

# ORGANIZATION DESIGN WITH A SYSTEMS-THINKING LENS

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# OBJECTIVES

## Organization Design with a systems-thinking lens

This session will explore three key themes:

1. How we use **diagnosis** to do truly **systemic** organization design
2. Going beyond the formal organization and seeing the system in flow through the informal organization design—**networks and system dynamics**.
3. Paying attention to the other system elements **beyond structure** when we do org design



# CHAT: WHAT IS A 'SYSTEM'?

How would you describe a **system** – what one word comes to mind?

*Please enter your comments in the chat*

**“A system is a set of things – people, cells, molecules – interconnected in such a way that they produce their own pattern of behavior over time.”**

- Meadows, Donella. Thinking in Systems, 2008





# COMPLEX ADAPTIVE SYSTEMS

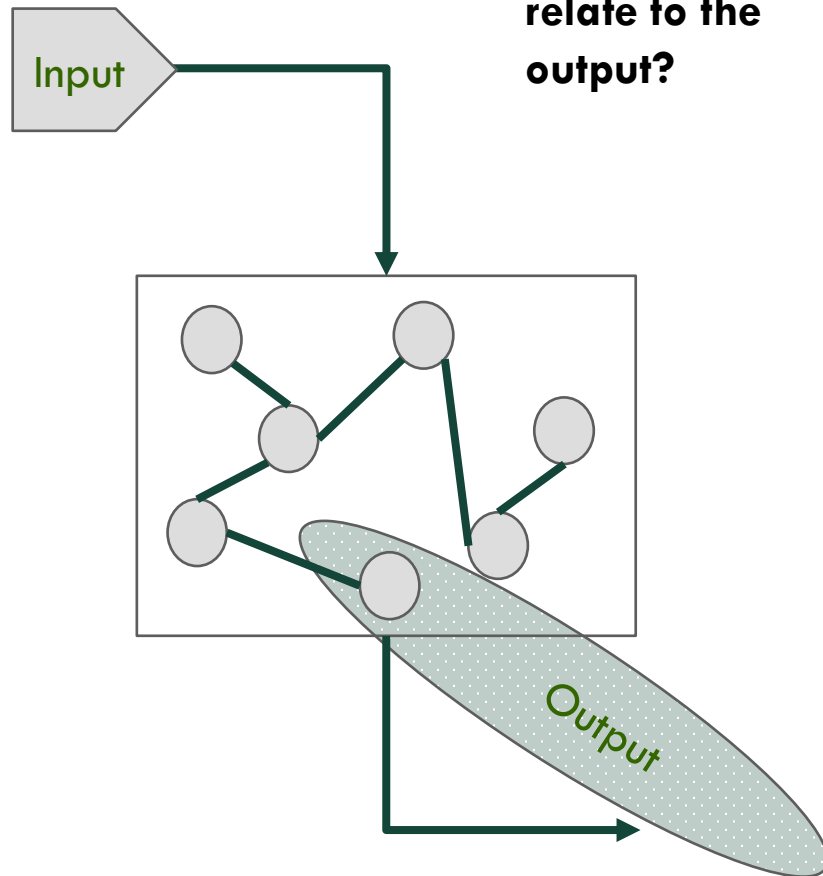




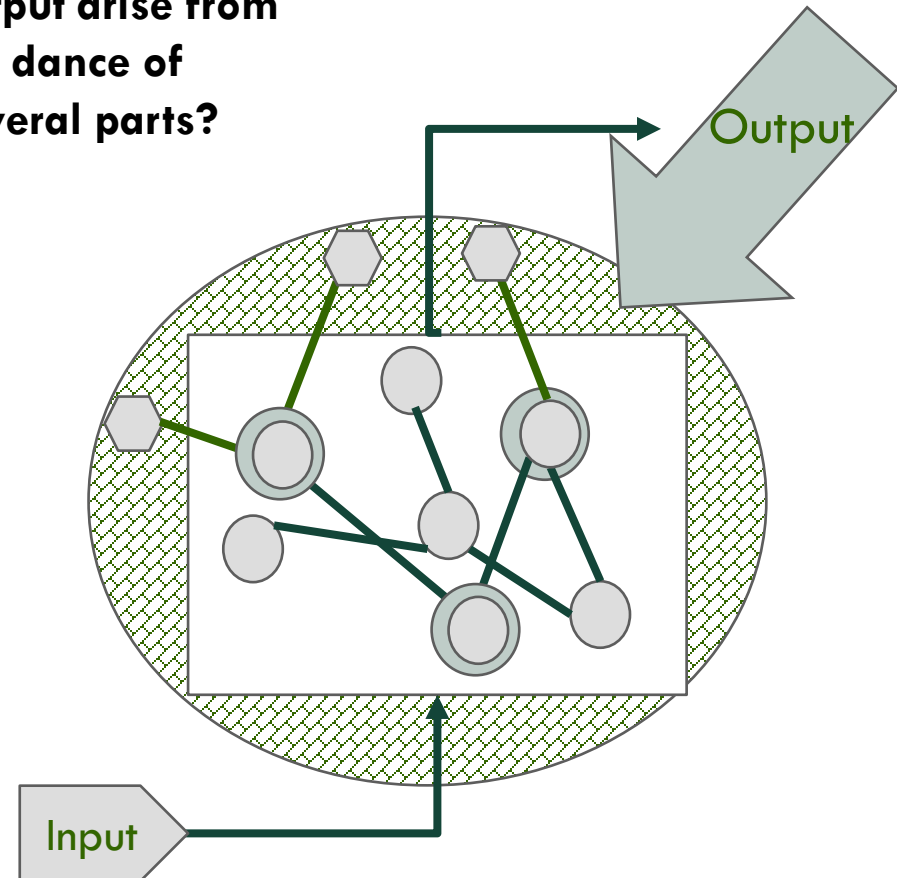
DESIGN IS  
NOT JUST WHAT  
IT LOOKS LIKE  
AND FEELS  
LIKE. DESIGN IS  
HOW IT WORKS

# LOOKING AT THE PARTS V. LOOKING AT THE WHOLE

How does each part relate to the output?



