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Delta Organization & Leadership

# Strategic Organization Design

An Integrated Approach



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In practically every industry and business sector, competition continues to intensify. New players are suddenly changing the basic rules of the game with new products, technologies, distribution patterns, and business models.

At the same time, most of the old, reliable sources of competitive advantage are drying up. No longer can the IBMs and Xeroxes of the world rely on the exclusive, proprietary technology that once assured them of a virtual monopoly. The advantages once implicit in geographic proximity to customers and capital have been largely erased by globalization. Life-long relationships between companies and their employees are a thing of the past, as the best and brightest offer their services to the highest bidder. And new technologies have substantially lowered the entry barriers that once protected established giants with huge capital investments.

Simply put, the rules of engagement have changed. Today, the last remaining source of truly sustainable competitive advantage lies in what we've come to describe as "organizational capabilities"—the unique ways in which each organization structures its work and motivates its people to achieve clearly articulated strategic objectives. These capabilities combine an organization's core competencies—technological innovation, customer focus, or low-cost manufacturing, for example—with the ability to sustain and adapt those competencies to meet long-term objectives despite changing competition, altered strategies, or the loss of key employees.

To succeed, leaders must understand the concepts and learn the skills involved in designing their organizations in ways that will unleash and maximize these core capabilities. They must also recognize that truly effective organization design is a never-ending process. The dynamic competitive environment requires constant shifts in strategy and appropriate revisions of organization designs and business models.

The purpose of this paper is to provide leaders, as well as managers at every level, with a set of powerful yet fairly simple tools for using strategic organization design to gain competitive advantage. Drawing on two decades of experience with more than 200 organizations in industries ranging from health care and telecommunications to financial services and retailing, we will describe the basic components of design and explain how they can be creatively assembled to achieve each organization's unique business objectives. We present

a design process, explore the key decisions managers face, and present some fundamental principles to help guide any organization's design efforts.

Our underlying theme is that organization design can be an invaluable tool for shaping the overall look and feel of an organization, including both the formal and informal ways in which things get done—what we describe as “organizational architecture.” The broad dimensions of structure, capacity, and performance form the general outline of organizational architecture; strategic organization design fills in the specific features of how work is organized and coordinated.

### **Design as a Management Tool**

The concept of organizational architecture involves a fairly global perspective. But the fact of the matter is that design is a basic tool available to almost every manager, not just the CEO and the senior team.

Indeed, there's nothing new about the popularity of redesign as a management tool. There are plenty of reasons why redesign is so attractive and why so many companies engage in successive—and often unsuccessful—reorganizations:

- Redesign is one of the few levers for change available to most managers. Design can be done at numerous levels, completed fairly quickly, and implemented with relatively little pain and discomfort.
- Redesign makes it possible to change performance patterns in significant ways by shifting resources and managerial focus to new areas offering increased potential for growth.
- Redesign can grab an organization's attention and focus it squarely on particular issues. Assigning highly visible, high-powered executives to lead particular businesses or functions can send unmistakable signals about what top management thinks is important.

- Redesign offers leaders from CEOs to factory managers the chance to put their personal stamp on an operation. It provides a concrete way to signal a break with the past and to carve out a new structure that will be closely associated with its chief sponsor.
- Redesign can play an important role in changing an organization's culture or operating environment. Changes in structures, processes, systems, and practices directly affect how work gets done, which behaviors are rewarded or discouraged, and which people get hired and promoted—all of which, over time, will play a role in shaping the organization's values and beliefs.

Indeed, redesign has become even more of a common occurrence in recent years because of the wave of mergers, acquisitions, breakups, and spin-offs. In each case, the strategic issues that prompted the deal, along with the requirements of integrating operations or operating for the first time as a stand-alone business, all require a series of design efforts across multiple levels.

Consequently, design and redesign have become central to organizational life. Design decisions define where an organization will channel its resources. They define jobs, shape work processes, motivate performance, and mold the patterns of informal interactions and relationships that develop over time.

### **The Pitfalls of Redesign**

For every well-planned, carefully implemented redesign, there have been dozens of flops that helped speed an organization's decline. For every design that displays a spark of genius or a truly new insight into social organization, there are 10 misguided efforts that reflect no more thought than a couple of sketches on napkins over lunch.

