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The Manager's Impact on Job and Organization Design

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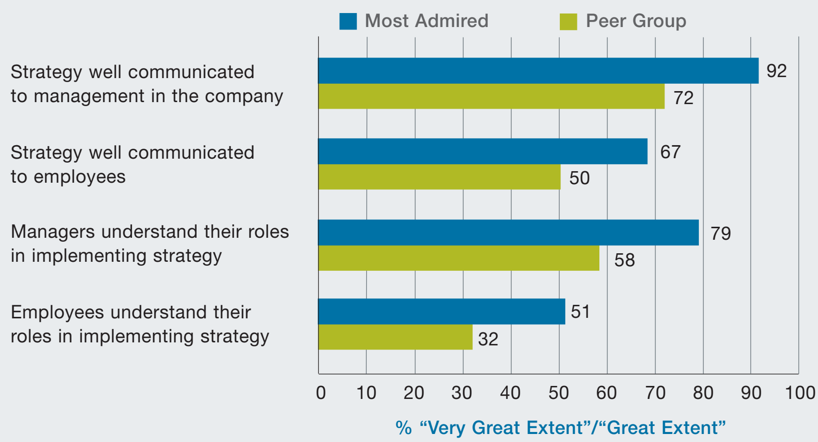
Designing jobs and organizations effectively is the most direct way managers can maximize their organization's return on its total rewards investment. People and organizations perform best when work is assigned to well-designed jobs and when jobs are organized into effective units. When jobs have clear and explicit accountabilities, people take initiative, they take appropriate risks and they innovate as they understand their roles and how their work relates to the work of others in the organization.

Many organization and job-design efforts, however, look at jobs or functions in isolation and don't address how redesign efforts affect other parts of the organization. This, in turn, leads to ambiguity and confusion, likely affecting the organization's ability to achieve clarity, accountability and effectiveness.

Fortune magazine's America's Most Admired Companies understand this concept. According to Hay Group's research, these companies do much better than others in translating their business strategy into clear roles and accountabilities for their employees and managers (Figure 1 on page 83). The value proposition is clear. Employees value the

FIGURE 1 Clarity and Alignment Differences for Most Admired Companies



quality of their jobs. For the companies, that's a reward that doesn't cost a dime.

While a road map provides a simple, step-by-step plan for creating jobs and organizations work to become an admired company, it is not a simple process and not an off-the-shelf solution. HR practitioners must draw it themselves. Drawing a road map for organizing work requires an understanding of the organization's mission and reward philosophy and hands-on knowledge of the work and the jobs at hand. This paper helps the reader with that task by outlining the fundamental principles for the effective design of jobs and organizations.

THE BUSINESS CONTEXT

What drives a business' need to organize or reorganize work, jobs and structures? The need could be identified by a line manager, a middle manager, a CEO or another executive who recognizes that a group or groups are not cohesive or engaged. Or, the need to organize work might come from an external source—an upcoming merger or acquisition—or anticipated rapid growth, a new management team with new strategies or regulatory changes that will seriously change how work is done.

The authors know of a new CEO in a large utility company who, determined to cut costs, slashed the HR budget, thus eliminating some services once HR-provided. Aligning jobs with the organization's mission seemed like a waste of time in a culture where "everyone pretty much knew their jobs." Eventually, engineers wrote company policies and tried their hand at corporate communications. Organization charts were discarded because executives believed that as long as everyone knew what they were doing, the company would continue to travel the course as it always had. The reality was that job accountabilities were vague, and no one understood the structure in detail. Inevitably, things began to slip. One executive described the situation as "5-year-olds playing soccer, with everyone having a rough time getting a handle on what they were supposed to do."

After hearing the drumbeat of the need for clarity from employees and managers, the company launched a project to provide clear job designs and organizational structures so that everyone would know what was expected of them and how their jobs supported the company's mission and strategy. This is a fairly "low-tech" process where all accountabilities associated with a job are identified or "decoded," and then individually matched to a business strategy and a functional strategy.

Sometimes, during a "strategy decode"—where each job and its accountabilities to an element of business strategy or functional strategy are aligned— it may be discovered that a job no longer adds value to the organization. In such cases, the job may be eliminated or changed significantly to meet the expectations of a new organization, set of business rules, technologies or a new executive team.

