Designing Organizations for Growth: The Human Resource Contribution

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Moving Beyond Talent Management

The challenge of growth faces most companies in today's highly interdependent,competitive global economy. HR is staring at an incredible opportunity to increase its impact on organizational performance and become a true strategic partner by contributing to the organization and work design challenges that enable growth. This is an important focus for HR, because talent management is inextricably linked to organization and work systems design, in a way that each constrains the other. By expanding its focus to include organization and work design, HR multiplies its influence on both people and business performance.

Growth agendas present a compelling need for this expanded HR contribution. Whether seeking organic growth in new markets, expanding through developing innovative products, services, and business models, or growing through acquisitions and partnerships, companies face the need to find and integrate new resources, realign existing ones, and reconfigure core design features to handle the increased size and complexity that accompanies rapid growth. Various growth scenarios present different challenges. Thus,gaining organization design expertise and leadership is no easy task, but it can make an appreciable difference in organization effectiveness.

Human resource functions naturally have honed in on the formidable talent issues inherent in growth, including hiring and assimilating large numbers of people, reaching new talent pools, developing existing employees to provide required new knowledge and skills and addressing the needs for a rapid expansion of leadership capability.

Particularly in the era of current and predicted talent shortages, the talent strategies associated with growth must be robust.

To truly carry out a role as a strategic business partner and to proactively manage talent , HR must push beyond its comfort zone and traditional functional domains to help fashion the changing contexts in which talent carries out its work. Providing leadership in designing the organization for growth is an appropriate role for HR because the organization's design provides the context in which the human resources of the firm functions. A poorly designed organization is like a colander: you can pour top level talent and hours of effort into it, but much of this capacity will leak through the holes and/or be used up trying to plug the holes. A well-designed organization uses its talent effectively. It limits the waste that occurs when valuable talent hours are used poorly and the frustration, cynicism and unnecessary withdrawal of the talent that HR works so hard to build.

Assuming a leadership role in organization and work design is not a natural extension of the current roles of many HR departments. In fact, most HR functions have been bystanders over the past decades, as this critical component of organizational functioning and talent utilization has unfolded and new designs have been put in place to address the challenges of the quality revolution, information technology evolution, and unfolding of the global economy. The vast majority of HR professionals have not learned the essential knowledge to be players on this field of organization design. Yet, rapid change has made organizational agility essential, and demanding shareholders have made growth imperative. Growth has become more difficult to achieve and manage, and people are often the passive recipients of what is left after the "experts" have come in to

help with the restructuring, or the new design has been drawn on a napkin by line executives. HR then scurries to pick up the pieces and address the talent needs. Much of the time, this just doesn't work. HR must learn how to view the organization through the lens of organization design for growth, and contribute to and proactively influence it.

This article describes the domain of organization and work design expertise, and describes the breadth of design challenges that HR must address to support different kinds of growth strategies. It then describes the competencies that HR needs to be a major player in this domain, as well as some of the approaches that can be used to build the foundation for this capability.

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Organization Design

Jay Galbraith's "star model" (see Figure 1) is one of the most influential organizational design frameworks available. It delineates the elements of design that should be configured to fit with each other in support of the strategy of the firm. Since it was originally presented it in 1973, Galbraith and others have tailored it and used it to guide redesign activities at hundreds of firms that have faced different challenges, such as achieving lateral flexibility (1994), global functioning (2000), and customer-centricity/solutions generation capability (2005). Several underlying messages of this approach are apparent:

1) **An organization's design consists of far more than its structure**. The boxes and lines, although the focus of a great deal of attention from executive management, are merely the skeleton upon which the critical activities of the firm must occur. Growth and agility require flexibility in using all the elements of the star to support the new capabilities. In fact, t two of the points on the star, the rewards design and the design of people systems, are squarely in the arena of human resource responsibility, and they cannot be designed out of context of other design elements.

2) **There is no single design recipe for success**. Designs can't be copied from other firms that appear successful. Each firm must design and implement features that support its strategy, including chosen paths to growth, and it must change those features as the strategy changes.

3) **Organization design capabilities—knowing how to flexibly use design features to achieve desired outcomes—constitute a significant competitive advantage in today's dynamic global business environment**. Growth strategies, can fail if resources are not realigned to deliver new value in a changing market, and to handle increased complexity from size, variety, and change.

Figure 1 goes about here

Growth often requires the building of new organizational capabilities. Organizational capabilities are the product of an intricate combination of knowledge, routines, and behavior that are enabled by well-designed work processes, structures and

lateral processes, management practices and systems, and rewards and people practices.

Procter and Gamble, for example, is known for its ability to simultaneously manage innovation and achieve growth through both global product organizations and integrated front-end regional market organizations that deliver an array of value propositions for different kinds of customers. Over time, it has carefully and purposefully designed itself to enable these capabilities. The organization affords P&G flexible growth and stellar execution. Its design is not static; rather, continual reconfiguration is required to take advantage of growth opportunities that come from inside or outside the organization. The talent of the firm is deployed and utilized within an organization designed for growth.

A company that would like to develop the same kind of capacities that Procter and Gamble has developed to grow through global products and customer-centric functioning cannot simply copy its design. Rather, it would have to go through a multi-faceted transformation to gradually put the design features in place to underpin such performance, including but not limited to:

- globally integrated product divisions and brand organizations
- market organizations that can reconfigure their resources to address the opportunities presented by a shifting set of customers and customer needs
- measurement systems that fit the multiple dimensions of performance— innovation, product and brand, geography, customer and function—and that are flexible enough to fit organizational units that are in different stages of maturity
- planning processes that provide a framework for the integration and prioritization of approaches to meeting the needs of product, customer and geography, while simultaneously ensuring the evolution of core functional processes and skills

- flexible and dynamic overlay project teams to address product, customer, organizational, and other opportunities and improvements.

- development approaches to build strong functional, cross-functional and business skills and grow deep and broad talent through experience.

- HR systems that attract, retain, and develop talent, rotate people between different kinds of units, encourage learning and exchange across the organization, and reward employees for their contribution.

