

The future of organizational design

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Abstract

To build anything to an excellent standard demands first we clearly see in mind how to build it to an excellent standard. That is the quality with which we build anything which again depends on the quality of our design specification. It is no different when building an organization.

Modern technology based on modern physical science proves there is nothing more useful than a good theory. Yet there has been management theory after management theory to the point that for the practical manager the term is dismissive as being a waste of time.

In this paper the OPD theory of organizational design is summarised and initial empirical proof offered by means of practical case studies that it does deliver in practice that which is projected in theory.

Stream: Human Resource Management

1. Introduction

All aspects of management', 'organizational design' etc. are created by people, therefore are part of the social sciences. In the book "The Origin of Consciousness" (Little, 2013c), Graham Little outlines the results of 30 years study and reflection on the nature and structure of social science, including analysis of causality and necessity and the relationship between them. The book develops a systematic methodology for creation of causal theories in social science, with particular application to a theory of a person in their environment, which includes organizations. This fundamental background gave rise to the On-going Professional Development (OPD) theory of organizational design.

The OPD theory of organizational design is significantly grounded on a single fundamental, namely the goal-action principle (Little, 2012a) which states for every goal there are actions (called ideal actions) that must be carried out for the goal to be achieved.

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Ideal actions are of the quality that doing them does not guarantee success but not doing them guarantees failure hence they represent the best chance of greatest success. Ideal actions lead to the idea of a perfect game plan in every role, and the idea of delivery of the perfect game.

A 'professional culture' encourages people to deliver the perfect game, and in so doing to find flow which also entails total engagement with the task in their ideal actions, and enjoy and find satisfaction in work each day. (Csikszentmihalyi 1990). The more they are able to do that, the more they succeed and the more the organisation succeeds in achieving its objectives are also highlighted by Nel et al. (2012). Cultural audits measure the extent team leaders have guided development of the professional frame of mind in the minds of team members, ensuring people are focused on delivery of the perfect game and based on the perfect game plan in their role. OPD theory (Nel & Little, 2009; Little, 2011b) stresses how ultimate performance is a perfect game plan perfectly delivered, and is also acknowledged by other researchers (Nel & Fourie, 2013; Ulrich et al., 2012).

2. Literature review

According to Rudman (2010), strategic human resource management has many definitions: the HR activities used to support the firm's competitive strategy, those decisions and actions that concern the management of employees at all levels in the business and that are directed towards creating and sustaining competitive advantage, all those activities affecting the behaviour of individuals in their efforts to formulate and implement the strategic needs of the business and the pattern of planned human resource deployments and activities intended to enable the firm to achieve its goals, the means of aligning the management of human resources with the strategic content of the business. Boxall & Purcell (2011) also point out that strategic HRM is an approach to making decisions on the intentions and plans for the organization concerning the employment relationship and the organization's recruitment, training, development, performance management, reward and employee relations strategies, policies and practices. The defining characteristics of strategic HRM are that it is integrated – HR strategies are generally integrated vertically with the business strategy and horizontally with one another. The HR strategies developed by a strategic HRM approach are essential components of the organization's business strategy. True SHRM goes further because there should be a two way process – at a time when people are the most important asset and a source of competitive advantage, business goals and strategies must take notice of relevant HR factors (e.g. availability of skills, labour supply, labour productivity, management quality). In other words, HR factors must be a part of the business strategy. This is the basis for the 'matching model' which shows how HR policies and practices are inextricably linked to the 'formulation and implementation of strategic corporate and/or business objectives'. According to Banfield & Kay (2012) they emphasize a 'tight fit' between HR and business strategies, and recognizes the role of external forces and environmental circumstances in determining what an organization's mission and strategies might be. Similarly, Stone (2013) states that the characteristics of its working environment which impact on the level of employee satisfaction and engagement. Through this the creation of the conditions for high performance working occurs and through this the organization's competitive advantage over others is created by developing unique talents and competences. Creating organization wide (strategically valuable) capabilities within the workforce as a whole such as functional flexibility, creativity, learning, and the willingness to engage in discretionary

effort are also important. Possessing a vision of how the HR function needs to operate and being able to convince other stakeholders of what that vision means in practice is also essential. Acquiring, nurturing and retaining talented people, however difficult, consistently contribute to develop specific HR strategies that reflect the strategic needs of the organization. Providing leadership and exercising influence at all levels within the HR function and the wider organization. The possession of a strategic mind-set – the ability to see and think in a strategic way, being forward looking and future orientated is also crucial for goal achievement.