Given the importance of organization design, the obvious question becomes: Why is so much of it done so poorly? Many designs fail because they focus exclusively on formal structures and processes while

ignoring the political, social, and cultural dynamics of the organization. In some cases, seemingly elegant designs ignore the way work actually gets done within the organization. Some ignore the organization's capability or willingness to make the new structure work. Others miss the importance of gaining critical support for the new design, sometimes resulting in a brilliant design that never gets off the ground.

A second category of failures focuses myopically on personal and social issues. These designs are often intuitive reactions to immediate personal and political problems, rather than methodical responses to strategic demands. Too often, the underlying rationale for a crucial design decision turns out to be, "Well, we have seven vice presidents today, so we have to come up with a design that has seven business units." The result is an unwieldy design that gratifies some egos but shortchanges strategic and operational requirements.

The third category of failures can be classified as solutions in search of a problem. From time to time, managers become enamored of a certain approach—"process reengineering" was a prime example in the early 1990s—and make it the basis of a redesign even though it doesn't address the underlying issues in their particular situation. Redesign can't happen in a vacuum; it has to be grounded in the realities of the organization and directly linked to its strategic objectives.

### **A Balanced Perspective**

Based upon our experience, we advocate a comprehensive, balanced approach that recognizes the technical requirements, human dynamics, and strategic demands of successful design in any organization or business unit. The basic elements of this approach follow:

1. Organization design is an essential and ongoing part of each manager's job.
2. Organization design emanates from an overall vision for the organization, embodied in a strategic plan with a clear set of strategic objectives.
3. As managers make design decisions, they must constantly balance the two aspects of the organization—the effectiveness of the design in terms of performance required to fulfill the strategic objectives and the design's impact on individuals, group relationships, and the political dynamics of the organization.
4. The ultimate goal of redesign is to create a fundamentally new architecture that will focus and unleash the competitive strengths embedded in each organization.

### **Principles of Design**

The temptation to solve major problems by shutting yourself up in a room and drawing a new organizational chart can be powerfully seductive. It's neat, it's clean, and you don't have to spend time arguing with people who lack your grasp of "the big picture." You just draw the new chart, explain to everyone how things are going to change, and send them to their new desks.

Things rarely work that neatly. The substance and process of design are too complex and their ramifications too critical to be handled in such an arbitrary manner.

In the next section, we continue our discussion of the key design decisions. For the design to succeed, these decisions have to be dealt with in the context of the organization and its complex dynamics. It's difficult, if not impossible, to understand how the pieces of the puzzle fit together without having some mental model of how organizations work. So let's briefly examine a model that helps put the role of design in a larger organizational perspective.

### **Design: An Organizational Perspective**

We find it helpful to think about organizational performance in terms of a systems model known as the Congruence Model of Organizational Behavior. (For a more in-depth description, please see "The Congruence Model: A Roadmap for Understanding Organizational Performance.") This model views the organization as a system that

**Figure 1: The Congruence Model**



translates strategy into performance through the interaction of four basic components (see Figure 1):

- The core work required to produce products and/or services
- The people who perform that work
- The formal organizational arrangements that provide the pattern of structures, processes, and practices that organize the flow of work
- The informal organizational arrangements encompassing the values and behavioral norms that shape the patterns of social interaction

Experience shows that in normal situations, organizations are most effective when they achieve a high degree of fit, or congruence, among these four components within the framework of strategy. (The flip side of that coin is that for established market leaders that need to make swift changes in order

to adapt to new market forces, a high degree of fit serves to reinforce an obsolete status quo.) When we talk about organizational architecture, what we're really talking about is the pattern of relationships among the four components of the organizational system. The architecture describes the ways in which the formal arrangements and social dynamics can be shaped to interact with one another in ways best suited to achieving certain strategic objectives.

All this discussion of models and organizational fit might sound a bit theoretical, but it translates into some very concrete questions that confront anyone engaged in serious organization design. Assuming a strategy has been put into place, an understanding of the interrelated nature of the organizational system should prompt design questions along these lines:

1. What changes will the new strategy require in the organization's core work? How will tasks be modified? Will there be new constraints, resources, processes, or technologies involved?

