducting activity analysis, you will often find there are hundreds of people involved in an activity, but no one says they are accountable for it. In this system, things fall through the cracks.

Creating an Accountability Chart or a RACI Chart for Clarity and Transparency

A structured way to think through and communicate accountability is the accountability chart. While the organization chart focuses on who reports to whom (clarifying the role of the people manager), it doesn't actually highlight who is accountable for what (clarifying the work manager role).

An accountability chart can be used to provide clarity about who is responsible for specific outcomes and what success will look like. For example, an HR executive in a large consumer-products company facilitated a discussion with the senior leadership team in which each leader presented an accountability chart for discussion as a group. This process helped the team identify inconsistencies and remove duplications.

A responsible, accountable, consulted, and informed (RACI) chart accomplishes a similar goal, describing clearly accountabilities and roles.

Above all, keep it simple. Sometimes teams get stuck in complicated RACI charts, so find the simplest tool that will identify accountabilities. In some cases, a simple team mission statement that's clearly communicated to other teams might be the best solution.

Defining Reward Structures

Accountability without rewards will fall flat, and not rewarding outcomes will be perceived as unfair. Our Definitive Guides to Employee Experience and to Wellbeing showed that one of the biggest drivers of overall outcomes is an organizational focus on fair and equitable rewards.²¹ For example, Taj Hotels turned around its culture and declining business performance by changing both the reward structure and the operating model from a centrally controlled approach to a model of empowerment, where every hotel operates as one team and every employee is now part of the success of that hotel. After this change, company performance turned around dramatically.

As so much of the work in agile organizations happens in teams, managing rewards and accountability for teams is really important—but only about one in five companies do it.²² If the accountable party for a certain outcome is a team, change the way you reward to account for that.

The 15 Essential Practices

Unsure where to start? Our research finds the 15 practices and strategies listed in Figure 16 have the greatest impact on business outcomes including financial performance, innovation, and people metrics. You'll see they're not your typical organization design practices—which are mainly

targeted at redesigning organizational hierarchies and reporting structures—or job architectures.

Five of the top fifteen practices relate to work design. Companies need to start thinking about how work itself needs to be designed for success based on the guiding pillars of organization design: business strategy and the operating model. Neither changes frequently, but business strategy and the operating model need to be revisited regularly to inform the microdesign of work, jobs, and structures. Think about designing a car, for example: What will you use it for? If you're a single person with a lead foot, you may look for a sports car. If you have a large family and need to shuttle around your kids and their

friends, you may look for a three-row minivan. The wheels, engine, and overall design are different, and needs change over time.

One area that's completely missing is the methodology, approach, and internal governance of organization design. This doesn't mean it's not important; it just indicates that a hyperfocus on using a specific methodology can cause you to lose focus on the problem you're solving or what's right for your business. Rather than focusing on a specific "right" methodology, make sure you use something consistently across the company. Think about these areas as "hygiene factors," not as impact drivers in and of themselves.

Companies need to start thinking about how work itself needs to be designed for success based on the guiding pillars of organization design: business strategy and the operating model.

FIGURE 16

The 15 Essential Practices of Agile and Accountable Organizations

Practice	Dimension	Element	Relative Impact
① Clearly establish what the accountable party will do to drive success	Accountability and rewards	 Work Design	
② Incorporate employee experience considerations in work design	Skills and experience focus	 Work Design	
③ Understand expectations of stakeholders, customers, and competitors	Purpose and business strategy	 Business Model Design	
④ Reward and recognize people for accomplishing desired outcomes	Accountability and rewards	 Work Design	
⑤ Clearly understand the culture and its influence on organization design	Culture and leadership	 Business Model Design	
⑥ Consider the human impact of organization design options	Change management and communication	 Implementation and Adoption	
⑦ Deploy effective change management approaches to support adoption	Change management and communication	 Implementation and Adoption	
⑧ Combine work activities that fit together into roles	Flexible role design	 Job Design	
⑨ Identify how to organize to deliver value	Customer orientation	 Operating Model Design	
⑩ Use a flexible organization structure that reflects the way work gets done	Flexible organization structure	 Organization Structure Design	
⑪ Transparently communicate the future state model and design	Change management and communication	 Implementation and Adoption	
⑫ Define which capabilities to build internally vs. to buy	Skills and experience focus	 Work Design	
⑬ Clearly define the roles needed in the target operating model	Role definition	 Operating Model Design	
⑭ Clearly define work outcomes to be accomplished and measurements	Accountability and rewards	 Work Design	
⑮ Consider ease of implementation and practicality of organization models	Change management and communication	 Implementation and Adoption	

Source: The Josh Bersin Company, 2022

Below we describe these practices in the order they need to be considered as you design your organization.

Start with business model design: Define your purpose, strategy, and culture.

The journey to agile doesn't start with the agile manifesto or with tribes and squads. It starts with clarifying what your stakeholders—employees, customers, partners, and shareholders—expect from the business, what business you are in, and the cultural constructs that make your company successful. Then, work backward toward those outcomes.

Amazon is known for its customer obsession. Ever since its founding in 1994, the company has clearly defined customer expectations. As the business grew from a local bookseller to a massive retailer, working backward from this fundamental customer obsession guided all decisions, even as the business model has changed. In their book *Working Backwards*, former Amazon executives Colin Bryar and Bill Carr describe how all management decisions about elements of new business ventures, such as press releases and FAQs, were guided by an overarching principle: providing the very best customer experience.²³

Next, define the target operating model and the roles needed to deliver value.

What customer personas do we have, and how do we reach them? Is it a high-touch or a high-volume business? What role do automation and new technology play in how we operate? Keep in mind that the answers to these questions may change. For example, Sutter Health saw a huge increase in telehealth appointments in March 2020 as the

pandemic hit, with the number of virtual visits increasing tenfold, from an average of 20 per day before the pandemic to more than 200 per day in March 2020. Even when regular appointments were possible again, patients continued to use video visits as a convenient alternative to in-person appointments. Instead of receptionists in physical medical offices, the company needed technology support staff.²⁴

Design work with a focus on clear accountabilities and rewards for results.

A business focus of organization design means companies need to be clear about what success looks like, how it's measured, and who's accountable for it while making rewards dependent on accomplishing those results. A culture of accountability is key to creating outstanding DEI outcomes, as we established in our DEI study,²⁵ and it holds true for other organization outcomes too—after all, this is the most effective organization design practice. For example, DCP Midstream identified that its customers were dissatisfied because they had to wait a long time for machines to be fixed because specialized skills for specific machines only existed in some locations. Rather than hire specialists for every location, the company trained engineers to fix a wider variety of machines—and they rewarded improved results by increasing hourly pay by \$1.75 for every additional skills set.

Incorporate employee experience considerations and a focus on skills in work design.

Work design that's solely focused on accountability and outcome measurement will fall short on an important factor: engaging the ingenuity of the

people who do the work. Without considering the experience of employees or focusing on the skills and capabilities required to complete the necessary work, companies won't be able to innovate—and they will fall short on attracting, engaging, and retaining people.

The biggest change in organization design in recent years has been the massive overall shift in approach to work location. While remote work was a distant dream for some employees for decades, the new world of work is hybrid. We know from our discussions with leaders that companies like Rabobank, AstraZeneca, Dow, and Google involve employees directly in designing new models that work just as well for them as for the customers they serve.

Build flexibility into job models and organization structures.

Job hierarchies and organization structures are typically seen as the bread and butter of organization design. But as the currency of talent moves toward more skills- and experience-based practices, rigid job architectures are less and less suited for today's dynamic world of work. Instead, agile organizations combine work activities that fit together into flexible roles and use flexible organization structures that reflect the way work gets done.

Australian telecommunications company Telstra ditched rigid job descriptions when it adopted agile ways of working in all parts of its business. By separating people management and work management, the company moved to a dynamic organization model for its work practices. People are deployed to projects—which they find in talent marketplaces—with specific deliverables and tasks. Once a project is complete, they find more assignments. This model helps control costs, increase employee skills, and provide better outcomes faster.

Continuously incorporate change management and adoption practices.

As change accelerates, new approaches to drive agility are required—in fact, we wrote an entire playbook about this.²⁶ At their core, these approaches center on thinking about the human impact of any change, considering ease of implementation and practicality of new models during the design, involving people throughout, doubling down on communication, and deploying effective change approaches. These same practices are also most effective in organization design.

For example, Bosch Power Tools involved employees in making real decisions on how to organize—for example, whether teams should come together around products or customer problems. Rather than defining rigid solutions, empowering teams to decide on these topics themselves led to more realistic and practical decisions—and spurred adoption.

