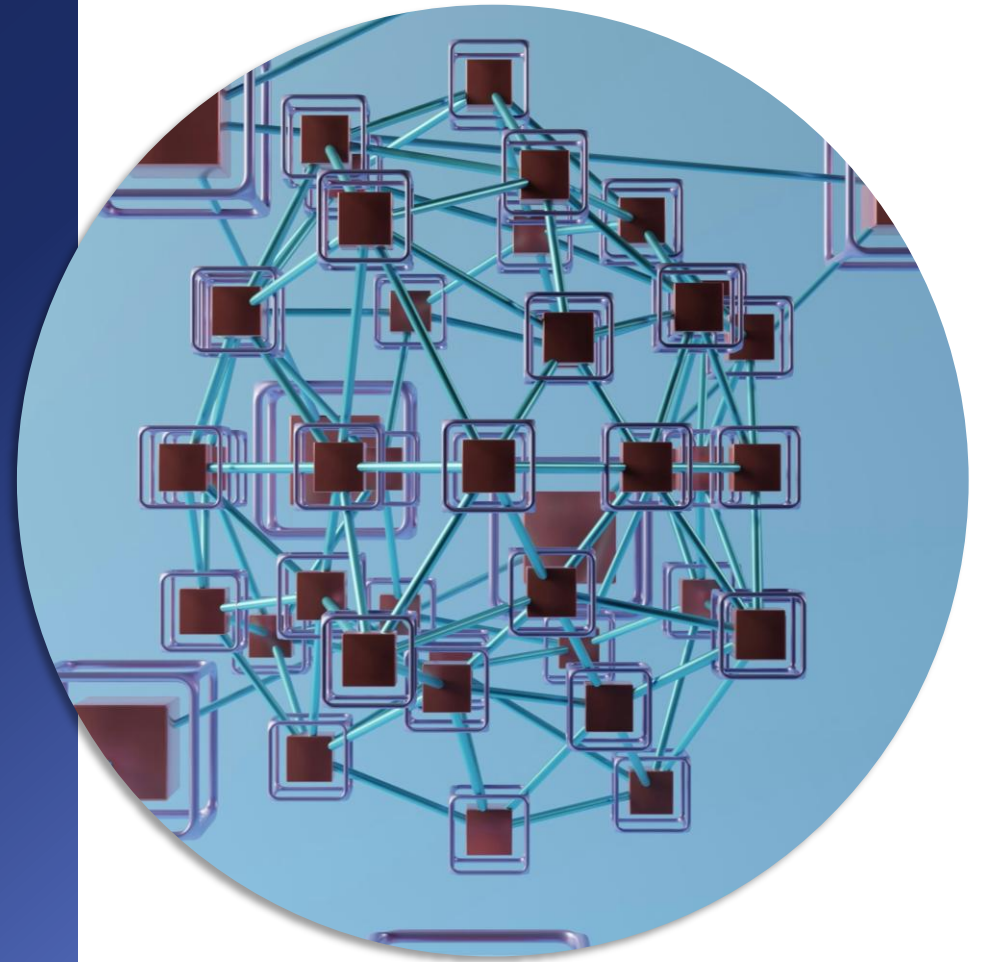


# Is your organisational design good enough?

*A Bevington Group Webinar*



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BEVINGTON GROUP

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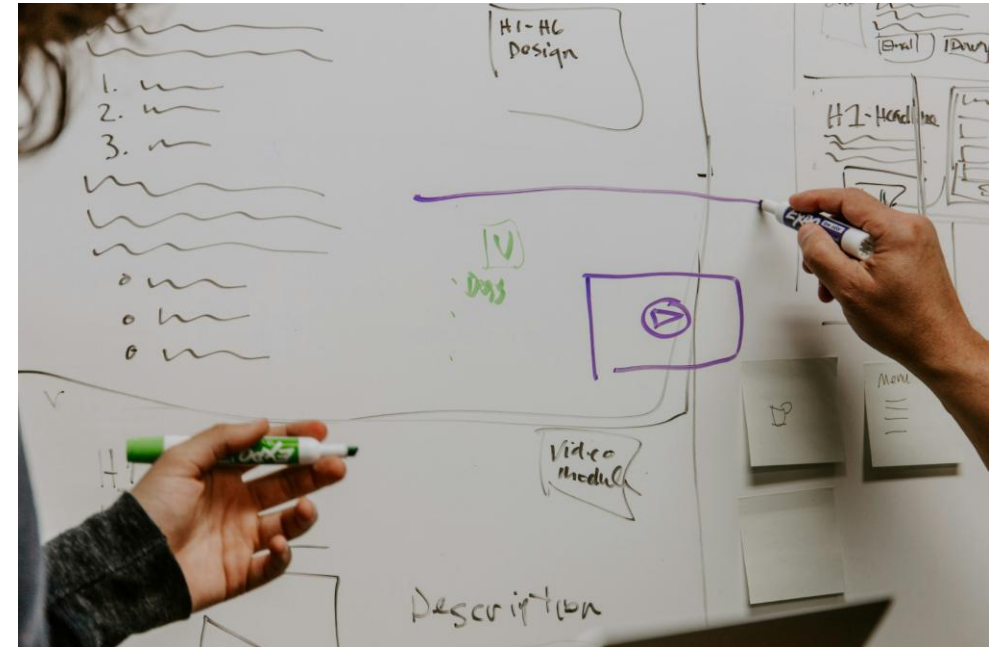
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# The importance of organisational design

