VISIER INSIGHTS™ REPORT

THE NEW DNA OF ORGANIZATION DESIGN

Key findings reveal how organizations restructure in times of change

Table of contents

Ever since the explosion of generative AI technologies back in 2022, business executives have been facing immense pressure to leverage AI to achieve cost savings, increase productivity, and stay competitive. In many cases, that pressure has driven headcount reductions, even though data about the immediate business impact of AI is mixed. While researchers at MIT suggested that AI could perform the work of about 12% of U.S. wage value[1], a recent global study by the National Bureau of Economic Research reported that 90% of companies have not seen an impact on employment or productivity in the past three years.[2]

The reality is more nuanced. Gartner[3] forecasts that AI investments are more likely to shift talent needs than eliminate them through 2028. This could even mean driving net headcount increases by up to 30% in some business units as new technologies create entirely new roles.

> **The fluent nature by which organizations are being asked to transform their business, as well as adjacent workforce strategies, necessitate a strategic approach to manage potential headcount increases and decreases.**

Organization design, embedded in strategic workforce planning efforts, has therefore become a focus for businesses as they are trying to plan for future costs, productivity, and human capital. Both headcount growth and reductions in any business or business unit invariably change its composition.

That's why now, more than ever, a spotlight has been shining on the importance of getting organization design "right." And getting it "right" means different things to different businesses. To help business leaders and planning teams mitigate this ongoing change, we've compiled research to show what organizations are actually doing in the face of the AI era.

Key research questions this report covers:

- Why is organization design important now?
- How do organizations redesign during growth and downsizing?
- How common is the "Great Flattening," really?
- How do various redesign scenarios impact teams and managers?
- What are the benefits and risks of redesign scenarios to consider?
- Which metrics should organization design teams track?

According to Gartner, AI investments are more likely to shift talent needs than eliminate them through 2028.

Four Key Findings in the New DNA of Organization Design

Companies restructure teams in six major ways during headcount changes.

Each comes with benefits, risks, and consequences for the way business units operate and how managers and their teams execute on the business strategy.

The "Great Flattening" is a myth.

Only 10% of organizations create fewer and larger teams as they grow or reduce headcount.

Growing by "staying small" is how 56% of businesses restructure as they add headcount.

As businesses scale, they add more teams, while keeping these teams small, to encourage agility and speed.

Downsizing by "thinning" is how 44% of companies restructure as they reduce headcount.

As organizations shed employees, most reduce both team sizes and the number of teams to create efficiency and focus.

Organization Design:
The Business Case and Human Impact

Organization design is defined as the discipline of structuring an organization's formal and informal attributes including structures, processes, systems.[4] Organizations, and the units within them, continuously change in size, shape and form; they grow or shrink, they acquire new businesses, split up or simply transform their operations internally. Leaders, therefore, are constantly redesigning their businesses, which makes organizational design a fluent, often reactive mechanism.

Strategic workforce planning and organizational design are two core disciplines that enable an organization's structure and form. While strategic workforce planning aims to ensure the organization has "the right people at the right time at the right place," organizational design helps see the "architectural" side of the organization, such as its hierarchical layers, the spans and layers within business units, related to the cost of the workforce.

> Strategic workforce planning focuses on having the right people in the right places. Organization design addresses the company's structure.

Organizational redesign, therefore, is almost always triggered by business objectives: eliminating inefficiencies, improving agility, or managing costs. It is needed at inflection points like mergers, acquisitions, and divestitures, where integrating or reshuffling roles and workforces requires a deliberate structural response.[5]

Leaders redesign their businesses as they detect and remove structural inefficiencies caused by overlapping roles, or unclear responsibilities that can be the result from organic, historical unchecked growth. Others use organization design to focus on financial optimization, cost control and productivity, or on improving operational agility and decision speed.

Organization Design is not a one-off activity, but a strategic way of mapping the organization to the business reality.

Julien Legret
Global HR Digital and Data Director, Richemont

A critical way leaders implement these changes and track their impact is through adjusting the key structural elements of the workforce: team size and the overall number of teams. Managerial span of control is emerging as one of the most critical metrics in the organization design conversation, which is why the present study focused on the effects of team restructurings on the team unit.