Conclusion

In an ideal world, leaders would focus on the 7 elements, the 20 dimensions, and the 73 practices, strategies, and programs in our Organization Design Framework. But prioritizing the 5 key findings and 15 practices we've identified delivers a disproportionate impact on business, people, and innovation outcomes. So how are leading companies designing their organizations to become agile and accountable? The next section shares examples of excellence from some of the world's most successful organizations. ■



Examples of Excellence

We spent many hours in discussions with HR, L&D, talent, and business leaders across the globe to learn more about their approach to organization design. The case studies in this chapter explain some of the best practices of three leading companies.

Bosch Power Tools: Moving from Functional Silos to Agile Ways of Working

Bosch Power Tools, a division of the Bosch Group, is a market leader in power tools and power tool accessories for do-it-yourself and professional use. In 2015, Bosch Power Tools started an agile transformation of its 20,000 associates. As a result, all business units and central functions were reorganized in permanent cross-functional teams, enabled by a refreshed work design and an agile mindset.

The company had previously been largely focused on selling to retailers rather than to customers directly. The agile transformation was driven by digitalization and a need to get closer to customers worldwide, to connect with customers for product feedback and insights, and to build a regional focus for product development and team expansion.

Change Agents and Transition Teams

A small cross-functional team was nominated as the project team driving the transformation. This team reported directly to the CEO of Bosch Power Tools. Each team member served as a “change agent” to facilitate the transition, soliciting volunteers from within each business unit to form a transition team that would collaborate and carve the path forward.

Small Start, Big Step

Prior to the transformation, Bosch Power Tools’ associates were organized in six business units across different regions. In truly agile fashion, the goal was to start small and scale based on learnings along the way. Bosch Power Tools started the transformation

with one of its largest business units in charge of the most popular product line in Europe: Bosch Green, a line of tools designed for DIYers.

Unified Direction, Flexibility for Action

The questions the team aimed to address in the agile transformation included the following:

- Are we close to our users?
- Are we truly innovative?
- Are we fast and flexible?

Each business unit was brought up to speed with the goals and was given a broad unified direction on the elements of the business that needed to transform to advance the goals.

Bosch Power Tools’ transformation rested on the following five pillars:

- Leadership
- Organization
- Collaboration
- Processes
- Strategy

Change agents facilitating the transformation in each business unit provided some guiding principles for team members to lead with, providing a unified direction while allowing for flexibility and experimentation.

Guiding Principles and Cornerstone for Design

Business units were provided with guiding principles that laid the foundation for the design of each element as the transition team worked together to flesh out what each would look like. The principles included directional guidance such as the following:

- Design activity should help break functional silos and reorganize the team into multiple smaller business teams.
- Business teams should be cross-functional, demoing the ability to function as independent agile businesses.
- Success of the transformation should be measured against team goals, not against individual goals.

New Business Teams Organized by Purpose and Expertise

The project team was tasked with defining the structure and composition of the new business teams, and several great ideas surfaced. As it designed for how work is done and who is accountable for getting what work done, the team solidified a new approach to designing the composition of these new, smaller, cross-functional business teams. The business teams would comprise no more than 25 people in one location and would be organized around either of the following:

- **Purpose:** useful applications aimed at solving a particular problem for a consumer—for example, grinding, fixing, or hedge care
- **Expertise:** services for internal experts and enablers—for example, finance, HR, or IT

Purpose teams are responsible for not just making products better but also evolving products and solutions aimed at helping customers in new and easier ways. For example, the fixing team is responsible not just for improving fixing products but also for finding new ways to put fixtures on a wall with the least effort.

Expertise teams are tasked with providing services to internal customers and supporting the purpose teams to in turn support customers. For example, the finance team supports purpose teams with profit and loss (P&L) statements and financial planning support.

Leadership by Intent, Not by Legacy

As part of providing autonomy and flexibility, associates could nominate people for roles in the new team structure. They could apply for leadership positions or new agile or product roles based on their interests. It wasn't a transfer of leaders from the old structure to the new model, but a re-recruiting of people based on their interest in the roles and intent to pursue them. Each business unit was led by a business owner. While the teams are permanent, team members have the ability to switch roles if they so desire.

Designing in Sprints, for Success

Bosch Power Tools' organization redesign happened in sprints, with new business units joining the transformation journey every six to twelve months. The entire transformation started five years ago and is ongoing. The new organization setup took a little more than two years to create and implement, leading to the formation of fifty-four permanent cross-functional business teams.

Three years into the transformation journey, Bosch Power Tools has seen increased attraction and retention of associates as well as an increased market presence, despite unpredictable market conditions triggered by the pandemic. In fact, designing and organizing business teams with a focus on agility and business success, rather than with a focus on

structure or hierarchies, proved prescient: people were more adaptive and swifter in responding to change and in solving problems. Bosch Power Tools' agile transformation has helped the company break out of functional silos, setting up the company for sustainable business success.

"We used to manufacture and sell power drills before the transformation," said Jochen Goeser, expertise owner of people and culture at Bosch Power Tools. "Today, we are no longer in the drill manufacturing business; we solve our customers' drilling problems. It's a completely different mindset, and our customers get better solutions." ■

DCP Midstream: Rewarding for Upskilling

DCP Midstream is a Fortune 500 natural-gas processing and transmission company headquartered in Denver, Colorado. With a focus on meeting consumers' energy needs, the company undertook an operational transformation effort driven by the desire to create clear accountabilities and rewards for results. The goal was to drive the efficiency of "human power"—helping individuals in different jobs develop the skills needed to better serve customers and drive business success. DCP Midstream introduced a rewards system tied to accountability, agility, and change enablement: it paid hourly employees a standard premium when they stepped outside their current level of expertise to learn the discipline of another technical role.

"Our business is very distributed," said Tamara Bray, the CHRO of DCP Midstream. "We have lots of small plants with five to seven hourly employees who work in classification-based technical operations roles. For example, when a mechanic runs into an issue that requires an electrician's intervention, an associate from a different plant would have to travel sometimes 60 miles to support the issue. It was just lost productivity."

A Shift to Remote Control of Operations

As a first step toward driving efficiencies, the company empowered local operators and remotely monitored and supported operations from a central location. "By centralizing the control room, we were able to bring in all kinds of financial, commercial, and commodity-price data streams that were not previously used in the decision-making process about

how each plant was run," said Bray. It also presented an opportunity for people in different technical roles to collaborate with employees in adjacent roles.

A Program to Develop Multiskilled Workers

When the CEO of DCP Midstream said, "I would gladly pay more money for fewer people with better skills," the HR team literally put its money where it wanted to see behavior change. The team launched a skilling program that would enable and incentivize people to "multiskill"—to learn to perform not just one classified job, but multiple related jobs.

- The multiskilling program started with a job task analysis. Twenty-five subject-matter experts from across the company came together to build a competency model defining skills for each job and task. The exercise ultimately led to a catalog of 200 skills across 15 key capability areas.
- The HR team then worked with business unit leaders to identify multiskilled roles—roles using related or complementary skills—and started mapping the skills available within each business unit to support those roles.
- The team then nominated 75 subject-matter experts—referred to as gatekeepers—to assess the skill proficiency of 750 DCP Midstream employees in their respective business units and to identify targeted skill-development needs.

The company launched a series of upskilling programs across the identified adjacent skills for technical roles. "We want employees to build skills in any adjacent technical areas where it would make it easier for us to serve our customers better and

more efficiently,” said Bray. As part of the program, employees and supervisors sit together to define the most relevant skills for each individual depending on their role, their proficiency, and the anticipated future demand for specific skills.

A New Rewards Program

To boost uptake of the upskilling programs, the HR team instituted a system in which each skill is associated with points based on its level of complexity. For every 50 points earned, employees receive a \$1.25 increase in their hourly pay according to the following formula:

$$\text{Total Pay} = \text{Base Pay} + \text{Skills Premium}$$

- **Base Pay:** a baseline pay rate set to be above the typical market entry rate for a person entering the hourly workforce without any technical skills
- **Skills Premium:** a standard premium for technical skills acquired by individuals either in the role (as assessed by the gatekeepers) or for new skills learned or acquired through the upskilling program

Through rapid upskilling and by earning points, employees can increase their base pay rate in six months by an amount that would typically occur in more than a year. And because this new rewards system allows workers to earn more by investing in their own skills development, it creates rewards for the desired outcome.

