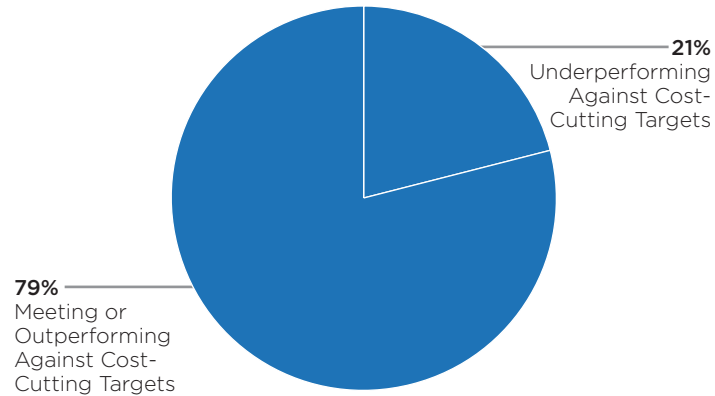


Seventy-nine percent of organizations have achieved or outperformed cost-cutting targets from their most recent redesign.

- Despite cost-cutting achievements, organizations are worried about potential employee performance problems that may not be reflected in cost-cutting data.

MOST ORGANIZATIONS ACHIEVE COST-CUTTING TARGETS FROM REDESIGNS

Percentage of Organizations Achieving Cost-Cutting Targets from Most Recent Redesign



“We think we are executing well based on cost-cutting achievements, but we are worried about employee performance issues: people don’t seem to understand what their role means or how they work with other people.”

SVP, HR, Distribution Organization


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Employee performance is a hidden cost to redesign in the short and long term.

- After one year, only 60% of organizations are hitting the employee performance targets of their redesigns, while 90% are hitting cost-cutting targets.
- Progress toward employee performance targets tends to get worse before it gets better, with fewer organizations achieving performance targets 6-12 months out compared to the first six months.

 "Performance does seem to dip after a redesign, but it's our job to get us above target as quickly as possible."

Head of Organization Effectiveness
Retail Organization

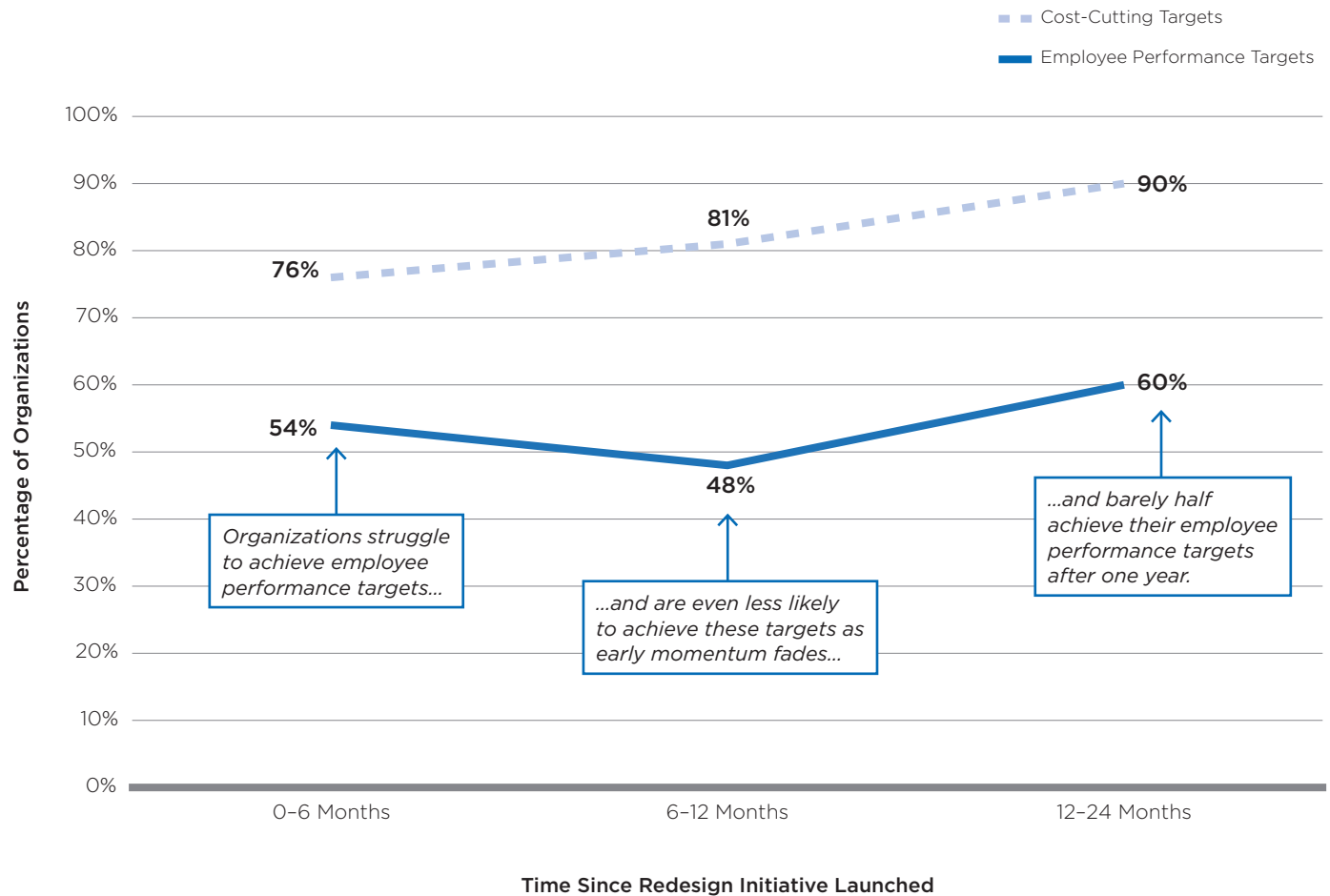
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ORGANIZATIONS STRUGGLE TO HIT EMPLOYEE PERFORMANCE TARGETS IN THE SHORT AND LONG TERM

