

Organizational charts, digitalization, and workforce management: past, present, and future

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There is a lot of talk about updating businesses for the digital age. Yet companies continue to manage workforces using a tool that has changed little since the [Roman Empire](#): the hierarchical organization chart (“org chart”). Relying on org charts to guide workforce management decisions is both foolish and dangerous in a digitalized world. Read on for my thoughts on the past, present and future of org charts and workforce management.

The fundamentals of workforce management

The term workforce management refers to decisions and actions taken to align the structure of the organization with the needs of the business. It encompasses things like organizational restructuring, downsizing, and headcount planning. Org charts are usually the primary tool used to guide and execute workforce management decisions. But probably not for much longer.

To understand what the next generation of workforce management will look like, it is useful to look at what is and is not changing about organizations. Technology is causing organizations to radically change what they do, how they do it, and where they do it. But one thing about organizations is not changing: they rely on people working together to accomplish shared goals. The nature of work changes constantly, but how people function as humans does not. The underlying psychology of people does not evolve as fast as technology. Consequently, by understanding the core psychological elements that impact organizational functioning we can make more accurate predictions about how workforce management is likely to change over time.

The purpose of workforce management is to create organizations that effectively leverage employees to accomplish company objectives. But why do people join organizations? What advantages do they provide over going it alone? Organizations provide employees with three tangible¹ things that make them attractive places to work:

Roles: the chance to work on meaningful and/or interesting projects and activities

Resources: access to financial, technological and material assets (including compensation)

Relationships: the opportunity to work with other people we trust, like and can learn from

These three things embody the concept of an “organization” in the sense that it is people working together (relationships) using shared assets (resources) to accomplish common goals (roles).

A look at workforce management in the past

Before the advent of the internet economy, work was largely defined and constrained by geography. Most people worked in co-located teams in the same office, store or factory under leaders located in the same building or city. Most org charts fell along geographic lines. The person at the top of the org chart managed and controlled the resources in a particular location or region (e.g. compensation, budget, materials). Most of the people in the region reported up to that leader and shared common overall goals. And the people lower in the org chart tended to work in the same location with each other. In the pre-internet world, roles, resources and relationships tended to merge together. Where

¹ People also join organizations due to intangibles things like culture and company image. But these are less influential than tangible things such as job structure and pay.

people worked often defined the kind of work they did (roles), who they worked with (relationships) and their access to budgets, technology and tools (resources). Org charts were a relatively effective tool for workforce management in the pre-internet world because there was so much overlap between roles, resources and relationships².

The present state of workforce management

The rise of the internet and corresponding shift to virtual workforces has created a split between organizational roles, relationships and resources. They are no longer defined or constrained by geography. It is common for people to work in one city, report to a manager in another city, and work with people across the world. Where an employee lives may tell you nothing about what they do. In the digital world, a job is not about where you work physically. A job is defined by your goals, who you work with, and the resources you have access to.

The digitalization of work has also radically changed the nature and influence of roles, relationships, and resources within organizations.

- **Roles.** There was a time when a person's work could largely be defined by a static job description. Those days are gone in many organizations. The pace of change in the modern economy requires employees to rapidly shift their focus across different goals and activities. People's work is not defined by their formal job title, but by the particular objectives and projects they are working on right now.
- **Relationships.** One of the biggest impacts of digitalization is the ability to develop and maintain relationships with people anywhere in the world. Digitalization also increases the value of these relationships. Building and maintaining effective relationships is a critical to creating agile organizations that can quickly adapt to fast-changing markets. Agility requires collaboration, collaboration requires trust, and trust comes through strong relationships.
- **Resources.** Digitalization has made resources both more accessible and more flexible. Cloud technology enables employees to access tools and resources from across the world no matter where they are physically located. This technology also allows business leaders to more easily shift and track how resources are being allocated and used around the globe. Historically, the primary "gatekeeper" for accessing resources such as technology, materials or budget was an employee's direct manager. Now employees are often empowered and expected to request resources directly from the company with little to no involvement of their manager.

The org chart captures very little of the information about roles, relationships and resources needed to make intelligent workforce management decisions in the digital world. The org chart's greatest shortcomings are about roles and relationships. An org chart might reflect how a company reports its financial numbers, but tells almost nothing about the roles and relationships that are critical to driving those numbers.

The future of workforce management

There are two main reasons companies still use org charts for workforce management. First, org charts are simple for senior leaders to understand. Thinking about organizational change from the perspective of how it truly impacts roles and relationships can be complex and time consuming. Second, no one has developed an effective alternative set of tools to replace the traditional org chart. Happily, we seem to be on the verge of this changing.

² It is worth noting that org charts continue to be a fairly effective tool for workforce management for jobs that are largely defined by geography such as retail store operations or hotel management.

What we need are tools to manage three kinds of charts.

- **Resource charts.** Tools that show the reporting relationships used to manage different kinds of resources. This may look similar to the traditional org chart, but must enable looking at reporting relationships from multiple perspectives. This includes having ways to capture the use of more matrixed reporting relationships such as those that [divide operational reporting from talent management reporting](#).
- **Relationship charts.** Tools that show the strength and nature of people's working relationships based on membership in cross-functional groups and interaction patterns captured by analyzing e-mail traffic, social networks and other forms of communications data. Some very interesting [research](#) has been done in this area, but it has not yet made it into the mainstream field of workforce management.
- **Role charts.** Tools that track and illustrate the nature of people's work based on membership in project teams, the nature of the goals they are currently working on, and the skills that enable them to perform different types of roles. Ideally this information would replace job titles entirely. Because in the digital world, knowing someone's job title often tells you little to nothing about what they actually do now or what they are capable of doing.

Digitalization has increased the need for people and organizations to more effectively manage roles and relationships. This has resulted in new purpose built technologies such as Linked-In for relationship management and Trello for role management. But these tools are not designed to influence workforce management decisions.

The need for a single workforce management tool incorporating roles, relationships, and resources.

The effectiveness of companies in the digital age depends far more on effectively managing employee roles and relationships than it did in the past. Yet workforce management decisions continue to focus almost exclusively on defining who has formal management authority over resources, particularly people. Workforce management decisions guided by org charts inevitably fail to consider the quality and value of existing role structures and relationship networks. Managing workforces through org charts certainly impacts employee roles and relationships, but often not in a good way.

The use of org charts and the resulting focus it puts on "resource control" engenders a command and control leadership mentality that is antithetical to creating the agile, engaged workforces need to compete in the digital age. On the other hand, there will always be a need for some form of formal reporting relationship such as those found on org charts. We cannot and should not try to get rid of org charts entirely. Instead, we need to develop new forms of org charts that move beyond the focus on formal reporting relationships to incorporate role and relationship data. For example, tools that make it possible to organize a workforce based on relationships instead of reporting structures. Or that group employees based on shared goals, common skills and interests, or cross-functional team membership instead of the traditional organizational silos.

The good news is we already have tools that do many of these things. The problem is most of them exist as stand-alone applications that live outside the day-to-day human capital management platforms companies use for ongoing workforce management. However, I believe that very soon we will have technology solutions that integrate role, relationship, and resource data into a single decision making

platform. And then we can finally abandon the org chart to join bronze swords, stone aqueducts, and other once useful but now outdated relics left over the from the age of the Roman Empire.