The skills program was rolled out in the spring of 2020. There is excitement among workers to learn new skills and increase their pay, particularly among those in junior roles. The compensation team is implementing base pay-rate changes every quarter, which is evidence that employees are leveraging the upskilling program. The transformation—powered by upskilling, enabled by accountability, and rewarding for desired outcomes—has helped DCP Midstream develop efficiencies, serve customers better, and advance the company’s larger vision of becoming a technical innovator.

“Our workers get more pay, and if a machine breaks down, we don’t have to wait for hours to get it fixed. The local worker can do it themselves,” said Bray. “So, our customers are happy because they get things faster. It’s a win-win.” ■

Telstra: Transforming Business and HR with Agility at Scale

Telstra is Australia's leading telecommunications and information services company, created more than 100 years ago as a state-owned enterprise. Between 1997 and 2006, the Australian government privatized Telstra in a number of branches.

In April 2009, the Australian government announced it would establish a new company to build and operate the National Broadband Network (NBN) to "deliver superfast broadband" to all homes and workplaces. The construction of the NBN removed Telstra's ownership and operation of most of Australia's landline telephone and internet infrastructure, fundamentally changing Telstra's business model.

Alongside the NBN effect, the global telecommunications industry also rapidly changed as customer expectations increased and technological change accelerated. The net result was that Telstra's profitability eroded by more than \$6 billion over the following decade, predominantly from the impact of the NBN but also from the loss of revenue from voice, SMS, global roaming, and other pressures, with an inevitable impact on earnings and dividends. By 2018, Telstra was facing not only a declining share price but also declining employee and customer sentiment. It needed to do something fundamentally different to fortify its position as an industry leader and employer of choice.

That year, CHRO Alex Badenoch—under the stewardship of CEO Andrew Penn—took on a role leading Telstra's T22 transformation, a new strategy

to transform customer experience and products, simplify operations, reduce costs, and improve financial performance while maintaining a deep focus on people, culture, leadership, and the capabilities needed to make it successful.

Transformation Fundamentals: Be Bold, Be Agile

"A couple of things were fundamental for the transformation at Telstra," said Badenoch. "You've got to be bold. It's very hard to transform at scale when you're playing with little experiments in isolated pockets of the business. The second critical piece is agile, which is about driving agility, collaboration, and building cross-functional capabilities quickly." The gravity of business challenges served as the impetus for a one-fell-swoop reorganization effort that, alongside the need for better cost-effectiveness and efficiency, built a business case for approaching the reorganization with agile at scale.

Approximately 50% of Telstra's business transformed to agile ways of working within just two years, with the HR function 100% agile since the onset of the transformation. This encompasses a redesign of everything from businesswide planning and managing financials to allocating people across the organization and serving the business as an HR function.

A New Functional Model

Leveraging agile design and practices, Telstra realigned its structure around chapters and groups. At a high level, chapter leads are the leaders of the people at Telstra, and group owners are the leaders of the work:

- **Chapters:** As a big step toward amplifying Telstra’s focus on people, leadership, capabilities, and the overall employee experience, chapters are designed to focus on career development. They bring together people with similar skills and capabilities—such as customer experience—and chapter leaders assign them to projects and jobs best suited to support their career advancement and upskilling. Chapter leads don’t manage work but instead focus solely on ensuring Telstra has the right people with the right skills allocated to work on the organization’s priorities.
- **Groups:** Group owners run the work. On a quarterly basis, they create a game plan for delivering on the company’s annual priorities and define the requirements for executing it. For example, a group owner may define quarterly needs for people with different capabilities, then solicit funding and compete for the best resources, akin to a matrix-style professional services model.

A New HR Model

As part of redesigning how the HR function operates, Telstra eliminated the role of HR business partners and reallocated these individuals across two distinct groups: Global Business Services, which manages day-to-day operational work, and agile “missions,” which oversee policies and processes supporting the broader business strategy:

- **Global Business Services:** Global Business Services (GBS) aims to simplify the transactional side of HR, making it easier for employees to deliver and receive great service while reducing the cost base and maximizing portfolio management. Telstra has built a sophisticated HR platform for queries, with chatbots helping employees navigate the information they need or get support via a call center. All analytics and reporting teams across the business roll into the GBS umbrella, creating a centralized repository of data and metrics to support better decision-making across the organization.
- **Agile Missions:** The non-Business Services part of HR works on agile missions or “centers of expertise” in areas such as remuneration or health and safety. Agile missions are tied to the biggest business priorities, such as building agile capability in the business, planning for the future of work, and managing change. Not limited to specific business units, the HR function supports the biggest challenges faced by the business while also working on translating practices, policies, and priorities within HR to support the resolution of business challenges.

Rapid Transformation, Robust Outcomes

Telstra has eliminated, on average, more than four layers of management across the business. The shift to groups and chapters, centralized data management, and agile ways of working has created unprecedented visibility into performance by function as well as performance at an individual level and has enhanced Telstra’s ability to optimize costs. The new model is naturally conducive to career development and building a breadth of skills across different roles and projects without having to switch jobs. On a quarterly basis, employees can move from

one mission to another, timed to when group leaders recalibrate priorities and redefine their needs.

The company's direct workforce has been reduced by more than 25% since fiscal year 2018, and Telstra is on track to reduce costs by Australian dollars 2.7 billion by the end of fiscal year 2022. In parallel, the business has seen improvements in customer experience, speed, and flexibility in delivery, and a drastic increase in employee engagement since the shift to agile. In this new model, Telstra's HR function supports productivity and cost-effectiveness for the business, beyond just supporting HR programs.

"HR has to become the organizational design consultant for the organization," said Badenoch. "You need to understand the business, the context, and the problems that need to be solved. You must think about the design [and] understand why that design matters and what it's going to be able to deliver to the business. Once you can build that scaffold, your ability as an HR function to manage change, transform culture, and remodel leadership will become much easier. It is a core competency for HR, now and for the future." ■



5

Getting Started

How do you move from one level of maturity to the next, how do you build your own internal capability, and how do you operationalize an organization design approach?

Organization design is one of the most important areas of HR and leadership—and one of the most mysterious and misunderstood. HR and business leaders across all industries and around the world are thoroughly confused about how to design business models, define operating models, and identify work, skills, jobs, and structures that drive business value. The journey to becoming an agile, accountable organization is long and winding; it requires hard work and a focus not just on structure and hierarchy but also on culture, cross-functional collaboration, change management and iteration, and skills and experience.

Key Insights

- It's not easy, but undertaking actions that advance your organization on the maturity curve has a disproportionately positive impact on business, people, and innovation outcomes.
- Operationalizing organization design needs to be an ongoing business priority, not a one-off process.
- Becoming an agile organization not only delivers competitive advantage—it may be essential to business survival.

You can't ignore organization design; it's absolutely necessary for business success. Consider this: business, people, and innovation outcomes all improve as organizations mature. Outcomes increase most significantly at different transition points, so there is significant value in advancing to a higher level (see Figure 17).

When companies move from the chaos of Level 1—where there is no design or intention behind jobs, structures, or work models—to the traditional models of Level 2, they are much more likely to outperform others in business outcomes (financial

