

Organizational Flattening: The Redesign of Tomorrow's Businesses

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Dynamic organizational design is the mantra with top corporate executives globally: they recognize that stasis is a formidable enemy of business growth. Organizational leaders have acknowledged that existing business structures often impede rather than accelerate growth, and the layered organization of yesteryear has proved a hindrance to the agility needed in today's competitive markets. Viewing the potential impact of emerging market economies as a major import to their businesses, global leaders seek greater nimbleness through new organizational models.

THE FLATTENED ENTERPRISE

Since the industrial revolution, corporations have been increasingly adding layers: layers of authority with increasing numbers of middle managers tasked with managing other tiers of managers. Given the fast-moving pace of business, it was often easier to leave corporate structures as they were, while perhaps adding new layers or processes and people to accommodate new activities, acquisitions or product development without reassessing the existing "layer-cake" of the organization. The result was a top-heavy, overly-complex, rule-driven work environment characterized by red tape, arcane processes, and the resulting incapacity for rapid response when it was needed.

Only 4% of executives view their organizations as agile in the face of change – something they hope new business models can better address.

In the **2017 Mercer Global Talent Trends** research, organizational re-design and concomitant job redefinition were among the top three areas of talent investment. C-Suite executives felt would create the most sizable difference to business performance in the near future. In an effort to simplify processes (often linked to changes in the technology infrastructure), companies are seeking to eliminate the barriers to efficiency and effectiveness that have crept into their internal business practices.

TOP 5 REASONS FOR STRUCTURAL CHANGE NOW



GREATER
EFFICIENCY



INCREASED
AGILITY



GREATER
CUSTOMER
INTIMACY



REDUCED
COST



INCREASED
INNOVATION

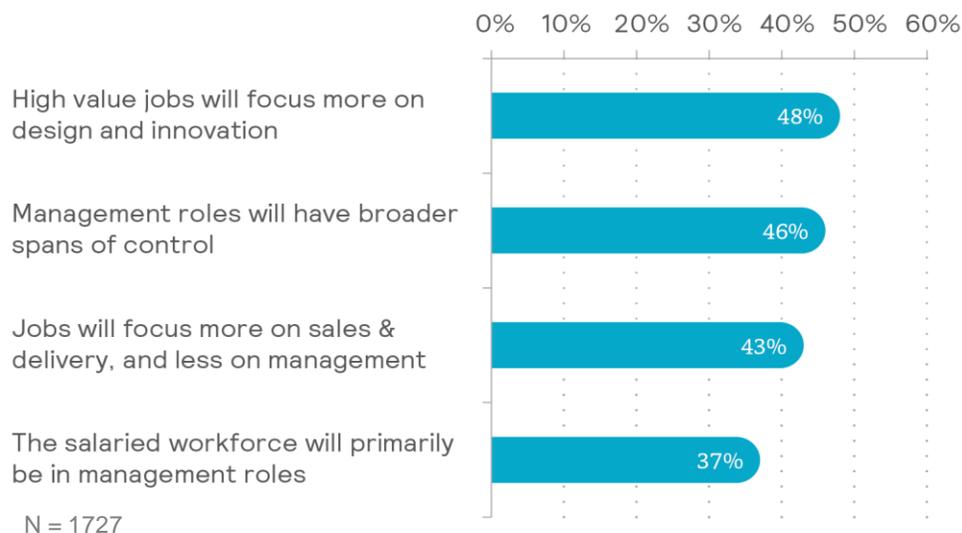
Even when corporations recognize the business issue of an antiquated organizational structure that bogs down decision-making, moving from a hierarchical model to one that is far more horizontal is not trivial. C-Suite executives globally plan to create organizations that are flatter in an effort to become more agile and responsive, noting that flatter structures characteristically put decision-making empowerment closer to the task at hand and the individual responsible for that decision.

THE IMPACT ON JOB DESIGN

The flatter organization envisioned by today's corporate leaders has implications for employees in several ways: how their jobs are defined, how they will "work flatter"—in teams rather than hierarchies of individuals, and in their career progression.

Mercer research shows that 11% of HR professionals plan to redesign job roles and responsibilities in the year ahead, with 23 percent of German HR leaders planning such job redefinition (the highest globally).

GLOBAL HRs PERCEPTION OF JOB REDESIGN IN THE NEXT 3 YEARS



Source: Mercer, 2017.

Employees worldwide support process change: more than 50% sought increased speed in decision-making through the simpler approval processes that can stem from flatter organization and rationalized processes.

These structural changes address streamlining to drive greater efficiencies and increased agility, and to take advantage of technology. Often this includes reliance of advanced analytics, only possible through technology. Our recent Mercer research suggests business analytics surpass simple reporting functions, fully 72% of the HR respondents used analytics at higher levels, such as benchmarking, cause-effect analysis and predictions. The design for tomorrow's enterprises thus includes a technology facelift as well, as a response to high executive interest in robotics, machine learning, wearables, and general business automation.

FLATTENING MAY NOT AFFECT NEXIS OF AUTHORITY

Decreasing layers of control, however, does not necessarily equate with centralization of control: for example, while close to half of the French executives are redefining their companies through a flatter organizational structure, 93% of executives in France resoundingly reported that there are *not* efforts afoot to centralize governance. Nor is organizational flattening seen as a mechanism of increasing decentralized control (solely a third of executives were increasing decentralized authority).

MANAGING STRUTURAL CHANGE

Organizational structural change creates a change management mandate for HR professionals, who are well aware of the impact of unmanaged change on productivity, morale, and customer satisfaction. In general, Mercer research demonstrates that HR is preparing for managers with broader spans of control rather than hierarchical team management. In addition, HR foresees a need to focus more on sales and delivery than management: this shift will require increased developmental training for those managers who may no longer be as accountable for the management of their teams, as well those responsible for far broader and distributed teams.

These structural changes support streamlining and reporting to drive greater efficiencies and increased agility, and to take advantage of technology.

OVER
40%

plan to move support functions to shared services

ONLY
22%

talked about moving to self-driven, holacratic work teams

ONE-THIRD

are planning to flatten structures, eliminate roles and functions, decentralize authority and build networked communities across external boundaries

FEWER THAN
20%

are planning to outsource parts of the business model or move operations to low-cost locations

CONCLUSION

Globally, companies are in flux as they restructure their often top-heavy organizations for increased agility, innovation and resilience. The competitive environment today requires a real-time ability to react and respond quickly to shifting market priorities and economic swings. These transformations to the organization and the technical infrastructure that supports it require not just strategic and operational skills, but sophisticated change management and communications skills to insure success. The resulting organizations of the future will not look like the staid corporations of yesterday: they and their workforces will be designed to deliver a far more flexible rapid response to changing business requirements.

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