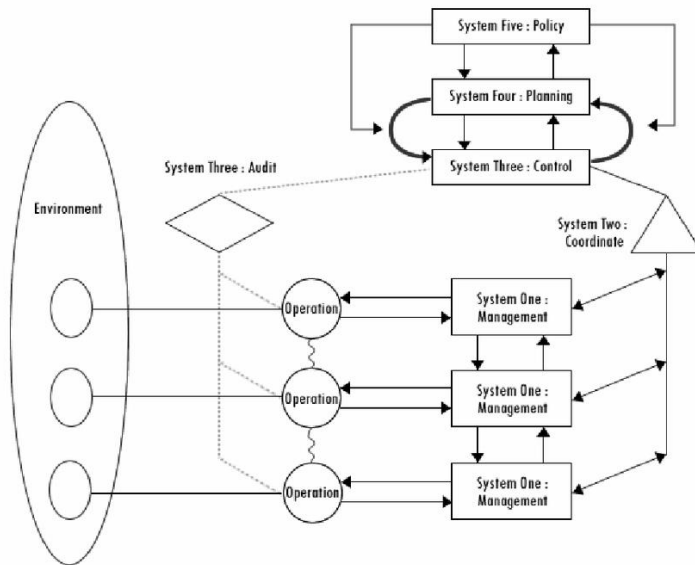
How does the output arise from the dance of several parts?



# SOME APPROACHES

## Viable Systems Model

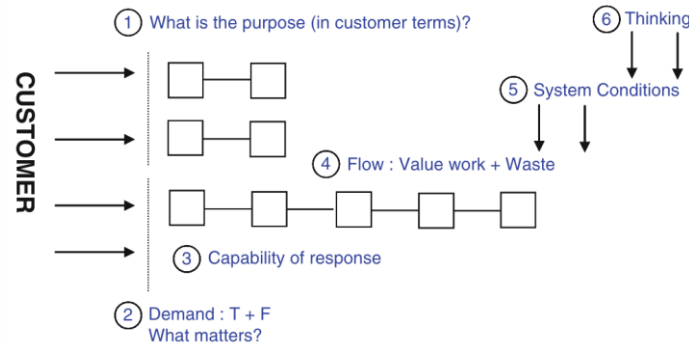
Stafford Beer



Originated from Cybernetics. The VSM is a framework to understand and design organizations that can adapt to changes and thrive in a complex world through the interaction of five subsystems that work together with the authority and structure to become a self-organizing system that can respond effectively to external challenges.

## Vanguard Method

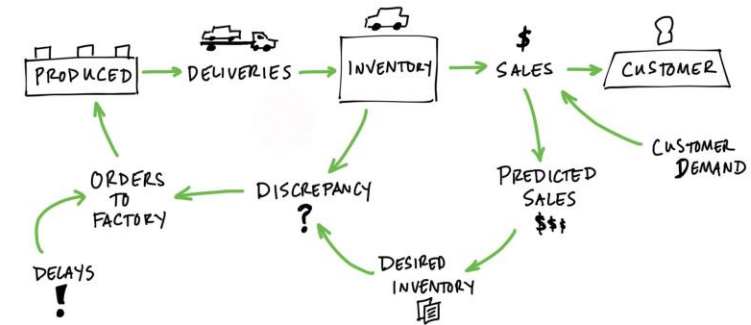
John Seddon



Originated from lean manufacturing. This method is often used by **service organizations**. Purpose is defined in terms of **value demand** (what the organization is asked to do or provide/which problems to solve). It hones on capabilities with the goal of reducing waste, thus reducing **failure demand** (demand caused by failure to provide the right service or product to the customer).

## System Dynamics

Donella Meadows



An approach to understanding the behavior of complex systems over time. It uses feedback loops and stocks and flows to describe how even seemingly simple systems display non-linearity.

# CASE STUDY 1: APPLYING SYSTEMS THINKING

## The diagnosis

**Background:** An enterprise has reevaluated their core business and to gain focus, has decided to separate from the core, the P&L of certain product lines that will integrate as a unit in a different jurisdiction with the intent of increasing market share in that country and provide access to raw materials to the core business. The new unit will still leverage the operational and supply chain infrastructure of the core business to deliver value to the customer.

Presenting request: How can we become an autonomous operation, grow our traditional product lines, increase the raw material access to the core and deliver end-to-end value to the customer although we do not have full decision rights over the operational aspects?

### Analytical thinking

1. What is the strategy?
2. What is the gap (people, process, technology) between the strategy and what is needed?
3. Hypotheses to solve the gap
4. Structural choices

Analytical thinking led to product value proposition and go-to-market initiatives

### Systems-thinking

#### 1. What is happening?

- What is the work system we are examining and how is it embedded into the larger organization?
- What does the system do? (In terms of outputs)
- How do the agents of the system describe the system?
- What are stable patterns of interaction and behavior among agents?