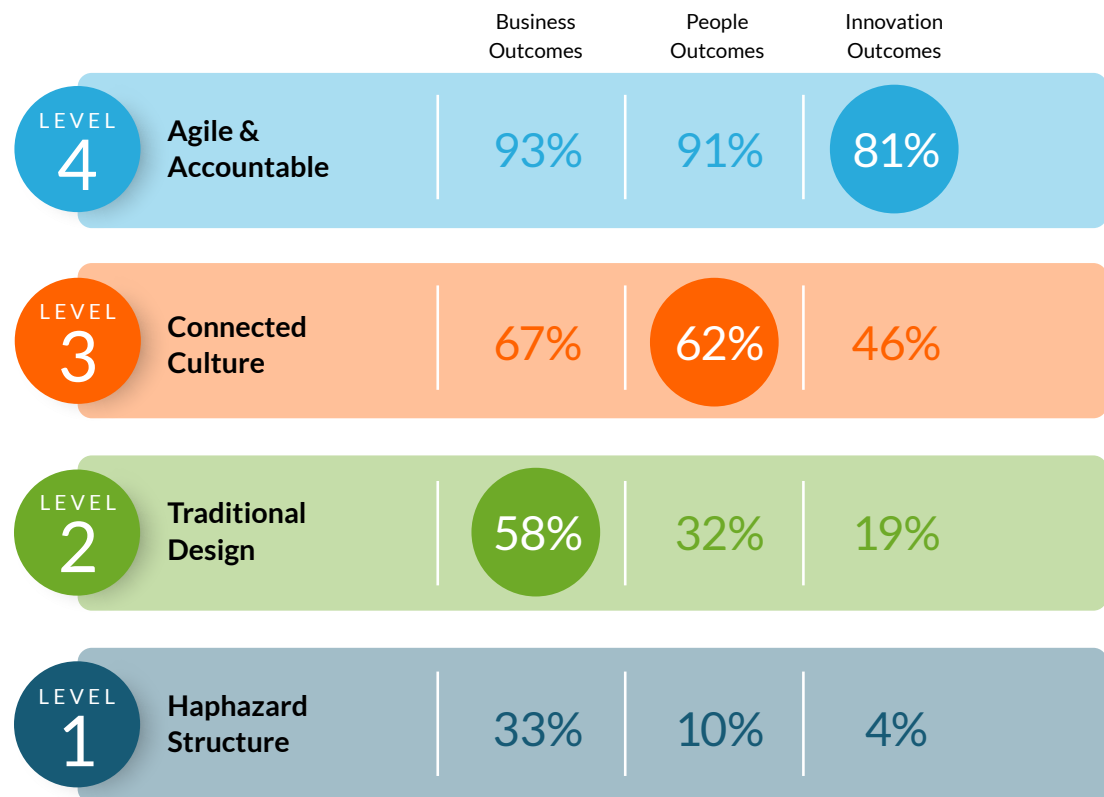
performance and customer satisfaction) because they focus on cost reduction through removing spans and layers and avoid organizational duplication that may stand in the way of great customer service. Increased clarity about who does what also helps.

At Level 3, leaders embed a powerful focus on the mission and the purpose of the company into every interaction and double down on helping employees see the strong connection between their work and the mission. They also pay attention to deliberately creating a culture that helps people be successful. That's why people outcomes—engagement,

FIGURE 17

Outcomes Improve Significantly at Higher Maturity Levels

Organizations at a given level that accomplish excellent outcomes, %



Note: Highlights indicate the biggest jumps from level to level.
Source: The Josh Bersin Company, 2022

retention, a sense of belonging, and a design that reflects the culture of the company—improve significantly.

The most significant change comes at Level 4, when companies also focus on establishing clear accountability, defining outcomes, and working in agile ways throughout the business. These companies are most successful with regard to profitability, customer delight, engagement, and retention of people—and this success is sustainable because innovation outcomes (change adaptability and effective innovation) are much better.

So how do you navigate all these different topics to move beyond traditional design and become agile and accountable?

Advancing in Organization Design Maturity

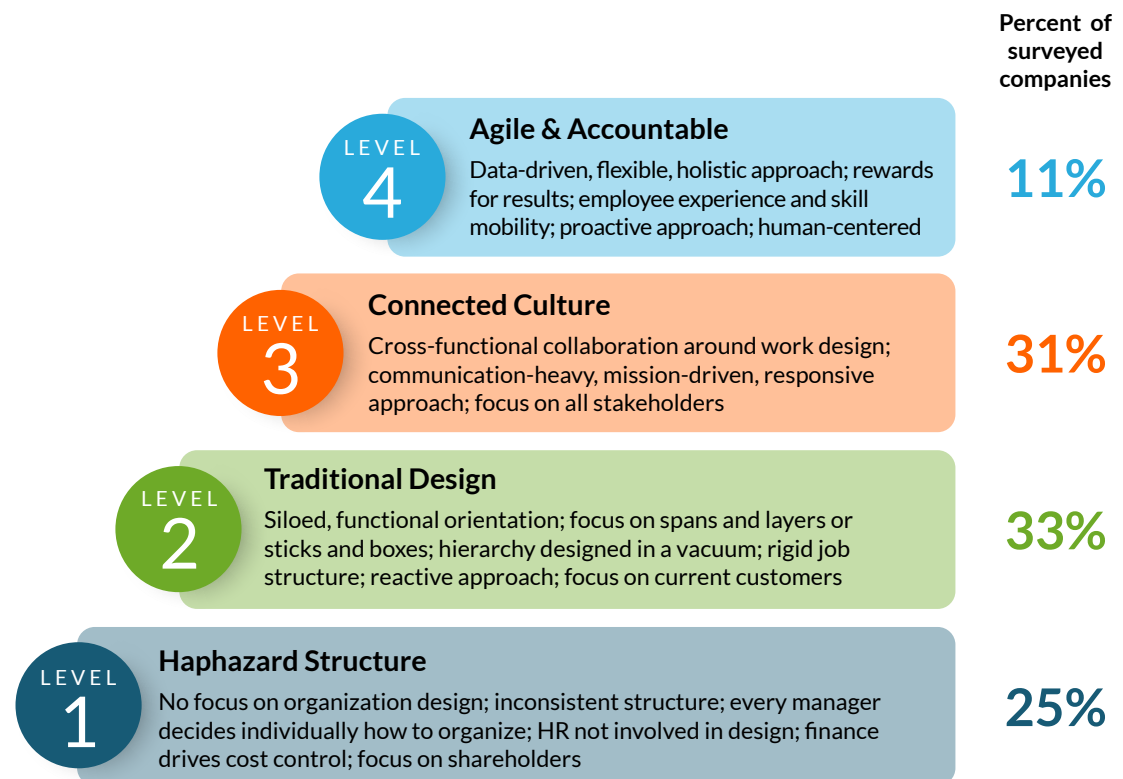
First, you need to understand what level your company is currently at by using the Organization Design Maturity Model (see Figure 18). Then, think about how to move in the right direction—and be prepared for a substantial journey.

In order to advance, it's important to understand what actions are most important in increasing effectiveness—and how to take them in your organization.

It's not possible to skip levels. To build organization design muscle, companies need to go thoughtfully through each level to advance to the next.

FIGURE 18

The Organization Design Maturity Model



Source: The Josh Bersin Company, 2022

Advancing from Level 1 to Level 2: Get Intentional about Organization Design

Organizations at Level 1 don't really do anything with regard to organization design. It's chaos, with disjointed jobs that are haphazardly assembled without rhyme or reason. This means employees are confused about who is on point for what. They may see decisions about pay or promotions as biased rather than data-driven, and they don't feel very satisfied. It shows in outcomes: only 3% of Level 1 companies accomplish high employee engagement and retention.

Moving to the next level requires a shift in focus: intentionally designing organization structures and hierarchies, reviewing them periodically to fit company strategy, and aligning them toward customer needs (see Figure 19). Somebody needs to be in charge of organization design (although often the actual work is outsourced to consultants). Doubling down on customer success pays off: while just one in four companies at Level 1 accomplishes outstanding customer satisfaction, close to 60% of Level 2 companies get these results.

FIGURE 19

Moving from Level 1 to Level 2

What HR and Business Leaders Can Do	Description and Examples
<p>Start an organization design project in a specific area to solve a pressing business problem.</p>	<p>Organization design is like a muscle: you need to exercise it to develop capabilities. Be clear about what you want to achieve and break it into smaller pieces.</p> <p>Start with one business problem to solve—perhaps an underperforming group, a people problem, or a lack of growth. This design exercise should be focused not just on cost reduction but also on actual business needs.</p> <p>The pandemic changed the nature of healthcare, so Sutter Health reorganized its entire delivery model to rapidly increase video visits. This shift required new skills, capabilities, and jobs in nursing, administration, and more.</p>
<p>Engage with a consulting partner to bring in needed expertise for the project.</p>	<p>To approach organization design in your company in the right way requires expertise. You likely don't have internal capabilities, so an external expert can help. A consulting partner will guide you in the right direction to put some intention behind organization design, focusing on organization structure as a first step. To start building capabilities in organization design, clearly establish this as a goal of the consulting engagement, in addition to the design itself.</p> <p>An Australian financial services company had grown rapidly but had no intentional organization structure. As a result, costs were sometimes out of control, and customers were increasingly dissatisfied with inconsistent service. The company brought in a consulting partner to help develop a more intentional organization design, including a focus on defining accountabilities, identifying organizational hierarchies, and reviewing spans and layers to control costs and improve customer service. The engagement provided a blueprint for improvement and a baseline against which the organization was able to better manage costs.</p>

Moving from Level 1 to Level 2 (continued)

What HR and Business Leaders Can Do	Description and Examples
Start small, iterate, and improve with organization design.	<p>Rather than starting with a massive reorganization, pick an area that is both open to change and a real business issue to solve. Bring internal experts together with less experienced HR people to learn as you design. Ensure this is not just a one-off process—build in checkpoints following implementation to test and learn.</p> <p>A large U.S. healthcare provider identified the nurse manager role as problematic: turnover was much higher than in other roles, people were burned out and dissatisfied, and it was hard to hire for the role. Working with nurse managers, the provider identified issues on multiple levels: spans of control were too large (often 100 nurses to 1 manager), the work was too administrative, and there was not enough patient contact. So the HR team completely redesigned the role. For example, it installed team leaders to lessen pressure, and it centralized and automated scheduling, giving nurse managers back to patients.</p>

Source: The Josh Bersin Company, 2022

Advancing from Level 2 to Level 3: Focus on Strategy and Culture

Level 2 companies are doubling down on organization design in a traditional sense. They establish job designs; identify what customers, leaders, and employees need from organization design; and create intentional structures around what they learn. As a result, overall business results are much better than those of Level 1 companies.