Percentage of Organizations Achieving Cost-Cutting and Employee Performance Targets from Launch of Redesign





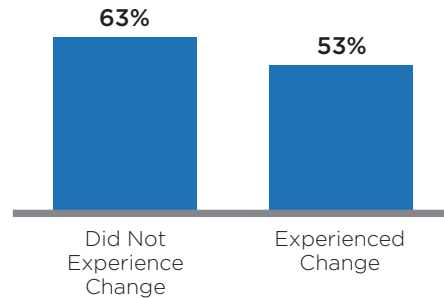
Changes that disrupt the work environment make employee performance targets difficult to achieve.

- Clarity of decision-making authority declines 10 percentage points with redesign changes.
- Alignment of peer goals declines 11 percentage points with redesign changes.
- Collaboration across teams declines 12 percentage points with redesign changes.
- Employee’s job-interests alignment declines eight percentage points with redesign change.
- Employees’ satisfaction with the alignment between their work and interests declines eight percentage points with redesign changes.

REDESIGN CHANGES SEVERELY IMPACT EMPLOYEE PERFORMANCE

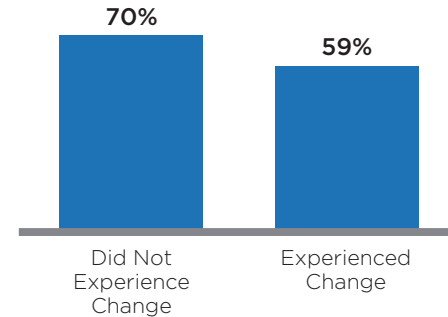
UNCLEAR DECISION-MAKING AUTHORITY

Percentage of Employees Who Feel Certain About Their Authority



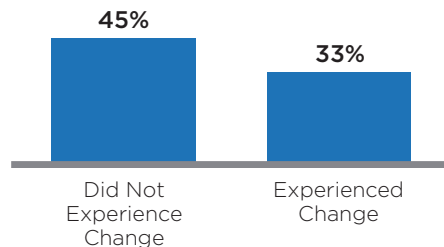
CONFLICTING GOALS

Percentage of Employees with Goals That Align with Peers’ Goals



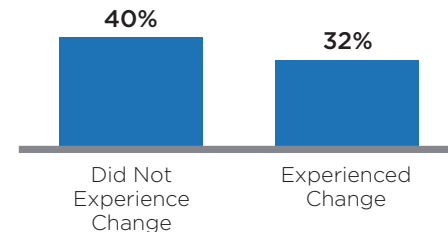
REDUCED COLLABORATION

Percentage of Employees Reporting High Team Collaboration



POOR EMPLOYEE-JOB FIT

Percentage of Employees Satisfied with Alignment Between Their Job and Interests



Source: Employment Value Proposition survey.

