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Richard M. Burton, Børge Obel and Dorthe Døjbak Håkonsson
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Organizational Design

Written specifically for executives and MBA students, the third edition of this successful textbook provides a step-by-step guide to designing an organization, from diagnosis, to design and implementation. It provides comprehensive coverage of the key aspects of organizational design, including goals, strategy, process, people, coordination, control, and incentives. Following a new diamond model, fully tested in practice, the book guides readers through an integrated methodology for organizational assessment and planning. It includes a new chapter on project managing organizational change on a practical level, new case studies, extended discussions of new organizational forms, architecture design and knowledge systems, and new practical steps for implementation and change. Visit www.cambridge.org/burton3 for free access to a selection of organizational diagnosis, design and implementation models in Excel, as well as additional case studies, figures and tables from the book.

Richard M. Burton is Professor Emeritus of Organization and Strategy at The Fuqua School of Business, Duke University.

Børge Obel is Director of the Interdisciplinary Center for Organizational Architecture (ICOA) and Professor in Management at Aarhus University.

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A STEP-BY-STEP APPROACH

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Preface to first edition

In writing this book, we had specific readers in mind. We dedicate this book to our executive students at The Fuqua School of Business and at the Aarhus School of Business, Denmark. Executive students are very special professionals who come from around the world and bring their varied experience. They have a goal to acquire new knowledge to act and take decisions that will make a difference in their world. In particular, they want to improve the performance of their firm, unit, or organization. From our first detailed outline to the final editing from Cary, Durham, and Aarhus – whether in person, video conference, or elaborate email – they were ever with us.

Experience and science are two great teachers. Most of us spend most of our time in organizations at work, home, worship, and leisure. Over time, we amass a wealth of experience through observation and action to apply in the design of organizations; simply, we use our experience to design. But this experience is limited and we can enhance it by blending it with the science of organization design. The science of organization design is an accumulation of knowledge by many individuals who, over many years, have conducted research on the performance of organizations under many conditions. It informs us about how to take action to design an organization. The scientific foundation of this book comes from almost a century of research we call the multi-contingency approach of organizational design.

The executive wants to understand, diagnose, and take action. Experience and science are complementary and mutually supportive. In our classes we try to build upon our executive students' varied experiences with the science of organization design to enhance their ability as executives to take informed decisions and actions. As leaders in their firms they want to know what is wrong, why it is wrong, and what can be done. In this book we approach their questions systematically. We begin with the goals of the organization; then we develop an understanding of the environment; examine the strategies; tease out the structure and the IT infrastructure; examine the leadership style; observe the climate; and scrutinize the incentives. Using our experience and the science of good design, we analyze what works well and what does not work well, or not at all. Good design fits together; poor design has misfits and the organizational performance suffers. Design is the diagnosis of misfits and the

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action to fix them. What is a good way to read and use this book? The book begins with organizational goals and builds up a comprehensive integrated model for a good organizational design. Skip around, examine the figures and tables; answer the diagnostic questions to get started. For whatever approach you find comfortable, you should pick an organization such as your own firm to use for analysis of, and reflection on, the concepts. Along the way, you should diagnose the organization and think about the actions you want to take to make your organization perform better.

Many have helped in a number of ways. There are our executive students who provided the motivation. Over the last two years, Dr. Katy Plowright, our editor at Cambridge, has been the patient yet demanding task master; she has been our anchor and our guide. Further, we have had the support of a number of editors at Cambridge; they have been most helpful. Dorthe Døjbak Håkonsson of the University of Southern Denmark and Min Li of the Fuqua School read the penultimate draft and made many improvements. Karin Søby of the Aarhus School of Business read and corrected the manuscript. Finally, we want to thank our friends and families, who have been there when we needed them most – all the moments between the blank screen and a book.