So, new capabilities are built by addressing all aspects of the star. The organization is extremely complex, but by making clear the accountabilities of each unit and building the lateral connections to integrate across the organization, people in various parts of the organization are generally empowered to do their work effectively.

Work System Design

The design of effective work systems is a related and equally important focus, often overlooked by HR professionals. The organization's design provides the architecture to house effective work systems, but these work systems also have to be carefully architected. Whereas organization design tends to take a top down, strategy driven perspective that focuses on alignment for business performance and control, work system design configures the work activities of the organization to deliver value to the customer. For example, in Procter and Gamble and other organizations that develop and sell products, the new product development process is carried out in an intentionally designed work system with individual and team roles and responsibilities, communication and information-sharing processes, and other lateral linkages across the units that play a role in the process.

Work system design addresses questions such as how best to configure and coordinate across all the steps in a work process, and how to bundle tasks into roles, assignments, and teams to promote quality, efficiency, and motivation. Work systems determine the kinds of talent needed by the organization, the kinds of knowledge and skills that are built through experience, and the extent to which employees can become engaged in their work. If the work they come daily to do is poorly designed, their engagement is limited. HR programs can't make up for poorly designed work. It's ironic that HR has not developed a strong role in work design.

There were, in fact, some early examples of HR involvement in the design of work systems. In the 1960's and '70's, I/O psychologists in some major companies such as AT&T helped companies implement "enriched" job designs to increase motivation and performance. Members of some HR departments worked with engineering to apply socio-technical design principles (Pasmore, 1988) to design high performance, usually multi-skilled, team-based, systems in manufacturing plants and back-office operations, in diverse companies such as Shell Oil, Digital Equipment, Cummins Engine, and General Mills.

As the competitive focus in many industries switched to the more uncertain, knowledge-oriented processes in the firm-- including research and development, market and business development, systems development and integration, and field service and logistics--work system design activities in companies such as Hewlett Packard and Motorola switched to a focus on building multi-functional teams and knowledge management approaches. Quality emphases and the IT evolution became predominant

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forces in the design of work, and the HR function ceded this territory to specialized, often engineering-based groups, limiting itself to the talent implications of these shifts. This has impeded the growth of HR as a serious business partner, and limited the extent to which human resources concerns are taken into account in the design of work.

Both organization design and work system design are central to the successful execution of all growth agendas. For growth to occur, the organization has to organize its talent differently to carry out new work and/or secure new talent. In today's world, organizations operate in increasingly competitive environments for key talent—and even if they could afford to throw talent at the growth challenge, the members of today's talent pool would not allow it. As talent hours and employees slip away due to how difficult it is to get work done and to achieve personal and professional goals, more and more effort is required to assure sufficient talent.

To fully appreciate the strong human resource implications of organization and work design, we only need to contrast the American automobile industry with Toyota. The former increases the numbers of cars and models it produces by dramatically increasing the employee base. Toyota's employee base grows quite slowly, while yielding dramatic growth of numbers of cars and models produced. Much of this difference can be attributed to Toyota's organization design and work systems, which use people and their skills effectively.

Growth Strategies, Design Challenges.

Today, most organizations find that competitive conditions, technological capabilities, fashion and customer preferences change so dramatically and quickly that growth strategies involve a combination of organic and externally fueled growth. Growth strategies often are conceived in an uncertain environment, one that requires organizational flexibility and agility. Organizations must be "built to change" (Lawler & Worley, 2006).

To get a sense for the substantive and process expertise entailed in helping design an organization for growth, we will look at a number of ways in which organizations grow and their associated design challenges We will start with the foundational processes involved in business life-cycle growth and then address: growth that builds on the core business model and capabilities of the firm; growth by developing new capabilities; growth through innovation; and growth through mergers and acquisitions. Clearly these are not mutually exclusive; a company may use all of these approaches to grow. But, each offers its own design challenges and requires that the process of growth is built into the routines of the organization. Furthermore, the challenges and problems of talent acquisition, development, and management differ.

Life Cycle Growth

Life-cycle growth is especially salient during the early years of a successful company's existence, and fast growing start-ups such as Google or Starbucks have gone through the phases of growth particularly rapidly. In 1972, Larry Greiner provided what is now a classic and still highly enlightening model of life-cycle growth. He posited that as a company grows, it encounters various "crises" triggered by the inadequacies of its management and organizational approaches to fit the increasingly complex set of

activities that must be managed (see Figure 1). Crises of leadership occur when existing management cannot handle this increased complexity and the changing requirements of increasing scope and scale. Crises of autonomy and coordination occur as the organization discovers that it has to build the capacity and autonomy for different business units to manage themselves and perform effectively, and yet achieve the necessary coordination to achieve leverage and corporate wide performance. As the organization grows and becomes more complex, creativity and growth may become constrained by a "red tape" crisis. The organization has to find a way to keep its management processes from overwhelming the ability of its various parts to operate flexibly and innovate. Greiner has since (1998) described a new crisis, in which the organization must learn to operate beyond its own borders to secure adequate resources to approach new opportunities. This often leads to new organizational forms involving partnerships, alliances, and networks.

Although Greiner intended these crises as descriptors of the growth challenges faced by start-ups, they are fundamental challenges all organizations face during periods of significant growth. As organizations grow, they may become overwhelmed by the complexity they face—complexity that stems from the need to manage multiple intersecting dimensions, each associated with specialized knowledge bases and competencies. The organization cannot afford to fall behind in its functional excellence, geographical reach, products and service quality and value, and responsiveness to and focus on customers. The Procter and Gamble example described above demonstrates the core design features it has put in place to manage this complexity. To continue to grow, other organizations such as IBM, Sun Micro-Systems, CitiBank, and many professional

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services firms, have introduced complex organization designs to manage these multiple dimensions—for example, as global customers want integrated or bundled products and services that fit their particular business model and geographical reach, and delivery that is second-to-none.

Organizations moving along growth trajectories must find design solutions that do not become rigid and inflexible, but rather enable ongoing creativity, innovation,,improvement, evolution, and growth. Building on the principles of design, there is no one solution that fits all organizations. Two decades ago, Hewlett Packard and Motorola each faced a crisis of internal coordination because of market demands for more rapid cycle time for new and more advanced products. Each was structured with self-contained product divisions, with functions focusing on the technological and market requirements to grow particular product lines. Facing the need for greater collaboration across functions to generate diverse and innovative products, they developed work systems based on decentralized, cross-functional, and often cross-organizational, new product development teams.