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Most HR executives focus on change management to improve employee performance through redesign.

- Only 13% of organizations focus on the assessment and design stage of redesign to improve performance, while 29% focus on the post-redesign monitoring and adjustment stage.
- See the Council's *Change Management Topic Center* for more information on change management processes.

HR FOCUSES ON CHANGE MANAGEMENT TO IMPROVE EMPLOYEE PERFORMANCE AFTER REDESIGN

Percentage of HR Executives Primarily Focused on Different Stages in Redesign Process to Improve Performance

TYPICAL REDESIGN PROCESS



Change Management Topic Center



Change management refers to coordinating decision making, implementation planning, compensation design, and communication of a redesign decision.

Source: Organization Redesign survey.

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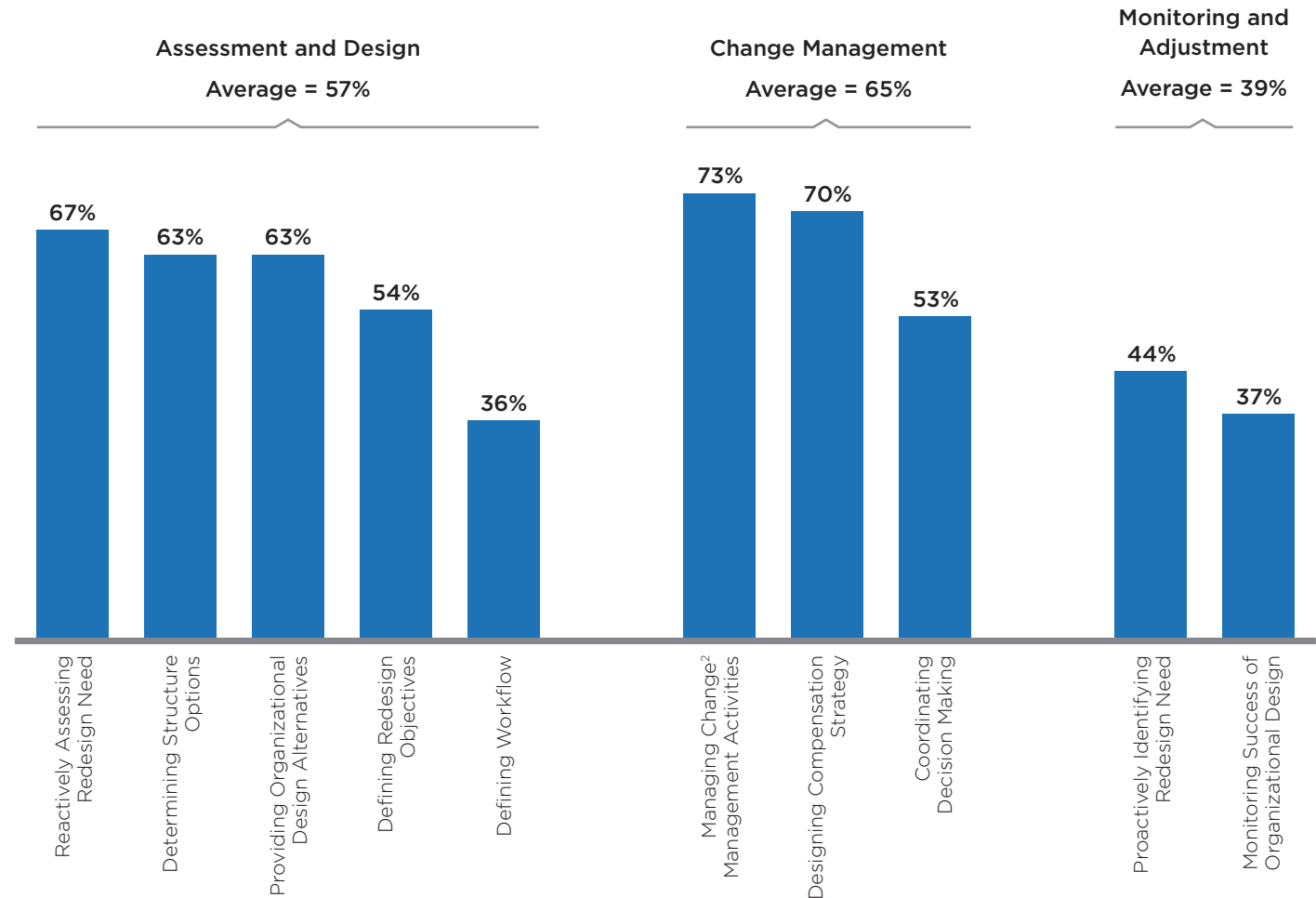
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HR is most effective at change management.

