

English translation

TvOO 2023-4

Organizational models based on essential principles Smart organizing

Miriam Maan & Sjoerd Hogenbirk

Can you still recall? The brief segment in your education discussing organizational models? It was brief because it wasn't that interesting, and secondly, there was really only one author worth reading in this field, namely Mintzberg. His major work, "The Structuring of Organizations," was written in 1979; that's 46 years ago! And for a long time nothing notable happened on the firmament of organizational models. However there are now multiple flavors! This article will describe what these flavors are, where they come from and which types of organizational models there are. An organizational model is in our definition a method to break-down the work (structure, task distribution and task assignment) and tasks to coordinate this (governance and rewards).

In recent years a lot of new organization models have emerged, for instance Spotify model, Holacracy, SAFe (Scaled Agile Framework) and platform organizations. In summary, there is movement in the discipline of organization science, Ard-Pieter de Man (2019a) even calls it a revolution.

In our practice we as well see more and more inquiries from our clients on how the organization should design it self. There is a shift where our known organization models no longer fulfill for various reasons.

Due to better access to information and higher levels of education, we observe a decrease in the importance of the manager for coordination and decision-making. The assumption and belief therein are that if people receive the right information, they will also adapt their behavior accordingly. This also means that agility becomes more important.

The traditional system of yearly planning and budgeting is not agile enough. Therein we see way of workings shift to for instance an agile way of working in which continuous improvement is not just a nice to have, but a requirement of every employee. This suits the shifting needs of co-workers who start to work more digitally, which is driven by social and demographic changes where for instance a new generation of co-workers desire more autonomy. Organizations who will linger on hierarchy, while employees long for autonomy, will have to be concerned about the risk of departing colleagues in a tight labor market. Where technology allows decision-making to be pushed 'lower' in the organization, IT legacy leads to frustration and inefficient processes. And that comes at the expense of the desire to be more agile.

To understand the models emerging now, we still begin with Mintzberg. Because much of his primary thinking, or organizational principles from his philosophy, we still encounter as the basis in practice. And we believe it adds value to truly understand how those principles have evolved. When you dominate a field for 40 years, you naturally dominate the thinking, and we still see that happening frequently

Business units

Maybe you still recall the drawings of The Structuring of Organizations and (simple) visual representations of the models with the ingredients that Mintzberg gave importance (table 1).

Table 1. Ingredients from Mintzberg's (1979) models

Item	Content
Topmanagement	Responsible for the long-term survival of the organization. Often the owner or a board of directors. This is where the organization's 'thinking' and strategy formulation truly reside.
Middle management	Responsible for translating the strategy into concrete goals for the workforce. This involves planning, instructing, and controlling. They are accountable to top management
Operations	The 'work floor' where the actual work is done. Only when it operates effectively and efficiently here can the desired results be achieved.
Technical staff	Support services closely involved in the primary process. Often responsible for themes that need to function well across various units.
Support staff	Not directly impacting the work floor; services that are often outsourced.
Ideology	Culture consisting of traditions, norms, and values of an organization. It distinguishes an organization from others. Not an independent organizational component but essential for the success of the organization.

At the core, we still see a lot of traditional business unit thinking today, and much of our (initial) work consists of expanding the scope of thinking. In the dominant ideas surrounding organization, we consistently observe a strong notion of 'top management' doing the thinking, a middle management translating the strategy into concrete goals, and an 'operational core', the work floor, carrying out the tasks.

In terms of organizational design, there is still often a mental adherence to the idea that there should be a top in the organization that primarily sets directions and determines the course, and there should be an annual cycle of business/strategic planning and budgeting, with a focus on ROI and budgeting at the business unit level. There is a pursuit of integral management where a unit must have everything it needs to operate independently, and there is a clear delineation of who serves which customer/segment or represents which product or service.

This mental design also primarily shapes and encourages behavior, with a focus on making the own unit work; collaboration between units is seen as time-consuming and inefficient, as there is limited influence. There are many discussions and also 'alpha behavior' regarding the delineation of the playing field, mandate, and also the size of the unit. We primarily see entrepreneurship within the unit and much more political behavior outside of it (for example, securing the budget). Short-term orientation dominates investing and budget utilization.

Smart organizing

Compared to the 1970s when Mintzberg developed his organizational model, several elements (not exhaustive) have changed significantly, including the availability of information, education level, innovation, (societal) collaboration, and the position of staff departments (Table 2).

Table 2. Changes influencing organizational models

	From	To
Information availability	Information is scarce and only available to top management.	Access to information is unlimited for everyone. Now the question is more about what we don't share, or which information we don't look at, because of the enormous density of information.
Education level	Thinking occurs at the top, and the most highly educated colleagues work there.	Education levels in the Netherlands are still rising. The education level of the workforce and colleagues has increased significantly. Thus, the risk of wasting talent increases if you continue to organize the organization top-down.
Innovation	Knowledge is power and should mainly be kept for oneself because it often serves the unit's interests.	Innovation is essential. It's not whether you innovate, but the speed at which you do it. In addition, collaboration is essential between departments and beyond."
(Societal) collaboration	The primary (shareholder) value is organized by the organization itself.	More emphasis on societal added value where issues are addressed based on external collaborations.
Position of staff departments	Position of (technical/supporting) staff on the sides of the organization and as facilitators to the primary process.	Shift of staff towards the center of the organization (data, compliance, etc.), also due to risk mitigation, but certainly from adding (new) value.

These 'from-to' elements (Table 2) also have their translation into organizational-level design principles. These principles are the most interesting because if they are adhered to, the chosen design model logically follows, and the various involved colleagues experience a coherent process. These principles determine which design model would be appropriate in relation to the strategy and thus the desired situation that an organization aims for in the future. Generally, there are several principles that shift (Table 3).