#### 2. What are the boundaries within the system?

- How do the recurring behaviors confine the system?
- How does the system connect with the broader system?

System-thinking led to acknowledging (and drawing) the operating model and the interplay between areas



# APPLYING SYSTEMS THINKING

## Design criteria and strategic grouping

- In a vast geography, autonomy and agility of the customer facing units but acting with cohesion as one entity
- Shift from activity-led to customer-led
- Cross pollination by different product lines
- One central P&L instead of product P&Ls
- Simplify decision-making

Sub-system 1: Primary activities that deliver value. The “feed and breed” activities

Sub-system 2: Harmonization, coordination, conflict prevention & resolution.

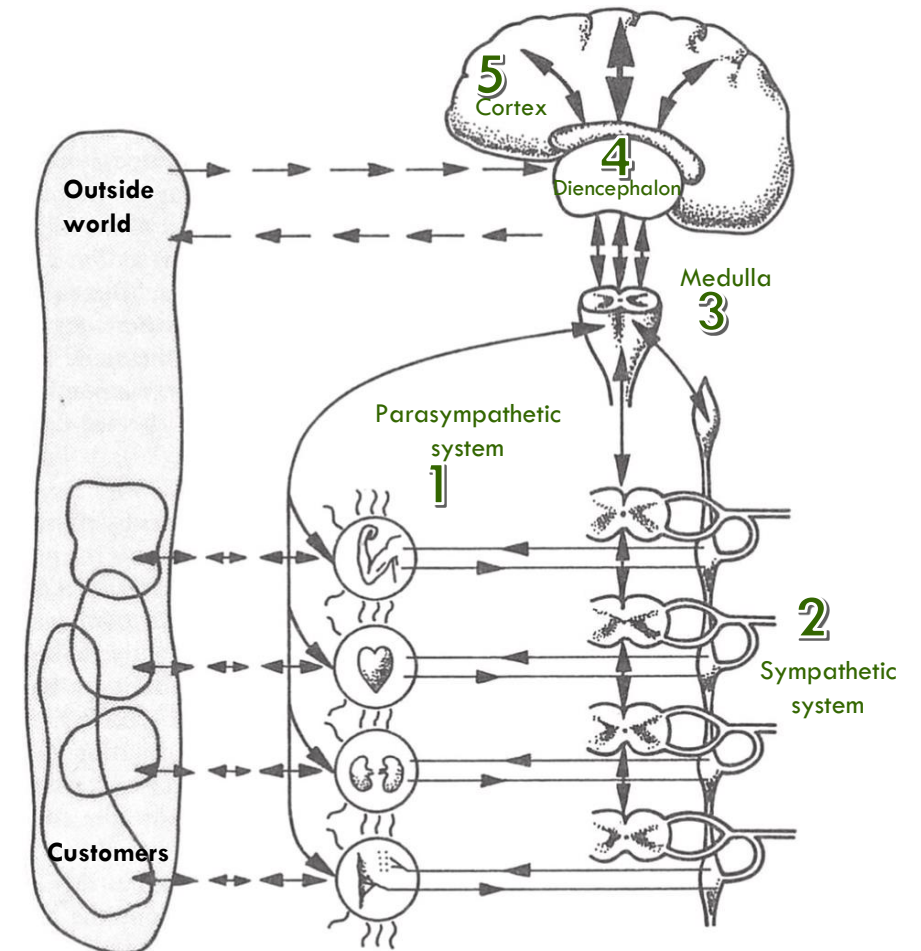
Sub-system 3: Self-regulation, learning, synergy

Sub-system 4: Input from the senses, environmental scanning, forward planning, Adaptation

