

77. Organizational Diamond

How can I structure my organization in the most effective way?

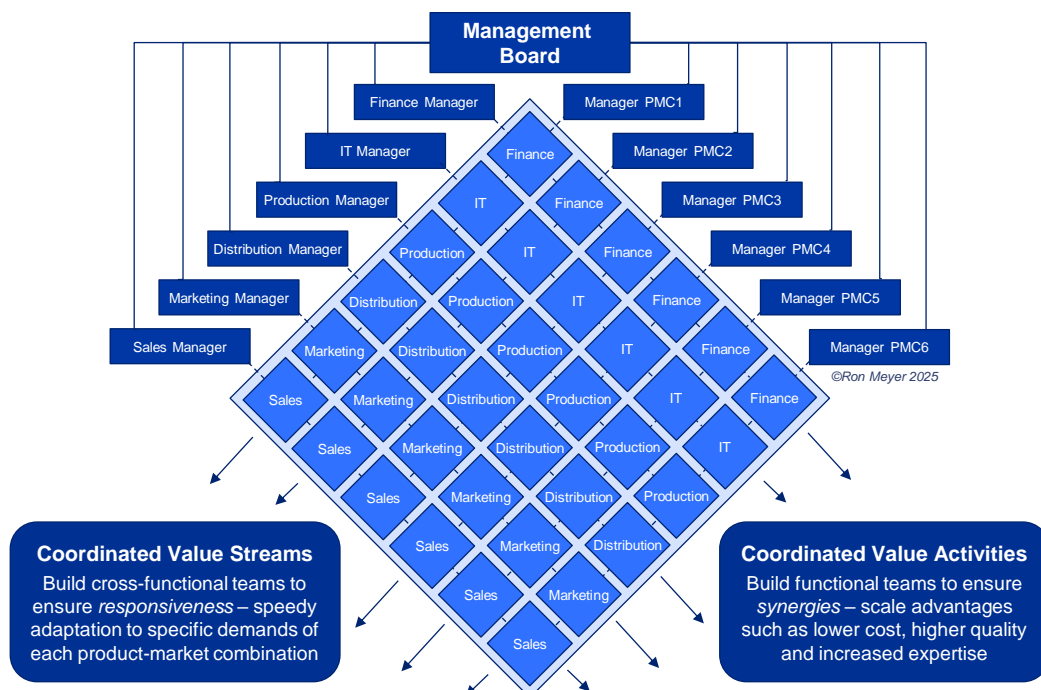
Key Definitions

An *organization* is a group of people striving towards a shared goal over a prolonged period of time, who have divided the necessary work between them (*differentiation*), while coordinating their efforts (*integration*) to achieve the intended result together (Lawrence and Lorsch, 1967).

An *organizational structure* is the design used to divide work activities between units and individuals (*task allocation*), while ensuring that, where necessary, these activities are aligned (*task coordination*) and they are performed efficiently and effectively (*task supervision*).

Conceptual Model

The *Organizational Diamond* framework offers a simple key for designing even complex organizations. It is based on the premise that when structuring an organization designers need to balance, on the one hand, the advantages of keeping *similar* value activities together in functional teams (diagonally on the left), with on the other hand the advantages of keeping *complementary* value activities together in cross-functional value stream teams (diagonally on the right). In other words, every organizational design is fundamentally a balancing act between achieving *internal synergies* and *external responsiveness*. When deciding on the most effective structure, this trade-off needs to be considered at various levels of aggregation.



Key Elements

The two fundamental design principles are the following:

1. **Coordinate Value Activities to Achieve Synergies.** Keeping similar value-adding activities together in one person or department can create scale advantages, such as lower

cost, higher quality and increased expertise. This is the internal *functional team* logic, usually leading to functional managers at the head of departments (see top left). However, these synergies are only viable if the activities are (made) similar enough.

2. **Coordinate Value Streams to Achieve Responsiveness.** Keeping complementary value-adding activities together in one person or department can create responsiveness advantages, such as market adaptability and customer-centricity. This is the external *cross-functional team* logic that is particularly important if markets are very different. This leads to having business unit, product line and/or regional managers as department heads.

The framework then suggests the following organizational design process:

A. **Evaluate Building Blocks Bottom-Up:**

1. *Map out all main value-adding activities.* Determine a detailed picture of all of the work that needs to be done (the light blue examples in the diagram, but more detailed).
2. *Assess the responsiveness advantages.* Determine how different each product-market combination (PMC) is and what the benefits of tailoring to each would be.
3. *Assess the synergy advantages.* Determine how similar various activities are and how large the scale benefits could be.

B. **Structure Building Blocks Top-Down:**

4. *Design main structure.* Determine whether the main structure will be function-based or market-based (by business, region or customer group). At the next level do the same.
5. *Design secondary structure.* Determine where the “fixed line” coordination needs to be supported by “dotted line” coordination. Do this at every level, from the top down.
6. *Slot people into the structure.* Determine which person should be on which team, to carry out which activities. Recruit/replace people to fit with the activities.