- HR is most effective at change management, compensation design, and assessing redesign need.
- HR is least effective at monitoring success of organizational design and defining workflow.

HR IS MOST EFFECTIVE AT CHANGE MANAGEMENT

HR Effectiveness¹ at Redesign Activities
Percentage of Organizations




¹ Effectiveness is defined as HR executives who rate their HR staff as somewhat effective, effective, or very effective at the activity.
² Change management activities include project planning for and communication of change.

Defining workflows and monitoring success are the most important activities that HR is least effective at performing.

- HR is effective at three important activities—reactively assessing needs, designing compensation strategy, and defining objectives.
- Though less important overall, change management is still critical in redesign. However, its success is largely dependent on effectiveness of the design.

How did we measure this?
 We compared HR's effectiveness at activities with correlation to overall performance of the redesign initiative (employee performance and financial achievement).

 "The problem today is not change management but that organizations get the wrong solution; it is fairly easy to get that wrong solution."

Business Leader
 Government Organization

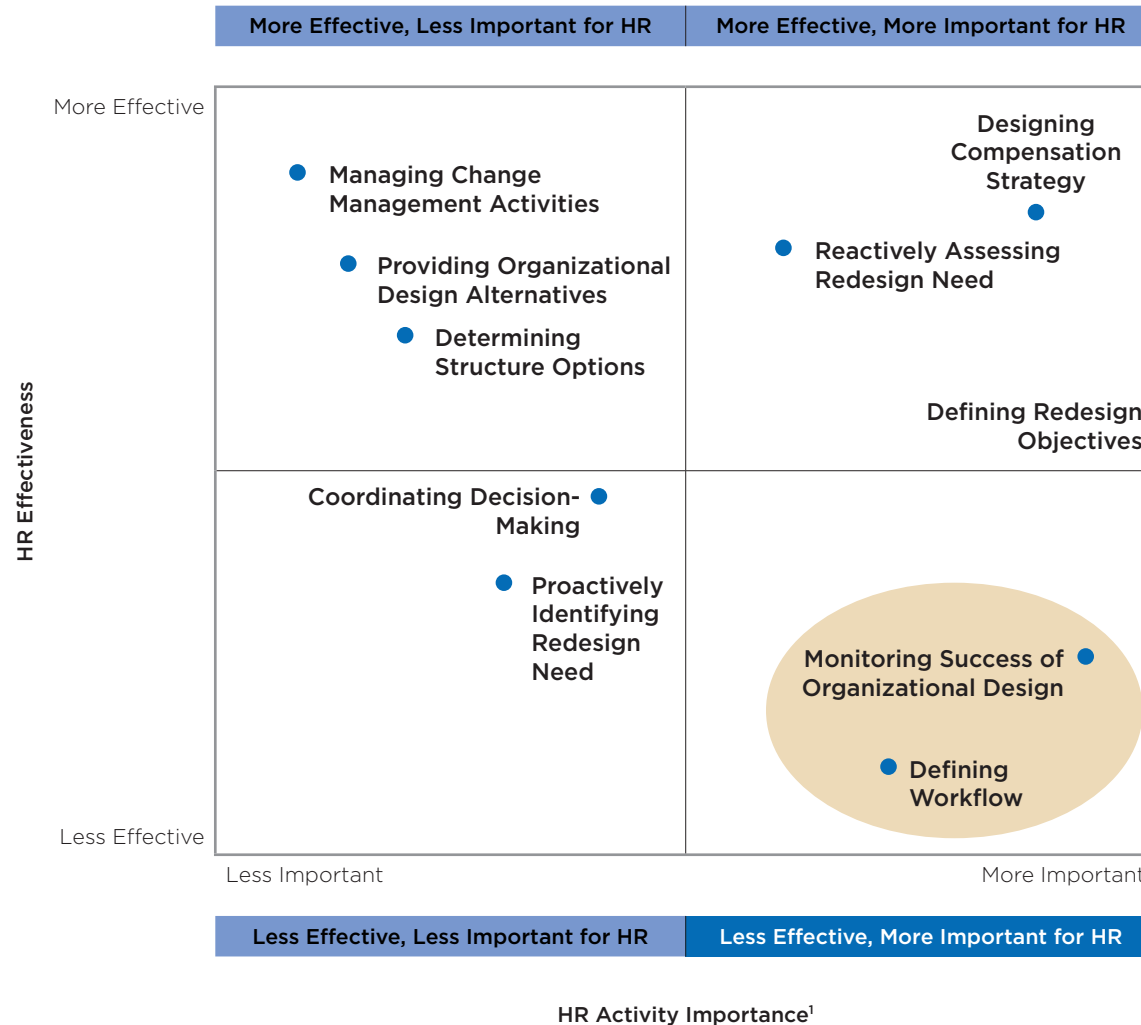
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TWO REDESIGN ACTIVITIES DIFFERENTIATE LEADING HR ORGANIZATIONS

