Organization design implications of COVID-19

April 27, 2020 By [Nicolay Worren](#) [2 Comments](#)

What are the implications of the coronavirus on how we lead and organize firms?

I have been pondering this issue (as I assume many of you have done, too, in this period). I don't pretend to have the final answer; nobody does in this time of uncertainty.

But let me at least offer my thoughts regarding three topics that I think are important.

I group them according to the time horizon: Short term, medium term, and long term.

Short term: Handling the coordination load
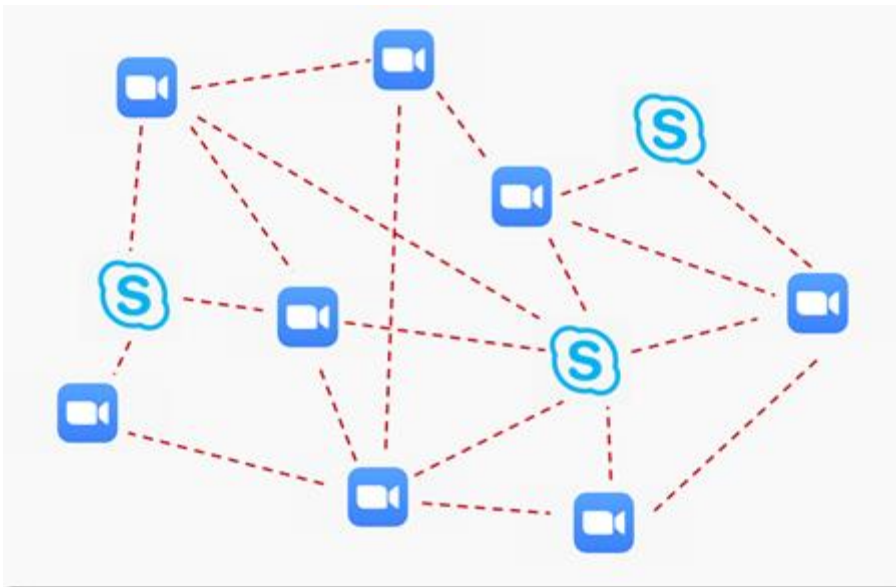
Although most countries are gradually easing the lock down, most people are still working from home, and many of us have to home-school our children and work at the same time.

Most of the time we can dedicate to our job may be spent keeping up with email and participating in one Zoom meeting after the other.

So basically, people (at least those who are parents) have most of the same responsibilities as before, but with less capacity.

In addition, video conferencing [drains your energy](#) pretty fast.

The more time you spend coordinating with others, the less time you have available to perform tasks that require individual effort.

This leads me to the first intersection between COVID-10 and organization design.

The number of people that every employee has to coordinate with is not only dependent upon the tasks themselves, but also a result of the design of the organization.

Simplify your organizational structure, and you reduce the "coordination load" on people (see the links below for more details).

Medium term: Downsizing
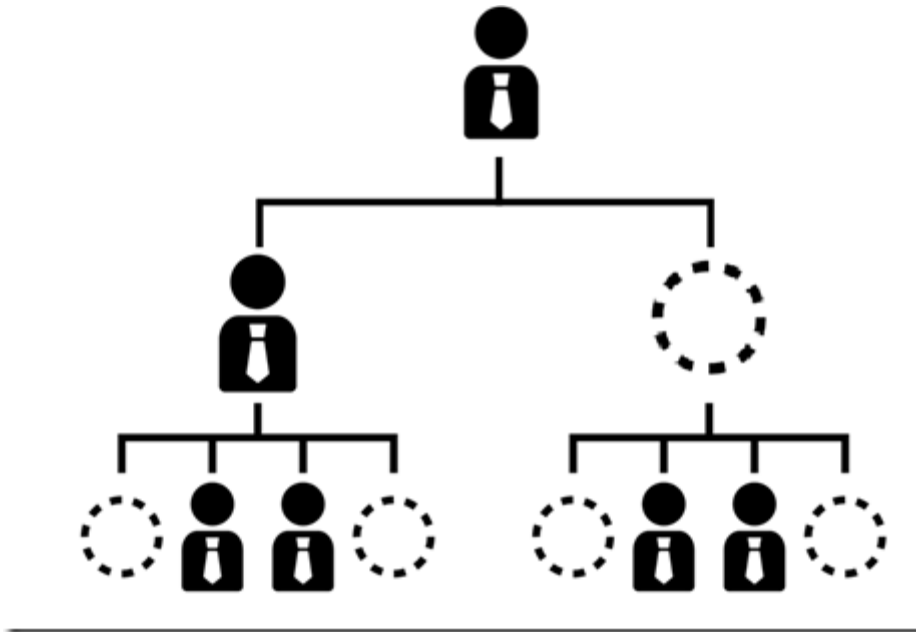
The next question is what consequences the crises will have. As I write this, economists estimate that there is a very high chance that a recession will follow.