2. Do the organization's people have the skills, interest, characteristics, and capacity to perform the required work in a manner consistent with the strategy?
3. Are the values, beliefs, behavior patterns, and leadership styles associated with the culture—or informal organization—likely to aid or hinder the performance of the new work?
4. How will the explicit structures and processes that make up the formal organizational arrangements affect the new work requirements?

### Design and the Formal Organization

Once the work requirements have been established, most designers quickly turn to decisions regarding the formal organization—the structures, processes, and systems that make up the explicit and relatively stable aspects of the organization. Clearly, these formal organizational arrangements provide the most obvious tools for implementing change.

Why? First, structural arrangements are inherently easier to modify than either individual or collective human behavior. Second, modifications in structures and processes can directly alter patterns of activity, behavior, and performance. Indeed, the formal organization can profoundly influence the other components, both directly and indirectly. More specifically, the formal arrangements can affect people's performance by:

- Motivating behavior (goals, rewards, compensation, etc.)
- Facilitating behavior (providing methods and procedures, necessary information, etc.)
- Constraining behavior (instituting formal procedures, separating groups from each other, etc.)

To put this discussion in perspective, then, the goal of the organization designer is to develop and implement a set of formal organizational arrangements

that will lead to a good fit among all components of the organization—strategy, work, people, the informal organization, and the formal organizational arrangements.

### When to Redesign

All too often, redesign becomes the default response to various organizational issues. Again, the Congruence Model provides a helpful way of understanding when a significant redesign is actually called for. Simply put, when the organization evolves to the point at which there are substantial problems with fit between the formal organizational arrangements and the other components, then it's time to consider a major redesign. There are several situations that typically justify a major redesign:

- **Strategic shifts.** A major change in strategy requires significant changes in performance, which inevitably calls for major changes in the formal organization. The real issue is coming up with a redesign that clearly matches the magnitude of the strategic change, rather than implementing a cosmetic restructuring that involves little more than “rearranging the deck chairs on the Titanic.”
- **Redefinition of work.** As a result of an altered strategy, new technology, or a shift in cost, quality, or availability of resources, redesign may be required to meet changes in the organization's core work.
- **Cultural/political change.** Some redesigns are implemented to reshape the informal organization. Changing the formal organization is sometimes the most effective way to influence the informal operating environment.
- **Growth.** As organizations grow, informal arrangements may get overloaded or overburdened. And as new tasks and strategies are taken on (a natural part of growth), the formal arrangements may no longer fit the rest of the organization.

- **Staffing changes.** As a new manager and new set of players take charge of an organization, the arrangements that used to fit the needs, skills, talents, and capacities of the previous team may no longer make sense.
- **Ineffective organization design.** Sometimes redesign is necessary because of performance problems created by the gradual emergence of poor organizational fit. The following symptoms frequently indicate problems related to organizational design:
  - *Lack of coordination.* Cross-unit projects don't get finished or work units are unclear about their responsibilities and some feel isolated and out of step with the rest of the organization.
  - *Excessive conflict.* Relationships among internal groups are characterized by needless friction.
  - *Unclear roles.* Individuals or groups are uncertain about what is expected of them. Functions may overlap or work may fall "through the cracks" between units.
  - *Misused resources.* Resources don't get to the people who need them. Specialized unit functions or individual skills may not be fully utilized.

- *Poor work flow.* Disruptions and cumbersome processes inhibit the effective flow of work throughout the process.
- *Reduced responsiveness.* The organization can't respond quickly to changes in the environment, market needs, etc.
- *Proliferation of extra-organizational units.* The organization comes to rely excessively on task forces, committees, and special project groups to deal with every significant new challenge, indicating an inadequate design.

Although these symptoms may reflect a number of problems stemming from different causes, they frequently indicate underlying problems in the organization's design and, when identified, are valuable informants to design decisions.

#### Types of Design Decisions

Once the organization has decided to redesign, it's important for everyone involved to keep in mind the various types of design decisions that must be made at different times.