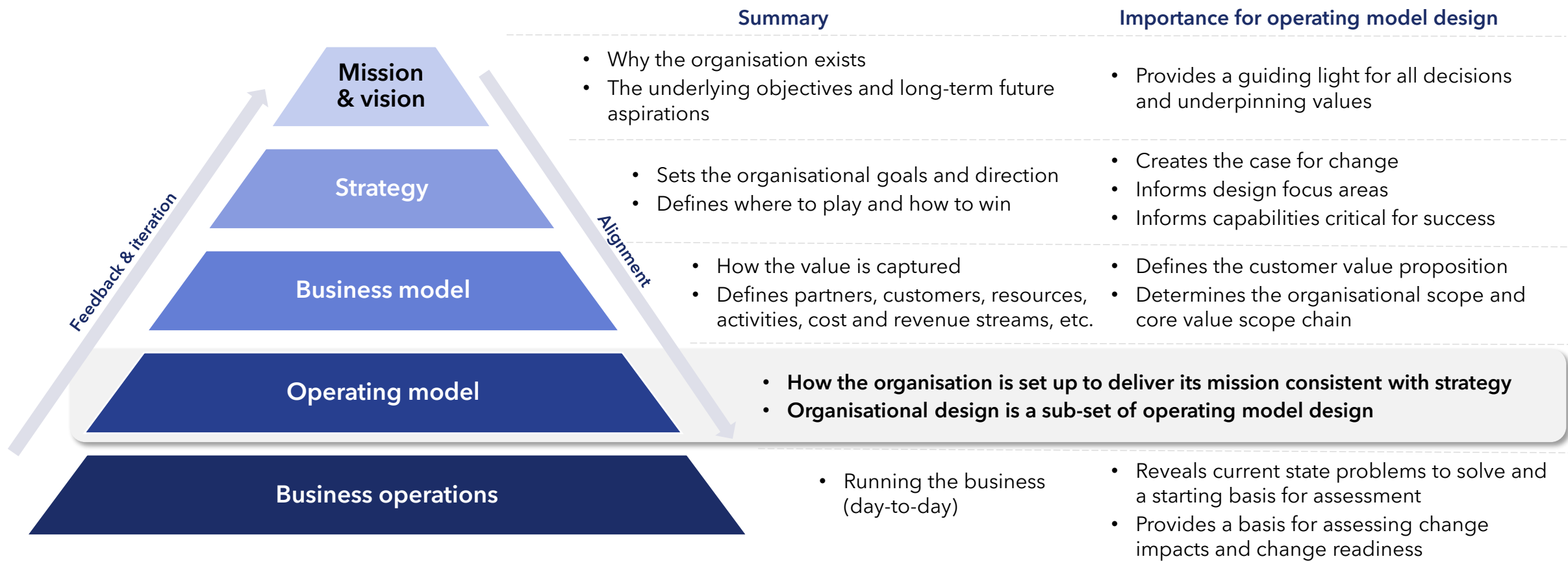
# Organisational design is not just about structure. It is the critical link between strategy and execution. When design is misaligned, even the best strategies fail

- Organisational design is the blueprint for how your organisation operates
- It determines roles, responsibilities, decision rights, and structure to enable strategy execution
- Kesler & Kates define organisation design as a decision process that aligns an organisation's strategy, structure, people, and processes to create coherence and drive performance. However, organisations often exclude process design
- Organisational design is a sub-set of operating model design which also covers such factors as processes, infrastructure, disciplines & oversight, information & incentives, and people



# Operating model, including organisational design, provides the link between strategy and execution

*In this context, operating model design provides the platform for value creation aligned to the strategy*

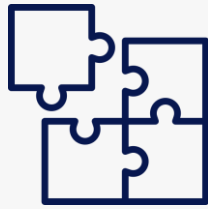


# A practical framework to diagnose whether your organisation is well-designed

Goold, M., & Campbell, A. (2002). *Do You Have a Well-Designed Organisation?* Harvard Business Review, March.

# Well-designed organisations align structure with strategy. Goold & Campbell (2002) show how to diagnose misalignments before performance is undermined

- Most organisational structures evolve haphazardly
- Shaped by politics rather than systematic design—leading to inefficiencies, unclear responsibilities, and stalled initiatives
- Goold & Campbell have defined nine tests of organisational design;
  - **Four tests of 'fit':** *Does the design align with strategy and constraints?*
  - **Five tests of 'good design':** *Does the design work effectively?*



## Four "Fit" Tests

1. Market Advantage Test
2. Parenting Advantage Test
3. People Test
4. Feasibility Test



## Five "Good Design" Tests

1. Specialist Cultures Test
2. Difficult Links Test
3. Redundant Hierarchy Test
4. Accountability Test
5. Flexibility Test



# Fit tests are the first stage of the Goold & Campbell approach

## Four “Fit” Tests

1	<b>Market Advantage Test</b> What aspect of our structure delivers a competitive edge?
2	<b>Parenting Advantage Test</b> How does the corporate centre create value, through shared scale, expertise, or coordination?
3	<b>People Test</b> Do we leverage people’s strengths and motivations to empower them where they excel?
4	<b>Feasibility Test</b> Is the structure practical and aligned with cost, systems, and skills available?