During the same era, other organizations, such as McDonalds and Wal-Mart, responded to the growth-related challenges of coordination and collaboration by honing centralization. They sought to ensure commonality across geographies through systematic and standard processes and centrally-controlled product and service delivery systems. The appropriateness of different approaches to resolve growth crises depends on the firm's business model, strategy, and the nature of its products or services.

One of the most important design decisions for organizations that want to leverage resources for growth while simultaneously maintaining the capabilities of small,

agile units, is what to manage centrally for leverage and control, and what can be decentralized for agility and responsiveness. These decisions have profound impact on behavior, motivation, and performance within the organization. They help define "what is it like to work here?" "how much freedom and authority do I have?"; and 'how much time do I spend coordinating and negotiating rather than getting work done?"

Firms that have rapid growth strategies go through growth crises, most likely very rapidly and often not in linear fashion. Start-ups in today's knowledge economy often have to quickly deal with effectively accessing knowledge across boundaries, because they cannot organically develop the internal knowledge and talent to do all tasks.. For example, Sun Microsystems grew by very quickly building a network of partners. Cisco Systems quickly developed an acquisition strategy to import the knowledge required to grow very rapidly. Biotech start-ups reach out quite quickly to large pharmaceutical companies for commercialization and manufacturing expertise.

Rapid growth in revenues and profits can mask organizational inefficiencies for a period of time, often at the cost of substituting increased headcount for organizational effectiveness. Building effective organizational approaches and work systems to utilize and coordinate limited talent through more effective targeting of resources is an HR contribution. . To play this role, HR will have to bring expertise to the table about the organizational issues that accompany different growth strategies. Some specific growth strategies and the design challenges inherent in each are described below.

Growing the Business Model

Many highly successful organizations grow by expanding their business model to more markets, customers, products, services and geographies. Some, such as Starbucks

and Washington Mutual, have done this with such astounding rapidity that the yearly start-ups of hundreds of stores and branches, with the associated processes of real estate development, facilities planning, new market entry processes, and talent acquisition and development have become major organizational focuses. Other companies have grown more slowly because of the combination of market and cost structure conditions that are required to underpin their business models. Southwest Airlines has grown steadily but carefully, finding expansion routes where its business model is a clear competitive advantage.

The talent challenges of such within-business-model growth can be daunting. MGM Mirage and its competitors are expanding their hotel/casinos in Las Vegas, and creating 113,000 new jobs during the next four years. They face a labor market that is estimated to be short about 25,000 hospitality and leisure workers., Building a high performing organization is even more important given the shortage of talent and the increasingly competitive environment there. Organizational approaches must foster extremely high levels of employee engagement and customer focus. Motivational and talent issues can be addressed in part through selection, training and rewards, but also through the design of work systems characterized by integrated and seamless customer experiences. Communication systems, intergroup linkages, aligned goals, and appropriate team structures are among the important design elements that affect customers, employees and other stakeholders. HR executives must seek not only great numbers of employees, but also innovative approaches to using them effectively.

Starbucks has expanded quickly into many countries using a common business model, opening as many as 5 new stores and hiring 200 employees per day. It has had to

make decisions about how to manage its service and product brand and its geographies. What would be the core business units? How would it incorporate new business lines, such as music and/or new distribution channels such as the retail grocery business? How would it accomplish synergy across different geographies and cultures? How would it communicate direction across such a far-flung universe of activities? What balance should be struck between instilling commonality and leverage, while maintaining stores where partners feel they are running their business by creating experiences for their local community? Starbucks has been successful in great part because of the culture of trust that has been defined in part by its HR practices, including the investments it makes in its "partners" and communication and involvement practices that it has established. This makes it even more important that HR develop the credibility and expertise to contribute substantively to organizational design decisions and prevent problems that may disrupt the culture.

Growing into New Markets, Products and Customers

Extending existing capabilities to new products, markets and customers raises predictable design challenges. Foremost is sustaining focus on the new, when most of the knowledge of the firm and the current revenue stream comes from established markets and customer sets. Sufficient structural differentiation is required to protect and nurture new units, and management processes must be designed to ensure that resources are dedicated and protected. The traditional 3M approach to starting new business units by establishing them first as self-contained projects and gradually growing them into divisions achieves such focus through the start-up phases of growth. 3M uses both structural and process approaches, including governance structures, direction-setting, and

measurement systems that fit the requirements for support and patience for fledgling businesses, as well as clearly delineated management roles and accountabilities.

For decades, 3M, HP, and others routinely broke large divisions into smaller ones to achieve focus and ownership for growth. Growing new divisions was built into the routines of these companies, and embodied in explicit design features. Such an approach works when the major success criterion is bringing products to market, but is not suitable if the market demands integrated products and solutions. If customers want cost-competitive systems and solutions, companies need to design effective leverage mechanisms across units to support growth. Aerospace companies, for example, need to integrate across units that provide products, systems, logistics and field support to address the systems requirements of their customers. With such market pressures, shared services, knowledge management systems, cross-unit integration, project management capabilities, and effective common processes are critical to delivering value to customers and to the effective utilization of talent.

Guiding line management through the design trade-offs is a strategic contribution that enables HR to contribute to growth strategies and associated talent management issues in an integrated and impactful way. If HR chooses to accept this role, it can ask the right questions, advocate for a systematic implementation of the growth strategy, and make available to line managers models and frameworks that can underpin the design and implementation. To grow quickly, the organization needs an organizational platform that enables new focuses, and robust, integrated "routines" for initiating and developing new products and markets. Figure 3 shows some of the key design issues that have to be addressed to build the organizational platform for growth.

1) What are the organizational units, or building blocks, of growth that enable the organization to scale up? Examples may be new accounts, new market segments, new divisions, new stores, venture units, or cross-functional projects.