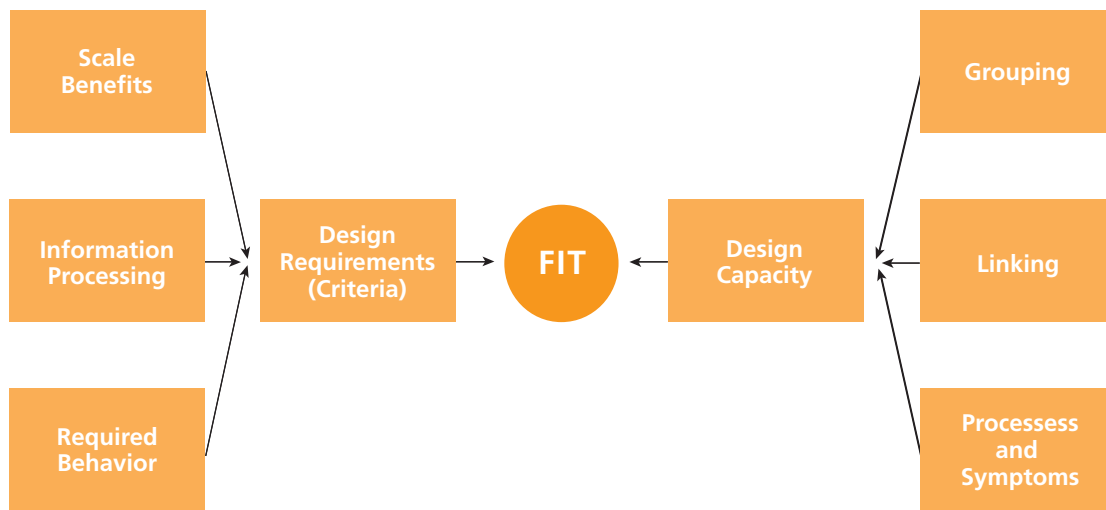
In practice, there are two approaches. The first is "top-down," which deals almost exclusively with the organization's top levels and focuses primarily on their composition and reporting relationships. The second approach, "bottom-up," starts at the most basic levels of the organization and

**Figure 2: Strategic and Operational Design**

	Strategic	Operational
What type of decision?	Basic architecture/shape of the organization	Management and operational processes, work flows, jobs, measures
What part of the organization?	Top two to four levels	All levels necessary
Direction?	Top-down	Bottom-up
Driven by?	Strategy	Operational concerns (cost, quality, and time)



**Figure 3: The Information Processing Model**



then works its way up. This approach is advocated by many job design theorists and has been used extensively by internal staff groups within organizations. The work is identified, jobs are built around the work, work flows are constructed, and supervisory/support jobs are created to facilitate the work flow. This process is repeated as the design proceeds up through the organization.

In our experience, neither of these approaches, taken alone, is sufficient. Organization design needs to be done both ways—designing top-down to implement strategy and designing from the bottom up to improve basic work processes and create meaningful and motivating jobs for individuals.

It's important to think in terms of two different types of design decisions that must be made by different people, using different criteria, at different points in time.

*Strategic organization design* is driven by strategy and provides the basic architecture that will dictate how the organization goes about pursuing its strategic objectives. *Operational design* of jobs, work units, and operational processes are shaped by concerns such as cost, quality, time to market, and employee involvement (see Figure 2).

Organization design should always be pursued at several levels within the organization. Strategic design works from the top down, establishing an architectural frame of the organization as a whole. Operational design works from the bottom up, fleshing out the essential details for each subunit within the organization. Ideally, operational design should flow from, and be consistent with, the overall strategy.

### **The Elements of Strategic Design**

Ideally, organization design should accomplish three things: First, it should create benefits of scale by leveraging shared resources, expertise, and support functions. Second, as we've already discussed, design can shape behavior by motivating, enabling, and empowering people to do the necessary work. Third, and in some ways most importantly, design can shape the organization's patterns of *information processing* (see Figure 3).

In essence, the success of modern organizations relies upon getting the right information to the right people at the right time. This is where design plays such a critical role: Each design creates a different pattern for collecting and dispersing information throughout the organization. The key is finding the information processing design that's

best suited to the organization's information processing needs. Those needs can vary radically from one organization to the next—or even from one business unit to another within the same organization. The critical variable is *interdependence*, the degree to which a group's effectiveness is determined by its ability to share information with another group. As designers work to produce the patterns of information processing appropriate to their organizations, they have two primary building blocks at their disposal: *grouping and linking*.