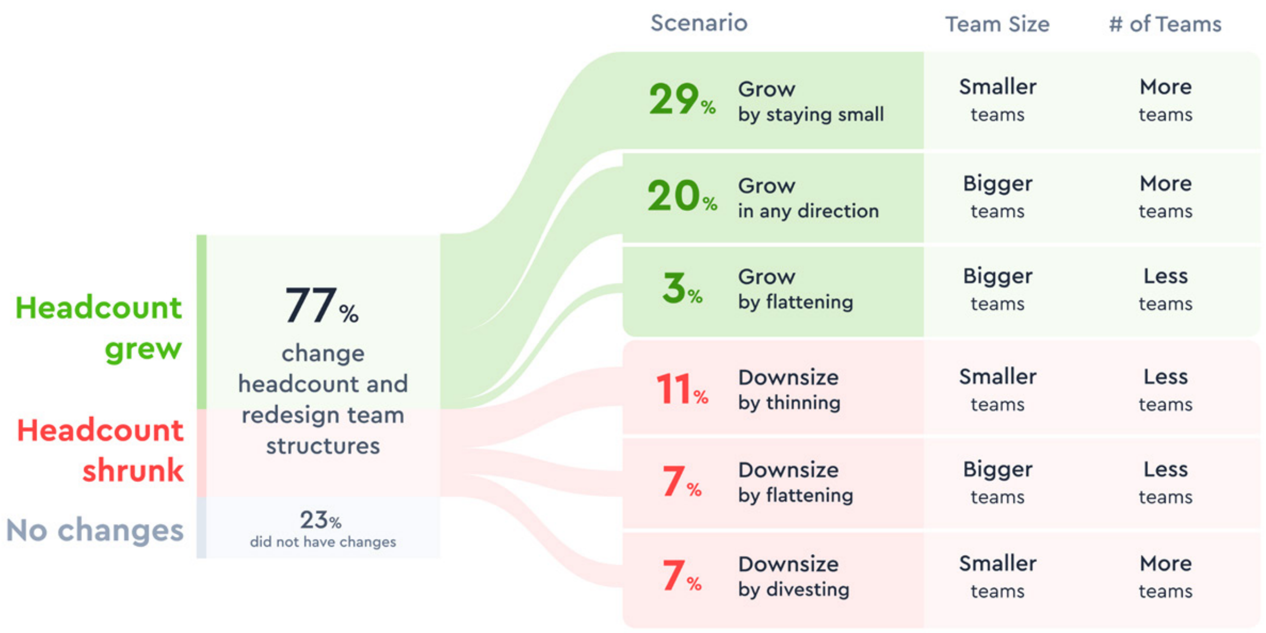
> **Organizational redesign efforts are mainly driven by strategic business objectives.**

What are the most common ways organizations redesign themselves when experiencing major changes to their employee populations? How frequently do redesign efforts result in team consolidation? In the light of the flattening conversation, do some teams still become smaller, and under which conditions? To better understand how organizations react to changes in headcount reductions and growth, we analyzed over 170 enterprise-sized organizations representing 7.7 million employee records in the Visier Community Data. From this data, some clear trends emerged.

Six Main Ways Teams Restructure

Of the enterprises in our sample, 77% demonstrated a significant change in headcount and related structural changes at the team level over the five-year period ending November 2025. As we observed organizations as they grew and shrunk their employee headcount over these years, we identified six distinct restructuring scenarios linked to headcount growth and reductions (see figure Six Main Ways Team Restructure).

Six Main Ways Team Restructure



Source: Visier Research & Insights, Visier Inc. 2026

Noteworthy is that, **across all companies in our sample**, we observed a bigger proportion (about two thirds) of companies that grew, than those that reduced headcount (about one third).

For companies experiencing headcount growth, the data revealed three distinct structural patterns:

1

Grow by Staying Small
The most common scenario (observed in 29% of organizations) reflected a tendency to add employees by creating more teams—an increase of 20% on average—while reducing average team size by approximately 7%.