2) Where is integration required/desirable?

    a. What will be common and what can vary across the growth units?

    b. What leverage is desired across the units?

    c. Where to organize for lateral connection? Where should separation be maintained?

3) How will the larger, more complex organization be managed/governed?

    a. How will portfolio and investment decisions be made?

    b. What are the metrics of success?

4) What human capital model and philosophy will guide people practices to support the growth strategy?

Figure 3 goes about here

These decisions guide the process of designing the various star points to build growth capability into the routines of the organization, rather than seeing it as an add-on process. Similar design logic is required in all growth strategies, as we will see below, but the complexity increases as growth strategies deviate from the core capabilities of the organization.

Developing New Capabilities and Business Models

Designing is more complicated when the growth strategy entails the development of new capabilities and the introduction of new business models. For example, when Dell entered the computer market with a direct sales model and rapidly made-to-order computers, other computer companies had to develop new capabilities and become proficient at a new business model. They had to revamp their channels, their supply chain, their IT systems, and their customer support systems, as well as designing global work systems to deliver with greater speed, lower cost, and higher quality. In so doing they introduced new roles, units, metrics and lateral interfaces. IBM's growth strategy of becoming the premier supplier of systems and solutions has similarly demanded the design of new front-end units that contain the diverse experts to integrate IBM products and services and those from other companies to provide systems that contribute to the business models and operating requirements of their industry customers.

Solutions integration does not happen easily in a product organization, so companies trying to become solutions providers have to generate a design logic and framework to foster and enable integration across formerly separate business units. New structures are not sufficient. Lateral work and management structures and processes, and new approaches to rewards and staffing are key design features. At the people point of the star model, , this transition calls for new substantive and management competencies, and the ability to work in a complex set of matrix relationships across multiple functional lines. Hiring people with new knowledge and skills, and training employees to think and act systemically are necessary, but not sufficient, if employees are asked to perform in an organization that isn't structured to use their talent effectively.

Organizations in many industries are facing the need for capability and business model change to drive growth. Major pharmaceutical companies are introducing biotech capabilities because their traditional chemistry-based approaches to developing drugs are yielding blockbuster drugs less frequently. Many financial services firms are basing much of their growth on providing multi-product financial solutions to customers instead of stand-alone products., Eastman Kodak has had to migrate from being a dominant player in the chemical film business to building a digital camera business. These changes are enabled by the redesign of all points on Galbraith's design star. These companies do not simply abandon their current sources of revenue. They add new capabilities and reshape the organizational system to house the new and to enable the transition to new sources of growth. During the transition, they must create a design that can handle two different business logics—the existing, which is the source of current profit, and the new, which is the future source of growth.

As organizations adopt such discontinuous growth strategies, design questions abound. Is the new focus to be integrated with the existing business or managed in a separate organization? What kinds of synergies and connections are required to carry out the strategy? How can the organization best access the resources and competencies it needs? Key to successful implementation of these growth strategies are ongoing macro and micro-design decisions that will create a context for success or failure. As shown in figure 4, design must occur at all levels of the system, as change in the business model reverberates through the organization.

As a large pharmaceutical company first partners with and then acquires small biotech entities, internal teams are created to coordinate with teams from the biotech

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firm, and cross-company governance approaches must be designed. As the

pharmaceutical firm starts to accrue an assortment of partners and acquisitions, it has to

decide whether there will be a separate unit established to house this new way of

discovering and developing drugs, or whether the biotech activities will be integrated into

existing units. Greiner's issues of coordination, leadership, autonomy, flexibility, and

knowledge acquisition and retention must be addressed. HR has naturally gravitated to

the individual level—to the formidable issues of talent acquisition and development that

are inherent in such transitions, while sometimes not even being invited to contribute to

the design elements at the other star points and levels. This relegates HR to managing

talent without its voice in the key design decisions that shape the context for employees.

Figure 4 goes about here

Going Global

Many companies grow through international expansion. This requires designing

global management capabilities, including talent, structures and processes. The

company's specific global growth strategy determines the design criteria, and strategies

range along a continuum of complexity. Setting up subsidiaries that import and sell

products and services in other countries is the simplest global growth strategy. Even this

requires the design of an international division, mechanisms to coordinate country

organizations with relevant functions in the home country, and work and management

processes to achieve needed customization of customer interfaces, human resource

systems, infrastructure for virtual work, and financial practices to fit in the new contexts.

More complex designs are required if the strategy is to create operational capability in other countries, perhaps through the establishment of country business units. Interfaces between the country business units and the functions and product or services businesses of the corporation have to be designed, as well as the requisite governance processes. In the most complex multi-national strategy, companies such as General Electric, aim at optimizing their truly global business through the creation of integrated global networks in which different countries house different activities and play different roles. Design features may include global product or service organizations, global, regional and/or country customer facing business units, and global functional organizations, perhaps with regional services delivery. Features around the star need to be designed to support cross-regional integration.

Globalization decisions are closely connected to talent availability, and it is imperative that HR plays a central role in the design . Because customers, talent, and capabilities are globally dispersed and local governments are demanding, international strategies and organizations are often dynamic. The HR function can add great value by providing the organizational design and implementation expertise to support the rapid evolution of the global growth strategy.

At Shell Oil, for example, the HR function played a strong role in the design decisions and change management needed in moving from geographically based, self-contained subsidiaries to an integrated global business with leverage as a key objective. Decisions had to be made about where commonality was required and where country customization was necessary, about which kinds of capabilities to place and develop in which countries, whether to create regional units and for what purposes, how to link the

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activities in diverse countries, how to provide services to far-flung operations, how management processes such as strategy setting and investment and portfolio management decisions are carried out, and how diverse units are measured and rewarded. Virtual work designs were required when processes such as software-based technical analysis and solutions delivery were accomplished by contributors located in multiple sites. HR executives played a strategic role in conceptualizing the strategy and design—a design based on location of oil field activities and growth as well as on location and availability of talent. HR managers and organizational effectiveness professionals played leadership roles in the many micro-design activities that stemmed from the global integration strategies—the design of business units, global functions, regional offices—as well as in change implementation and talent development.