HR Effectiveness at Redesign Process Activities by Importance to Redesign Success



¹ Correlation of HR activity effectiveness and overall redesign success (financial and employee performance).

HR struggles to define workflow and monitor redesign success.

- Only a third of organizations are effective at defining workflows and monitoring redesign success.
- The key challenges organizations have with defining workflows are that they do not have enough time, they lack the right inputs, and they focus only on formal structures.
- The key challenges organizations have with monitoring redesign success are that they cannot link financial success with redesign success and their validation of redesign success is not timely.

Workflow refers to understanding how employees perform their work.

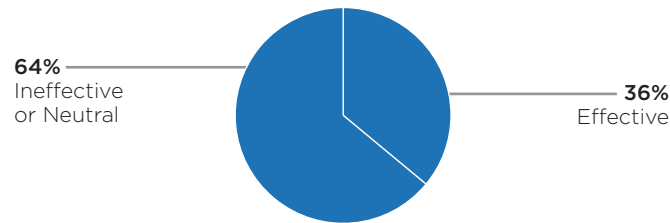
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ORGANIZATIONS STRUGGLE TO DEFINE WORKFLOWS AND MONITOR REDESIGN SUCCESS

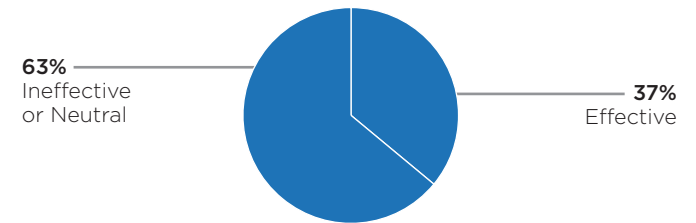
Percentage of HR Executives Indicating Effectiveness at Defining Workflows



Key Challenges

- 1 Organizations Do Not Have Enough Time to Do Workflow Mapping**
 “We need to plan the restructuring in weeks, not months or years.”
 Head of HR, IT Organization
- 2 Organizations Lack the Right Inputs**
 “Our senior managers don’t always know who does what.”
 Senior VP, HR, Manufacturing Organization
- 3 Organizations Focus on Formal Structures, Not Informal Structures**
 “We are force-fitting a design that doesn’t align with how work actually gets done.”
 Head of HR, Professional Services Organization

