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ORGANIZATION DESIGN FOR GROWTH: THE HUMAN RESOURCE CONTRIBUTION

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Organization Design for Growth: The Human Resource Contribution

Growth is a challenge in today's highly interdependent and competitive global economy, for large companies and small. Whether seeking organic growth in new markets and through developing innovative products, services, and business models, or growing through acquisitions and partnerships, companies face the need to realign resources and reconfigure core design features in order to handle the increased size and complexity that accompanies rapid growth.

Human resource functions have homed in on the formidable talent issues that are inherent in growth, including the need to hire and assimilate large numbers of people, and often to reach new talent pools and develop employees to provide required new knowledge and skills and to address the needs for an expanding cadre of leaders. Companies may have to develop talent approaches that work in different countries and cultures, for a greater variety of work, and in multiple business models. Particularly in the era of current and predicted talent shortages, the talent strategies associated with growth must be robust.

In this article, I focus on the potential for HR professionals to contribute to growth by guiding organization and work design decisions that accompany all forms of growth. I believe that for human resources to be a central player in growth strategies, it must augment its traditional focus on talent strategies with the equally important contribution of helping the organization develop the agility to grow. HR professionals need to help their companies develop the capabilities required to effect the growth strategy of the firm and to handle its inherent complexity. It should also address the work system design challenges that allow an organization to more efficiently and effectively develop, deploy, and leverage its human capital and other resources in support of the growth strategy. Focusing on talent availability is not sufficient.

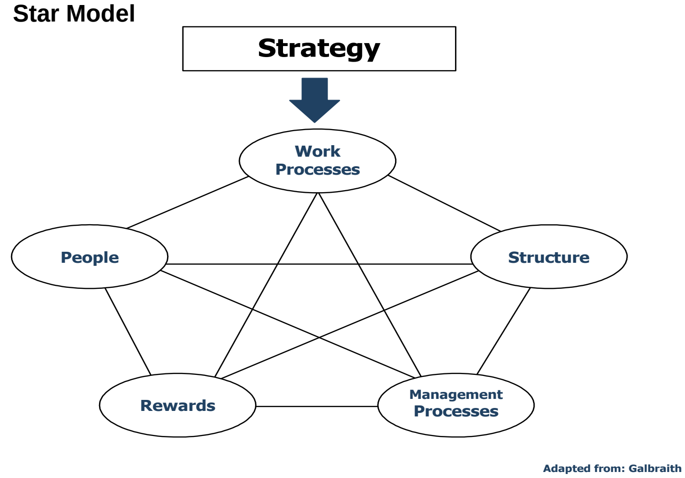
After briefly describing organization and work design, I will describe the design challenges that must be addressed to support different kinds of growth strategies. Doing this will make apparent the kinds of expertise that HR professionals need to bring to the execution of growth strategies.

Designing Organizations and Work

Designing organizations is the process of purposefully configuring the elements of an organization to effectively and efficiently achieve its strategy and deliver intended business, customer, and employee outcomes. At any point in time the organization can be described as having a design—an array of features that embodies a logic guiding the configuration of resources to carry out the value-creating activities of the firm. Yet in today's world, organizations continuously seek new ways to deliver value to their stakeholders, to adapt to the changes in their competitive, societal, and technological environments, and to achieve and sustain leadership in their domains. To address these imperatives, organizations must continually reconfigure resources and flexibly alter their designs. In addition to formal redesigns, research and experience show that organizational sub-units and members continually informally self-design their activities so that they can work effectively despite the fact that the organization's prescribed design may be evolving, and is never optimal or complete. Designing, redesigning, restructuring, and adapting the features of the organization and its activities to new requirements and to build new performance capabilities are core organizational activities happening continuously at all organizational levels. It stands to reason that having the expertise and legitimacy to impact these design decisions is a critical contribution to organizational effectiveness.

Organization Design Perhaps the most influential organization design framework is Jay Galbraith's "star model" (see Figure 1). It delineates the elements of design that should be configured to fit with each other in support of the strategy of the firm. A version of this star appeared in Galbraith's seminal work on organization design (1973), and he and others have tailored it through time and used it to guide redesign activities as firms have faced different challenges. Galbraith, for instance has generated important books to guide designing to face issues of lateral flexibility (1994), global functioning (2000), and customer-centricity/solutions generation capability (2005). Galbraith's and other approaches to design have several underlying messages:

Figure 1
Star Model



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 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.

