The Future Of Organizations

Rethinking Organizational Design
PART ONE
Current Organizational Design Has Aged Out

PART TWO
A Future Scenario: Shape-Shifting Organizations

PART THREE
What It Means

PART FOUR
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PART ONE

Current Organizational Design Has Aged Out

The design of an organization — the structure, leadership, and processes that govern it — has the power to unleash the full potential of human capital to pursue the organization’s purpose and convert the cost of that capital to strategic advantage. But in today’s customer-led and disruption-rich market, most organizations are proving to be slow, rigid, and culturally tone-deaf. Designed on the principles of stability, accountability, and control, they protect entrenched politics and create hard-walled, politically laden silos, long decision cycles, and disjointed customer experiences that stymie change — and frustrate customers.
Instead of unleashing the value of human capital, the current design of most organizations is creating dangerous inertia in fast-moving markets.

- **Customer experience (CX) performance has stagnated.** Our 2018 Customer Experience Index (CX Index™) results show another year of flat results as CX teams fail to champion the organizational change needed to pursue more than cosmetic see-fix remedies.

- **Digital transformations are underway at over half of firms,** but few have moved beyond bolt-on efforts to optimize individual channels or functions. Analog-first, silo-oriented political capital continues to create powerful inertia.

- **Only 32% of employees in the US — 13% worldwide — are engaged,** meaning they are involved in, enthusiastic about, and committed to their work and workplace. Yet leadership shows little appetite to change the norms that made their careers and shaped their teams. CX combined with employee experience (EX) can create a powerful force to drive internal and external change. But this remains a potential, not a realization, for most.

CEOs may see these risks, but their early steps have been light and hard decisions have been deferred:

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<th>NEW ROLES</th>
<th>INNOVATION</th>
<th>STRATEGIC INITIATIVES</th>
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<td>Hiring chief digital or chief data officers to create cross-silo leaders to tackle hard, entrenched issues — minimizing the roles and responsibilities of existing executives and complicating governance.</td>
<td>Creating innovation centers away from the mothership to innovate a new reality that is protected from the existing culture and vice-versa . . . with no plan to bring the innovative (foreign) culture back home.</td>
<td>Standing up multidiscipline teams to take on big initiatives such as CX or digital with a lot of talent clout but little political capital.</td>
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These efforts are telling: They create pockets of new and sometimes powerful capabilities while avoiding organizational disruption. They speak to the underlying fear of making deep-rooted changes in the spirit of managing risk. Ironically, these same instincts to minimize risk are creating new (and sometimes profound) risk.

Markets are unforgiving, customers are intolerant, and new competitors are ready to capitalize. We are entering the gig economy, with robotic outsourcing and disruption-as-a-rule innovation cycles.

Organizational design needs a restructure.
We have a growing base of research on today’s operating models. Our Customer-Obsessed Operating Model research asserts that any modern company needs to design operations to be customer-led, insights-driven, fast, and connected. Those principles are easy to write and hard to do because of the entrenched design of most companies’ organizations. To help firms push past the gravity of today, we looked at tomorrow’s far-reaching realities.

We brought these dynamics together to form a possible model worth further investigation: the shape-shifting organization.
PART TWO

A Future Scenario: Shape-Shifting Organizations

If leaders had a blank sheet of paper, they would design organizations to compete and thrive in a talent-scarce, customer-led, digital-first, robot-enabled, ecosystem-oriented, and privacy-sensitive market. They would design to the outside market with an eye toward the future, scoffing at internal-first approaches optimized for the past. The design would allow for constant change, redefining the very essence of an organization to include:

A MATRIXED CORE
A lean set of interconnected functions and product/development/experience teams will preserve corporate memory and root decisions in a deep understanding of their customers and business model. The core will be much smaller than today’s employee base and will carry the passion to deliver to the brand and promise.

EXPERTISE-AS-A-SERVICE
In a world where needs change rapidly and talent is scarce, stagnant workforces and long outsourcing contracts will disappear. An agile talent roster of independent “agents” with deep specialty expertise will flow from firm to firm to support specific needs in the moment. The gig economy is often associated with Millennials and the emerging Generation Z. But expertise-as-a-service will also create late-stage career opportunities for Baby Boomers looking for a different off-ramp or to defer full retirement.

ROBOTS
The most tenured employees in the future may not ultimately be human. Today, robots execute only the most predictable, clear-cut routines. But through the next decade, we will see robots taking on more and more of the fundamental operations of many businesses.

FLUID, MULTISKILLED TEAMS
Core employees, expertise-as-a-service, and robots will work side by side on teams that form to address a specific initiative — and dissolve as those needs expire. This represents a major shift in thinking — from organizational design focusing on jobs (that are fixed) to tasks (that are fluid).

AI-LED DECISIONING
All that forming and dissolving of teams could be a management nightmare. Artificial intelligence will guide casting and talent-sourcing decisions to optimize teams for the best mix of expertise and chemistry. AI will create the constancy of philosophy and logic in a shape-shifting reality.