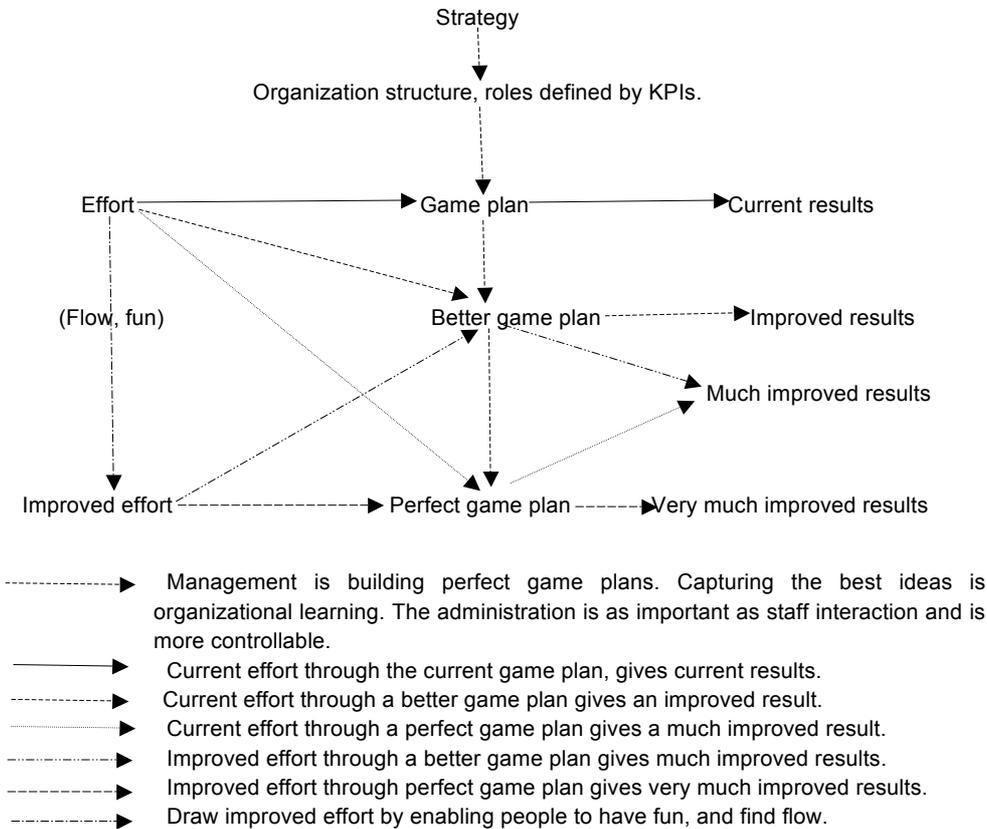
Härtel & Fujimoto (2010) point out that strategic human resource management (SHRM) is the process of HRM that is driven by planning, foresight and analytical decision-making about employees' affective, behavioural and cognitive qualities. It involves linking human resources with strategic objectives in order to improve performance. Therefore SHRM involves setting employment standards and policies and developing a corporate culture that fits the organization's operating environment and objectives, as well as identifying and implementing the activities and policies necessary to enact the chosen strategy for managing employee-employer relationship. Effective SHRM involves understanding both the internal and external operational requirements of the business and its social and behavioural requirements. From this it is clear SHRM integrates two ideas. The first is the notion that an organization's people are important factors in both strategy formulation and implementation. The second is that the organization's HR practices are important in developing its pool of human-oriented capital for future strategy formulation process.