Growing Through Innovation

Many companies grow through innovation. The R&D capability for generating a rapid stream of innovative new products and services and the business development capability to find and enter new markets must be optimally designed. Again, a major decision is how separate or integrated the innovative activities should be from the existing operational capabilities of the organization---and this will depend on how different the new products or markets are from existing activities.

A simple but instructive example: when a new product is made available to existing customers, integration with the existing sales force is critical. When new products or services are being extended to new customers and/or require new channels, a different sales force may be required. Financial services firms that have traditionally offered wealth accumulation products have begun to develop and offer innovative

"income protection" products to meet the needs of retiring baby-boomers. They are puzzling through decisions about how integrated or separate the channels for the new and existing products should be. The fundamental issue is how best to provide the new products with sufficient focus and degrees of freedom to operate differently from the existing business. Can the work processes for the two thrusts be handled effectively within the same work system and by the same people, or is it best to put them in different units? Can the current managers of existing wealth accumulation products manage new products with new logic and perhaps take on new channels and processes? Design decisions immediately become interdependent with the talent issues.

Anticipating the extensive design and talent issues involved with new product introduction, The Hartford invested in intensive development, of their HR business partners in organization design and change competencies , both in workshop and practicum settings. They also established a Center of Excellence to provide deeper knowledge in these areas. Their goal was for HR generalists to partner with line managers in thinking through how to implement new products core to their growth strategies, while taking an integrated and systematic look at the organizational design and talent issues. HR spearheaded the development of a company wide language and set of frameworks to guide the many redesign efforts necessary to accompany the transition.

As innovations become more radical, they may entail new, sometimes disruptive, technology (Christianson, 1997) and may demand new business models to deliver new kinds of value to existing or new customers. Such radical innovations may demand departures from existing practices in sales, R&D, supply chain, and human resources— and consequently may require more organizational separation and executive involvement.

Apple , for example, builds very strong cross-functional lateral collaboration mechanisms, protects the resources that are applied, and has very clear accountability (and great secrecy) for its break-through products, such as the iPod. These innovative activities are protected and nurtured by a great deal of CEO attention and involvement, and attention is paid to all the elements required to create a viable business model that would not have been generated easily by functions and units operating independently.

Novel ideas are likely to emerge from individuals or teams on the periphery of the mainstream in an organization—often those most closely and recently linked to outside knowledge. Novel solutions require the combination of knowledge from multiple sources within and outside the organization. Organizing to continually import, assimilate and connect new knowledge provides the infrastructure for this kind of growth. Google has built web-based community sharing mechanisms so that ideas can be generated anywhere in the organization, and employees are encouraged to respond to each others' ideas and gradually formulate a robust idea for an innovative business opportunity. A council reviews and selects the most promising ideas to be funded. Monsanto and other life sciences firms carefully build strong scientific and market intelligence capabilities to catalyze the innovative content of their research and to guide their portfolio choices. By contrast, the Danish toy company Lego tried to grow rapidly by creating new channels such as amusement parks and stores, and by spreading rapidly into new toy technologies. When it faced financial collapse, it discovered that it didn't have the required market intelligence, nor an effective enough organization to host this kind of discontinuous innovation and growth. In response, it has spent time building organizational capability

and a new growth strategy—one that is geared to adding value to and strengthening the connections with its existing customer base.

For a company to compete and grow based on a steady stream of incremental and radical innovation, it must have an "ambidextrous" design (Tushman & O'Reilly, 1996)—one that is able to manage its existing business for effective performance, while simultaneously managing continuous and sometimes radical innovative activities. This is a complex organization to design, because there is a tendency to continually bring resources close to the revenue stream, often at the expense of the fledgling business—and a tendency to seek uniformity to achieve economies of scale.

Achieving ambidexterity also requires the ability to know how long to keep innovative activities separate and whether it is possible or desirable to bring the old and the new together to achieve leverage. General Motors created a separate business unit for Saturn. IBM created a separate unit for PC's. Both lost many of the advantages of these businesses when they folded them into the mainstream organization. HR can help management navigate this complexity and design to house a continuum of innovation. By having a keen sense of the organizational logics of the new and old, and of the dangers and opportunities inherent in a strategy of integration or separation, HR can guide these decisions and address the design challenges to get the right balance of leverage and separation. Today, too many in HR simply use the designs that others create—often on the fly or by implementing recipes from outside consultants—and deal with the resulting people, rewards, and management issues. If HR were to play a real leadership role in design, it could diagnose where the design and strategies do not fit,

help the organization know what will be required for the innovations to succeed, and help build ambidextrous and flexible talent management approaches where appropriate.

Growing Through Acquisitions

Many companies choose to grow through acquisitions and/or mergers that bring scale and scope, and the purpose of the acquisition defines the design challenges. Acquisitions or mergers aimed at achieving scale and scope in an existing business model, such as the HP-Compaq merger, pose immediate design challenges to achieve leverage, and demand a great deal of micro-design in each function and business unit where similar capabilities are being combined. The design challenges faced by Washington Mutual as it acquired banks to create a national banking capability were to develop a structural framework and management processes that would allow it to fold in new banks, and to achieve commonality required to build a national banking network.

A different set of design challenges is faced if a company acquires new capabilities based on quite different operating approaches and designs. For example, a large pharmaceutical firm acquiring biotech firms encounters nimble and entrepreneurial ways of developing drugs that don't fit easily with its siloed and linear ways of operating. It is faced with the design challenge of how and if to connect the acquisition to existing operations. The challenge is to create a new design that can house both capabilities, derive synergies where possible, and enable a strategic transition. If the design is not carefully crafted, the organization may unravel the complex system of structures, processes, and incentives that supported the capabilities the acquirer thought it was buying. Demonstrating the close connection between the organizational context and

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talent management, in these acquisitions the human capital the company thought it was acquiring often walks out the door to start a new company. Quickly enabling the acquired talent to operate effectively is critical.