### **Grouping**

Grouping, the most basic form of organization design, aggregates certain individuals, jobs, functions, or activities into discreet units. Grouping is a double-edged sword—it optimizes information processing within the group but creates barriers that impede interactions with other groups. In reality, there really are only three fundamental ways of grouping people and their jobs:

- *Grouping by activity* organizes people by the kind of work they do, defined by skill, discipline, or function
- *Grouping by output* combines people on the basis of the product or service they're engaged in producing, regardless of their specific job
- *Grouping by user or customer* organizes people and their work on the basis of who will be the end users of their product or service

Clearly, there is some correlation between structural groupings and the kind of strategy which each is best suited:

- If your strategic intent is to beat the competition by becoming the low-cost producer, then activity-based grouping will probably be most effective because it controls costs by avoiding duplicative operations and providing economies of scale
- If your strategy is based on product differentiation, then grouping based on output makes the

most sense because it focuses information and resources on product innovation

- If your strategy involves getting close to the customer and focuses on market segmentation, then customer-based grouping obviously make the most sense

In reality, most organizations use a combination of the various grouping patterns. Each decision about grouping is important, but the first cut—the selection of a grouping method for the very top of the organization—is clearly the most crucial because it dictates where the flow of information will be facilitated and where it will be impeded at each successive level of the organization.

### **Linking**

Linking involves the construction of devices connecting separate groups that have to coordinate their work. Regardless of the overall grouping patterns, groups within organizations must have some way to share and act upon essential information. Unlike grouping, which has a finite number of variables, linking mechanisms can assume a variety of forms, depending upon both the organizational setting and the availability of individuals suited to particular roles. Here are some of the more common linking mechanisms:

- *Liaison roles*. These linking mechanisms are generally taken by trusted and respected individuals, in addition to their normal duties.
- *Cross-unit groups*. These devices can take the form of standing and ad hoc committees, and they can focus on processes, output, or customers—or any combinations of the three.
- *Integrator roles or departments*. These mechanisms introduce general management functions into the linking process. Though people serving in integrator roles may not directly supervise the participants in a linking process, they are responsible for making sure the process works and that when necessary, those involved in the process stand by the decisions that are made.

- **Matrix structures.** These arrangements involve linking through hierarchy, the most expensive, extreme, and difficult to manage of all the linking mechanisms. Nevertheless, the complexity of modern organizations—particularly those with geographically diverse operations—have made matrix structures fairly common in today’s business environment.

## A Process for Design

In general, the full sequence of activities involved in organization design can be divided into four major phases.

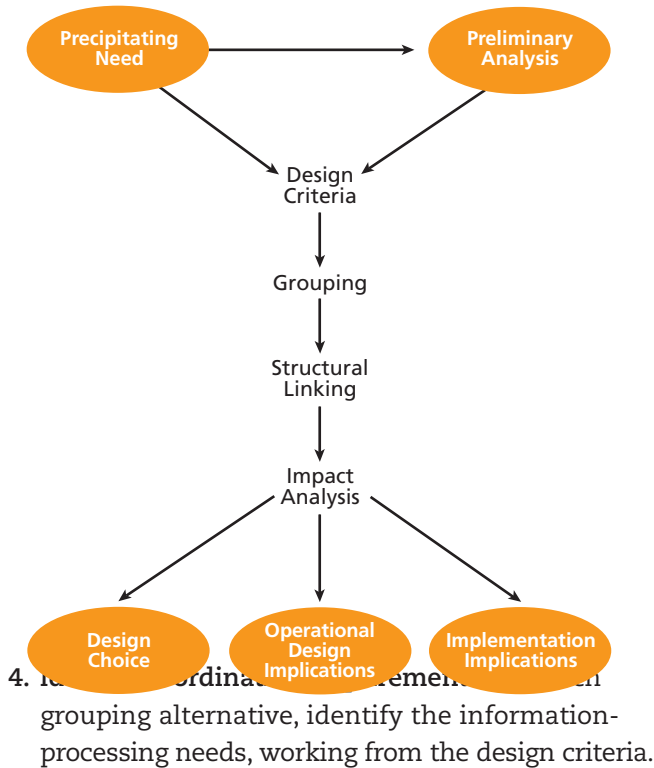
- **Phase 1: Preliminary Analysis.** The first step in strategic design is a full-scale organizational assessment. Problem solving begins with an understanding of how the organization is functioning, where there are performance gaps, and, in particular, how performance relates to strategy. The process begins with data collection and analysis. Three kinds of information are absolutely critical: data concerning the strategy and specific strategic objectives; data about how the organization actually operates—how information flows, what information is required by whom and how quickly, and the structural, social, and technological obstacles to information processing; and specific identification of current problems that the redesign should correct.
- **Phase 2: Strategic Design.** The second stage is the formulation of a strategic organizational design—an “umbrella structure.” Strategic design focuses on the top layers of the organization, with particular emphasis on the roles and the structures of corporate governance. It deals with the processes that should be used in making top-level decisions about strategies, markets, external relationships, and internal policies. Strategic design generally focuses on the top 2-4 levels of the organization and takes into consideration formal structures and processes, as well as the informal operating environment. The central point is that effective design starts at the strategic level, creating a framework that guides design.
- **Phase 3: Operational Design.** Some strategic designs simply reposition groups and change a few reporting relationships. In such cases, the operational redesign is fairly simple. More typically, strategic redesign profoundly reshapes the organization. In those cases, extensive operational design is required along with detailed attention to work flows, resources, reporting relationships, business processes, and human resources practices.
- **Phase 4: Implementation.** One of the most common reasons redesigns fail is the all too frequent assumption that the job essentially ends with the announcement of the new design. In reality, that’s where much of the toughest work begins. Implementation requires careful planning, close monitoring, and constant management.