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 the mix of activities required to enact them--and 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**. Most growth strategies require the realignment of resources to be able to deliver new value in a changing market—and often to handle increased complexity from size, variety, and change.

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, global product organizations, and integrated front-end regional market organizations that deliver an array of value propositions for different kinds of customers. Over time, the organization and its many sub-units have been carefully and purposefully designed to enable these capabilities. The organization affords P&G flexible growth and stellar execution. The design is not static; rather, it is continually reconfigured to take advantage of growth opportunities that come from inside or outside the organization.

A company that would like to develop the same kind of capacities that Procter and Gamble has developed for 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.
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Designing the systems that attract, retain and develop talent, rotate people between different kinds of units, and reward them for their contribution are major elements of the evolution, but not sufficient. New capabilities are built by addressing all aspects of the star.

Work System Design The design of effective work systems is a second important focus, often overlooked by HR professionals who may assume it is the responsibility of line management and/or engineering groups. The organization's design provides the architecture to house effective work systems, but these work systems also have to be designed. Organization design tends be a top down, strategy driven process that focuses on alignment for business performance and control. Work systems design is a "from within" process, focusing on configuring the activities of the organization to effectively carry out the work processes required 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 requires an intentionally designed work system with individual and team roles and responsibilities, communication and information-sharing processes, and other lateral linkages across the units in the organization 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.

In very few companies has the HR function been a key player in approaches to improve the core work systems and processes that deliver value to customers and make money for the company. I would argue that they should be, because how work is designed impacts both organizational performance and the use and development of the organization's talent. There were 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 were involved in helping companies implement "enriched" job designs to increase motivation and performance. Members of some HR departments applied 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, knowledge management approaches, and project-based work. The HR function became less and less involved in work design issues, ceding this territory to specialized, often engineering-based groups. HR in most cases limited itself to the talent implications of these shifts. In my view, this impeded the growth of HR as a serious business partner.

How organizations and the work systems within them are designed enables or constrains effective performance, including the ability of an organization to successfully implement a growth agenda. A poorly designed organization leads to difficulty doing work and deriving satisfaction from it, uses the human capital of the firm inefficiently and yields low quality and productivity. In short, it delivers less value to customers, employees and other stakeholders. Building a talent pipeline to provide more and more talent to a growing but poorly designed organization is like putting water into a colander. Talent hours (and perhaps people themselves) will slip away due to the way the organization is organized, requiring more and more attention to assuring that there is enough talent. Contrast the American automobile industry with Toyota. The former produced increasing numbers of cars and models while dramatically increasing the employee base. Toyota's employee base grew quite slowly, while yielding dramatic growth of numbers of cars and models produced, revenue, and profit. This can be attributed in part to Toyota's organization design and work systems, which result in highly effective use of people and their skills.

Because a design has to be judged in relation to the organization's strategy and the work it has to carry out to deliver on that strategy, it stands to reason that any growth strategy is fraught with design challenges. These will be the focus of the remainder of this article.