VIBRANT ECOSYSTEMS
Today’s customer journeys, whether in today’s travel market or in tomorrow’s mobility environment, span multiple brands, placing greater emphasis on the strength of the ecosystem. As firms work out how to lead or participate in these ecosystems, they will embrace partners to win the hearts, minds, and spend of customers while protecting their core economic and IP interests.

PURPOSE-LED LEADERSHIP
This influx of temporary staff, robots, and fluid teams could easily erode a firm’s culture and its employees’ human need of affiliation. This means leadership will require more inspiration and communication of the firm’s mission, purpose, and values. Purpose will move from tag lines and posters to the adhesion and cohesion of teams, acting not simply as a rudder but as an engine.
PART THREE

What It Means

This kind of change would shock the core of almost every stakeholder in commercial markets. But a type of shock is already happening. Current organizational inertia that creates risk to a firm’s survival is simply a less dramatic shock to the system, slower and sometimes more insipid but equally shocking.

We believe organizational design (OD) will not simply drive cosmetic change or preserve the norms we are familiar with today. Instead, organizational design will cause a major rethink about what an organization is and how it works. Watch for these signals to know if and when shape-shifting organizations are becoming reality:

01
MICRO-LEARNING EXPLODES

In a fluid market for expertise-as-a-service, employees will seek depth and proof of skills, creating more demand for continuing education and certification programs. Multiyear, university-based programs will incorporate more industry ties and vocational elements. Meanwhile, new micro-learning offerings will be all the rage as employees race to keep their skills current in between assignments — or even during coffee breaks.

03
ROBOTIC PROCESS AUTOMATION (RPA) BECOMES INTELLIGENT

Leaders will need to reimagine processes to support new organizations. Expect organizations to expand from the current implementations of RPA to a more intelligent form that allows for the automation of dynamic, complex processes, taking a great leap forward in creating new operating models.

02
GIG HIRING GOES MAINSTREAM

Freelancer marketplaces are already popping up every day — from specialty networks like Tongal and Zooppa in marketing to broader networks such as Freelancer and Upstart. That market will accelerate as employers swarm and giants like Google jump in. Large people-dependent firms will likely create their own matching services (such as PwC’s Talent Exchange) — or buy one — to get a leg up in the expertise-as-a-service game.

04
ROBOTICS QUOTIENT (RQ) BECOMES A MEASURABLE COMPETENCY

Companies will expand EQ-oriented focus to robotics quotient — identifying and valuing skills that allow humans to work alongside robots. People, leaders, and organizations high in RQ will possess the ability to engage in sophisticated information processing and task completion by understanding, adapting to, collaborating with, and exchanging data and insights with intelligent machines.
05

BUDGET CYCLES RESEMBLE VC FUNDING

Most firms are already increasing the frequency of their budget cycles, moving to at least quarterly reviews and adjustments based on shifting needs. But more organizations will embrace more flexible funding — modeled on venture capital firms — with fluid teams bidding for funds without rigid definitions of functional budgets.

06

C-LEVEL ROLES MORPH

Future organizations will value collaboration among employees, gig workers, and robots, where who is in charge and what is most important is fluid. This will change the role of C-level executives from leading functions or P&Ls to orchestrating a dynamic business. This is particularly true for the CIO and CMO. As technology becomes inseparable from what the business is, the CIO becomes the major technology orchestrator. As customers become the reason for being, the CMO orchestrates brand and experience across ecosystems. Different than building and optimizing silos, they are the ringleaders to ensure a dynamic and hyperresponsive organization.

07

BOARDS BECOME RISK BROKERS

Boards will push to decompose and reassemble big businesses into stables of networked capabilities — all while constantly assessing and managing the risk that comes with restructuring. Expect a shakeup in the board makeup to get it done, with a bias toward digitally savvy change leaders experienced in navigating the ambiguous and pushing beyond the horizon to set the leadership bar at its highest point.

08

SHAREHOLDERS LOSE POWER

As focus centers on customers and speed, shareholders — arguably tuned to favor consistency and stability — will hold some firms back. Watch more firms opt to remain private rather than be lured by the prospect of an IPO. And for those already public? Expect more than a few firms to voluntarily delist while they restructure. For some, it will be a drastic but unavoidable move to survive.

09

MANAGEMENT CONSULTANTS CREATE PRACTICES TO CATALYZE THE MARKET

There is nothing that sets OD in motion more than the management houses seeing big money and career acceleration. Expect to see early innovation efforts expand to broader OD efforts that codify as new perspectives, practices, and revenue streams. Progressive leaders will capitalize on these changes to meet their strategic goals and purpose — placing one more competitive wedge between those responding to a disruptive market and those seeking to preserve what made them successful in prior markets.
Forrester believes it is a matter of when, not if, more far-reaching organizational design concepts become real. It also may be a question of who: If current leadership does not understand the need for or is adverse to the concepts altogether, we expect boards to intervene as competitive pressures mount and market pressures take a toll on performance.

External forces have been pounding companies for years. Far from relenting, these forces will pick up new energy from AI, robotics, the gig economy, and other factors promising to reshape markets.

For companies to thrive in these dynamic times, we believe leaders will need to fundamentally rethink what an organization is and how it works.