## The Ten Steps of Strategic Design

The four phases we’ve just described provide an overall framework for organization design. Much of the most critical work actually takes place during the Strategic Design phase, so it’s worth taking a closer look at what that entails. This isn’t intended as an exhaustive description of Strategic Design, but rather as a broad description of the sequence of decisions that ought to be confronted and resolved (see Figure 4). These include:

1. **Generate design criteria.** Create a series of statements that provide the criteria for assessing various grouping alternatives.
2. **Generate grouping alternatives.** Create a large number of different grouping alternatives designed to meet the design criteria.
3. **Evaluate grouping alternatives.** Assess grouping alternatives in terms of design criteria; eliminate, modify, and refine alternatives.

**Figure 4: The Strategic Organization Design Process**



5. **Generate linking mechanisms.** For each grouping alternative, create a set of linking mechanisms that will address the coordination requirements implied by the design criteria.
6. **Evaluate linking mechanisms.** Assess each alternative in terms of the design criteria; eliminate, modify, and refine alternatives. Combine alternatives if necessary.
7. **Conduct impact analysis.** Assess each surviving design alternative in terms of predicted impact on or fit with other organizational components.
8. **Refine and eliminate designs.** Based on the impact analysis, arrive at a preferred design and refine it as needed.
9. **Identify issues for operational design.** Based

on impact analysis, identify where operational design needs to be done and what issues need to be addressed by the design.

10. **Identify issues for implementation.** Based on the impact analysis, identify key issues to be considered in planning the implementation of the design.

Depending on the size, complexity, history, politics, and leadership style of the particular organization, there are any number of ways to handle the strategic design process. In some cases, the owner of a small business or the operating head of a specific unit can do this work alone or with the help of one or two advisers. Often, the design team consists of the senior team, assisted by staff or outside consultants.

However the design process is staffed or structured, our experience suggests some basic ground rules. First, the best designs are those that emerge from the widest possible range of alternatives. Second, the best design processes involve people who fully understand the organization and its work; in large corporations, third- and fourth-level managers are positioned better than either the senior team or outside consultants to understand how the organization works, both formally and informally. Third, the best designs are developed with implementation in mind. And design, like any organizational change, will have a significantly better chance of success if the people responsible for making it work feel they were a part of shaping the change. That's why it's valuable for both the senior team and a widely respected, influential nucleus of lower level managers to be involved in the process.

The most important factor, regardless of whom is involved, is the thought process that goes into the design. If one person sitting alone can fully assess the data, diagnose the problems, formulate a design intent, devise a concrete list of design criteria, and then construct, assess, and refine a full range of grouping and linking alternatives, then that one person can theoretically produce a viable

strategic design. In most organizations, however, it's unlikely that people will embrace and effectively implement a design devised by one or two people working behind closed doors.