Growth Strategies, Design Challenges

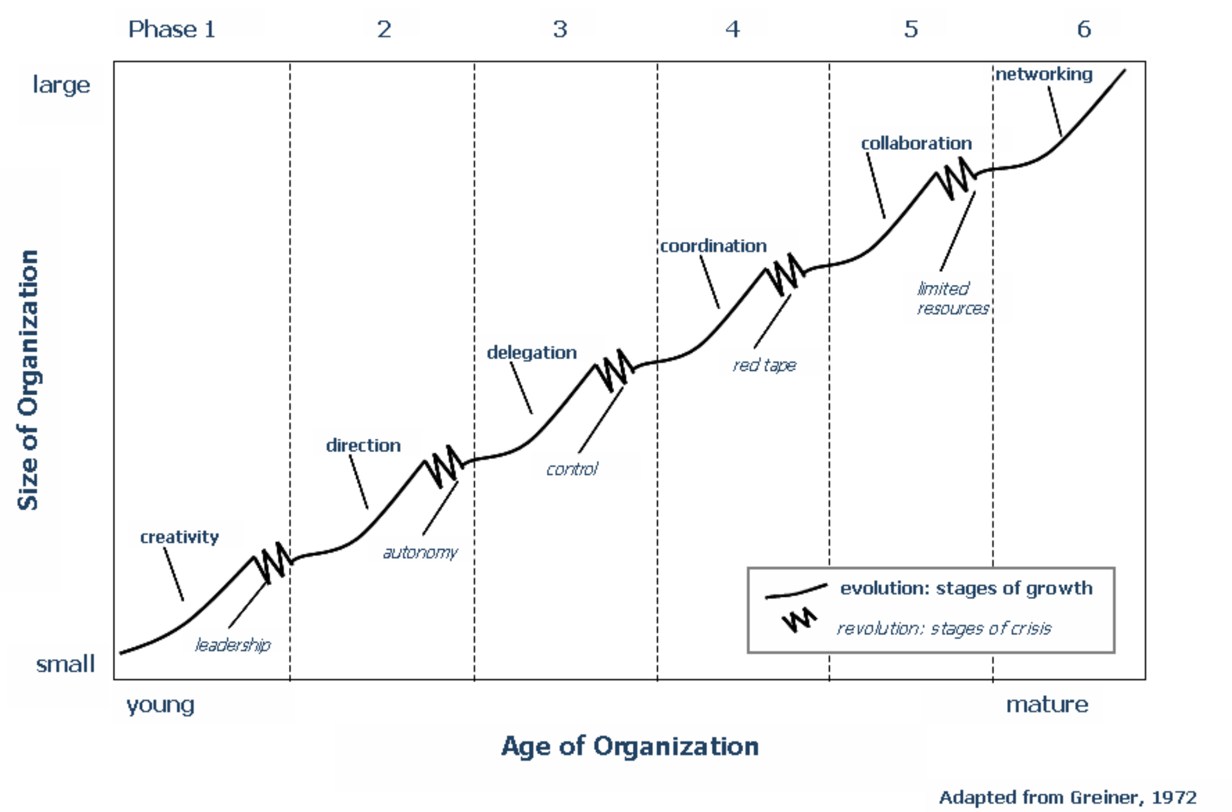
Organizations may grow through internal activities that exploit and elaborate existing capabilities and resources. Organic growth may require exploration—seeking out new ideas and approaches to develop new capabilities that open new markets, offer new products and services to existing markets, and/or establish new business models to deliver value to customers and accrue revenue and profit. Alternatively, organizations may find that the quickest way to grow is by acquiring or partnering with other entities in the environment that have different resources, capabilities, knowledge, and market access. In today's dynamic, global economy, 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. Such strategies are conceived in an uncertain environment and one where the organization has to be flexible and agile in order to remain viable. In the words of Ed Lawler and Chris Worley, my colleagues at the Center for Effective Organizations, organizations must be "built to change" (2006).

I will discuss a number of ways in which organizations grow, and the design challenges inherent in each. These include the normal life-cycle challenges of growth: growth primarily in size and market share building on the core business model and capabilities of the firm; extending the business model to new markets and customers; innovating, developing new capabilities and business models; and growing through innovation; and mergers and acquisitions. Clearly these are not mutually exclusive. A company may use all of these approaches to growth. Each offers design challenges and requires that the process of growth is built into the routines of the organization. Furthermore, although each poses problems of talent acquisition, development, and management, the challenges differ, as do the organization and work system design challenges.

Life Cycle Growth

Life cycle growth is especially salient during the early years of a company's existence, and fast growing start-ups such as Google go through the phases of life-cycle growth particularly rapidly. In 1972, Larry Greiner provided what is now a classic model of life-cycle growth. Although the business environment is different now than during that era in which companies such as Digital Equipment, Hewlett Packard, Medtronic, and Microsoft were racing through the stages of rapid growth, similar organizational challenges have to be addressed. The model, shown in Figure 2, posits that as start-up that is initially based on the creativity of its founders grows, it encounters a series of what Greiner refers to as "crises" triggered by the inadequacies of its management and organizational approaches to fit the increasingly complex set of activities that must be managed. First, a crisis of leadership occurs because it becomes increasingly difficult for a founder and a small set of insiders to provide adequate leadership. Professional management may be hired at this point. Second is a crisis of autonomy, in which mechanisms have to be developed to define some independence and accountability for organizational units. This leads to a crisis of control. In order to address an increasing number of interdependent units that are each focusing narrowly on their own responsibilities, organizations have to build coordinating devices. These ensure that the company has a coordinated presence in the market, and that the various processes in the organization, such as marketing, engineering and manufacturing, are coordinated and mutually support the company's strategy and direction. This coordination, in turn can cause the organization to feel it is losing its creative roots, and drowning in a sea of bureaucracy. This is the fourth crisis, of "red tape". The organization must find ways for collaboration to occur lower in the organization and with less rigid formalization. Lateral organizational designs start to emerge that use teams and councils that cut across the units of the organization.