However, Level 2 companies still design the organization primarily for short-term problems: fixing

a performance issue, mitigating customer concerns, or reducing costs of overblown hierarchies. To advance to the next level, companies need to focus on the company's broader strategy, mission, and purpose to design for the future, to empower people to work across functional boundaries, and to double down on communication and transparency (see Figure 20). As a result, people outcomes—engagement and retention, a feeling of belonging, and a perception that the company is a great place to work—all improve significantly. While only 23% of Level 2 companies are able to retain and engage their workforce, this percentage jumps to 60% among Level 3 companies.

FIGURE 20

Moving from Level 2 to Level 3

What HR and Business Leaders Can Do	Description and Examples
<p>Engage and communicate consistently, transparently, and in a tailored way to involve all audiences.</p>	<p>Bringing employees along the organization design journey is key to the success of Level 3 companies. Communication is key, because employees need to understand all components of the organization design. Your business strategy, your cultural constructs, your leadership models, how your company goes to market, how you organize for success, how work and people management are organized, what skills are needed for success—all of these elements need to be explained and communicated to employees, not just once, but on an ongoing basis.</p> <p>Nestlé doubled down on communication throughout its big organization project to move from a functional orientation toward a customer-based orientation. “Our culture is Nestlé-nice, and everybody just wants to work with everybody else they worked with for decades,” said David Tredo, vice president of HR operations and transformation. Messages were tailored for the needs of each audience, but all linked back to the CEO’s mission and vision for the company.</p>
<p>Start building organization design capabilities with HR consulting and business partners.</p>	<p>Organization design becomes more necessary as the pace of change accelerates. New customer demands and business changes are now a reality of the world of work, which means line HR capabilities for organization design have become critical. Companies need to build these capabilities through formal programs, support mechanisms, mentoring, and dedicated tools and resources—and they need to clearly establish an accountable person for the organization design capability.</p> <p>Prudential established an organization design center of excellence within HR, led by a senior leader with deep experience and expertise in all elements of organization design. Staffed with internal experts in organization design principles, this team trains, supports, and provides tools to line HR business partners (HRBPs), all with the goal to better support the business.</p>

Moving from Level 2 to Level 3 (continued)

What HR and Business Leaders Can Do	Description and Examples
Identify where cross-functional collaboration has the biggest value, and start driving toward more agile ways of working.	<p>Determine specific areas of the business where cross-functional collaboration can add value. Initially, these areas could be in technology, but they should spread to other parts of the business over time. Even without changing organization structures, these new ways of working will support change adaptability, employee experience, and customer outcomes.</p> <p>Bank of America uses OrgVue to determine the way work happens on a granular level and to better understand needed organization design changes. The organizational effectiveness team started connecting organizational network analysis metrics to data derived from OrgVue to understand how work happens on a relationship level, clearly painting a picture of not just who does what, but also who works with whom.</p>

Source: *The Josh Bersin Company, 2022*

Advancing from Level 3 to Level 4: Translate Strategy into Work Activities

Level 3 companies talk about cross-functional collaboration and agile designs, and they start to break open functional siloes. But, at the end of the day, people revert to old, hierarchical ways of working because they can't differentiate between work design and structure design.

Companies don't need to implement agile structures like squads and tribes to advance to Level 4, the

highest level of maturity (see Figure 21). Rather, they need to double down on adaptable, flexible ways of working; involve employees in decisions about work and organization design; and focus on accountability and clearly defining success criteria. That's how Level 4 companies accomplish significantly better business outcomes and people outcomes—and see a huge impact on innovation outcomes. (Fewer than 50% of Level 3 companies are innovative and change-adaptable, while more than 80% of Level 4 companies are.)

FIGURE 21

Moving from Level 3 to Level 4

What HR and Business Leaders Can Do	Description and Examples
Involve employees directly in organization design to incorporate employee experience considerations.	<p>Employees are by far the most impacted by organization design decisions. Their managers, work, rewards structures, accountabilities, and even what skills they need all change as organization design changes. But only 1 in 10 companies involves employees directly in organization design because, in all but the most mature companies, this process is secret, mysterious, and carried out behind closed doors. To mature to a truly agile and accountable company, don't just sell the solution to employees—let them cocreate models that work for them.</p> <p>Bosch Power Tools empowered its frontline manufacturing teams to identify how to organize—whether by problem, tool, solution, or customer group. Rather than assuming senior leaders far removed from the business knew what made sense, each cross-functional team can now quickly come together, identify what needs to be done, bring in other people from across the organization, define and execute the work, and disband when they accomplish their goal.</p>
Define what problem needs to be solved, how to measure outcomes, and who is accountable for success—then develop hybrid hyperskills.	<p>Different business problems require different solutions. If you have the operational problem of an underperforming business area, your solution will be very different than one you would implement in a strategic alignment or with a talent problem. Prioritize what you are trying to accomplish, the culture that's in place surrounding this issue, and then work toward the goal.</p> <p>Apple's Genius Bar is a great example. Customers don't want their problems fixed by different functional experts—they want a single point of contact for any kind of problem, with any topic, on any device. Rather than having different experts for the iPad, iPhone, and Apple Watch, Apple Geniuses are trained across devices, delivering the high-quality customer experience users expect.</p>

Moving from Level 3 to Level 4 (continued)

What HR and Business Leaders Can Do	Description and Examples
Use internal and external data on the skills, roles, and work models of your industry, and continuously revisit organization and work models.	<p>Without industry-specific, deep, and broad insights on what skills and roles are relevant today and in the future, organization design work won't prepare you for what may come. Using AI-enabled talent intelligence that digests billions of talent profiles to create insights for the business and HR will be key to creating designs that work today and in the future.</p> <p>Bayer uses talent intelligence from Eightfold AI to understand what skills and experiences exist in the company and where these skills and experiences are available in the external labor market. Instead of just filling open jobs, talent partners work with business leaders to identify how to fill skills gaps with a combination of internal and external talent, gig work, and learning opportunities—building a much more dynamic talent pipeline and helping employees develop careers.</p>

Source: The Josh Bersin Company, 2022

Operationalizing Organization Design: An Ongoing Business Capability

Every company has to be great at organization design. If you are an HR business partner or are in an organizational effectiveness, people analytics, or workforce planning role, you need to help your business partners consistently look at the business model, operating model, work model, job architecture, and—last but not least—the supporting structure.

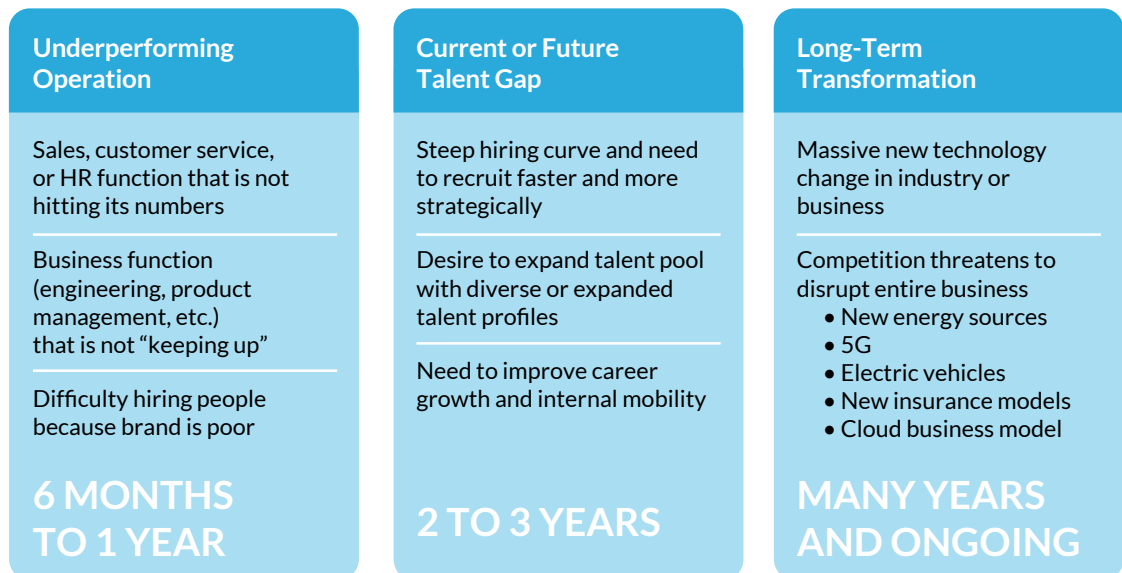
Step 1: Identify the business problem to solve and define measures.