Key Insights

- **Organizational design is about value creation.** Organizations are groups of people, but their design shouldn't be based on the people, but on the value they are intended to create. Organizations should be fit for purpose, so structuring them starts with understanding which value-adding activities need to be carried out and how these can be performed as efficiently and effectively as possible. So, first structure the activities, then add the people.
- **Organizational design balances internal and external logics.** All the value-adding activities can be coordinated in two ways: similar activities can be clustered to create internally oriented *synergies*, while complementary activities can be clustered to achieve externally oriented *responsiveness*. These opposite possibilities need to be balanced.
- **Organizational design should always start with business design.** Whether the diamond should tip to the right, emphasizing functional synergies, or tip to the left, focusing on market responsiveness, depends on the chosen business strategy. Structure follows strategy (Chandler, 1962). The business model determines which activities to coordinate.
- **Organizational design should be bottom-up and then top-down.** Structuring should start with a bottom-up understanding of all the required value-adding activities and the potential for synergy and responsiveness advantages. Only then can clustering choices be made, starting from the top down, with a first level of structuring, followed by multiple next levels, each time using the same internal-external advantage trade-off.
- **Organizational design balanced fixed line and dotted line.** While the main structure determines the formal divisions and reporting lines, there is usually still room to coordinate between activities across units/departments using a variety of “dotted line” integration mechanisms. See the 11C Synergy Model (#8) and Customer-Centricity Model (#51).

Meyer's Management Models

Insightful Tools to Kickstart Your Thinking

Publication Schedule

<i>July 2019</i>	<i>Mind the Gap Model</i>	<i>Change Management</i>
<i>August 2019</i>	<i>Digital Platform Map</i>	<i>Digital Strategy</i>
<i>September 2019</i>	<i>Interaction Pressure Gauge</i>	<i>Interpersonal Interaction</i>
<i>October 2019</i>	<i>Revenue Model Framework</i>	<i>Revenue Model Typology</i>
<i>November 2019</i>	<i>House of Engagement</i>	<i>Organizational Engagement</i>
<i>December 2019</i>	<i>Confidence Quotient</i>	<i>Trust Building</i>
<i>January 2020</i>	<i>Competition Tornado</i>	<i>Competitive Strategy</i>
<i>February 2020</i>	<i>11C Synergy Model</i>	<i>Corporate Synergy Management</i>
<i>March 2020</i>	<i>Leadership Fairness Model</i>	<i>Leader-Follower Interaction</i>
<i>April 2020</i>	<i>Strategic Agility Model</i>	<i>Strategy Process Approach</i>
<i>May 2020</i>	<i>Control Panel</i>	<i>Corporate Control Dimensions</i>
<i>June 2020</i>	<i>Rising Star Framework</i>	<i>Talent Management</i>
<i>July 2020</i>	<i>Strategy Development Cycle</i>	<i>Strategy Process Steps</i>
<i>August 2020</i>	<i>7I Corporate Center Model</i>	<i>Corporate Organization</i>
<i>September 2020</i>	<i>Storytelling Scripts</i>	<i>Leadership Communication</i>
<i>October 2020</i>	<i>Strategic Bets Framework</i>	<i>Strategic Decision-Making</i>
<i>November 2020</i>	<i>Rebound Model of Resilience</i>	<i>Organizational Resilience</i>
<i>December 2020</i>	<i>4C Leadership Capabilities</i>	<i>Leadership Competences</i>
<i>January 2021</i>	<i>Digital Product Model Dial</i>	<i>Digital Strategy</i>
<i>February 2021</i>	<i>Digital Distribution Model Dial</i>	<i>Digital Strategy</i>
<i>March 2021</i>	<i>Empowerment Cycle</i>	<i>Employee Empowerment</i>
<i>April 2021</i>	<i>Innovation Box</i>	<i>Innovation Approaches</i>
<i>May 2021</i>	<i>Knowledge Sharing Bridges</i>	<i>Best Practice Sharing</i>
<i>June 2021</i>	<i>Followership Cycle</i>	<i>Leader-Follower Interaction</i>
<i>July 2021</i>	<i>Everest Model of Change</i>	<i>Change Management</i>
<i>August 2021</i>	<i>Fruits & Nuts Matrix</i>	<i>Priority-Setting</i>
<i>September 2021</i>	<i>Powerhouse Framework</i>	<i>People & Organization Strategy</i>
<i>October 2021</i>	<i>Strategy Hourglass</i>	<i>Strategy-Making Steps</i>
<i>November 2021</i>	<i>Disciplined Dialogue Model</i>	<i>Interpersonal Communication</i>
<i>December 2021</i>	<i>Team Building Cycle</i>	<i>Team Building Process</i>
<i>January 2022</i>	<i>Market System Map</i>	<i>External Analysis Framework</i>
<i>February 2022</i>	<i>Strategic Alignment Model</i>	<i>Business Level Strategy</i>
<i>March 2022</i>	<i>Creativity X-Factor</i>	<i>Creativity Enhancement</i>
<i>April 2022</i>	<i>Organizational System Map</i>	<i>Organizational Analysis</i>
<i>May 2022</i>	<i>Corporate Value Creation Model</i>	<i>Corporate Level Strategy</i>
<i>June 2022</i>	<i>Change Manager's Toolbox</i>	<i>Change Methodologies</i>