A strategy decode can be particularly effective when marketplace changes or new technologies force a business to make changes. Recently, a credit-rating agency dug itself out of a crisis that resulted from poor organizational design in a market where information had grown more valuable to consumers. At this company, one team marketed the agency's valuable data to clients, while another team gave the same data to clients for free. Each team had solid reasons for its strategy—data can function as a terrific sales tool as well as a source of revenue. But in this case, the teams' objectives were at odds with each other, creating friction in the workplace. At first, despite the teams working at cross purposes, no one saw the friction because everyone had the same incentive plan, which was based on the company's overall profit-and-loss statements. As long as the company performed well, everyone earned their bonuses. But when the company didn't perform as well as expected and bonuses were affected, the team that sold data felt the other team had undermined profitability by giving data away.

After reviewing the company's organizational structure and its incentive plans, the executive team changed the structure, the incentives and the jobs so goals did not conflict with the company. The two groups that had been at cross purposes were rewarded more for achieving their own group goals, not the company's overall goals. Of course, each group's goals had to be aligned with the overall business strategy, and that strategy included growing revenues and establishing status as a "thought leader" in its industry.

When a team is ineffective, something in the organization may be holding it back—misaligned incentives, unclear accountabilities or confusing P&L responsibilities, as in the just-described rating agency. Managers may have a clear strategy, but that doesn't make it easier to manage the organization. The authors' experience illustrates that an HR professional must largely create his or her own rules that tie compensation to jobs through analysis by:

- Comparing jobs to one another and to similar jobs in other organizations
- Digging down to assess whether each job adds value to the organization.

This is where the manager's experience with jobs, work and the organization's business strategy counts most. Ultimately, the strategy will affect how the organization is designed.

The company's organizational philosophy also comes under much consideration. Reorganizing manufacturing, for example, requires a knowledge of how the rest of the business is organized. Obviously, manufacturing's reporting structure must fit within the context of the organization's reporting structure. In this way, the company's strategy drives job redesign. And the compensation policy reinforces this. If a company is a "womb-to-tomb" payer with a long history of employing people for their entire careers and supporting them through retirement, that policy will affect how people are paid and who will want to work for the company. However, if corporate-compensation policies will get in the way of organizational needs, one or the other must give way so that a department or group's structure fits with the rest of the organization.

Some years ago, a major food distributor with global operations realized that consumers were buying more of its products from restaurants than from supermarkets. (When selling food to supermarkets, brand-name recognition has more value than when selling to big chain restaurants.) The food distributor's new business-to-business model forced it to redefine its priorities, its sales methods, its jobs and its customer service. Whereas successfully selling pizza to individual consumers may be the result of getting the right brand on store shelves, successfully selling to a pizza chain may be the result of helping to develop a new pizza sauce recipe. Each distribution channel requires a different kind of sales organization, with different incentives and different accountabilities.

For this food distributor to compete in a business-to-business environment where companies don't get as much mileage out of their brands, the distributor redesigned its teams to address the new market. Before, the company was organized around its brands. Each brand had a team accountable for the brand's sales, marketing and distribution. However, to be successful in the new chain-restaurant market segment, where brands are less relevant, the company needed a new structure, newly defined jobs and a new approach to sales focusing more on what the company could do for its retail customers than what its brands said to individual consumers.

JOB DESIGN

Typically, when planning to reorganize, managers begin by moving jobs within the existing structure. The authors' experience is that, rather than shifting jobs, it's best to effectively design jobs. Overall, structure development follows, and its configuration will be easy, once the jobs and their interdependencies are understood.

As a manager, the HR professional must rely heavily on his or her own experience. However, the following four criteria for consideration in designing jobs are a must.

- Job accountabilities are clear.
- Decision-making authority is proportionate to accountabilities.
- Interrelationships between jobs are appropriate.
- Jobs are doable.

Designing defined, doable, meaningful jobs and career paths are investments that yield enhanced employee performance. Industrial psychologist Frederick Hertzberg famously said, "If you want people to do a good job, you have to give them a good job to do."

CLEAR JOB ACCOUNTABILITIES

To organize work effectively, translate strategy execution needs into managerial accountabilities and managerial accountabilities into jobs. Each distinct job must have a clear purpose, should add something to the organization, and must possess the accountabilities necessary for success.

Not long ago, a domestic U.S. firm acquired a European competitor so it could gain access to expanding international markets. Before the acquisition, no unified sense of purpose existed. Between marketing and production, the only communication consisted of squabbling about internal resources. But after reorganizing into business units—each with globally unified product and market accountabilities—management was again focused on growth and profitability. It became clear why roles existed, how they added value to the new organization, how they could share data, what their common goals were and why they had to work together for success.