Sub-system 5: Organizational identity, ethos, broader network of relations

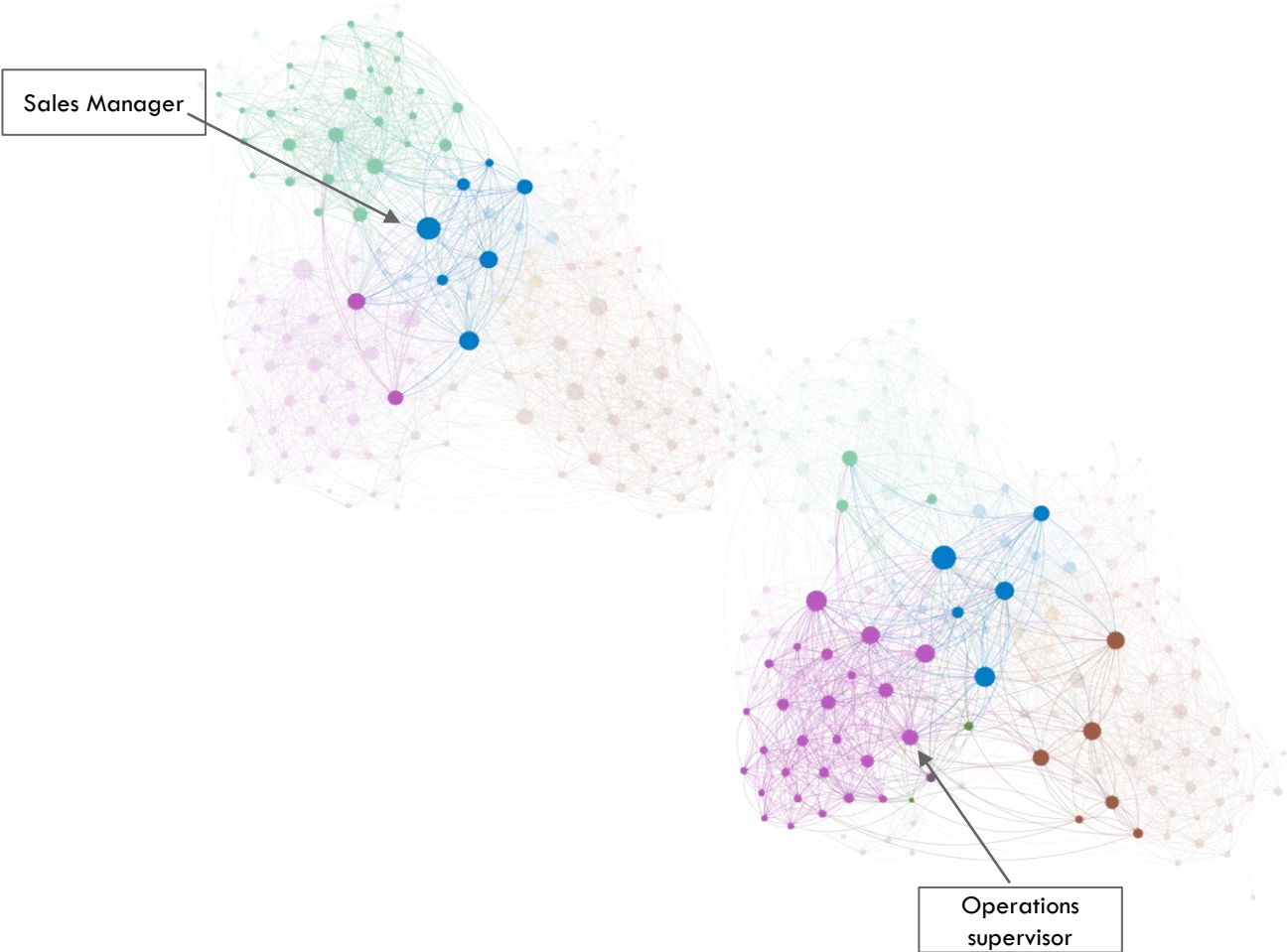
### Folk Theorem and the most fundamental design principle: INFLUENCE MUST MATCH INTERDEPENDENCE

Interdependence: Agents that need each other to get the job done  
Influence: The ability to influence beliefs and actions among agents

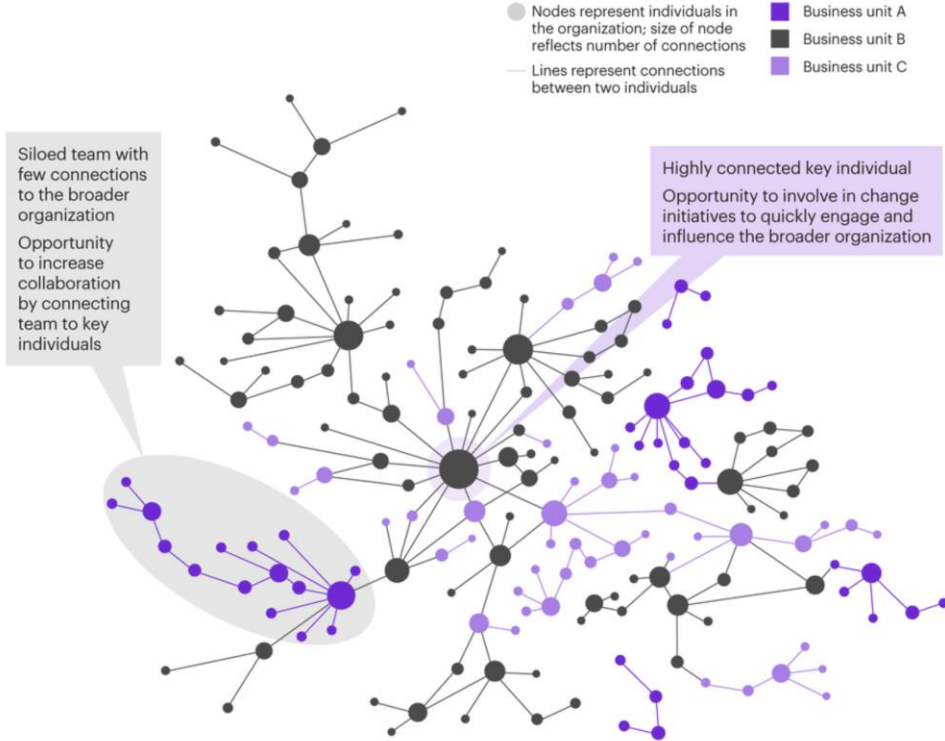


# APPLYING SYSTEMS THINKING

From macro to micro: understanding the underlying network behavior and mobilizing agents

