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# Is It Time to Retire the Org Chart?



By Phanish Puranam , Roland Berger Chaired Professor of Strategy and Organisation Design at INSEAD

## **The boxes-and-arrows approach to organisation design may have outlived its use.**

Say “organisation design” and (too) many people think of boxes and arrows arranged in a roughly pyramidal shape. Organisation charts are tools for organisation design, but we shouldn’t confuse them with the design. They offer a high-level summary of a part of the structure (i.e. what is officially mandated) of a part of the organisation (i.e. the top two or three layers). Organisation design involves creating a pattern of interactions amongst all its members that help accomplish the organisation’s goals, and org charts show such interactions only in a very coarse manner.

Perhaps this was all that was feasible before the era of big data. Now that it has become possible to gather and analyse data at the level of individual employees and their interactions within teams, networks and physical locations, relying only on org charts to deal with design is a bit like using telescopes to study bacteria.

I have been working with my collaborators and students for the past decade on a perspective on organisation design that offers designers the equivalent

of a microscope – what I call the microstructural perspective on organisation design. I am hopeful that microstructural thinking will reach everyday practice through the usual channels of teaching and consulting work. But for academics and PhD students interested in the research that underlies this approach, the details can be found in my new book [\*The Microstructure of Organizations\*](#).

## **The microstructural lens**

The microstructural view of organisation design we have developed recognises that every individual who is responsible for helping a group of people collectively accomplish something is an organisation designer. This is because any goal-oriented group of two or more agents is an organisation. This expansive definition allows us to treat divisions, departments and even teams within departments as a set of nested organisations. Why is that useful?

Every organisation, regardless of its scale, faces the same universal problems: how to divide goals into tasks (division of labour) and how to put the results back together again (integration of effort). While these problems are universal, there are many different approaches to solving them, and a set of such solutions is an organisation’s design. However, recognising the universality of the underlying problems of organising gives us a common framework to analyse organisations of all types and sizes, nested or not.

This framework suggests one important point of departure from current thinking, and one important similarity. The distinctive feature is that we can think of structure even in very small organisations (such as teams), and that these come in a few recurrent patterns (microstructures). In fact, even the most complicated org chart in the world can be shown to be made up of these building blocks – they are the “atoms” of organisation design. Microstructures are useful tools for thinking about organisation design directly, in terms of interaction between people. They also give us a useful framework to make sense of the volumes of data about individuals and their interactions that we have today, and offer a pathway to pilot organisation design changes in small structures before scaling up.

## **Structure, sorting and sense-making**

Like [\*existing approaches\*](#) to solving the basic problems of design, we look not only at structure but also at the processes of sorting (which shapes who

is in and who's out) and sense-making (how members form shared beliefs and understanding about how to work together).

Structure, sorting and sense-making provide a basic “palette” of solutions to mix and match and experiment with. Critically, such a common framework allows us to cautiously import solutions across contexts as well as to align solutions across levels of nested organisations. It also highlights that thinking of design in terms of structure alone is likely to be ineffective, and that any one structure is unlikely to be useful across organisations unless these firms are also similar in terms of sorting and sense-making. It's fair to say that the sorting and sense-making processes at a tech company such as Google are – and should be – quite different from those of, say, Renault-Nissan.

Therefore, the design approaches that work for one may fail miserably if adopted by the other.

In sum, the microstructural perspective on design takes the consultant's “best-practice” preaching approach and turns it on its head: It's the problems of organising that are universal, not the solutions. But a disciplined approach to thinking about solutions comes from recognising the universality of the problems. This perspective also gives us a way to think about how we link individuals and the interactions between them to the questions of design, as well as how to apply the latest tools for analysis (such as machine learning, experiments, graph theory and computational modelling).

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