## Example: Global retail chain

Aligned	Misaligned
Stores grouped by customer segment to tailor experiences and drive loyalty	Stores organised by geography or legacy hierarchy rather than customer segment
Corporate centre centralises tech and analytics for shared customer insights	Corporate centre acts as a bureaucratic layer, adding complexity without creating value
Managers have autonomy to adapt local promotions, leveraging their cultural knowledge and motivation	Managers have little autonomy; promotions and campaigns dictated centrally
Customer segment first, then, simple regional structure avoids complexity	Complex regional structure introduced too early, requiring systems and skills that don't exist yet



# The next stage is good design tests

## Five “Good Design” Tests

1	<b>Specialist Cultures Test</b> Does the design support distinct cultures or expertise where needed?
2	<b>Difficult Links Test</b> Can the structure manage complex interdependencies effectively?
3	<b>Redundant Hierarchy Test</b> Does the design avoid unnecessary layers and duplication?
4	<b>Accountability Test</b> Are roles and responsibilities clear for decision-making and outcomes?
5	<b>Flexibility Test</b> Can the structure adapt quickly to change without major disruption?

### Example: Global retail chain

<b>Effective design</b>	<b>Ineffective design</b>
<i>Customer-segment store groups allow specialist focus on shopper needs</i>	<i>Stores grouped by geography instead of customer segment, providing generic offerings</i>
<i>Supply chain function focused on end-to-end cost and availability metrics</i>	<i>Supply chain function only focused on cost - creating tension with the front-end of business</i>
<i>Store autonomy within bounds set by the customer segment group</i>	<i>Multiple layers of approval for local promotions, slow response to market changes, higher costs</i>
<i>Clear ownership for performance and promotions</i>	<i>Unclear roles between customer segment and regional teams, overlapping responsibilities</i>
<i>Customer segment first, then, simple regional structure is flexible</i>	<i>Rigid structure tied to legacy system, any change requires major disruption</i>

# Five questions every leader should ask about organisational design

Source: Beeson, J. (2014). Five Questions Every Leader Should Ask About Organisational Design. Harvard Business Review.

# Asking the right questions reveals whether your organisation's design truly supports strategy and performance. John Besson (2014) provides a quick test

## The 5 questions we'll explore to see if your design supports strategy

1. What is our value proposition and source of competitive advantage?
2. What capabilities are most critical to delivering that value proposition?
3. Which structure should we choose, and how do we overcome its inherent downside?
4. What type of leadership and culture are required to achieve the value proposition?
5. Which practices are required to reinforce the organisational intent?



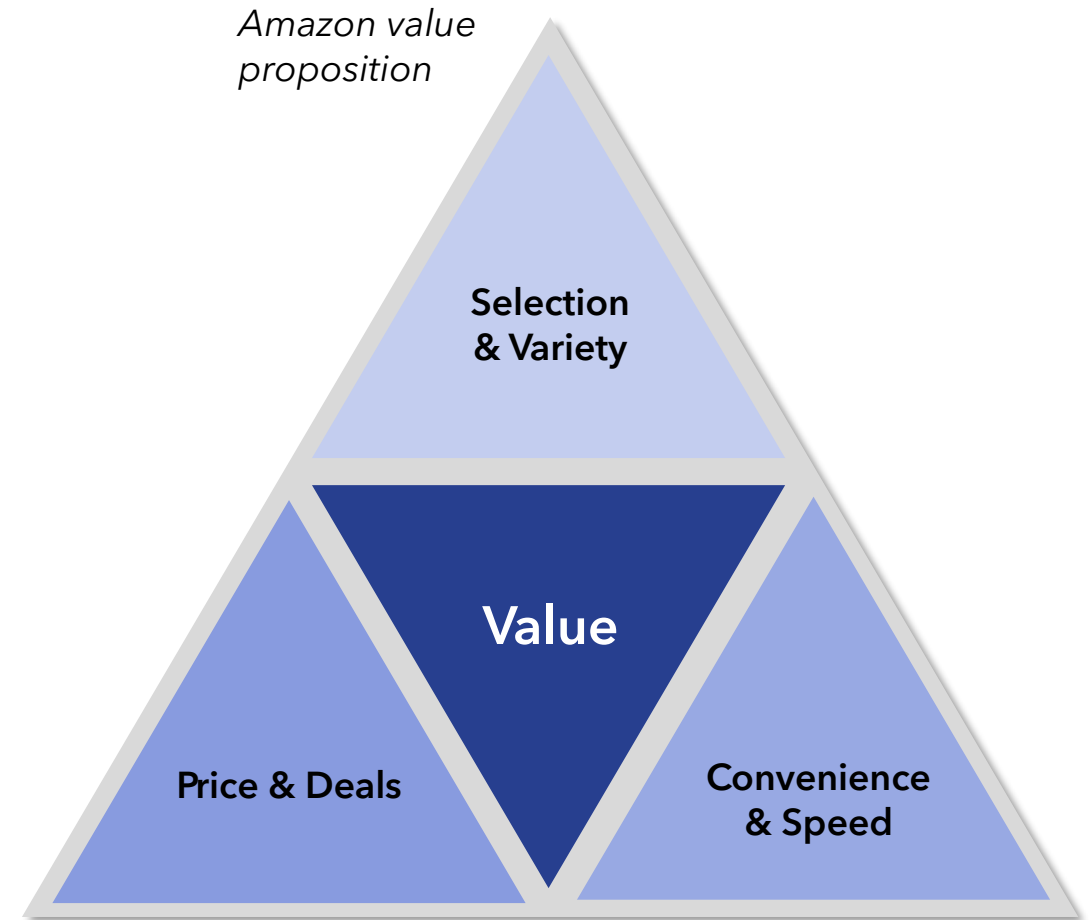
# 1. What is our value proposition and source of competitive advantage?

*Before we talk structure, we need to ask: what makes us win? If we're not clear on that, any design will be guesswork.*

- Understanding your value proposition clarifies why customers choose you
- Your competitive advantage reveals what you do better than anyone else
- Together, they shape the organisational choices you make

## **Ask Yourself:**

1. What are we competing on? innovation, cost leadership, customisation etc.
2. What differentiates us in the market and does our organisation reflect that?