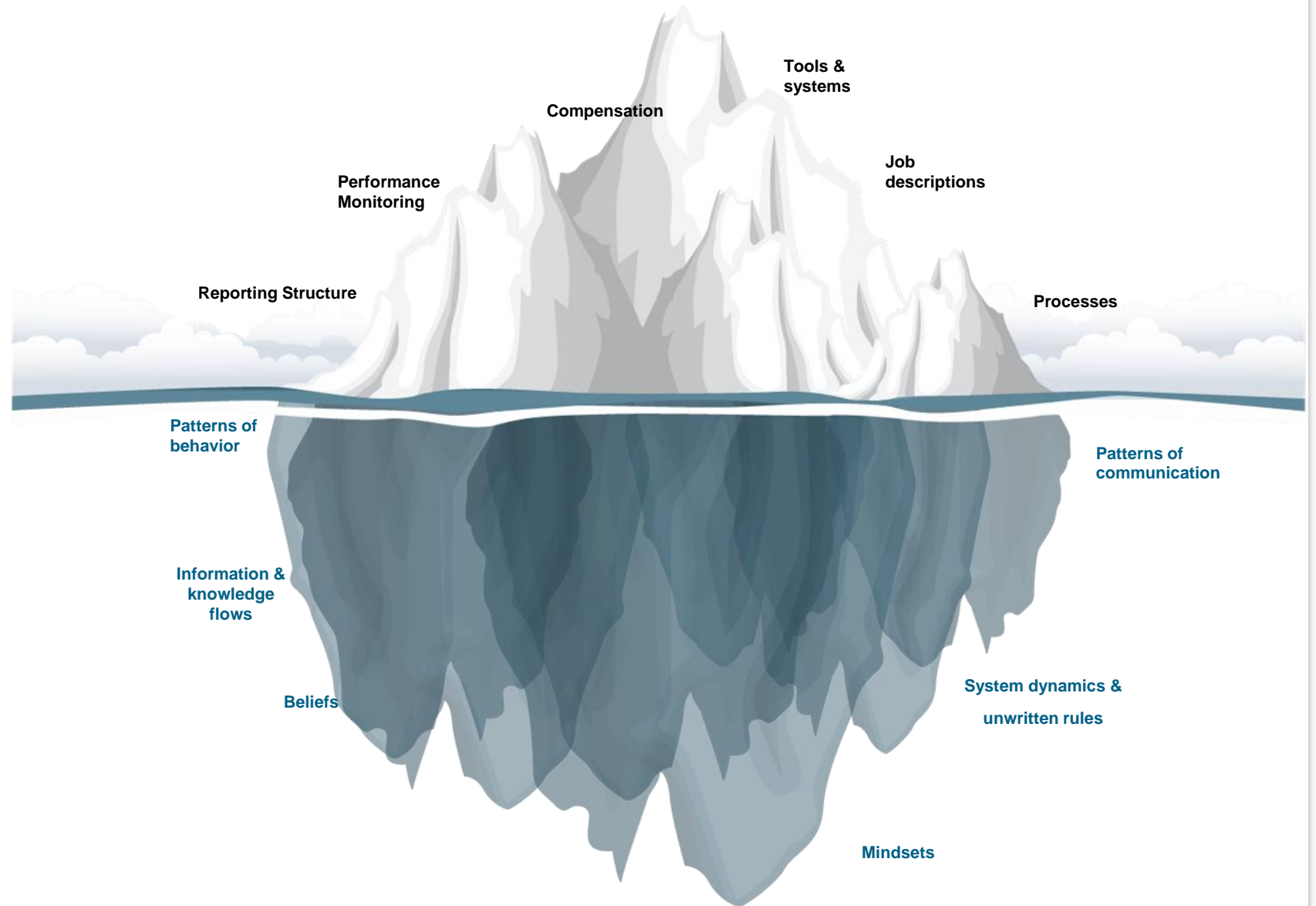


Illustrative example of a company's informal network



Source: A.T. Kearney analysis

To propel transformation, be the current, not the wind



# QUICK POLL

How often does your client/organization have a clear and thorough understanding of the 'real' issues at play—below the water line?