Greiner's core growth issues of leadership, coordination, autonomy, and avoiding rigidity are all in play during acquisitions and have to be addressed. Fundamental design choices have to be made so that the organization doesn't spend years grappling with the costs of the acquisition, losing talent hours and key talent because of the difficulty of getting work done in the merged organization, and not deriving the intended benefits. Design choices include: Which organizational elements are best integrated and leveraged, and which should be differentiated to fit the acquired business? What are the core business units and what lateral integration is needed? How will business and technical diversity be governed and managed? Mergers and acquisitions tend to be politically charged, and the design is often guided by personal preferences, rather than an analysis of what is required to gain strategic benefits. Here again, the HR function can achieve much greater strategic contribution if it can help with those design challenges and influence a systematic process that sets the stage for successful integration.

The Design Imperatives of Varied Growth Strategies

The varieties of growth strategies are summarized in Figure 5, which makes a distinction between organic growth and externally fueled growth on the vertical axis, and between growth within a business model and growth that implies a changing business model on the horizontal axis. Clearly each of these distinctions is actually a continuum, and companies' growth tactics are often a mixture of approaches. In each of the

quadrants, the high-level design challenges are described, as well as the kinds of growth

routines that the organization must develop in order to grow effectively.

The upper left quadrant, organic growth within a current business model, is

exemplified by Procter and Gamble, and necessitates the design of an organizational

framework and of routines for adding products, services, and markets. On the lower left,

externally fueled growth within a business model, the organization must organize for

excellence in bringing in and incorporating knowledge from the outside, and in

partnering with external resources for growth. The growth of Sun Micro-systems as the

hub of a network of partners exemplifies this approach. This growth strategy requires the

development of routines for partnering and acquisition. The upper right quadrant

describes organic growth that changes the business model. It requires an organization

that can house two business models and build new capabilities. The management of

separation and integration is a critical design capability, and designing to build routines

for transition—experimentation, ambidextrous leadership and design, and change

management--are critical. An example is Walt Disney, which has grown from animated

cartoons to include different businesses, including theme parks, movie production and

resort and real estate management.   It designs so each business can grow and thrive, but

manages laterally to derive synergies between them where strategically important. The

bottom right quadrant, externally fueled growth where the business model is changing,

involves the managing of a fully flexible organization closely linked to other entities in

the environment. The organization in this quadrant must build routines for linking

internally and externally in a dynamic and fluid manner with suppliers, partners, and

customers—and for managing the complexity inherent in their strategy. IBM best

exemplifies this. A close look at any example of a company that is growing reveals that their strategy is not purely in one quadrant or another—but at any one time the growth strategy it is pursuing may be understood through the lens of this typology.

Figure 5 goes about here

The Imperatives for Human Resources

Understanding the design approaches to support different growth strategies, leading design processes, and knowing how to build the capabilities for such growth into the organization, constitute a critical strategic contribution for HR professionals in supporting the growth agenda. This is a natural extension of the HR function's talent imperative because the organization's design not only configures resources to support the growth strategy, but also provides the context in which the scarce talent of the organization operates. The growth agenda, the organization's design, and the talent agenda are highly interdependent and constrain one another.

To play this new role, the HR function will have to develop new skills, play new roles, and bring new routines to the organization. The underlying design expertise is not broadly held by HR professionals, and that is a fundamental barrier to HR being a true business partner. Organization design is a deep expertise and consists both of a body of knowledge and of knowledge gained through experience. Deep organizational design expertise may be best housed in a center of excellence (such as an organizational effectiveness group)—and/or it may require partnering with external talent. Nevertheless, to position themselves to be strategic partners, aspiring HR executives will

have to seek out opportunities to be part of and lead design activities, and develop a broad understanding of the issues and frameworks. Although HR executives may not have the time or deep knowledge and experience to lead a complex design process, they must be players. And to do this, they must develop foundational competence in these areas:

1) High level understanding of organizational design and various design options

2) Diagnostic capabilities to detect when designs are not supportive of business strategies and to initiate design reviews and activities

3) Design of the HR function to ensure that systematic design and implementation processes and frameworks are brought to bear on design challenges at all levels

4) Knowledge networks so that teams with the expertise necessary to support the design processes can be quickly assembled

Just as the business has to assemble deeper and broader expertise to attain market advantage, HR business partners dealing with their company's growth agenda must routinely pull in deeper or broader expertise than their own. No one person is likely to have had experience with all the different kinds of growth scenarios, or with other strategic scenarios that HR executives and HR business partners may confront. They need to create teams with the necessary expertise and experience to help the business design for growth.

In fact, the HR organization may have to reconstitute itself to significantly contribute to organization and work system design. At Unilever, for example, HR executives partnered with the line in crafting a global growth strategy , a new operating

model, and a fundamentally altered organization design. The roles of many of the HR professionals in the firm changed from providing services to contributing to the many macro and micro design activities and change processes associated with this major strategic redirection. To change the nature of its contribution in an organization that was simultaneously downsizing and restructuring required fundamental changes in the HR organization and its composition.

A related HR role is to build awareness among line management of existing design challenges, and of the need to take a systematic look at ways in which the design of the organization can be changed to better support the growth objectives. HR executives can influence design activities in the company by building an infrastructure to assure that design support is available and that the focus on design permeates the organization. A good example of this is The Hartford, which invested heavily in developing an organization design and change language and framework for all its HR professionals. It also built that same language and frameworks into its executive and management development activities. The ultimate goal has been to develop a strategic tool kit and associated awareness and facility in HR as well as line management and other supporting functions. Through a series of design projects in support of its new product-fueled growth strategies, this awareness of design as a tool that is joined at the hip with talent management is starting to grow throughout the organization. This careful use of design projects to build design skills throughout the organization, combined with the growth pressures on all its business units, catalyzed a great deal of organic design activity.

Another approach to increase the salience of design issues is to make systematic design part of the reviews of each business unit, so that it becomes a natural part of what is attended to in the organization. Motorola has an organizational assessment, as well as a talent assessment, as part of each business's yearly review. This combination has often led to redesigns when businesses discover better ways to align their organization and work systems with their dynamic strategies.   Organizations such as PricewaterhouseCoopers and Kaiser Permanente, build questions into their regular climate surveys that focus managers' attention on work design issues. Analysis of climate surveys to ascertain the work and organization design issues that underpin the results is a natural way to stimulate design activities that better align the organization with the talent and the performance requirements of strategy. Issues that arise in climate surveys often reflect the way the organization is designed to do work and the impact this has on people.