FIGURE 2. Phases of Growth



Greiner has since (1998) described a fifth crisis, in which the organization must operate beyond its own borders in order to secure adequate resources to approach new opportunities, often leading to a new organizational form involving partnerships, alliances, and networks. The last decades have brought the crisis of knowledge access--the need for organizations to team to get access to knowledge and capabilities across formal boundaries. A crisis of complexity stems from the need to manage multiple intersecting dimensions of excellence, such as functional, geographic, product and service, and customer focuses. The Procter and Gamble example described above, plus many organizations such as IBM, Sun Micro-Systems. CitiBank, and many professional services firms, are examples of organizations that struggle with finding the right organization designs to manage these multiple dimensions in the knowledge economy.

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Organizations moving along this growth trajectory must find design solutions that do not become rigid and inflexible, but rather enable needed creativity, innovation and improvement, evolution, and growth. Building on the principles of design, there is no one solution. Decades ago, organizations such as Hewlett Packard and Motorola faced a crisis of coordination because of the market demand for more rapid cycle time for new and more advanced technological products. Each was structured with self-contained product divisions with functions focusing on and knowledgeable about the technological and market requirements to grow particular product lines. Facing the need for greater collaboration across functions, they developed work systems based on decentralized, cross functional, new product development teams. Other organizations, such as McDonalds and Wal-Mart responded to the challenges of coordination and collaboration by honing their centralization—in order 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 the crises depends on the firm's business model, strategy, and the nature of its products or services. Interesting, Wal-Mart has reached the stage of its growth where it feels it can only achieve greater domestic growth by providing more autonomy to regions to influence merchandising in order to meet the particular needs of regional populations. They have therefore made organizational design changes and increased the functional presence and influence at the regional level. Today, one of the most important decisions facing 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 and performance within the organization.

Firms that have a rapid growth strategy go through growth crises, most likely very rapidly and often not in a linear fashion. Start-ups today often have to quickly deal with the crisis of knowledge across boundaries because they cannot organically develop the internal knowledge and talent to do all tasks required to succeed in their competitive environment. Sun Micro Systems grew by very quickly developing organizational approaches to establish a network of partners. Cisco Systems early-on 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. Ironically, 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. Helping shape the unfolding organization and building effective organizational approaches and work systems to utilize and coordinate talent is a contribution that can accelerate growth through more effective targeting of resources.

This general growth model demonstrates the critical strategic role that HR can play in a growing organization by applying organization design and work design expertise. I next examine several specific growth strategies and the design challenges inherent in each.

Growth Based on Existing Business Model

The primary growth strategy of many highly successful organizations has been to evolve their current business models to handle 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 real estate development, facilities planning, new market entry processes, and talent 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. Others have tried to grow rapidly but have discovered the constraints of their business model. Kaiser Permanente, a globally renowned and highly successful medical insurance and delivery system that dominates market share in California, expanded to a number of new regions during the 1980's and ended up pulling back from some because their business model could not be successful in those geographies.

The talent challenges of such within-business-model growth can be daunting. Companies such as MGM Mirage that are building new hotel/casinos in Las Vegas, for example, face a labor market that is estimated to be short 25,000 hospitality and leisure workers, as 113,000 new jobs are being created during the next 4 years. Thus, attracting, developing and utilizing talent is a key requirement. But the importance of organizational design issues should not be underestimated. A high performing organization is in fact even more important given the shortage of talent and the increasingly competitive environment. Organizational approaches are required that foster extremely high levels of customer focus, addressing the motivational and talent issues 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.

As Starbucks has grown quickly into many countries using a common business model, it has been opening as many as 5 new stores and hiring 200 employees per day.

As it grew, it 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 accomplish synergy across different geographies and cultures? How would it communicate direction across such a far-flung universe of activities? How would it make capital investment and innovation decisions when possibilities for expansion seem unlimited? These design decisions are aimed at achieving a balance between instilling commonality and leverage while maintaining stores where partners feel they are running their business by creating experiences for their local community. In order to have credibility as a business partner, HR had to contribute substantively to the associated organizational design decisions.