Building on the aforementioned SHRM aspects, the OPD concept developed by Dr. Graham Little (2012a) is a global watershed for social science and in particular for the theory and practice of HR. It is clearly shown that even the best strategic plan is pointless unless someone executes actions consistent with the plan. In Little's (2012b) theory, human resources have emerged as the fundamental and primary driver of strategy. OPD outlines the process of engaging people in strategy in such a way as to have a perfect strategic role, to realistically achieve goals. The central issue that is resolved is that the causal link between staff behaviour and organization strategy. Human behaviour depends on the human mind, human resources (HR) deals with human behaviour in business. It follows that the roots of HR must be in understanding the complexity of the human mind and its relationship to the organization. To create sustainable solutions this complexity must be understood to execute tasks with clarity and simplicity to achieve an organisation's goals. The OPD theory is built on the effective solution to these underlying issues. The OPD theory is the manner of thinking about organizations and leadership that leads to the OPD-SHRM system therefore the OPD-SHRM system entail the following key elements: It is a paradigm for team leaders derived from the OPD theory with associated processes enabling the paradigm to be applied in every team and to every team member, the social technology for implementing the OPD theory in the organization to achieve sustainable improved results.

3. Model of OPD theory

The OPD concept is summarised in Figure 1 below.

Figure 1: The concept of OPD



Source: Adapted from pervious diagrams by Graham Little for this paper

The aim of OPD-SHRM is therefore to identify perfect game plan and have them perfectly delivered.

OPD-SHRM is a set of business processes that integrate minds into the service of the business strategy. There are many organizational development approaches, Kaizan, just in time, lean, six

sigma and TOC, offering tools to improve the business. Within OPD-SHRM all aspects of the organization and all known tools are integrated in mind and aligned with strategy. People are supported to identify exactly what they need to do to achieve the greatest result. As action consistent with the alignment improves, results must improve.

A role is defined by the Key Performance Indicators (KPIs) derived from strategy. Due to the goal-action principle, every KPI has ideal actions that must be enacted if the role is to be achieved. We can now visualise the set of all ideal actions for every role in an organisation and this is defined as the behavioural structure. It now follows that the SHRM aim of HR is partnership with team leaders to accurately identify the behavioural structure and to guide its delivery by team members in every team (referred to as staff in the organisation). The priority and proactive aim of HR is therefore the partnership with team leaders to identify the perfect game plan in every role then guide staff assigned the role to deliver the perfect game plan perfectly, that is deliver the perfect game which ensures the organization has the best chance of greatest strategic success (Little, 2012a).

Let's assume that the perfect game plan perfectly delivered is 10 out of 10. Think of what happens now. This is actual human performance. Score actual performance out of 10 relative to perfect human performance. The difference is the performance gap. Closing the performance gap occurs when actual human performance is moved closer to the perfect game, because results have then improved.

The cultural processes develop in the team the intention to arrive at work each day focused on delivery of the perfect game. The extent to which they try and succeed means that results must improve.

4. Findings: The HR department as the core driver of strategic success

A full understanding of HR in terms of the OPD theory depends upon the development of a scientific theory of organization design which gives rise to a set of HR processes. The OPD theory arose by beginning with a fundamental intellectual base, which was then used to build clear and definitive links between the organization and people. OPD theory therefore defines a new and more scientific link between people and the organization and these links enable management to establish a set of strategic HR processes that enable improved management of human performance as a strategic factor in achieving results.

In OPD theory, all HR considerations take place after the strategic choices of an organisation had been made. HR issues that come into play in strategic decisions are costs, for example, wage costs, recruiting costs and training cost which are often estimated as one overall expense. In OPD theory, HR is an operational issue involving the roll out of the organisation's strategy (Little, 2012a).