## 2. What capabilities are most critical to delivering that value proposition?

*"If everything is critical, nothing is." - Focus on the few capabilities that make you win, and design around them.*

**What is a 'capability'?** A capability is the combination of processes, skills, technology, and resources that enable an organisation to deliver its value proposition and achieve strategic goals

- These are the activities and competencies that must be supported by resources and governance
- Before you design structure, identify the capabilities that make your strategy real
- Separate "table stakes" from "must-win" capabilities

### **Ask yourself:**

1. What do we need to be world-class at to deliver our value proposition?
2. Consider hard capabilities (technology, supply chain) and soft capabilities (culture, leadership) that are required?



### *Aldi: Capabilities of differentiation*



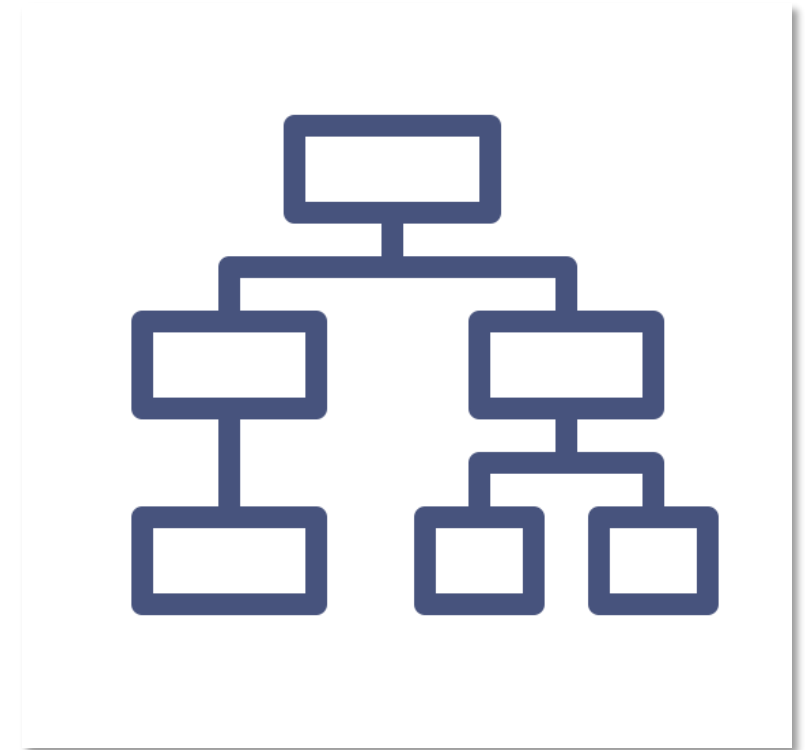
### 3. Which organisational structure should we choose, and how do we overcome its inherent downsides?

*Structure should enable, not constrain, the capabilities that make you win.*

- Select structure (functional, divisional, matrix, network, hybrid) that supports the organisation strategy and core activities
- Recognise and understand trade-offs. i.e.,
  - functional = efficiency but silos
  - matrix = collaboration but complexity
- Mitigate risks by clarifying decisions rights, communication flows, and accountability
- Avoid redundant layers that slow decision-making and execution

**Ask yourself:**

1. Does our chosen structure enable the capabilities that make us win or is it creating unnecessary complexity?
2. Have we deliberately addressed the trade-offs (efficiency vs. agility, clarity vs. complexity) inherent in our chosen model?



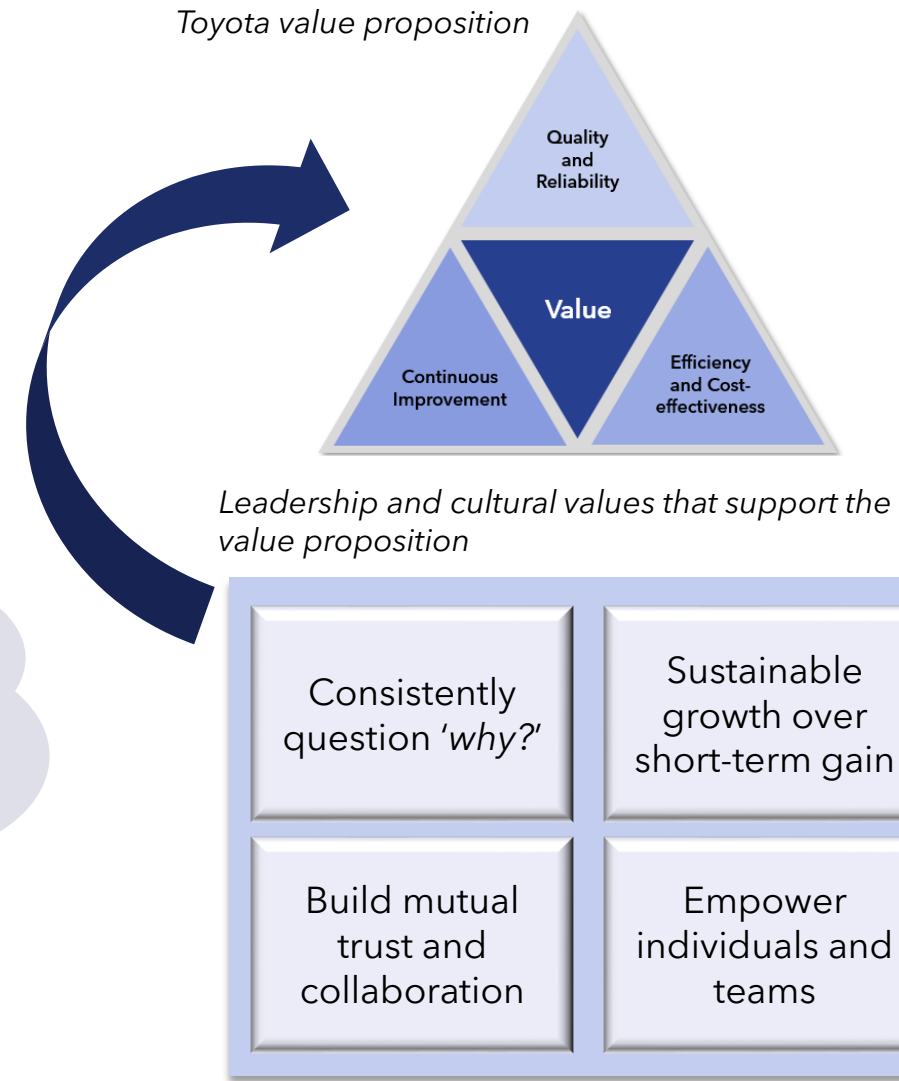
## 4. What type of leadership and culture are required to achieve the value proposition?