RICHARD M. BURTON
GERARDINE DESANCTIS
BØRGE OBEL
August 12, 2005

On August 16, 2005, Gerry DeSanctis passed away. Gerry was charming, patient, supportive, and kind, as well as disciplined, determined, and strong willed. She had passion for her students and was a complete teacher. We were privileged to work with her in writing this book. She made us better, both in our work and our spirit. It was a wonderful opportunity and an experience that bonded our friendship.

Gerry had deep courage. She is our incredible colleague and beloved friend. In her parting words, “I’ll always be with you.”

RICHARD M. BURTON
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Preface to second edition

Since the first edition in 2006, many things have changed. The world economic crisis, which is most evident in the financial sector, has changed our world from expected growth to more restrictions and more nuanced changes. Yet, the fundamentals of organizational design remain relevant – perhaps even more so. The step-by-step approach which focuses on the identification and fixing of misfits addresses today's challenges; an information-processing view of organization captures the basic processes of organization; and a design is essential to good performance for the organization. In short, the basic ideas for a good design remain, even if some of the parameter values are modified.

Yet, we have made some significant changes in this second edition. We have: added a number of examples to illustrate the fundamentals and provide a timely context for the reader; introduced emotions as an underlying frame for leadership and climate; expanded the dynamic fit ideas and included time more explicitly; and deepened the examination of joint ventures, mergers, partnerships, and strategic alliances.

Paula Parish of Cambridge University Press has been a very supportive editor. Dorthe Døjbak Håkonsson, of the Aarhus School of Business, Aarhus University has shared our joint research which is central to the changes in this edition.

And finally, thanks to the many individuals who used the first edition and inspired us to undertake this revision.

RICHARD M. BURTON
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September 3, 2010

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Preface to third edition

In this third edition, we are joined by our long-time friend and colleague: Associate Professor Dorthe Døjbak Håkonsson, Aarhus University, Denmark. The three of us have done joint research on organizational design for more than two decades. Our joint journal articles and Dorthe's related research bring new insights and ideas to this edition.

The book itself has a new feel, with the diamond model for thirteen contingencies of organizational design. It brings the 2×2 contingency fit models together into a holistic framework, further providing the basis for the implementation of organizational architecture.

The information-processing view of the organization and the multi-contingency model remain the basis. The step-by-step approach to design is still the core – now with two more steps representing the issues of going from a diagnosis to implementation. Further, there are many new developments which bring the book up to date: new organizational forms introducing agreements as a fundamental dimension, revised ideas for information and knowledge systems, revised discussion of the sequencing of misfit realignment, and the implementation of organizational change in Chapter 12. This project view for implementation is an information-processing approach for: what is to be done, who is to take action, and when. Further, the project approach to implementation provides a "drill down" method for detailed implementation with milestones and deadlines. It brings organizational design in the front to the practice level for the firm.

So many people have made this book possible. Foremost, we thank our students. They have challenged us and made the book much better. Paula Parish of Cambridge University Press pushed and pulled with finesse. Morten Rasmussen made the new feel of the book possible with fashionable figures and tables. Tore Håkonsson, Senior Vice President at SOLAR, and Jesper Sørensen, Senior Manager at Shell, had insights on business change models that were most useful to our linking of our theory to a practical change implementation framework. We also thank members of the NOCA (Network of Corporate Academies) theme group on Organization Design and Development for the useful comments and discussion of an earlier version of this book. Karin Søby proofread the book.

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Finally, we remember our friend and colleague: Professor Gerardine DeSanctis. Her scholarly work is still very visible in this edition. In the first edition, we wrote: "Gerry had deep courage. She is our incredible colleague and beloved friend. In her parting words, 'I will always be with you.'"

RICHARD M. BURTON
BØRGE OBEL
DORTHE DØJBAK HÅKONSSON
October 1, 2014

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11. Designing the architecture and the sequence of change

STEP 7 IMPLEMENTING THE ARCHITECTURE

12. Implementing the change: who should do what when?

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