Percentage of HR Executives Effective at Monitoring Redesign Success

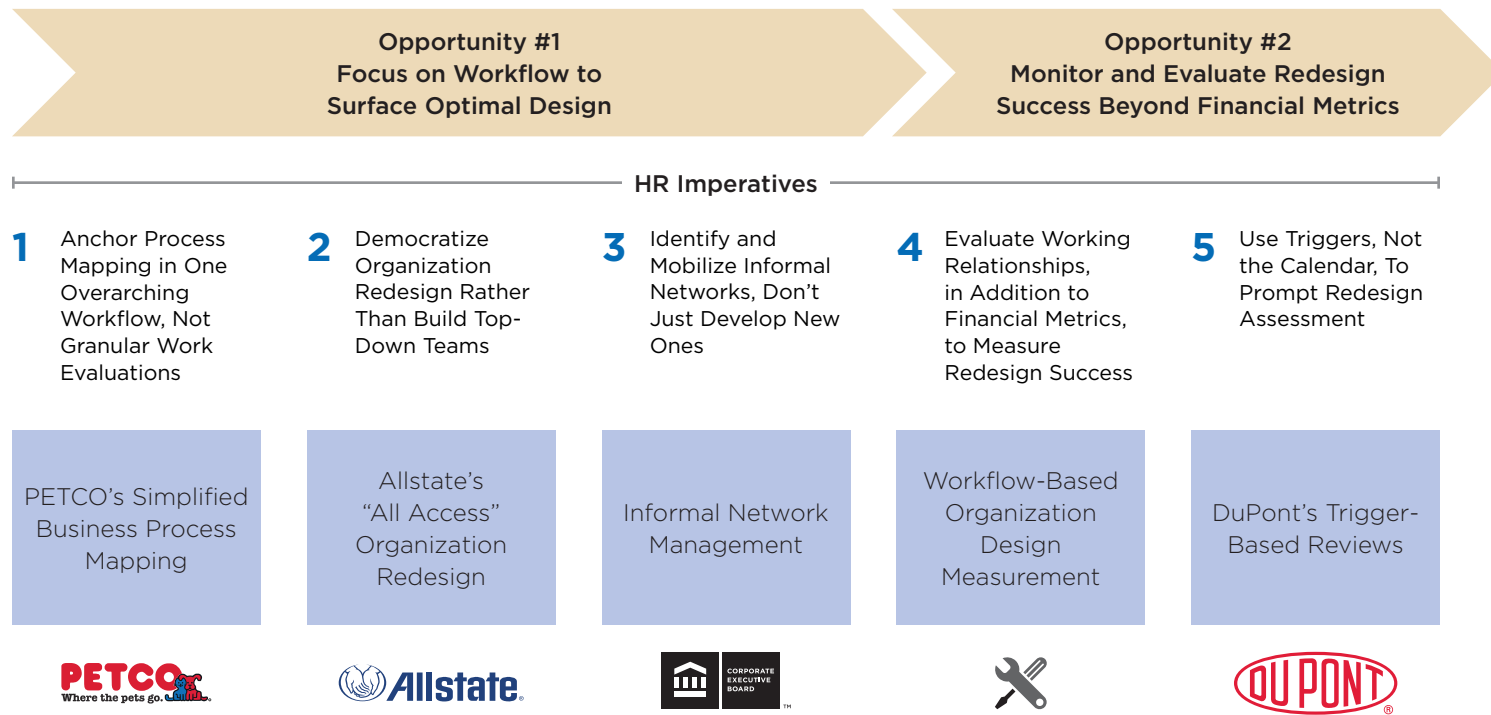


Key Challenges

- 4 Organizations Cannot Link Financial Success with Redesign Success**
 “It’s not even worth tracking financial performance in depth because there’s no way to know if it is related to organizational redesign success.”
 Senior VP, HR, Financial Services Organization
- 5 Organizations’ Validation of Success is Not Timely**
 “By the time we can assess whether the redesign hit goals, the design is already old.”
 Senior VP, HR, Retail Organization

TWO OPPORTUNITIES FOR IMPROVING EMPLOYEE PERFORMANCE THROUGH ORGANIZATION REDESIGN

Conclusion: Organizations overinvest in change management to fight employee performance declines but they should focus on improving workflows and monitoring redesign to prevent declines in employee performance.



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