*Culture and leadership turn strategy into action – they shape decisions, behaviours, and results.*

- Leadership must model behaviours that reinforce the strategy
- Culture should encourage the right decision-making, risk-taking, collaboration, or cost discipline
- Align incentives, recognition, and career paths with desired behaviours
- Your organisation's value proposition is only realised if leaders consistently act in ways that support it
- Remember, culture will always determine; how decisions get made, how people collaborate, what gets prioritised, and what gets ignored

**Ask yourself:**

1. Does our culture make right decisions inevitable, or does it leave room for inconsistency?
2. Would someone observing our leaders' daily actions immediately understand our strategy, or would they see contradictions?





## 5. Which practices are required to reinforce the organisational intent?

*Practices are the heartbeat of the operating model, they translate design and intent into consistent, everyday action.*

- Embed practices that hardwire intent into daily operations through: systems, governance, incentives, and communication flows
- Close the gap between strategy and reality by reinforcing desired behaviours and decision-making every day
- Enable feedback loops so practices evolve as culture and priorities shift

**Ask yourself:**

1. Do our practices make the operating model live and breathe or are they leaving gaps between design and reality?
2. Do we have feedback loops that continuously adapt practices as strategy and culture evolve?



# Bevington Operating Model methodology

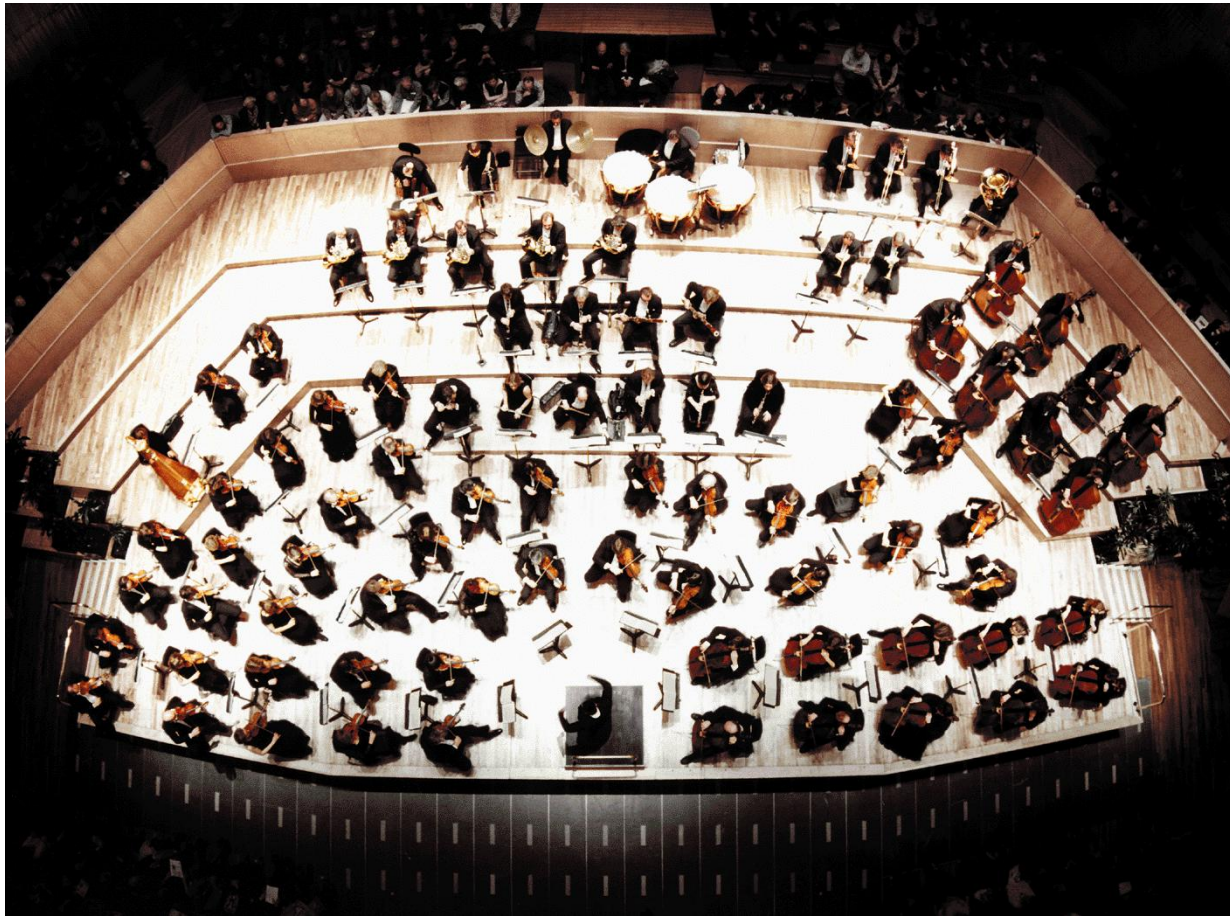
# The Operating Model (i.e. the structure, capabilities, processes, partnerships, and systems in place) support organisations to deliver and execute on their mission effectively