What are the overarching business reasons driving the need to design the organization? Overall, there are really only three (see Figure 22). First, it may be a business performance issue: “This business group is not doing so well, so let’s figure out how we can make it better.” These situations usually have quicker turnarounds, and there is often a cost-reduction angle to these problems.

Second, it may be a talent issue: “We need to know who and where to hire and need to improve career growth and talent mobility.” This kind of topic is

FIGURE 22

Business Reasons for Organization Design



Source: The Josh Bersin Company, 2022

usually a two- to three-year journey, and skills, careers, and talent marketplaces often play a big role.

Third, it may be a business transformation, industry convergence, or risk project: “We’re moving into electric vehicles (or digital products and services, etc.), and we just don’t know how to organize for this area.” These longer-term transformations are the most strategic and require the business to constantly reinvent and redesign.

If you don’t attach your work to one of these business strategies, you may end up with an architectural project that never ends—and you’ll have a hard time getting business leaders to help. Telecommunications companies, for example, are doing this to get ready for 5G. Energy companies are doing this to prepare for electrification and solar energy. Insurance companies are learning about new risk areas and the use of AI. But first, you have to decide why you’re doing organization design in your own company, and then align your success measures around it.

Step 2: Bring together a cross-functional team.

Organization design touches many different parts of a business, from finance tracking any benefits or cost savings, to IT implementing new technologies, to facilities dealing with any impacts on the work location. HR has to take the lead in facilitating this process, bringing together the different inputs and combining them with internal and external data to understand scenarios and options.

Step 3: Run organization design as a business process, not as a project.

You’re never done with the design; you always have to review and refine it based on the business, the employee experience, and the skills you have. It’s a continuous business-driven process that enables your strategy, so HR needs to build capabilities to do it on an ongoing basis. In the most successful companies, the business model changes rarely, the operating model changes occasionally, and the work, job, and structure designs change frequently (see Figure 23).

Start with Business Model Design

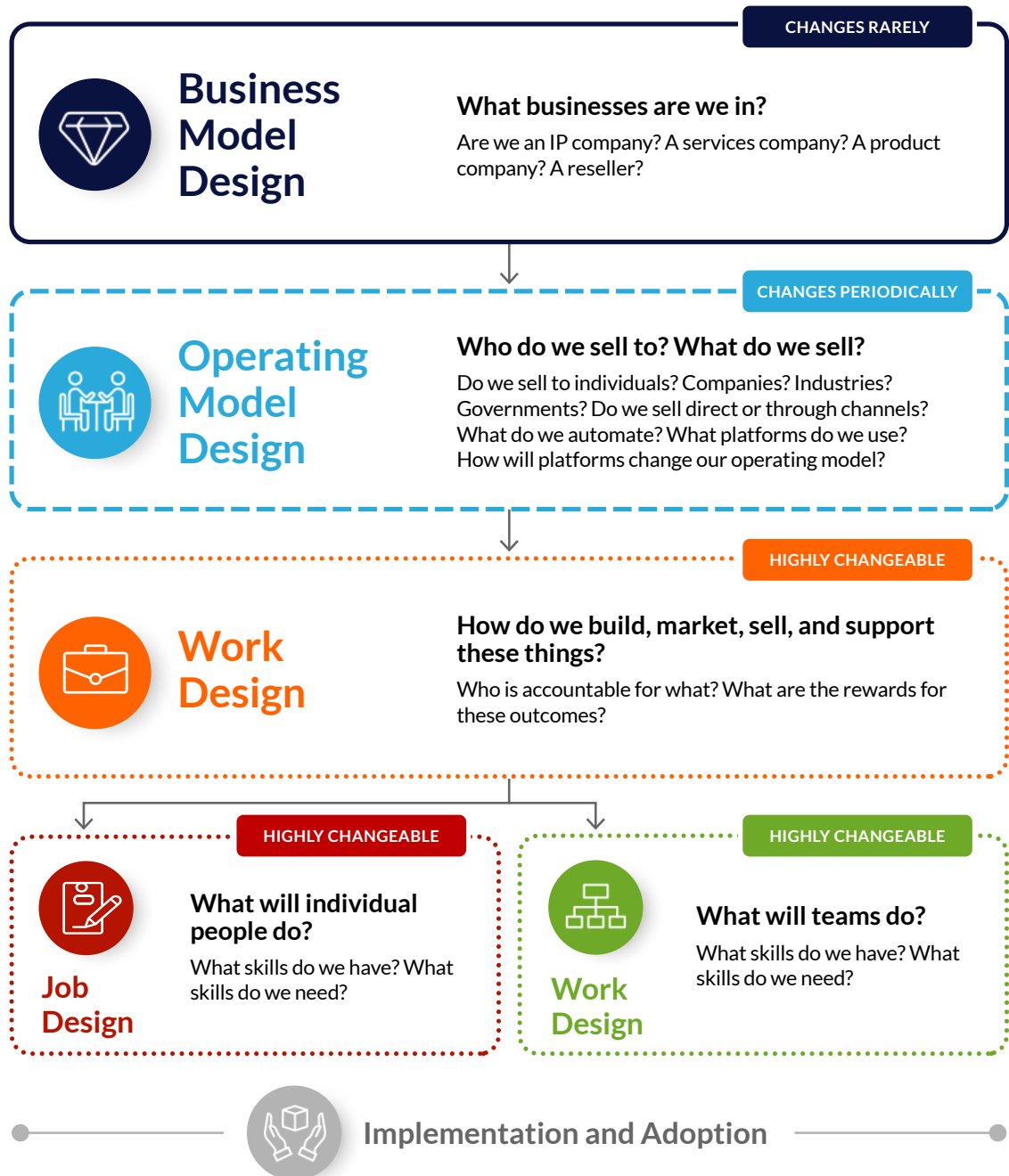
Revisit the problem you identified to be solved. For a performance issue, the business model probably won’t have to change. However, you may need to change it if you are facing a transformation problem. But even if you don’t actively redesign the business model, it needs to inform your lower-level design decisions. Factor in the expectations of your stakeholders, customers, and competitors, as well as the culture of your company, and clearly state how the organization design will support this.

Design the Operating Model

Operating model designs may change more frequently than the business model. New technologies might change the way to go to market, and you may be changing your operating model. For example, human-capital management implementations may impact your HR operating model, as new platforms will enable managers and employees to have much more self-service. Target, Boeing, and GE all changed their HR operating model when they implemented Workday, for example.²⁷

FIGURE 23

The Organization Design Process



Source: The Josh Bersin Company, 2022

Identify how to organize to create value, and clearly define the roles that are needed in the target operating model.

Perform Work Design, Job Design, and Organization Structure Design

Once you get to work design, job design, and organization structure design, things become highly changeable. Roles, accountabilities, skills, capabilities, jobs, and hierarchies might need to change frequently—or, better yet, be flexible and agile enough to not need to be constantly redesigned. This is where the agile and accountable organization comes in. When you design work to make the operating model happen, incorporate employee experience considerations, and define what capabilities to build versus buy. To do this, you need data about your internal capabilities as well as about the capabilities of the market (what we call “talent intelligence,” as described in Chapter 3).

Accountability and rewards are key, so define what the accountable party will do to drive success and how you will reward for these outcomes. Then, when designing jobs, combine activities that belong together into roles, and use a flexible organization structure that reflects how work gets done. As skills and capabilities change so quickly, these designs need to be adjusted and fine-tuned a lot, so real-time data and insights are key to stay in front of the competition.

Hone in on Change Management, Implementation, and Adoption

There is no perfect model for your organization. The best model is one that employees can adopt easily and that contributes to higher productivity, engagement, and performance. That’s why change management and adoption must be part of the entire journey, not just an afterthought.