Within OPD theory, the activity of strategic human resource management (SHRM) is to identify the behavioural structure and guide its delivery. This activity is an intrinsic aspect of HR arising from a full understanding of the link between the organization and people. The activity of SHRM is the alignment of the actual behaviour of every person with those actions that offer the greatest chance

of the greatest strategic success. The overseeing of SHRM throughout the organization is delegated by the CEO to the HR department in larger organizations, but the alignment of actual behaviour with ideal actions is the key HR focus of all organizations.

Within OPD theory the aim of SHRM is the identification of the behavioural structure of the organization and supporting every team leader in achieving delivery of that behavioural structure in every team role. OPD-SHRM then refers to the set of HR tools that enables the team leader to perfectly identify the behavioural structure in their team and guide the perfect delivery of that behavioural structure. That is in partnership with the HR department, identify the perfect game plan in every role in the team and guide delivery of the perfect game. Integrated into OPD-SHRM are “tools” such as engagement, performance management, cultural development, moments of truth, management and management by walking around, coaching, training, disciplining, rewarding financially and emotionally/psychologically, results, organizational success and personal success.

Within OPD theory the definition SHRM therefore places HR processes at the very core of the successful roll out of organisational strategy, making the processes of strategic HR the crucial proactive function within the organization and applicable to every aspect and every team within the organization (Little 2013c).

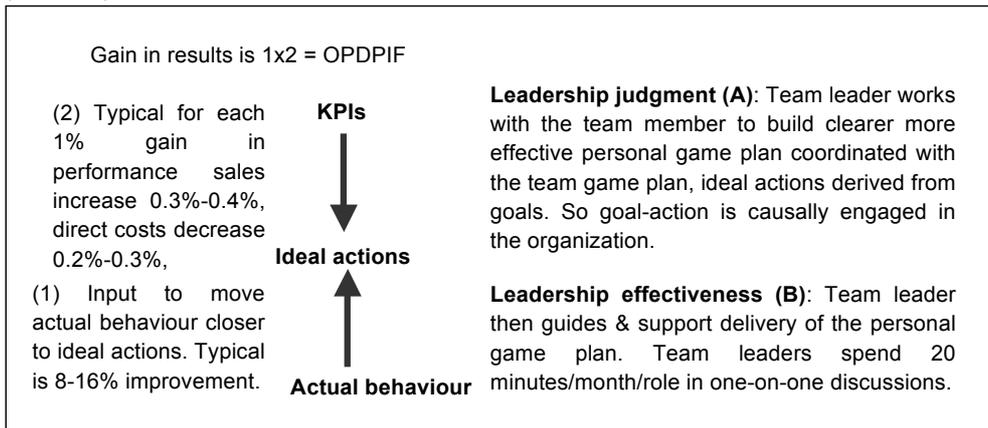
In summary, two crucial factors emerge from the OPD organizational design specification.

First, the crucial role of HR is to proactively partner with every team leader to identify the perfect game plan in every role in their team and guide delivery of the perfect game enabling people to find flow at work, so making the work experience of people some of the best moments in their lives. Second, the OPD-SHRM processes to achieve delivery of the perfect game are clear and systematised. To that extent leadership is clear and systematised.

Practical example of the impact of OPD-SHRM on profits

A team leader works with team members to build a clearer more effective individual role. Game plans are actually co-ordinated with the team game plan, and the team leader then guides and supports delivery of the individual role game plan by a team member being assigned to a particular the role. A team leader spends approximately 20 minutes per month on one-on-one discussions with each employee to maintain the focus on the game plan.

Figure 2: Causal link to results on-going professional development profit profile link (OPDPPL) via each mind



Source: Little (2012b:105)

A practical example of the impact of OPD-SHRM on profits is presented in Figure 3. Inputs for the practical example are as follows:

- 60+ staff. 10% increase in human performance.
- OPDPPL sales 0.35 therefore OPDPIF +3.5%
- OPDPPL direct costs 0.25 therefore OPDPIF -2.5%
- OPDPPL overheads 0.1 therefore OPDPIF -1.0%