## What is an Operating Model?

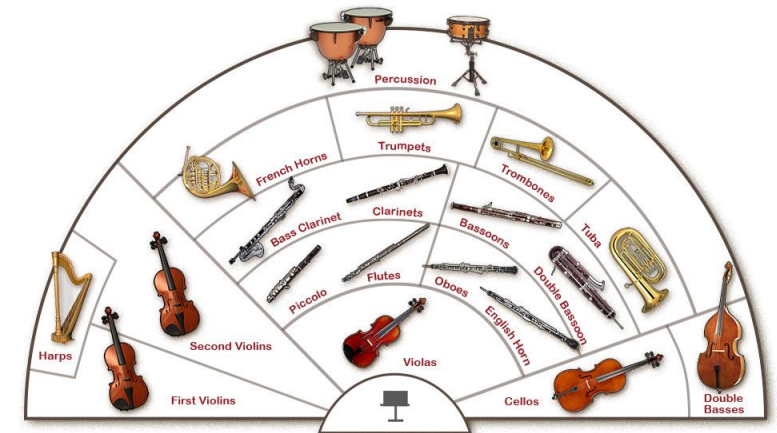
- An **Operating Model** is the combination of roles, skills, structures, processes, assets and technologies that allow any organisation to deliver on its service or product promises
- It is in effect the **way the business is set up to deliver VALUE** (both in terms of the customer and in terms of the business)
- The **aspirational view** of how the business is to be set up to deliver against future or changing markets, environment and technology demands is sometimes called the **Target Operating Model**
- A strong operating model will support a **pragmatic and optimised** organisational design



## An orchestra is a good metaphor for a robust operating model



- The operating model for an orchestra has stood the test of time
- It is **flexible** in that it can play many different musical scores, and indeed many different genres of music
- Yet, it is very **robust and clear** – everyone understands their role, knows where to sit, knows where to look for the conductor, knows where the sheet music goes etc.



# Proven frameworks for diagnosing operating model alignment

## Two research-backed approaches for designing an operating model that connects strategy to execution

### Kesler & Kates:

- Driver-based approach—focuses on design choices that steer the operating model



### Burton et al.:

- Layered alignment approach—focuses on aligning multiple dimensions for coherence





# Kesler and Kates driver approach

## MANAGEMENT ATTENTION

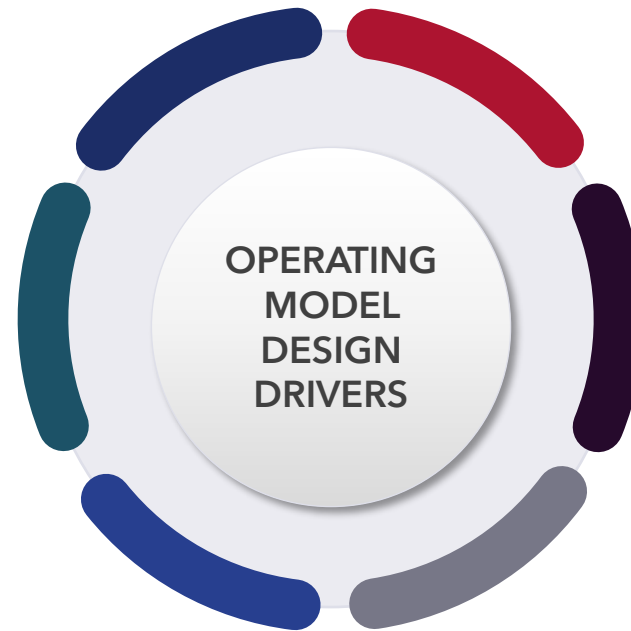
- Elevate critical capabilities in the hierarchy
- Allocate leadership focus to strategic imperatives
- Create visibility for emerging priorities
- Ensure senior sponsorship for key initiatives

## LEVERAGED RESOURCES AND COSTS

- Centralise activities to achieve economies of scale
- Share resources across units for efficiency
- Reduce duplication and optimize cost structures

## COORDINATION AND INTEGRATION

- Create integration points for cross-functional collaboration
- Ensure technical excellence through shared expertise
- Define governance for interdependencies
- Enable smooth handoffs across units



## SPECIALISATION

- Group similar work for depth of expertise
- Build centres of excellence for critical capabilities
- Differentiate roles by function or technical domain

## CONTROL AND ACCOUNTABILITY

- Clarify decision rights and reporting relationships
- Embed accountability at every level
- Establish escalation paths for complex decisions
- Integrate governance with performance metric

## LEARNING AND MOTIVATION

- Encourage rotation and development opportunities
- Recognise and reward enterprise thinking
- Foster risk-taking and innovation
- Build mechanisms for continuous learning