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. If new products and markets are involved, work processes have to support the cross-functional collaboration to assemble the necessary knowledge and do the appropriate development and customization. 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 into new areas. This approach includes structure and process approaches, including governance structures, direction-setting and measurement systems that fit the requirements for support and patience for fledgling businesses, and clearly delineated management roles and accountabilities. 3M, HP, and others routinely broke large divisions into smaller ones in order to achieve focus and ownership for growth. Again, growing new divisions was built into the routines of the company, and embodied in explicit design features. Such an approach may work for companies during phases of market maturity when the major success criteria are bringing products to market, but will not be suitable if the market demands integrated product and solutions. In today's world of global competition and with customers increasingly asking for cost-competitive systems and solutions, companies need to design effective leverage mechanisms across units. Shared services, knowledge management systems, cross-unit integration and program management capabilities, and effective common processes are critical to delivering value to customers *and* to the effective utilization of talent when companies are dealing with these market pressures.

In sum, HR contribution to growth strategies goes beyond leadership in the talent area, but also guiding line management through the design trade-offs that are involved. 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 in order to handle growth effectively. Design decisions must be made to build that platform:

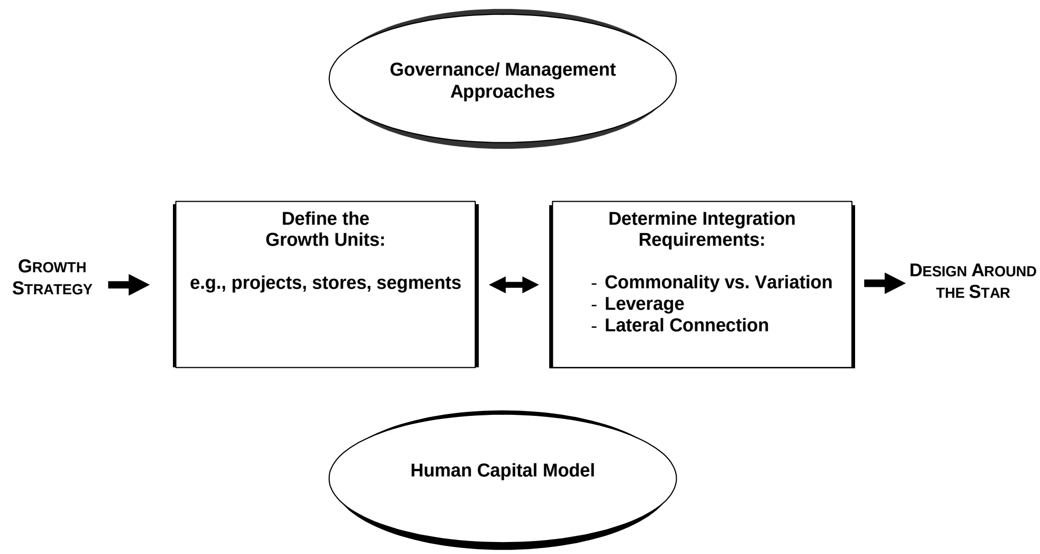
1) What are the organizational units, or building blocks, of growth, that enable the organization to scale up? Examples may be new accounts, new market segments, new divisions, new stores, or cross-functional projects.

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 Defining the Organization Logic to Support Growth



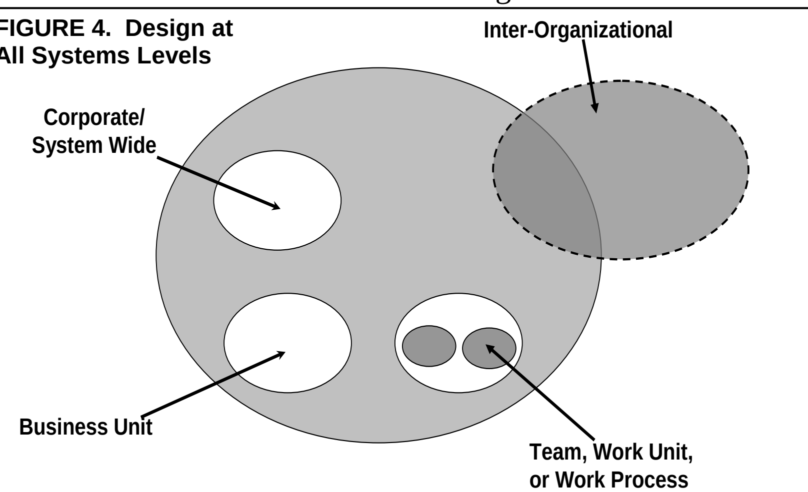
These decisions form a logic that becomes embedded in the organization's design around the various star points. The outcome is a way of operating that builds growth capability into the routines of the organization rather than seeing it as an add-on process. These same design issues are confronted in all growth strategies, as we will see below—but the complexity increases as growth strategies start to deviate from the core capabilities of the organization.