<i>July 2022</i>	<i>Sustainable You Model</i>	<i>Personal Sustainability</i>
<i>August 2022</i>	<i>Value Proposition Dial</i>	<i>Business Level Strategy</i>
<i>September 2022</i>	<i>The Tree of Power</i>	<i>Organizational Power</i>
<i>October 2022</i>	<i>Psychological Safety Compass</i>	<i>Team Dynamics</i>
<i>November 2022</i>	<i>Strategic Action Modes</i>	<i>Strategy Process</i>
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<i>April 2023</i>	<i>Ambition Radar Screen</i>	<i>Motivation Analysis</i>
<i>May 2023</i>	<i>Corporate Strategy Framework</i>	<i>Corporate Strategy</i>
<i>June 2023</i>	<i>Cultural Fabric Model</i>	<i>Organizational Culture</i>
<i>July 2023</i>	<i>New Pyramid Principle</i>	<i>Presentation Approaches</i>
<i>August 2023</i>	<i>Activity System Dial</i>	<i>Value Creation Analysis</i>
<i>September 2023</i>	<i>Customer-Centricity Circle</i>	<i>Organizational Design</i>
<i>October 2023</i>	<i>Status Snakes & Ladders</i>	<i>Leadership Branding</i>
<i>November 2023</i>	<i>Stakeholder Stance Map</i>	<i>Stakeholder Management</i>
<i>December 2023</i>	<i>Best Practice Sharing Modes</i>	<i>Sharing Methods</i>
<i>January 2024</i>	<i>Duty of Care Feedback Model</i>	<i>Feedback Method</i>
<i>February 2024</i>	<i>BOLD Vision Framework</i>	<i>Organizational Vision</i>
<i>March 2024</i>	<i>MOVING Mission Framework</i>	<i>Organizational Mission</i>
<i>April 2024</i>	<i>Leadership Circle Map</i>	<i>Leadership Skills</i>
<i>May 2024</i>	<i>Digitalization Staircase</i>	<i>Digital Strategy</i>
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<i>July 2024</i>	<i>Wicked Problem Scorecard</i>	<i>Organizational Decision-Making</i>
<i>August 2024</i>	<i>Hunting & Farming Typology</i>	<i>Sales Management</i>
<i>September 2024</i>	<i>Guiding STAR Matrix</i>	<i>Objective Setting Approach</i>
<i>October 2024</i>	<i>Corporate Synergy Typology</i>	<i>Corporate Level Strategy</i>
<i>November 2024</i>	<i>Self-Centered Thinking Traps</i>	<i>Thinking Styles</i>
<i>December 2024</i>	<i>Sustainability Maturity Ladder</i>	<i>Sustainability Management</i>
<i>January 2025</i>	<i>Top Line Growth Pie</i>	<i>Growth Strategy</i>
<i>February 2025</i>	<i>Innovation Sins & Virtues</i>	<i>Innovation Management</i>
<i>March 2025</i>	<i>Interaction Drivers</i>	<i>Communication Determinants</i>
<i>April 2025</i>	<i>Frictionless Flow Framework</i>	<i>Customer Journey</i>
<i>May 2025</i>	<i>Five Phases of Change</i>	<i>Change Management</i>
<i>June 2025</i>	<i>Courageous Core Model</i>	<i>Leadership Behaviors</i>
<i>July 2025</i>	<i>Integration Zippers</i>	<i>Corporate Strategy</i>
<i>August 2025</i>	<i>Innovation Arena</i>	<i>Innovation Management</i>
<i>September 2025</i>	<i>Conversation Elevator</i>	<i>Communication Approaches</i>
<i>October 2025</i>	<i>5T SMART Plan</i>	<i>Strategic Planning</i>

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Organizational Diamond

New Learning Curve

Strategic Assignment Matrix

Five Forces of Inward-Looking

Embedded Identity Model

Synergy Value Matrix

Low Performance Team Slide

Leadership Journey

Partnership Distance Model

Triple Diamond Model

Personal Quick Guide

Dynamic Organization Paradigm

Organizational Design

Personal Learning

Corporate Strategy

Organizational Dynamics

Personal Awareness

Corporate Level Strategy

Team Building

Leadership Development

Interorganizational Relations

Organizational Decision-Making

Personal Effectiveness

Human-centered Organization