Table 3. Shifting principles (De Man, Koene & Ars, 2019b)

From	To
Departments	Processes
Hierarchy	Self organisation
Intern	Extern
Planning & control	Experiment & iterate
Mechanical	Organical
Directive	Facilitative (open source)
Hard controls	Soft controls

Examples:

We describe several organizational models in which these shifting principles emerge: the multidimensional organization, the SAFe model, and holacracy.

Multidimensional organization

Especially for multinationals, it is a challenge to determine an effective organizational model across multiple dimensions, such as geography, products, customers, expertise, and segments. Traditionally, the choice was between a business unit structure focusing on one dimension or a matrix organization focusing on two dimensions. Due to the development of modern information technology, it is possible to focus on multiple dimensions. For this, it is essential for this setup to have two crucial elements: an unquestionable primary system for steering information and a culture of collaboration. Leadership will mainly need to focus on communicating priorities and the overarching strategy, potentially resolving dilemmas regarding opportunities and available resources, as well as determining the relevant dimensions.

This model addresses sub-optimization by avoiding the neglect of one or more important dimensions, lack of collaboration, and the difficulty in executing larger projects. Disadvantages include a lack of individual responsibility, the need for continuous discussions and negotiations, and a relatively high level of complexity.

This type of structure is suitable for larger multinational corporations operating in multiple markets with multiple products and facing challenging customer demands, where integrating products and services offers significant benefits. This structure is not suitable for organizations that have little to gain from delivering integrated products or services.

SAFe model

The SAFe (Scaled Agile Framework) model originates from software development, with the primary focus on delivering software that works faster and thus provides value to the end-user. The roles in this model are clearly defined (product owner, cross-functional teams), and there is a fixed process with rituals (such as scrum, sprints, and reviews). The SAFe model enables scaling agile work from the project level to the organizational level. This way of working and structuring supports a faster time to market.

The SAFe model becomes relevant when market conditions are continuously changing, and customer desires are not stable. Buyers of products and services (internal or external customers) are closely involved in the development process. Feedback is given frequently and swiftly. As the (development) process progresses, customers become more aware of what they want. In terms of innovation, this model fits complex problems where solutions are still unknown and the scope is unclear. The specifications of requested products and services may change during the process, and creativity is essential to organize solutions. Additionally, collaboration across functions and roles throughout the organization is essential. The work done is often modular, meaning incremental developments have value for (internal or external) customers and can be used. Furthermore, work can be divided into short-cycle circles/sprints, and late changes can be (easily) implemented. Possible failures or mishaps are not catastrophic but valuable insights to learn and deliver more value to the end-user.

Holacracy

Holacracy is a radical form of decentralization of decision-making by organizing groups of employees into circles. The circles distribute roles among colleagues. Each colleague can make decisions within their role unless it affects another role. In that case, a 'tension' arises that needs to be resolved through a fixed meeting structure using consent. Each circle delegates a representation to a 'higher' and 'lower' level circle to maintain good connections between the circles and ensure a smooth flow of information (vertically) occurs. Important principles in this model are decision-making based on

consent, a hierarchy of circles in which every member of the organization participates, and a double link between the circles.

There are two types of meetings: a tactical meeting, where daily work is discussed, and a governance meeting, where tensions arising between roles are discussed and resolved. IT plays a crucial role because roles and incumbents can change continuously; supportive software to track and share that information within the organization is of great importance.

This model optimizes the use of colleagues' talents, involves minimal bottom-up communication, and roles and responsibilities are clear. However, Holacracy is a complex system; it involves a lot of rules, and there is even a 'constitution'. These rules also need to be maintained and don't always speak for themselves. Additionally, meetings become more technical; the social aspect is less prominent. This structure is suitable for organizations where it is essential to perform optimally operationally and where colleagues can handle being minimally controlled, thus working very independently.

Therefore, it is not suitable for organizations where responsibility or oversight cannot be delegated, organizations where the individual and the role cannot be separated, and organizations where there are many relationships between circles. There is a risk of out of control where individuals taking on too many roles, requiring too many meetings, and projects continuing indefinitely.

In terms of leadership, it is essential to strongly focus on the prerequisites of the model, perform the role effectively in the governing circle, continuously explain the 'why', and coach the organization.

About the authors



Miriam Maan is an organizational consultant at Highberg. She has a background in cognitive neuroscience and interdisciplinary studies. She combines her knowledge of information management and new ways of organizing to improve results and increase collaboration. Miriam has a passion for embarking on adventures and connecting people.



Sjoerd Hogenbirk is a partner at the organisational- consultancy firm Highberg. He is an organizational specialist, with a background in governance & organizational sciences and theology, working in the field of performance improvement based on four pillars: process, governance, behavior, and leadership. He is a researcher in the field of business ethics and is driven to enable people to excel and empower them to do the right thing in the right way.

References

- Man, A-P. de (2019a). De organisatorische revolutie: Drie trends in nieuw organiseren. *Management en Consulting*, 2019(4), 58-64.
- Man, A-P. de, Koene, P., & Ars, M. (2019b). *How to survive the organizational revolution: A guide to agile contemporary operating models, platforms and ecosystems*. Amsterdam: BIS Publishers.
- Mintzberg, H. (1979). *The Structuring of Organizations: A Synthesis of the Research*. Hoboken, NJ: Prentice-Hall.

Principles determine which design model is appropriate in relation to the strategy and therefore the desired situation that an organization aims for in the future.

Especially for multinationals, it is a challenge to determine an effective organizational model across multiple dimensions.

The SAFe model fits complex problems where solutions are still unknown, and the scope is still unclear.

Holacracy optimizes the use of colleagues' talent..