1. All the time
2. Greater than 50% of the time
3. Less than 50% of the time
4. Never



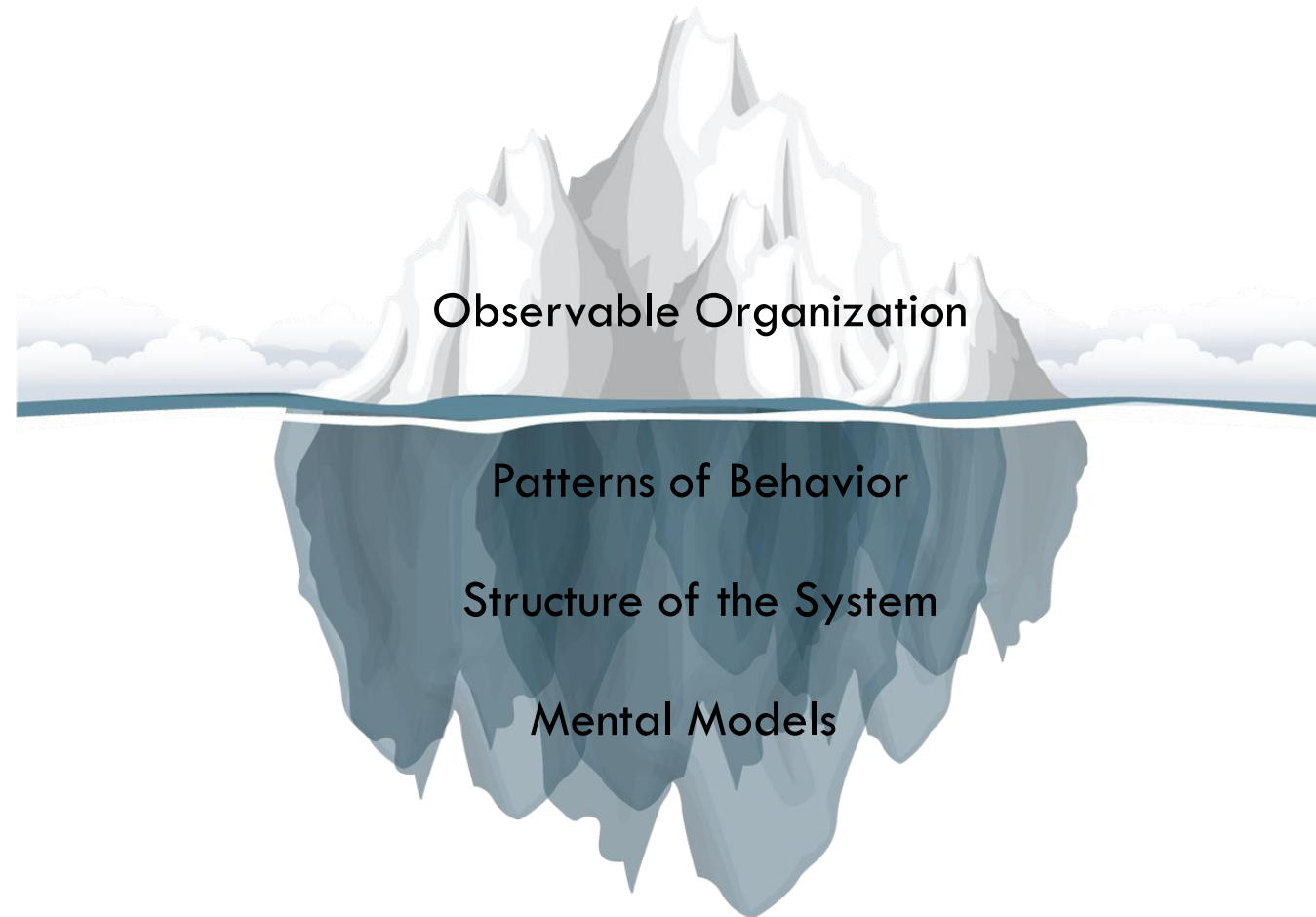
# CASE STUDY 2: DYSFUNCTIONAL CULTURAL NORMS

This small successful company facing inflection point for growth

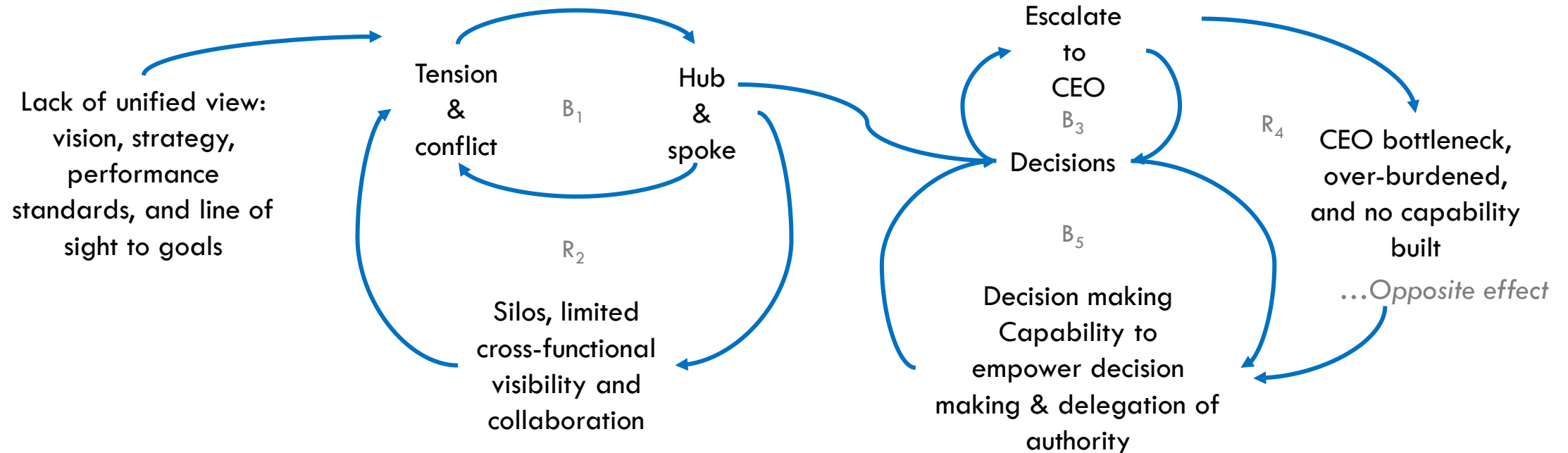
CEO knows he needs to look at his entire company operating model as they further scale the business.

He currently has 15 direct reports.

Organization diagnosis reveals underlying system dynamics that org structure alone can't solve.



