



Can You Design an Organisation?

Organisational “master builders” are defined by their problem-solving acumen, not just their experience.

A well-designed organisation produces a kind of alchemy, converting strategy into real-world performance. With all the organisational elements in the right place, strategic goals can easily percolate through the company structure and translate into employee actions. The wrong organisational arrangements produce a blurred message and a compromised outcome.

This has implications for leaders, because organisational design decisions are often centralised, not just in small startups but also in large established firms with high power-concentration at the top. Many would agree that legendary leaders such as Alfred du Pont, Jack Welch, Steve Jobs, and even Wikipedia founder Jimmy Wales have a gift for designing organisations. It is less clear, however, what exactly defines expertise in organisational design, i.e. what thought processes, knowledge, and techniques separate the organisation design masters from the novices.

Investigating Expertise

To help shed some light on this issue, my co-author Dr. Eucman Lee and I designed a study, the results of which are documented in our paper **“The Nature of Expertise in Organisation Design: Evidence from an Expert-Novice Comparison”** (forthcoming in a special issue on “Cognition and Strategy” in

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Advances in Strategic Management).

Our methodology was simple. We recruited two pools of subjects: one from the executive and senior executive MBA programmes of a well-respected business school (from which we selected our “experts”, based on the results of a survey), the other from the same school’s Master’s in Management programme (the source of our “novices”). Each subject took part in a videotaped interview, wherein he or she was presented with two organisational design problems drawn from real-life cases. One of the problems dealt with a “blank slate” design such as one might encounter in a startup; the other case involved a major redesign of an established company in danger of losing market share.

The subjects were instructed to describe in detail, both verbally and on a whiteboard, how they would approach solving the problem. We analysed their responses in terms of how much attention they paid to several important organisational design issues, as well as their employment of analogical reasoning (citing past cases as templates) and visual representations (using diagrams and sketches).

Organisational “Master Builders”

The fundamental challenge in organisational design

is managing the tension between *division of labour* and *integration of efforts*. People often make the mistake of emphasising the former at the expense of the latter. They may devise an organisational structure that contains all the units required to perform desired tasks, but fails to provide the information links between units and the motivational mechanisms necessary for effective value capture. In organisational design scholarship, this lopsided view has been referred to as “partition focus”.

Going into our study, we hypothesised that the “experts” would be less prone to partition focus than the “novices”, and that the difference would be more pronounced in the redesign case than in the “blank slate” case. (The reason for that is explained below). The results of the study bore this out. Those less experienced in organisational design devoted more thought to puzzle-piece issues such as the set of activities in the value chain, whom and what type of personnel to hire, etc. rather than integrative concerns such as reporting relationships, compensation and grouping of activities. The experts, on the other hand, more deftly balanced division and integration issues.

The difference was one not merely of method but of effectiveness. Without a single exception, our study’s experts came up with a basic structure that fundamentally resembled what the real-world organisations that inspired our examples ended up looking like. The novices did not. Also, the novices tended to propose more complex structures with discrete units for different geographical markets but little thought to how to link them, again indicative of possible integration myopia.

We also found that organisation design expertise has a “signature” that is similar to expertise in other problem solving domains. As you might expect, the experts, generally having more professional experience to refer to, were more reliant on analogical reasoning based on past situations. They also used visual imagery more – but interestingly, in the “blank slate” case, neither group wrote on the whiteboard, perhaps because there was no pre-existing organisational structure to depict. This suggests that the differences between experts and novices will increase as the complexity of the problem at hand increases.

The Key Difference

It seems that organisation design expertise is even more important during a redesign of an existing organisation, as opposed to starting from scratch as an entrepreneur. This may be because in the great majority of redesigns, not everything is up for revision. Experts appear to understand these constraints better, and direct more attention to the integration side of things. But novices, their insight

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impaired by partition focus, may be more likely to waste time and energy taking the piecemeal view.

The implications are clear: expertise in organisation design exists, and is most valuable for complex redesign problems than in blank slate design situations.

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