During design, incorporate considerations for the human impact, and consider the ease of implementation and practicality of various organizational options. Sometimes, the best model will be the one that causes the least disruption or unease for your employees. Especially in times of constant change, such as the pandemic, think of all the stressors on your employees, and use this information to guide your decisions.

Once you have decided on an option, use effective change management approaches, and communicate openly and transparently with employees. As you involved them earlier, this should not be a surprise, just a confirmation of which option was selected.

Step 4: Build capabilities for organization design.

HR’s role in organization design is critical. A good HR business partner not only understands the business and its challenges and opportunities well but also deeply understands the talent implications of organization design options, gleans insights into skills and capabilities, and knows how to connect to other parts of the business for a holistic picture.

The Organization Design Center of Excellence (COE)

Bank of America, Prudential, Nestlé, and many others are now establishing COEs for organization design. These specialist teams are tasked with creating repeatable processes, tools, and templates, as well as training HR business partners (HRBPs) to lead organization design work. The COE is led by a senior businessperson who is deeply knowledgeable about the business strategy and is well connected with different parts of the company. These companies also select and provide technologies like OrgVue,

people analytics, talent intelligence, organizational network analysis, and more, all with the goal of spreading capabilities across the company, speeding up and standardizing the process, and leveraging data to drive decisions—making organization design scalable and repeatable. This works well for large, sophisticated companies who have plenty of opportunities to add value immediately, but even smaller or less mature companies can learn from this, establishing a single senior expert to build capabilities.

Develop HR Business Partners

Through our Global HR Capability Project, we assessed the current state of and prioritization around HR capabilities according to more than 6,000 HR professionals (see Figure 24). What we found

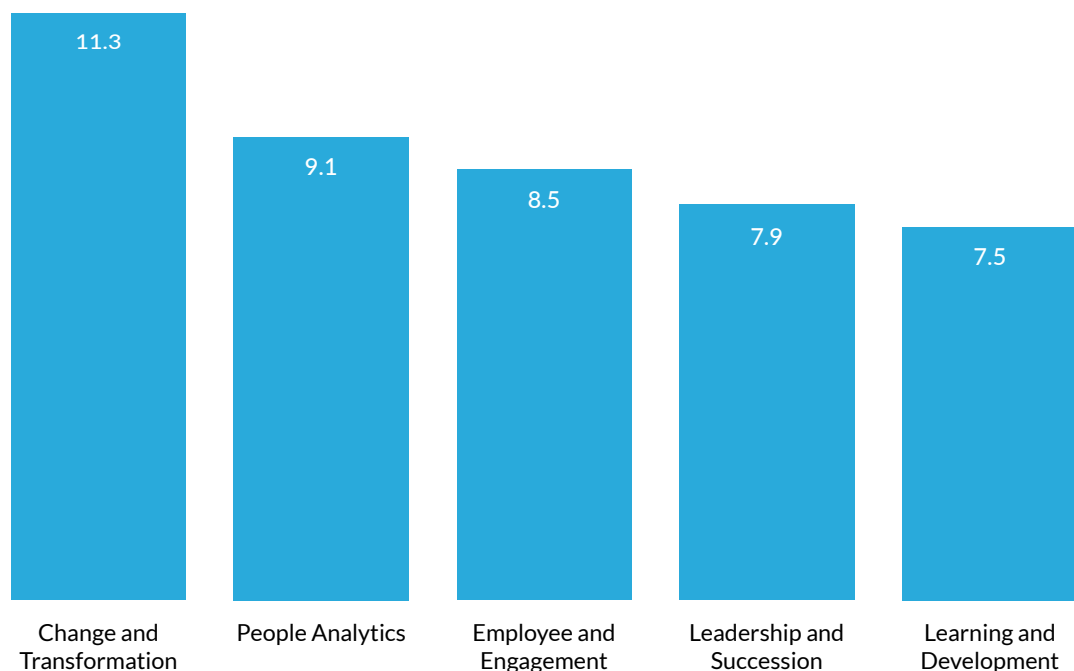
substantiates the need for organizations to invest in developing organization design capabilities within HR: change and transformation emerged as the top priority for HR professionals across the world, yet 63% don't have the organization design skills needed to respond to change and transformation.

We studied five critical capabilities associated with organization design through our HR Capability Project (see Figure 25), and the current state of expertise in each area is abysmal. Organizations need to create bandwidth and provide development opportunities for HR to build the muscle for organization design, to cultivate skills, and to use the essential practices we discussed in Chapter 3.

FIGURE 24

Top Five Capability Development Areas for HR Professionals

% of HR professionals



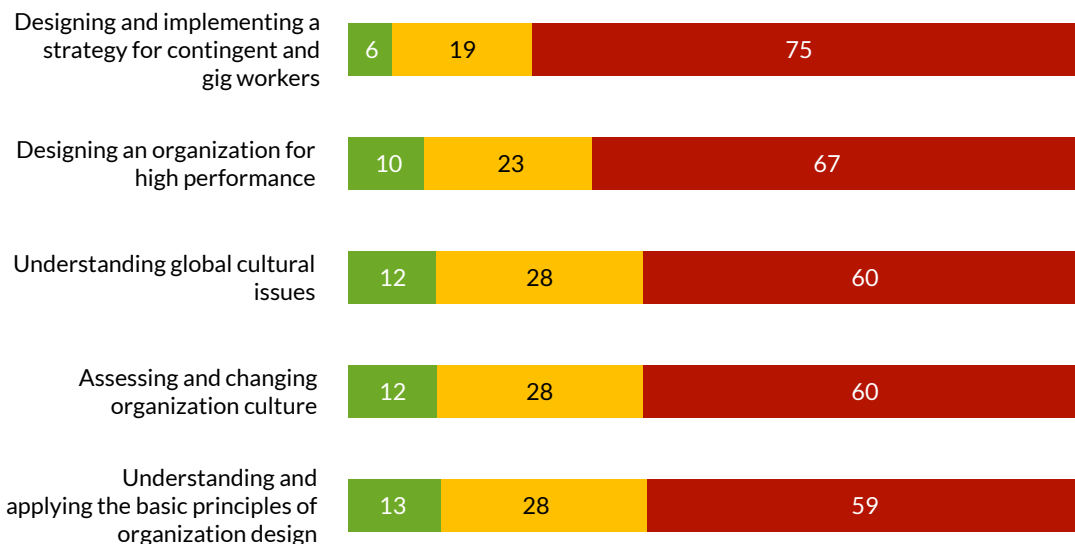
Note: 8,000 HR professionals selected their top 3 out of 14 possible capability areas.
Source: *The Josh Bersin Company, 2022*

FIGURE 25

Current State of Organization Design Capabilities among HR Professionals

HR professionals in each level of capability, %

● Experts ● Intermediate ● Beginners



Source: The Josh Bersin Company, 2022

As a starting point, organizations should assess current HR capabilities to prioritize development opportunities. Next, HR leaders should step up as torchbearers for accelerating capability development, for providing teams with tailored coaching on short-term capability needs, and for mentoring to support capabilities important for long-term career growth and business success. Finally, organizations can leverage capability academies—a combination of developmental assignments, credentials, certifications, and often networks of people that come together to share knowledge and information.