# SYSTEM THINKING REVEALS UNDERLYING DYNAMICS



These systemic dynamics at play, if left unaddressed, will erode performance and cultural strengths over time

# CASE STUDY 3: INTERCONNECTED ISSUES

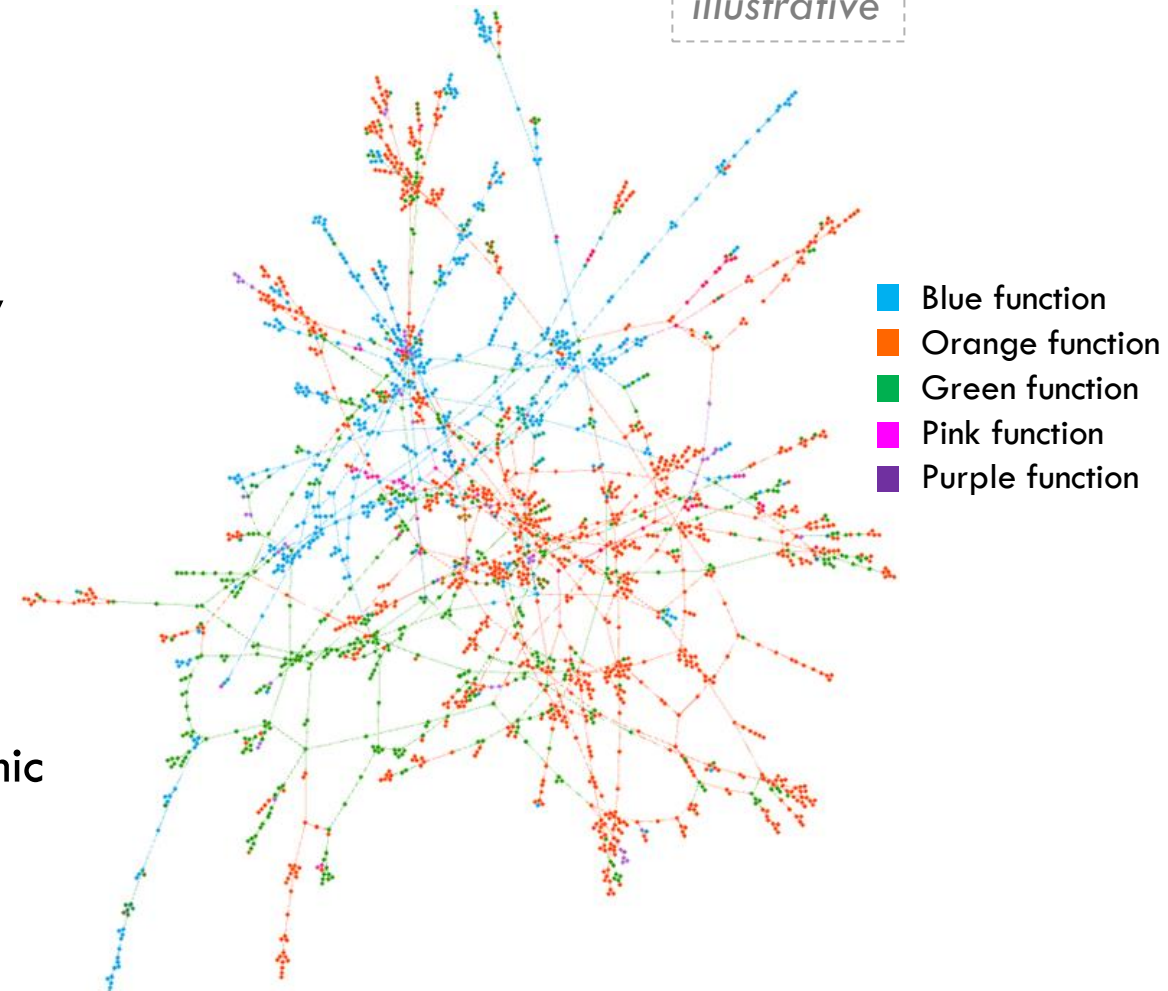
*illustrative*

Large global organization experiencing significant change in their industry

Company doing well, but executive team facing many issues across the organization

Detailed organization diagnosis using ONA and systems thinking tools helped the leaders visualize their challenges and see the interconnections

**Result:** Data-driven prioritized plan to address systemic challenges, clarified leverage points, and provided context to better design organizational structure