Development of new capabilities and business models

Designing becomes 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 direct sales capabilities 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 that 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 combine the expertises 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. Lateral work, management structures, and processes and new approaches to rewards and staffing are key design features. Simply hiring new people with new knowledge and training employees to think and act systemically is not sufficient if they are inserted into an organization that can't use their talent effectively.

Major pharmaceutical companies are introducing biotech capabilities because their traditional chemistry based approaches to developing drugs are no longer yielding blockbuster drugs. Financial services firms are basing much of their growth on providing multi-product financial solutions to customers. Eastman Kodak has had to migrate from growth through chemical film products to building a digital camera business. Each of these examples are fraught with difficulty as they represent fundamental shifts in business model. Each requires change around all points on the star—to create a design that can handle two different business logics—the existing and the new. These companies are of course not simply abandoning their current source of revenue; rather, they are adding new capabilities and reshaping the organizational system to house the new and to enable transition to new sources of growth. Design questions abound. Is the new focus to be integrated with the existing business or managed separately? What kinds of synergies and connections are required to carry out the strategy? 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. HR has naturally gravitated to the individual level—to the formidable issues of talent acquisition and development that are inherent in such transitions, while often not even being invited to contribute to the design elements at the other star points.

FIGURE 4. Design at All Systems Levels



Globalization

Growth may be achieved through entry into new international markets. Even if the business model in the new countries is an extension of the existing business model, companies that have been primarily domestic need to develop global management capabilities, including talent, structures and processes. The company's global growth strategy determines the design criteria. Strategies can 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, 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, regional and/or country customer facing business units, and global functional organizations, perhaps with regional services delivery. Design features around the star are required so that the necessary lateral structures, processes, and relationships are in place for cross-regional integration.

Because customers, talent, and capabilities are globally dispersed and local governments are demanding, companies that begin with subsidiaries that import product may rapidly move to a more complex global model. This migration is enabled by managing a dynamic organization design. This affords the HR function the opportunity to add great value by providing the organizational design and implementation expertise to support the rapid evolution of the global growth strategy. Decisions have to be made about where commonality is required and where country customization is necessary; about which kinds of capabilities to place and develop in which countries, whether to create regional units and what they will do, how to link the 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 will occur, and how diverse units will be measured and rewarded. Virtual work designs will be required when processes such as software development or solutions delivery are accomplished by contributors located in multiple sites.

Growth Through Innovation

Companies may grow through innovation. Incremental innovation includes new product generation and adaptation to the needs of new customer sets. 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 products or markets are from existing activities. For 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. Today, for example, 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 the retiring baby-boomers. They are puzzling through the decisions about how integrated or separate the channels for the new and existing products should be. Aerospace and defense companies trying to find new applications for their technology in commercial settings find that business development, systems definition, and contracting occur much differently and that the organization has to be able to respond to opportunities and assemble the right talent much more quickly. This may require creating and managing self-contained business units that are freed up from the constraints of government contracting.

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 customer sets. 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. Apple Computer, 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, and for the various associated innovative products. 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 easily have been generated 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. Google has built 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. Mechanisms for review and selection of promising ideas have been designed. 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 underpin this kind of discontinuous innovation and growth. It has spent time building organizational capability and a new growth strategy.

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. It 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. Radical innovation requires finding ideas from outside or from the periphery, creating roles to sponsor and champion them, creating units that are not constrained by existing practice and bias, operating with different metrics and governance, tolerating risk, and protecting resources. The HR function can help management navigate this complexity and design to house a continuum of innovation.

Growing Through Acquisitions

Many companies choose to grow through acquisitions and/or mergers that bring scale and scope. Acquisitions and mergers present design challenges stemming from the increased complexity they bring, complexity that is not solely dependent on size of the acquisition. The purpose of the acquisition defines the 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 entail 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 in order 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 underpin a national banking network.