Once an organization articulates its strategy, everything required to execute it should be channeled into job accountabilities and cascaded through the organization. Organizations must ensure no "accountability gaps" (requirements without managerial oversight). Accountability gaps can hamstring organizations. For example, a financial-services organization had a marketing group generating leads and a call-center operation that took calls, serviced clients and up-sold company products and services. As the financial market tumbled, the company's customer base eroded, as did revenues. When management asked who was responsible for protecting the firm's clients and assets, marketing and operations pointed fingers at each other. Since accountability for protecting assets had never cascaded from a strategic execution requirement to job-level accountabilities, a dramatic accountability gap existed. The result: neither the marketing jobs nor the call-center jobs were focusing on customer retention; an important accountability had been overlooked.

On the other hand, it's not uncommon to find redundancies across organizations. To compete in a higher segment of its market, a consumer-products company recently changed its strategy focus from being a low-cost provider to an industry innovator. To facilitate this change, the head of marketing created a new project-management role to coordinate the development and launch of new products. Previously, project management was owned jointly by finance and IT—organizations with histories of delivering new products and accomplishing big projects on time. Predictably, the overlapping accountabilities between the old project managers and the new ones created hostility and frustration.

It may be appropriate and desirable for multiple functions and jobs to be involved in being accountable for an activity, process or end results. When it is, the following impacts can be assigned to each to provide greater role clarity:

- Primary accountability
- Shared accountability
- Contributory accountability
- Ancillary accountability.

Primary Accountability

The buck stops here. Those with primary accountability call the shots and take the hits. Examples include heads of business, plant managers and sole proprietors.

Shared Accountability

These positions share with another function or person, and at the same level of delegation, the accountability for management of this dimension. In this situation, no single person makes a decision. A committee, group or team, where each member has equal control of the allocation of resources, is an example of shared management.

Contributory Accountability

Contributory roles provide value-added professional services and are accountable for the quality and consequences of recommendations or support services. Often this role is filled by middle managers who are experts in their areas. Business analysts, IT analysts and HR professionals are common examples of jobs with contributory accountability.

Ancillary Accountability

These positions provide information or administrative services and are accountable for the accuracy and timeliness of information provided; they may include accountability for policy compliance.

ACCOUNTABILITIES

It's important to note that jobs could be interpreted as having several viable accountability perspectives—for example, both a primary and a contributory accountability area. For example, a head of finance could legitimately have contributory accountability for providing counsel to senior management and primary accountability for managing the finance department's daily affairs. In these instances, it's often the case that one accountability perspective tends to outweigh the others and that's likely the most appropriate perspective to consider when assessing these roles.

These accountabilities are as applicable to teams as they are to individual jobs. Some teams have primary accountability, while some have contributory, ancillary or shared accountability.

It is essential to assign accountabilities to one of the four levels, and for accountabilities and levels to be coordinated across the organization. If two different jobs are assigned primary (the buck stops with me!) accountability for a task, the people in those jobs will inevitably fight. Conversely, if the jobs involved have contributory accountability for a key task, a critical need will go unmet.

Using this approach, the matrix in Figure 2 could be developed at the top organizational level, and this can set the stage for cascading accountabilities to the job level.

"If you want to manage people effectively," wrote Jack Welch, former chairman and CEO of General Electric, "help them by making sure the org chart leaves as little as possible to the imagination. It should paint a crystal-clear picture of reporting relationships and make it patently obvious who is responsible for what results."

DECISION-MAKING

A critical element of job design is the cascading of accountabilities through the organization. While necessary for job design, it's not enough for an organization to achieve its goals. Well-designed jobs have explicit decision-making authority proportional to the degree of accountability. Without the right balance of decision-making authority and accountability, people will be constrained from doing what's essential to ensure success in their jobs.

The *easiest* job is one with a relatively high degree of decision-making and little accountability. The *worst* job is one with a high degree of accountability without the proportional decision-making authority. Neither of these jobs is viable in the long run: the former gets on everyone's nerves and eventually is removed, and the latter is considered a failure by the organization regardless of how one fulfills the position.

In one luxury hotel chain's acclaimed customer-service model, employees can act—within clearly established bounds—without fear of being second-guessed by their supervisors. For example, bellhops are authorized to offer free cab rides to guests, and managers are authorized to offer free rooms, with no questions asked

FIGURE 2 Example of an Accountability Matrix

	President & CEO*	Senior Management	Functional Management**	Individual Contributors
Development of Enterprisewide Strategy	P			
Development of Enterprisewide Strategy		C	C	C
Corporate Financial-Resource Allocation	P	C	C	C
Business-Unit Strategy		P	C	C
Business-Unit Results–Financial		P	C	C
Business-Unit Results–Customer Management		P	C	C
Business-Unit Results–People Management		P	C	C
Functional Strategy and Processes		C	C	P
Functional Support Program Design		C	C	P
Support-Program Implementation		C	C	P
Management of Field-Support Staff		C	–	P
Corporate Functional Policies		C	C	P

P=Primary C=Contributory

Notes: *The CEO is ultimately accountable for all performance areas, and the CEO is primarily and directly accountable for these areas.
**Legal, information technology, finance, HR, etc.

by their bosses. This leads to a sense of empowerment and encourages employees to use good judgment—an essential function of every job.