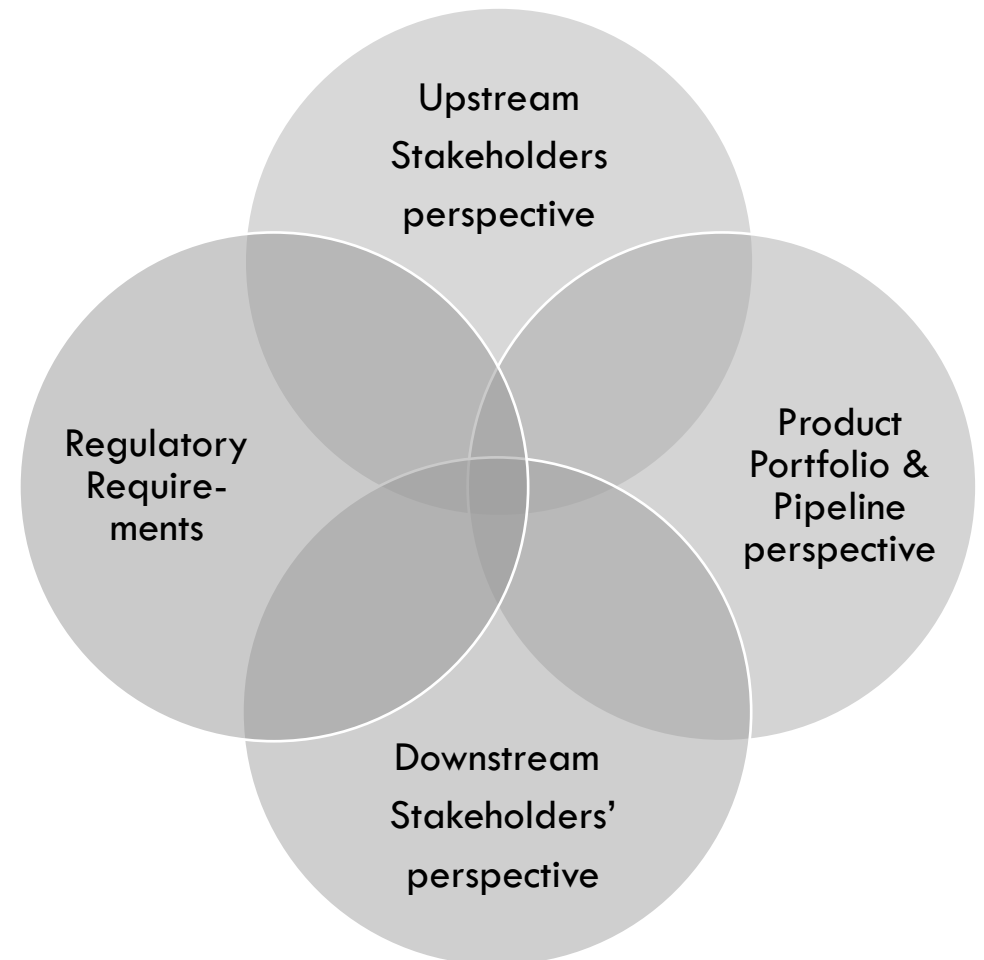


# CASE STUDY 4: BLIND SPOTS

Global function of a multi billion-dollar company requests org design for their function

Systemic organization diagnosis reveals significant blind spots

**Result:** Org designed with greater clarity of stakeholder expectations, geographic considerations, and implications to the greater system





# SUMMARY

1. Don't shortchange thorough org diagnosis.
2. Seek to understand interconnections of the system / network and the whole.
3. Sometimes org structure design is not the best (or first) solution.
4. See the entire iceberg!
5. Small changes in a complex system can produce large and unexpected effects.

Resource: [Video - How wolves change rivers](#)

# LET'S CONNECT!

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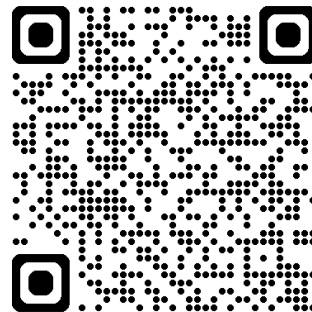
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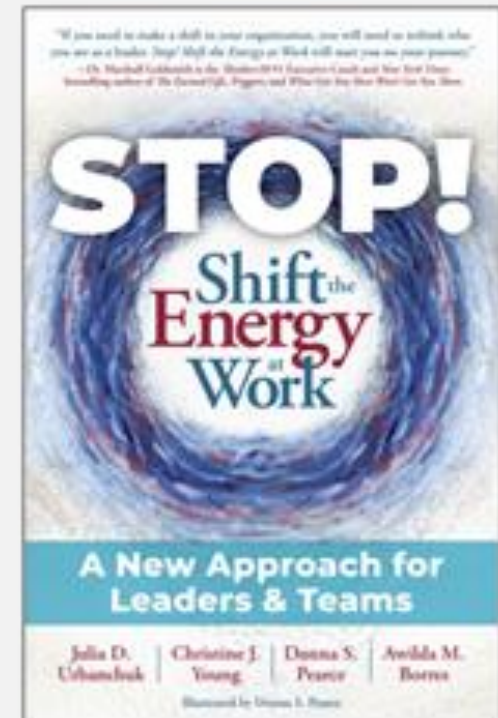
[julia@starpattern.net](mailto:julia@starpattern.net)

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## Q&A

**Coming soon on Amazon!**  
**Stop! Shift the Energy at Work**  
Authors: Urbanchuk, Young, Pearce, & Borres



# WANT TO LEARN MORE?

- **Thinking in Systems** [Amazon.com: Thinking in Systems: International Bestseller eBook : Meadows, Donella H., Wright, Diana: Kindle Store](#)
- **The Fifth Discipline** [The Fifth Discipline: The Art & Practice of The Learning Organization: Senge, Peter M.: 8601420120846: Amazon.com: Books](#)
- **Linked** [Linked: How Everything Is Connected to Everything Else and What It Means for Business, Science, and Everyday Life: Barabási, Albert-László: 9780465085736: Amazon.com: Books](#)
- **Social Chemistry** [Social Chemistry: Decoding the Patterns of Human Connection: King, Marissa: 9781524743826: Amazon.com: Books](#)
- **The Fractal Organization** [The Fractal Organization: Creating sustainable organizations with the Viable System Model: Hoverstadt, Patrick: 9780470060568: Amazon.com: Books](#)
- **Re-creating the Corporation** [Amazon.com: Re-Creating the Corporation: A Design of Organizations for the 21st Century eBook : Ackoff, Russell L.: Kindle Store](#)
- **The Fifth Discipline Fieldbook** [The Fifth Discipline Fieldbook: Strategies and Tools for Building a Learning Organization: Senge, Peter M.: 9780385472562: Amazon.com: Books](#)
- **Designing Regenerative Cultures** [Designing Regenerative Cultures: Wahl, Daniel Christian: 9781909470774: Amazon.com: Books](#)
- **Strategy for Managing Complex Systems** [Amazon.com: Strategy for Managing Complex Systems: A Contribution to Management Cybernetics for Evolutionary Systems: 9783593505398: Malik, Fredmund, Scherer, Jutta: Books](#)
- **Harvard Kennedy School Corporate Responsibility Initiative** [Corporate Responsibility Initiative | Harvard Kennedy School](#)