# Overview of the multi-contingency model

*An interlocking multi-layered approach (Burton et al., 2020)*



**Figure 1:** Adapted from a model described by Burton, Obel, and Håkansson

## The Multi-layered Model

- Each contingency, or design element, is treated as a layer as illustrated in Figure 1
- Each layer is assessed against a two-dimensional framework to map the organisation to one of four quadrants on the matrix for each layer
- The first three layers provide the framing for the remaining layers
- The dimensions and quadrants in the layered model are interlocking (i.e. alignment or 'fit' is achieved by being in the same quadrant across all layers). For example:
  - The environmental context that the organisation operates within, and the strategic choices the organisation makes, have specific implications on design choices for the structure of the organisation and the broader operating model to implement effectively
  - Certain structures are better aligned to certain leadership approaches and both should be aligned to how tasks are delivered
  - Approaches to coordination and control should be aligned to the operating environment, structure and leadership approach

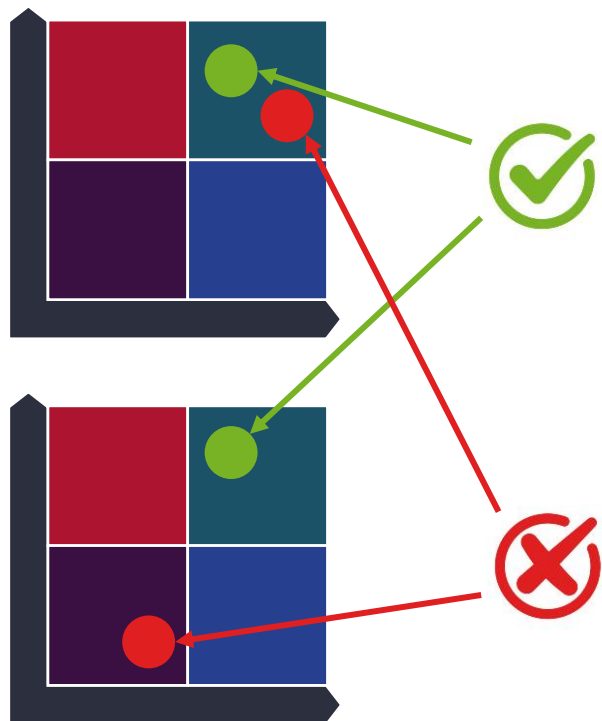
## 'Fit' and 'Misfits'

- The model recognises that there is no "one best way" to design an organisation – instead, effectiveness depends on how well the design aligns or 'fits' across the multiple contingencies.
- 'Fit' occurs when the organisation is characterised as being in the same quadrant across all nine layer. Greater fit leads to higher performance
- 'Misfits' occur where a particular component maps to a different quadrant to other components – these 'misfits' uncover potential areas of focus for change through re-design. Misfits or misalignment will lead to problems, tensions and sub-optimal performance

# Assessing for 'fit', and design for 'fit' using the multi-contingency model



## Assessing "fits" and "misfits"



# More on proven organisational design methods

## A robust way to think about organisation design (that is consist with above tests) is to align the different layers of the operating model cake

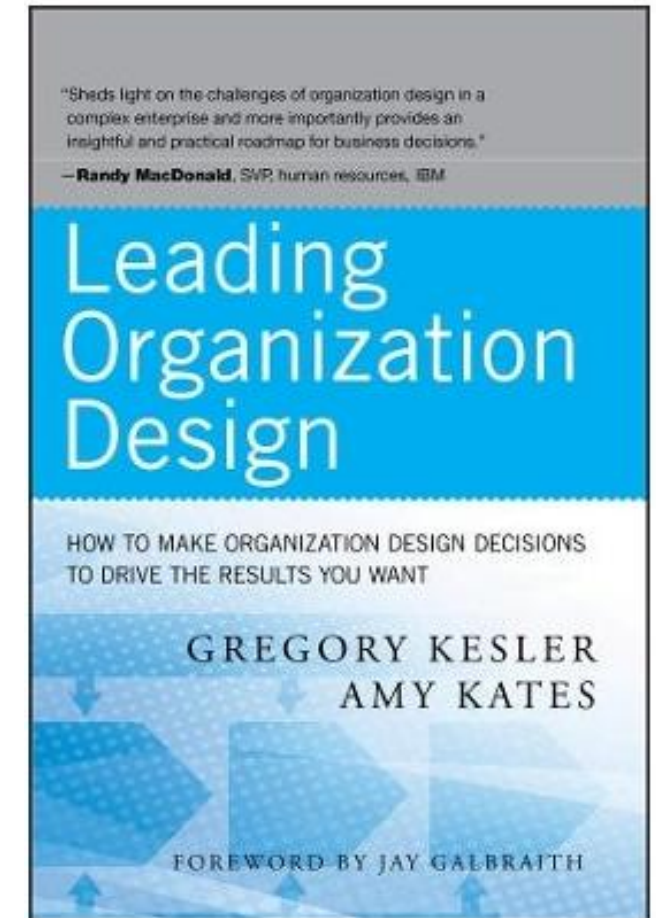
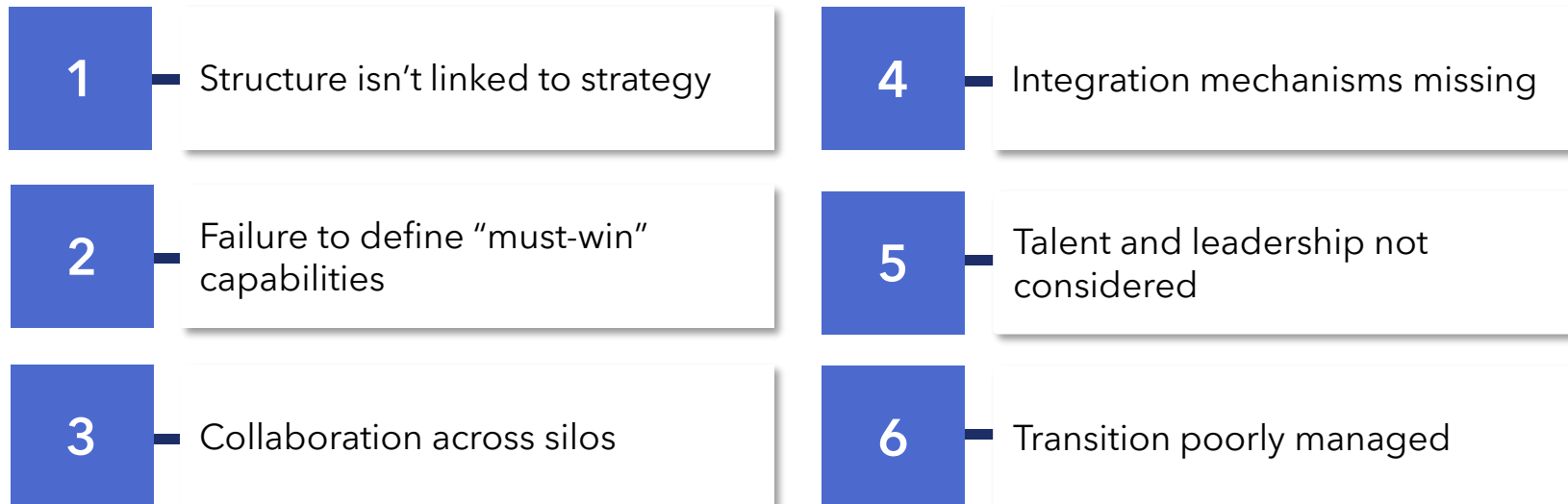
- Organisation design is intended to align structure, roles, and processes with strategy and goals
- Yet in practice, it often fails to deliver the expected benefits, common reason include:
  - Misalignment with strategy
  - Role ambiguity and overlap
  - Poor communication and change management
  - Inflexible or overly complex structures
  - Cultural and behavioural misfits
- Scholarly research supports this, and highlights that these breakdowns are rarely random
- They emerge from the interaction between structure, strategy, roles, and environment. Two influential perspectives:
  - **Kesler (2002):** Focuses on aligning structure with strategic priorities and core capabilities.
  - **Burton et al. (2002):** Emphasizes organisational configurations and how structural mismatches affect performance and adaptability



