

5 Key Services – Organisational Development Part 1

Overview

In considering the elements of organizational development to which a strategic HR – business partner would contribute we are first of all missing a “D”.

What is meant by this is that the original service provided or influenced by HR was organizational design and development ie. ODD rather than OD.

Although this service is requested less frequently than previous the efficient design or structure of an organisation can be a significant contributor to success via operational efficiency and/or cost management.

It seems important then not to lose sight totally of this value added service and so in this first section of organizational development we will concentrate on the extra “D”.

ORGANISATIONAL DESIGN:

The key for some time and particularly in recent years has been for businesses to be less hierarchical, more flexible and agile.

This was predominantly achieved initially through de-layering (or broadbanding) where multilayer organisations – sometimes containing 20+ layers from CEO to the junior ranks – broadened these to, on average, somewhere between 8 and 10.

Organisations essentially woke up to the fact that; why have 5 clerical grades when you only need 1 or 3 supervisor grades when you only need 1 etc. etc.

This despite the fact that HR’s ‘service’ at the time was very detailed and overly complex involving lots of scoring of differing parts of a job description/role profile!! Not exactly what firms were looking for – providing a consistent organisation wide standard but one that took substantial time, effort and management “process burden” that they did not need or want.

No wonder then that this essentially policeman type role was less and less requested as business and function lines determined they could do better for themselves.

However, all was not lost and some in the more proactive HR and consulting world recognized an opportunity for a radically different and improved service.

Based on efficient management practice the services offered today revolve around the numbers of direct reports that a manager can manage effectively – bearing in mind the more involved, performance and development driven style firms are looking to embed.

Two major approaches now being offered:

The first revolves around the number six – from De Bono’s Six Thinking Hats, to Six Sigma’s six levels of error rate to views that the optimum number of people one manager can manage effectively being six.

The second revolves around the number eight and Hewitt’s view of an eight by eight model. That is that the most efficient structures revolve around having eight levels in the organisation and managers should have, on average, eight direct reports across the organisation.

The second approach, based around eight has gained much traction, particularly for the levels in the organisation. The average number of direct reports has proved a more challenging initiative but progress is being made.

However, with average direct report start points somewhere between 3 to 4, significant progress is possible even where the final eight seems too much of a stretch. Certainly a value added HR service and one that is beginning (but only beginning) to be recognized as a value added – particularly in managing a cost base effectively.

A Personal Experience

Suffice to say that for many of us supplying the overly complex and mostly unwanted service it seemed obvious that something had to change.

Without any formal it seemed that requests for design and job evaluation simply dried up and, busy with more important service upgrades, we were comfortable to let it go.

Some time passed, but as we learned of the six and eight approaches (in my case from Michigan Business School) it seemed that we at last had something much more valuable to offer.

Perhaps fortunate in timing as business leaders were looking for cost savings, efficiencies and more flexibility in structures our broadbanded approaches found a much more willing audience.

HR was able to add substantially more value than previous and though memories of the policeman approach seemed long, requests increase and continue to do so.

Learning gained from Personal Experience

Where an internal HR service does not meet business need it will cease to be requested.

Businesses and Business leaders are quite capable of looking elsewhere for a supplier (external) or of arranging things to their own satisfaction.

When HR does have something to offer that aids success and makes a measurable difference (eg. cost savings) business leaders are increasingly keen to explore possibilities, implementation and impact.

Memories of poor service can be long and HR needs to work hard to influence an improved ability when determined.

Actions/Options

Consider the potential actions and options below and how they may apply to your firm.

- Does the HR team in your firm supply an organizational design service? On what basis? If not, how might this be introduced?
- How many “levels” are there in your organisation? How agile and flexible does this make you? How might you improve your structure to improve flex of response?
- What is the average number of direct reports for each manager in your firm? Is this optimal? Could a more streamlined structure help costs and/or faster decision making?

Now, which of the above is likely to make most difference if explored further and implemented?

Video Summary

- There is a place for an organizational design service in the menu of HR deliverables but it must meet the demands of the business.
- For a long period of time HR offerings were too cumbersome and complex – “process burden”.
- To add value HR offerings must look to improve efficiency and/or flexibility – preferably both.
- Offerings now centred around the numbers six and eight in terms of levels in an organisation and appropriate number of direct reports.
- There is usually much HR can do in terms of streamlining structures and reports but needs to earn the opportunity to do so.