FIGURE 3: Impact on profits from enabling perfect game plans perfectly delivered

| | Before OPD-SHRM | | OPDPIF | After OPD-SHRM | |
|------------------------------|-----------------|--------|--------|----------------|--------|
| Sales | \$ 30,000,000 | 100.0% | 3.5% | \$ 31,050,000 | 100.0% |
| Direct costs | \$ 18,000,000 | 60.0% | -2.5% | \$ 18,164,250 | 58.5% |
| Gross profit | \$ 12,000,000 | 40.0% | | \$ 12,885,750 | 41.5% |
| Overheads | \$ 9,600,000 | 32.0% | -1.0% | \$ 9,504,000 | 30.6% |
| EBIT | \$ 2,400,000 | 8.0% | | \$ 3,381,750 | 10.9% |
| Profit gain from better SHRM | | | | \$ 981,750 | 40.9% |

Let's now consider the following two case studies. (It must be noted that fictitious names are used to protect the identity of participating organizations and their staff.)

The case studies are somewhat unique in the literature, with very few studies available of the systematic link between HR input and improved results. The researchers suggest this is due to there being no systematic theory whereby such a link is causally is able to be understood and researched, this being a major benefit of OPD theory.

Case study 1: Refining the minds in a small team

Michelle was the parts manager in an automotive dealership. She had two direct staff reporting to her. Results were strong, with a gross margin of over 27% (regarded as a very good result in NZ motor industry). She was applying the OPD system, and had worked conscientiously to develop clear and effective ideal actions derived from the KPIs as agreed with the Chief Executive Officer (CEO) and owner of the dealership.

She had held initial meetings with her two team members, and they had agreed the ideal actions and their commitment to delivery of those actions. In short she saw it working, the improvement in sales numbers proved it in her mind and she was committed to continue applying the OPD theory approach.

During a review she said she did not really execute the one-on-one performance appraisals, but kept on top of it by regular brief and daily interactions with her team. It was suggested to her that if people are to generate sustainable changes in behaviour they needed to have their mind in the right place. It was then discussed how to get people reflective, and how to really get clarity in their thinking. She agreed that it was best done without distractions, and where the mind of an employee was clear. Finally it was discussed that the idea of professionalism required a steady focus on what to do and commitment to do it each day as needed.

After reflection she agreed, and committed to do one-on-one meetings to engender more professional reflection in the minds of her team member, 'pulling them out' of daily routine activities and assisting them to get clear on what is really needed and why. When they had agreed she gave them her re-commitment to improve clarity and focus to get work done to a better standard.

Over time employees sharpened their ideal actions, and there were clear and definite signs of improved professional focus. Employees felt good about their professional efforts at improved delivery of ideal actions. Sales improved along with improved customer satisfaction and profits increased.

Case study 2: Building the minds in a sales team

Let's focus on the results for a sales team where OPD was implemented late in year 1 and was operational in year 2 with the following results reported as shown in Figure 4, which shows the gross profit generated by the sales team in 2010, compared to the gross profit generated in 2011.

Figure 4: Improved gross profit in a sales team.

| Month | year 1 | year 2 | %year 2/1 |
|--------|-----------|-----------|-----------|
| Jan | \$98,900 | \$110,400 | 111.63 |
| Feb | \$89,300 | \$110,000 | 123.18 |
| Mar | \$91,400 | \$115,800 | 126.7 |
| Apr | \$140,700 | \$107,400 | 76.33 |
| May | \$112,700 | \$119,800 | 106.3 |
| Jun | \$97,100 | \$128,700 | 132.54 |
| Jul | \$110,600 | \$114,000 | 103.07 |
| Aug | \$127,000 | \$106,300 | 83.7 |
| Totals | \$867,700 | \$912,400 | 105.15 |

There is a 5% increase in sales gross profit attributed to OPD, representing a substantial lift in final profits, in line with theoretical projections. It is also projected from the model that the increase in

self-discipline would result in more consistent delivery of ideal sales action producing in more consistent sales results, and this was progressively occurring. Results and performance continue to improve as the employees become used to the new culture and new way of thinking.