On the other hand, the authors know of a biotechnology company that brought in a senior-level HR executive responsible for designing new HR policies. However, the company's CEO strictly controlled most management and compensation decisions. With a high degree of accountability, yet virtually no decision-making authority, the new executive quickly grew frustrated and resigned. It was the U.S. World War II military leader General George S. Patton who said, "Never tell people how to do things. Tell them what to do and they will surprise you with their ingenuity."

JOB INTERDEPENDENCY

An often-overlooked aspect of job design is interdependency. Consider marketing and manufacturing departments—each is responsible for producing forecasts. We've seen duplicated efforts in many organizations because manufacturing and marketing, interrelated departments relying on the same information for their forecasts, don't generally communicate with each other well. At one organization, a marketing manager needed a direct mail campaign report from a business analyst in the manufacturing organization. But the analyst was busy with other assignments. Further, the analyst's boss had no incentive to participate in a successful direct-mail campaign. As a result, the company suffered because job interdependencies never had been defined. The marketing manager's and manufacturing business analyst's jobs were interdependent. But, unfortunately, no one had told them. Or told their bosses.

While they might be clear to the person organizing the work and designing the jobs, interdependencies must be factored into job descriptions and be widely communicated to the entire organization.

JOB DOABILITY

In well-organized work environments, the potential for success is built into every job. Organizations shouldn't rely on individuals to go "over and above the call of duty" to be successful. Job designs should include tasks that a competent employee can handle within the role and which, when completed, will make the jobholder successful.

Jobs have to be doable. Careful analysis and evaluation may reveal that a job is too big, with too many reports, too much accountability and too little responsibility. A job may be insufficiently challenging, or it may be too demanding. It may stretch jobholders too thin (and run the risk of snapping them), or it may stretch them correctly, so they grow with the organization.

Determining a job's doability is a function of understanding the job, the work and the organization's mission. In some cases, when an employee resigns, instead of hiring a replacement, the organization divides the responsibilities among the remaining office mates. In this case, accountabilities may shift to someone incapable of performing well. It is why it's imperative to have a good understanding of the competencies and skills each job requires.

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Designing doable jobs goes beyond writing meaningful job descriptions. Required competencies of average jobholders must be factored into the design. If a job is undoable, it was probably incorrectly designed, and it will continue to invite failure to jobholder after jobholder. Knowing whether a job is doable may depend on years of hands-on experience combined with a deep understanding of the organization and its philosophy.

In designing jobs, consider each job in terms of the skills, technical knowledge, management capability, level of responsibility and decision-making involved. When a junior-level job is given too much accountability, someone in the role who is short on experience may become overwhelmed. On the other hand, if too little accountability is assigned to someone in a senior role, the person in the role will likely grow bored and leave.

In one case, a new CEO had a vacancy in the corporate marketing department. Since he was brought in specifically to grow the business, the CEO realized the need for a new role focusing on developing and implementing a growth strategy. Because this new role was interdependent with the company's traditional marketing function, the CEO decided to combine the two roles. He spent six months searching for a candidate before giving up. Despite the CEO's initial instinct, the two roles were far apart from each other. The new role required quick-thinking and rapid decision-making, while the corporate marketing role required expertise in marketing communications, brand management and supervising 150 employees. In other words, the CEO was looking for one person to drive growth and manage the day-to-day operations of the marketing department. The job was undoable in this case. Unsurprisingly, no one was found who could do it.

Matrix organizations, with their typically flat reporting structures and shared decision-making processes, should take extra care to assess job doability. If several managers access centralized resources (such as engineering or project management), an arrangement works until four managers each want the same engineer for 30 hours a week. When resources are stretched too thin in matrix organizations, resentments may build, unhealthy alliances form and teams break down.

JOB AND ORGANIZATION DESIGN

During the course of many organizational projects, the authors learned lessons that have stood the test of time. When organizing work, be sure to:

- Clearly understand the corporate, business, and functional strategies to get the "biggest bang for your buck" through job and organization design.
- Consider the notions of job value, accountabilities, decision-making authorities, interrelationships and job doability to ensure that job designs are robust and well-thought-out.
- Watch carefully for imbalanced job accountability/decision-making authority and unclear interrelationships, as they can diminish employee motivation.
- Define roles and processes clearly; it's the foundation for putting together an organization and building the workforce.

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