New routines for systematic strategic redesign can be built into the organization as a service that is offered. Hewlett Packard, for example, has had an "accelerated design process" with intense strategic and organizational design support to businesses that face competitive challenges and/or want to quickly realign to take advantage of an opportunity. This service is tailored to the needs of busy line managers by providing a variety of expertise and information to support the design process, so that the line managers can come together with a crisp statement of the design challenge, and work rapidly toward a solution.

To support growth strategies, HR's definition of talent management has to be expanded to include the designing of the context in which talent operates The ability to optimize talent strategy is in profound interdependence with how the organization is designed to function. To contribute to the growth agenda, HR must expand it domain of influence by becoming proficient at shaping the design of the organization for growth.

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Figure 1
Star Model

Strategy

Work Processes

People

Structure

Rewards

Management Processes
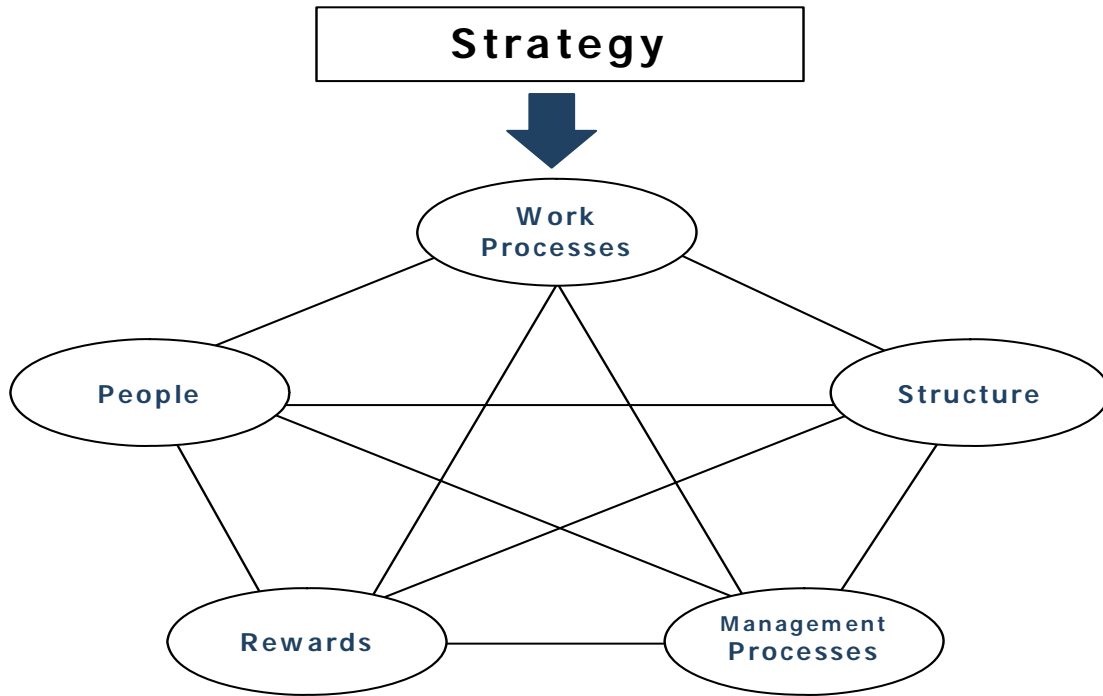
Adapted from: Galbraith

Figure 2
Challenges of Growth

leadership

autonomy

coordination/control

flexibility

limited resources
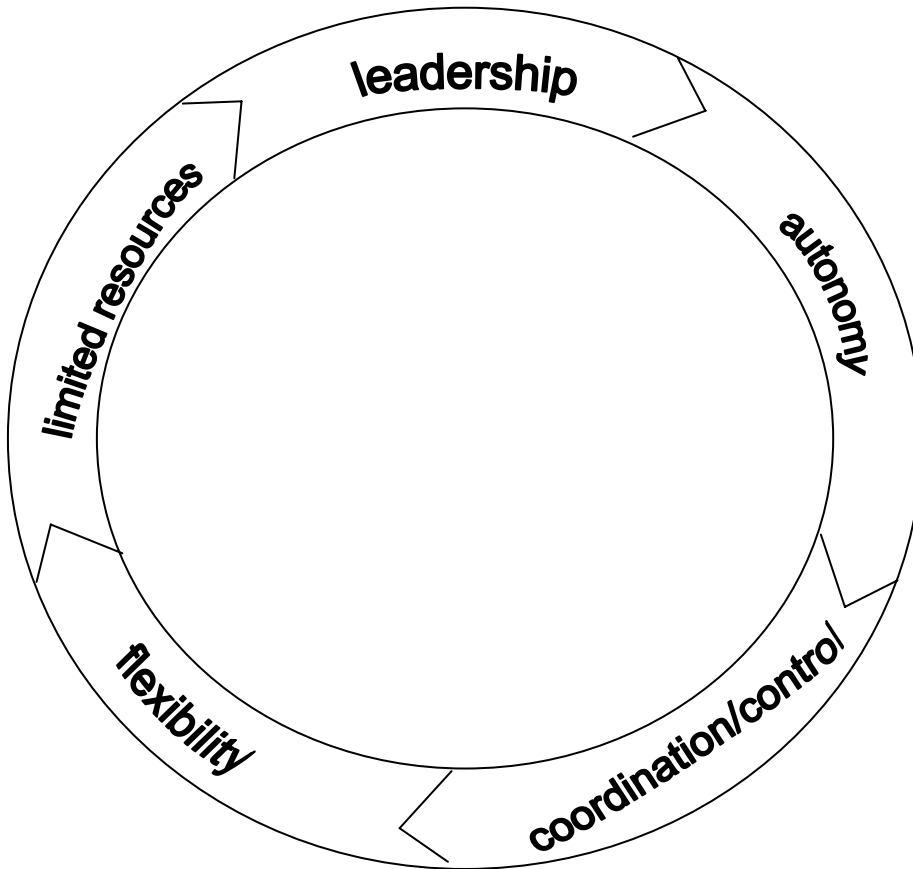
adapted from Greiner, 1972, 1998