5. Some implications arising from the role of HR

The practical result of the OPD-SHRM system application in organization design and management is one in which HR emerges as a natural partner to team leaders, each with a clear and defined role in guiding employee performance to improve profits.

HR itself has two aims, the first, being the main priority, is to work with team leaders to identify and guide delivery of the perfect game plan in the team. This is the crucial proactive role in establishing and executing strategy, delegated from the CEO as the 'technical' task of HR in partnering and supporting of team leaders through the organization. The second aim is everything that HR currently does in organisations, referred to as the 'compliance and administration' aim of HR (Little, 2012b).

A crucial consequence of the OPD-model is a revised definition of strategic human resource management. Once the strategic decision is made then OPD-SHRM processes immediately come into play with questions such as: What goals are implicated in the decision? How will these goals be grouped to form roles? How will roles be grouped to form teams and teams formed into divisions? And from these set of preliminary questions emerge the organizational structure of divisions, teams and roles in teams. Roles are defined by goals and KPI's are derived from strategy. In each role, KPI's define ideal actions; these actions, if delivered to standard, ensure the greatest chance of greatest success defined in achieving the greatest result.

Under OPD theory monthly financial reports represent a summary of whether or not the leadership in an organisation succeeded in identifying and guiding delivery of the perfect game plans in each role. The organization is monitored via financial reports but managed/led via refinement and development of the ideal actions in every role.

The distinction between 'management' and 'leadership' is precisely defined as the difference between building better game plans and guiding delivery of those game plans (refer to figure 1).

A 'professional' culture emerges as the term used to describe the overall perception of how the group acts in an organisation. That means that if every person is 'professional' then the organization culture can be described as 'professional'. It must be stressed that there is no group or corporate wide way of changing organization culture, it can only be achieved by changing enough individual minds (Little, 2012b).

The framework of role specifications is captured in the strategic human resource management information system (SHRMIS), pioneered by OPD, linking KPI, ideal actions, with performance management, training, and cultural audits measuring the professionalism in a team. OPD theory leads to a revised definition of human capital (Little, 2012a), with human capital being a measure of the quality of the perfect game plans captured in the SHRMIS system. The logic is that if an organization has captured perfectly, perfect game plans in every role, then merely by exposing these to the team members assigned to the roles will result in those people having in mind more effective means of achieving the result than they may have otherwise.

Responsibility for the definition of the perfect game plan rests with the leadership and ultimately the CEO, who has responsibility for the delivery of strategy, and perfect game plans perfectly delivered are the key to strategic success.

Good management needs to draft a game plan, and then review and discuss it with the person assigned the role. Good leadership is the support of the employees as they strive to perfectly deliver the agreed perfect game plan. Some years ago Csikszentmihalyi (Csikszentmihalyi, 1990) offered the insight that people are happiest when fully engaged in a task and he refers to this process as “flow”. It follows that the highest level of leadership is all the above, plus enabling people to find flow on a regular if not daily basis, celebrating with them at achieving the perfect game and having fun and fulfilment in the success.

6. Summary and Conclusions

Under OPD theory, corporate culture revolves around two crucial factors which are first identification of the ideal actions that enable the best chance of the greatest success and second the self-discipline of employees to act out those ideal actions as and when needed.

The emergent self-discipline of employees has an immediate effect on organization results and ultimately feeds through and has an effect on community wealth and health. For any society, there is almost nothing more important than identification of the ideal actions that underlies its economy and ensures those actions are delivered to standard (Little, 2013d).

OPD theory is new, delivered in clients in Auckland New Zealand, several years in development as theory, and then several years being refined and made commercially acceptable to practical managers who had a healthy mistrust of all things ‘theory’.

The OPD theory is significantly ahead of the current debates in HR. Empirical study is beginning and over the next years will show OPD theory to deliver on the promise it offers.

OPD theory and the fundamental social science methodology and analysis from which it was derived is the way forward ensuring the organization design specification of future organizations are built to a higher standard than organizations of the past. The OPD model delivers staff fulfilment and improvement in bottom-line results beyond that previously achievable in organizations.

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