Many companies have already started cost cutting efforts, and many more will need to downsize and cut costs later in the year.

Whether a downsizing affects the basic design of the organization depends on the degree of severity.

If you need to downsize about 10-15% of your staff, you may (in most cases) keep the existing structure and remove the required number of positions from the organization chart.

I am not saying that this is easy; it never is, but my point is that you don't necessarily need a re-organization on top of the downsizing (You may have to re-design roles, though, in order to make sure that the tasks carried out by the people who leave are transferred to others.)

But with a more severe downsizing, you can't just remove positions, you also need to re-design the formal structure.

First, the span of control will become smaller when positions are removed (as indicated in the illustration above). This will require a re-grouping of roles into a new unit structure.

Secondly, the overall size of the organization may also decrease so much that you should reduce the number of management layers.

So in other words, even though the circumstances are exceptional, the key issues that need to be addressed are the same as in any re-organization.

Longer term: From agility to resilience (?)
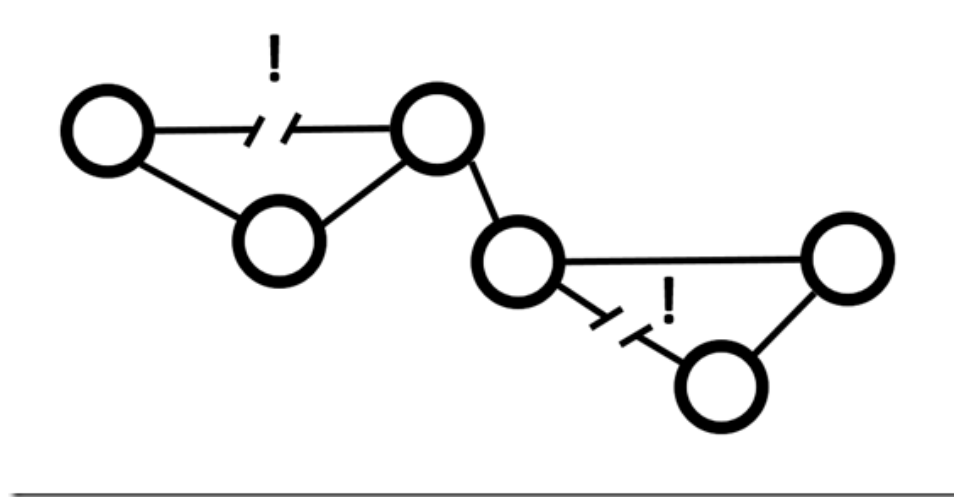
What about the longer term? What does this crisis mean for how we design and manage organizations?

Julian Birkinshaw, a professor at the London Business School, has suggested that building resilience is the new boardroom imperative. As he writes in Forbes magazine, *agile rhymes with fragile.*

Unfortunately, there is no consensus on what a resilient organization looks like.

It is easier to say what is it not.

For example, even before the current crisis, there were concerns about the concept of lean manufacturing and logistics.

Critics pointed out that it focuses too much on efficiency improvements, and makes the supply chain more prone to disruptions.

Lean implies a reduction in buffers and tighter interdependencies between the parts. This means that there is a greater probability that a disruption in one place will propagate through the entire system.

There's a nice analogy in the local newspaper that explains this principle:

In the city where I live, Oslo, there are plans for a new addition to the university hospital. The architect has drawn a modern, tall building.

It is intended to be cost effective and facilitate an effective "horizontal" and "vertical" patient flow.

We can draw the contrast to the old hospital in Oslo (called Ulleval). It was built during the 1880's, in a period when the city was plagued by diphteria and scarlet fever.

Not surprisingly, then, it consists of several low rise buildings, well separated from each other.

What was considered old fashioned should now be considered the modern solution.