# Effective organisation design requires aligning structure and roles with strategic priorities; misalignment is the key reason design fails

- Alignment between structure, roles, and strategy is critical for achieving business objectives
- Design failures typically stem from gaps between intended strategy and how the organisation is actually structured

## Kesler and Kate's six common areas of breakdown:

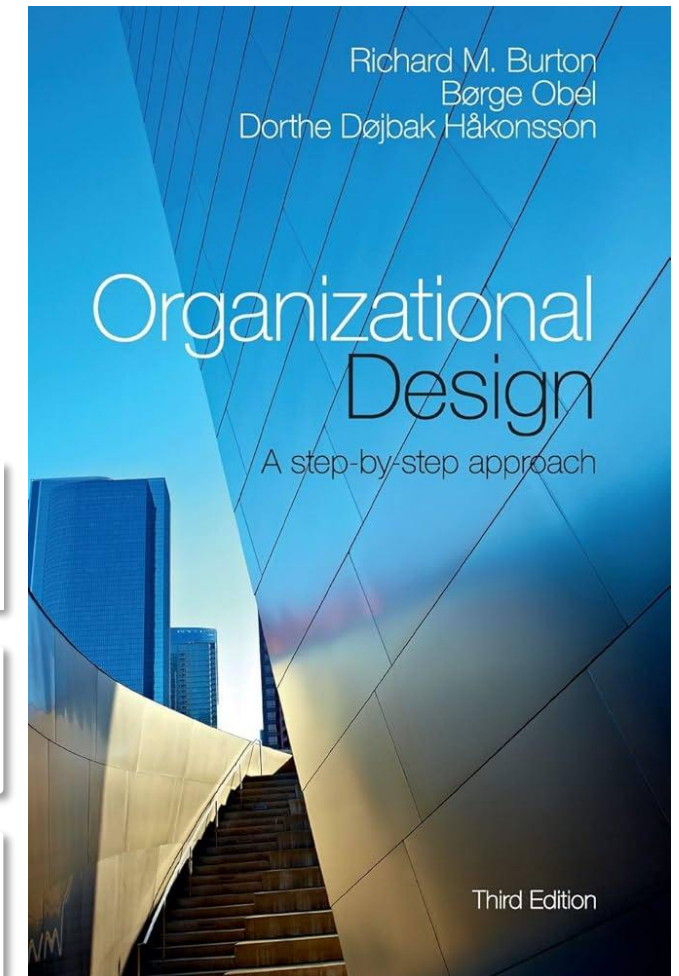


# Organisational performance and adaptability depend on the fit between structure, environment, and processes. Breakdowns occur when these elements are misaligned

- Organisational effectiveness is shaped by the interaction of structure, environment, and operational processes
- Misfit between these elements is the root cause of inefficiency and reduced adaptability

## Burton et al list six common areas of breakdown:

1	Environment and strategy misalignment	4	Size and complexity
2	Structure vs. process misfit	5	Overload technology and information processing gaps
3	Leadership and organisational climate misfit	6	Incentives misaligned with goals



# And, of course, we are here to help if you need it...

If you have any additional questions or require further information, please contact

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# Contact details and disclaimer

Bevington Group is a specialist consultancy with six core practices:

Operating Model Design and Restructuring

Process Reengineering and Automation

Enterprise Digital, Data, and AI

Accelerated Implementation

Change Management

Risk Intelligence

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