### Summary: The Lessons of Design

Our purpose here has been to provide a conceptual framework and some fundamental concepts to help people who are about to engage in organization design work. In recent years, rapid changes in the competitive environment have vastly compounded the variety and complexity of organization designs. Nevertheless, the fundamental principles of design can be summed up by these 10 lessons:

- 1. Organizational capabilities represent the last truly sustainable source of competitive advantage.** Until fairly recently, there were all kinds of ways in which companies could develop and maintain sources of competitive advantage. Today, the only true source of competitive advantage that any organization can sustain over time is its ability to organize and motivate people in unique ways to achieve strategic objectives.
- 2. Organizational architecture provides a conceptual framework for employing strategic designs to develop organizational capabilities.** In effective organizations, design is more than a series of unrelated attempts to restructure departments and modify reporting relationships. Effective design acknowledges the relationships between formal structures and the informal patterns of values, beliefs, and behavioral norms that make up an organization's culture. It's the unique mixture of strategy, structure, work, people, and culture that dictates the architecture of each organization.
- 3. At every level of the organization, design constitutes one of the most powerful tools for shaping performance.** Design is a process available to managers throughout the organization. It can take the form of sweeping, enterprise-level redesign, as a spearhead of radical change, or it can occur almost constantly at lower levels in the form of incremental improvements. Still, design has its drawbacks. Poorly conceived design is at best ineffective and at worst truly dysfunctional. Using design as a quick and easy solution to every organizational problem erodes managers' credibility and engenders cynicism about the organization's commitment to change.
- 4. Regardless of its scope or scale, there are certain fundamental concepts that apply to design at every level.** Implicit in these concepts is the notion that the primary work of modern organizations is the gathering, channeling, and processing of appropriate information. The increasing complexity of competitive demands and strategies has been matched by growing interdependence within organizations; all along the value chain, each group of people is increasingly reliant on others for information about technology, suppliers, customers, and competitors.
- 5. There is a logical sequence of actions and decisions that applies to the design process at any level of the organization.** Generally speaking, the design process begins with a preliminary diagnosis of the obstacles that stand in the way of the organization's achievement of its strategic goals. That leads to a design intent, fleshed out by design criteria—specific requirements that the redesign is supposed to meet. Then comes a deliberate process of developing and assessing a wide variety of grouping alternatives, the design of linking mechanisms, an analysis of how the likely design would impact the organization as a whole, and the identification of critical implementation issues.
- 6. There are no perfect designs; the design process requires the weighing of choices and making trade-offs.** Each alternative in a design process offers different strengths and weaknesses, different points of emphasis, different priorities, each attaching varying levels of importance to strategic objectives and core competencies. As business environments become more complex and organizations find it necessary to focus

simultaneously on several strategic objectives, matrix designs become increasingly popular. But they, too, involve trade-offs: While attractive on paper, they are considerably harder to manage than simpler, more traditional grouping arrangements.

**7. The best designs draw upon the knowledge, experience, and expertise of people throughout the organization.** Design expertise rarely resides exclusively in the executive suite. Indeed, our experience clearly shows that design efforts benefit not only from widespread participation but also from the insights shared by people who understand both the day-to-day workings of the organization and the network of relationships in the informal organization.

**8. Even the best designs can be derailed by ill-planned, poorly executed implementation.** Implementation is a complex process that requires careful planning and intense management. Successful managers often think in terms of the organization moving from a current state to a future state through an inherently unstable period of transformation called the transition state. The transition from one organization design to another requires concentrated coordination and management in order to avoid serious disruptions that can hurt performance and actually erode the value of the enterprise.

**9. As constant redesign becomes a fact of life, successful organizations will learn to create flexible architectures that can accommodate constant change.** If we accept the proposition that constant change is the hallmark of the new competitive environment, then strategies will invariably dictate changes in design—in the structures, processes, skills, and working relationships required to fulfill new strategic objectives. If that's the case, then constant redesign will become a fixture in the workplace. The challenge will be to develop flexible architectures that allow for continual redesign without massive trauma.

**10. Flexible architectures and designs that leverage competitive strengths will themselves become the ultimate competitive weapons.** The intense search across the global marketplace for competitive value and new customers will lead organizations to rethink their basic architectures. The successful competitive architectures will feature not only flexible internal designs but porous external boundaries. These architectures will embrace a broad range of organizational arrangements capable of leveraging each company's core competencies while expanding its access to new technology and markets.



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