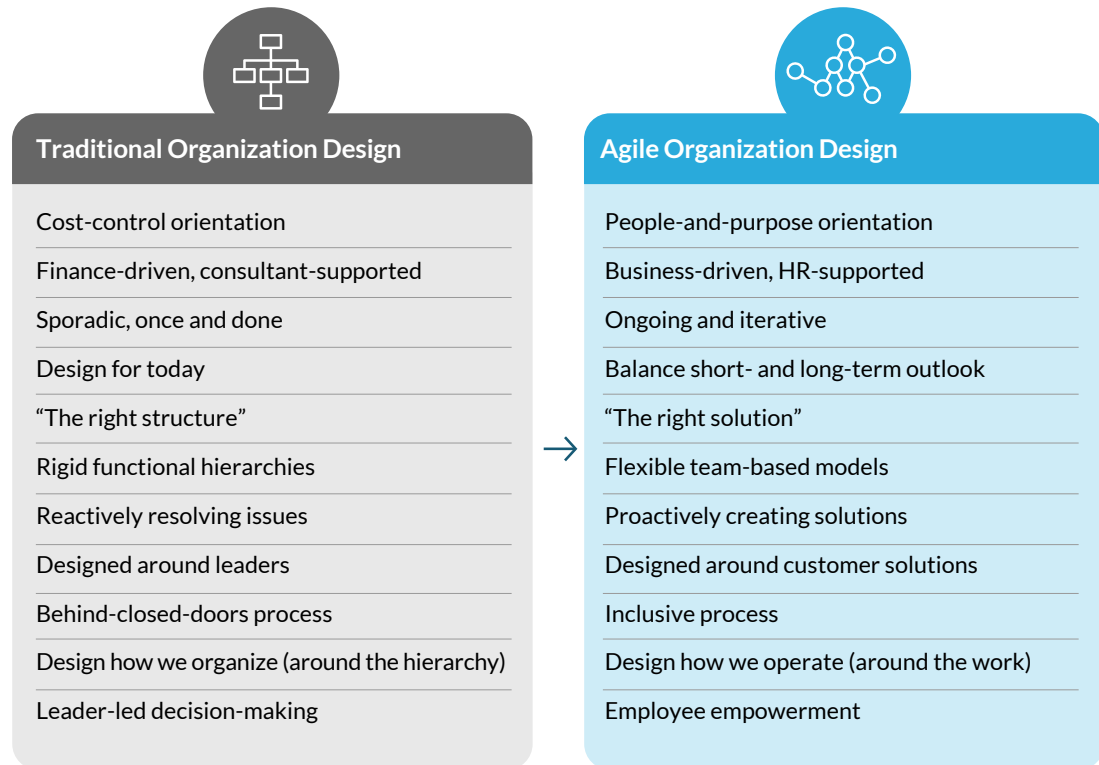
Expand Design Capabilities to Managers and Leaders

Not only do HR people need to be able to support organization design work, but leaders and managers,

as the owners of the business strategy and agenda, also need to be well versed in it. When they understand the impact different design options will have on financial performance, customer satisfaction, employee engagement, and the ability to innovate, they can then make more informed decisions and balance short-term wins with long-term gains. You may find managers have limited capacity to think about organization design. Rather than pushing uphill, successful companies find it helpful to provide managers with standardized insights about their organization design (depending on maturity, these could be spans and layers at Level 1 or 2 or more sophisticated insights about capability gaps at the higher maturity levels) which they can interpret and take action on. The key is to help managers take the right action, not make them organization design experts.

FIGURE 26

Traditional vs. Agile Organization Design



Source: *The Josh Bersin Company, 2022*

Conclusion

Think about your company’s organization design. What does it appear to be? Is it the chaos of Level 1, with no intention behind it? Are you focusing mostly on the hierarchy and the organization chart and on reducing spans and layers? Do you talk about agile ways of working but then revert to your functional hierarchy? Or are you operating in agile and accountable teams to adapt and change according to the needs of all stakeholders?

Organization design is no longer a mysterious science known only to a few experts. Every businessperson and HR leader has to learn about it and be conversant in the topic to influence not only

hierarchies but also the way the business works and the cultural construct, as well as the operating models, work designs, skills, and jobs—and then determine accountabilities for outcomes. Knowing this topic and understanding what levers to pull to solve real business problems will be perhaps the most important differentiator between failure and excellence. A new model for organization design is needed (see Figure 26).

Agile organization design sets your company up for success. It doesn’t just mitigate cost pressures, but it also empowers every person to do their best work, contribute to team success, and find the right solutions for your customers. That, after all, is what great business is all about. ■

Thank You

We would like to thank all the HR and IT professionals who completed our organization design survey and joined our Big Reset groups, interviews, and case studies. We will update this research on a regular basis. We want to hear from you: if you ever have questions, suggestions, or feedback, please contact us at info@joshbersin.com. We look forward to hearing about the successes your company enjoys during its ongoing journey to become agile and accountable.

About the Authors



Josh Bersin

Josh founded Bersin & Associates in 2001 to provide research and advisory services focused on corporate learning. He expanded the company's coverage to encompass HR, talent management, talent acquisition, and leadership and became a recognized expert in the talent market. Josh sold the company to Deloitte in 2012 and was a partner in Bersin by Deloitte up until 2018.

In 2019, Josh founded the Josh Bersin Academy, a professional development academy that has become the "home for HR." In 2020, he put together a team of analysts and advisors who are now working with him to support and guide HR organizations from around the world under the umbrella of The Josh Bersin Company. He is frequently featured in publications such as *Forbes*, *Harvard Business Review*, *HR Executive*, *The Wall Street Journal*, and *CLO Magazine*. He is a popular blogger and has more than 800,000 followers on LinkedIn.



Kathi Enderes, PhD

Kathi is the senior vice president of research at The Josh Bersin Company. She leads research for all areas of HR, learning, talent, and HR technology. Kathi has more than 20 years of experience in management consulting with IBM, PwC, and EY and as a talent leader at McKesson and Kaiser Permanente. Most recently, Kathi led talent and workforce research at Deloitte, where she directed many research studies on various topics of HR and talent and frequently spoke at industry conferences. Originally from Austria, Kathi has worked in Vienna, London, and Spain and now lives in San Francisco. Kathi holds a doctoral degree and a master's degree in mathematics from the University of Vienna.



Appendix

Study Methodology

We conducted this broad-based, global industry study in five major steps:

Big Reset Discussions

Over six months, we talked with HR, organization development, talent, learning and development, and employee experience executives in more than 400 organizations about the organization design practices they deployed and where they saw the biggest organizational challenges, successes, and mistakes. These discussions, conducted in different working groups and sprints, helped inform the questions and topics to study in the survey.

Excellence Survey

Taking the Big Reset discussions as input, we created a survey, validated it with various organization design leaders from large companies, OD experts, and consultants, and launched it into the market for six weeks in September and October 2021, together with Perceptyx, our survey and analytics provider. More than 350 organizations around the globe participated across all industries and company sizes.

Analysis

As we analyzed responses, we did descriptive analysis comparing favorability across various topics, practices, and demographics to determine effectiveness of OD practices. We also did linear regression of the 74 practices against the business outcomes (financial performance and customer satisfaction), people outcomes (engagement and retention and a sense of belonging and of being at a great place to work), and innovation outcomes (change adaptability and effective innovation) to determine the 15 practices that matter most.

Then, we clustered organizations into four groups based on their performance in the fifteen practices. We now know the Maturity Level of every organization that participated in the study. To determine the likelihood of outcomes (for example, how much more likely it is that mature organizations will meet or exceed financial targets, compared with low-performing organizations), we identified what percentage of excellent organizations actually accomplished a specific outcome (top two responses on the five-point response scale) and divided that by the percentage of low-performing organizations who accomplished a specific outcome.

Similarly, to determine the likelihood of a specific outcome arising from a specific practice (for example, how much more likely it is that companies that foster a culture of helping others will meet or exceed financial targets), we identified the percentage of organizations who deployed a specific practice and accomplished a specific outcome (top two responses on the five-point response scale) and divided that by the percentage of those who didn't deploy that practice and accomplished a specific outcome.

Interviews

We conducted a number of validation and case study interviews to ensure the practices we identified through statistical research resonated with leaders and practitioners. We also wanted to elicit case studies and examples. We presented draft study findings to the Big Reset working groups and in other settings with OD leaders and experts, soliciting input from hundreds of OD and HR leaders.

Report Preparation

Based on all input gathered, we prepared this report, which was reviewed by OD leaders of successful, large, global companies across different industries, as well as OD consultants and experts. ■

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About The Josh Bersin Company

The Josh Bersin Company provides a wide range of research and advisory services to help HR leaders and professionals tackle the ever-evolving challenges and needs of today's workforce. We cover all topics in HR, talent, and L&D, including diversity, equity, and inclusion; employee experience; remote and hybrid work; wellbeing; HR strategy and capabilities; learning and career mobility; HR technology; organization design and development; and talent acquisition and mobility. In 2022, The Josh Bersin Company introduced the Global Workforce Intelligence (GWI) Project to guide market-leading businesses and their leaders through the challenges of industry convergence while remaining future-focused.

Corporate Membership

Corporate membership provides senior business leaders and their teams with research, tools, support, and special events that translate The Josh Bersin Company's cutting-edge insights into actionable, transformative organizational strategies. Members have exclusive access to research reports, case studies, definitive guides, playbooks, tech market studies, and a robust toolkit featuring assessments, strategy guides, maturity models, and frameworks. Through executive briefings, thought leadership sessions, and personalized advisory support, members can better apply lessons learned within their own corporate environment. To facilitate collaboration and networking, membership also includes community events, interactive discussions, exclusive webinars, conferences, and interactive learning opportunities.

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