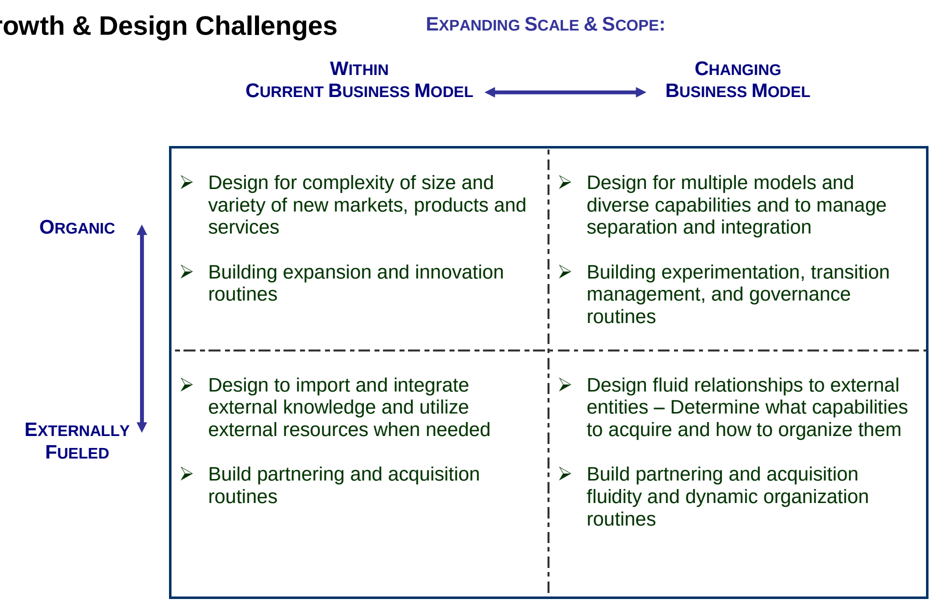
A different set of design challenges is faced if a company acquires new capabilities based on quite different operating approaches and designs. For example, when a large pharmaceutical firm acquires bio-tech firms, it encounters nimble and entrepreneurial ways of operating and developing drugs that doesn't 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 corporate 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 underpinned the capabilities the acquirer thought it was buying. For example, the human capital may walk out the door and start a new company. Quickly enabling the acquired talent to operate effectively is critical.

Fundamental design choices have to be made to support growth through acquisition so that the organization doesn't spend years grappling with the costs of the acquisition and not deriving the intended benefits. These choices include: which organizational elements are best integrated and which are differentiated; what are the core (vertical) units and what lateral integration is needed, how much and where leverage is sought, how to manage and govern business and technical diversity, and how to ensure that the design supports the needed capabilities to carry out the strategy. And again, the HR function can achieve much greater strategic contribution if it can help with the design challenges, not simply with integrating the HR systems.

Summary: Various Growth Strategies and Their Associated Design Imperatives: Implications for the Human Resource function

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, as 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, entails the design of an organizational framework and of routines for adding on 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. These organizations must develop routines for partnering and acquisition. The upper right quadrant entails 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. The bottom right quadrant, externally fueled growth where the business model is changing, entails 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—and for managing the complexity inherent in their strategy.

FIGURE 5.
Types of Growth & Design Challenges



Understanding what designs best support different growth strategies, leading design processes, and knowing how to build the capabilities for such growth into the organization, I argue, constitute HR professionals' potential critical contribution to their company's growth agenda. The expertise that underpins such a contribution is not broadly held by HR professionals, and that is a fundamental barrier to HR becoming a true business partner. This expertise may be best housed in a center of excellence—or it may require partnering with external talent. I believe, however, that HR executives must have substantial foundational competence in these area:

1) A high level understanding of organizational design and various design options
2) An ability to diagnose when designs are not supportive of business strategies
3) The ability to assemble the team with the expertise necessary to support the design processes that are required.

Just as the businesses they are part of try to assemble the deeper and broader expertise needed to attain market advantage, HR business partners dealing with their company's growth agenda must routinely pull deeper 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 must therefore create the teams with the necessary expertise and experience to help the businesses design for growth.

Managing talent for growth is a critical but not sufficient contribution. The ability to optimize the talent strategy of the firm, as all the other elements required to effectively implement a business strategy, are in a profound interdependence with how the organization is designed to function. To contribute to the growth agenda, HR must quickly expand it's domain of influence by becoming proficient and able to contribute to the shaping of the design of the organization for ongoing growth.

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