Figure 3
Defining the Organization Logic to Support Growth

Governance/ Management
Approaches

GROWTH
STRATEGY →

Define the
Growth Units:

e.g., projects, stores, segments

↔

Determine Integration
Requirements:

- **Commonality vs. Variation**
- **Leverage**
- **Lateral Connection**

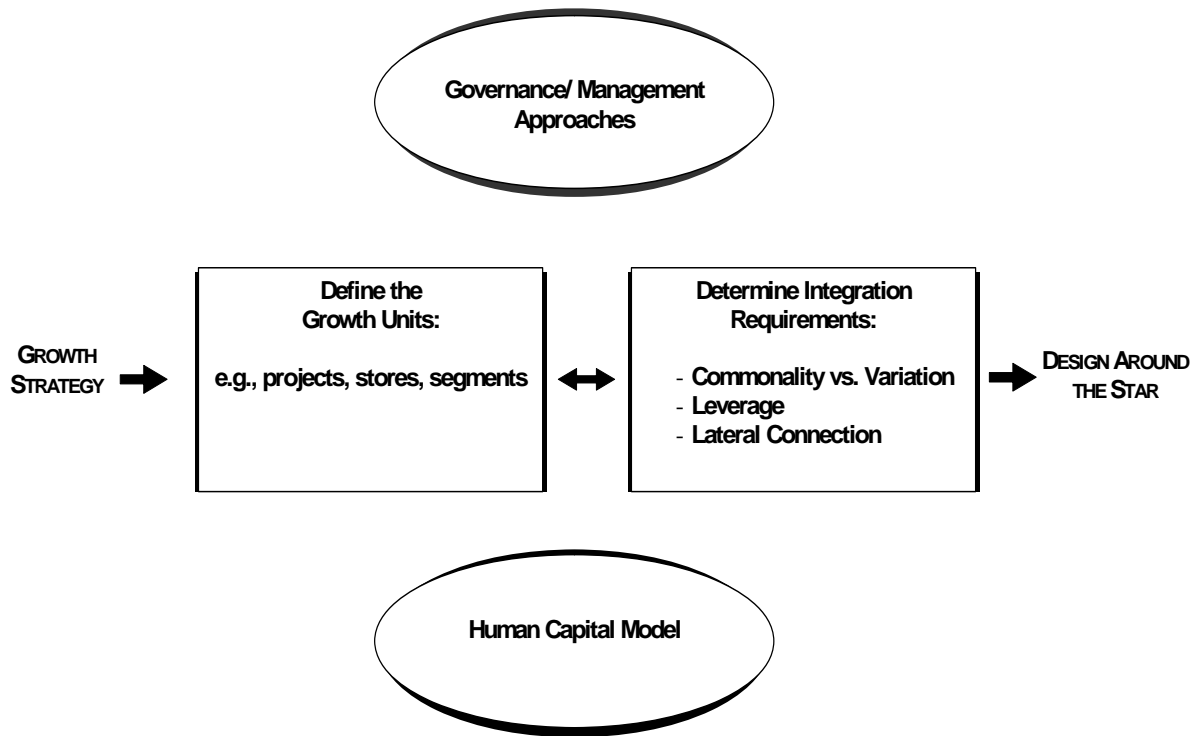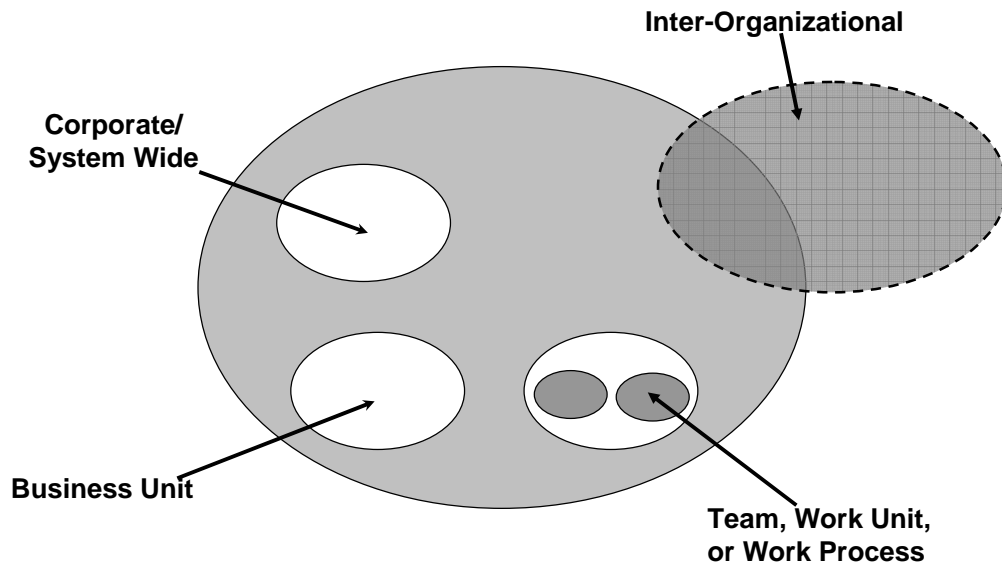→ DESIGN AROUND
THE STAR

Human Capital Model

Figure 4
Design at All Systems Levels

Figure 5
Types of Growth & Design Challenges

EXPANDING SCALE & SCOPE:

	WITHIN CURRENT BUSINESS MODEL ⟷ CHANGING BUSINESS MODEL	
ORGANIC GROWTH ↕	➢ Design for complexity of size and variety of new markets, products and services ➢ Build expansion and innovation routines	➢ Design for multiple models and diverse capabilities and to manage separation and integration ➢ Build experimentation, transition management, and governance routines
EXTERNALLY FUELED GROWTH	➢ Design to import and integrate external knowledge and utilize external resources when needed ➢ Build partnering and acquisition routines	➢ Design fluid relationships to external entities – Determine what capabilities to acquire and how to organize them ➢ Build partnering and acquisition fluidity and dynamic organization growth routines