2

Growing in Any Direction
Seen in 20% of the sample, these companies added headcount by increasing both team count and team size, by 22% and 10% on average, respectively.

3

Growing by Flattening
The least common scenario, observed in only 3% of companies, involved adding employees while creating 6% fewer teams, resulting in the remaining teams increasing in size by an average of 12%.

Conversely, for most businesses that experienced **headcount reductions**, the data revealed three primary structural change scenarios:

1. **Downsizing by Thinning:** The most frequent approach shown by 11% of organisations reflected a choice to reduce both the number of teams and the average team size, by 20% and 11% respectively.
2. **Downsizing by Flattening:** Observed in 7% of organizations, this approach involved a 23% reduction in the total number of teams, and a 6% increase in the size of the remaining teams.
3. **Downsizing by Divesting:** Similarly, seen in 7% of organizations some decreased their average team sizes by 10% but actually increased their total number of teams by an average of 2%.

We conclude from these data that in the past five years, headcount growth was twice as common as shrinking, and companies preferred to stay nimble. As they grew, most created additional smaller teams.. Those that shrunk usually reduced both the number of teams and their size at the same time. Whether they were getting bigger or smaller, most businesses chose flexible, modular setups over larger, consolidated entities.

"The Great Flattening" is a myth

Contrary to the popular narrative of a universal shift toward flat structures,[6] restructurings that result in what's commonly called "flattening"—fewer, larger teams due to team consolidation, or removal of managerial layers—was actually a niche trend.

Across all companies in our sample, and both growth and reduction scenarios we observed that only 10% of the organizations created fewer, and larger teams, whereby 3% flattened as they grew, and 7% flattened as they reduced their headcount (see figure The Great Flattening Myth).

The trend referred to as "The Great Flattening" with the goal of improving efficiency and cost recovery, often involves a decrease in management positions through team consolidation, the creation of a wider span of control, which means managers oversee larger teams with reduced support.[7] A major motivation for companies to pursue this organizational change is the promise of achieving cost savings and greater efficiency through lower payroll expenses and a reduction in organizational bureaucracy.[8]

Fewer and larger teams can lead to faster decision making[9] and more autonomy for team members, as barriers to communication in traditional top down structures are removed. However, research also suggests that flat designs frequently encounter coordination failures, so attempts by large hierarchical organizations to flatten their structures have been unsuccessful.[10]

The Great Flattening Myth

SCENARIOS: GROWTH BY FLATTENING & DOWNSIZE BY FLATTENING

10%
of companies flattened into fewer, bigger teams

Goal	**Efficiency & cost recovery** Cut layers, consolidate management
Span of control	**Wider span** More direct reports per manager
Decision speed	**Fast** Faster but more complex
Communication	**Fragmented** Harder to coordinate at scale
Risks	**Manager burnout, social loafing**

Source: Visier Research & Insights, Visier Inc. 2026

Cost savings and efficiency are goals of flattening, but coordination failures and burnout are real risks.

Growth and Reduction: The Two Dominant Patterns

GROWTH PATTERNS

Increased smaller teams for agility

When analyzing only the companies that grew their headcount over the peak period in our research timeframe, we found that 56% of them employed this "Grow by Staying Small" strategy, prioritizing agility over consolidation.

Only considering the companies that **grew** their headcount—by an average of 23%—we found that the most common response was to **add more teams while making existing ones smaller**. In fact, 56% of growing organizations took this approach, prioritizing agility and speed over consolidation (see figure: Grow by Staying Small).

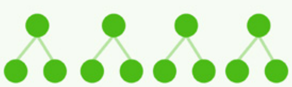
Why this matters for teams

Leaders' goal of maintaining small team sizes while the organization grows is primarily to foster speed and agility. By narrowing managerial span of control, teams are granted greater autonomy, and decision-making and communication within these smaller teams are faster due to the reduced need for coordination. However, they also need to consider that this effect can shift as task complexity increases, since smaller teams may lack the diversity and breadth of expertise needed to solve more difficult problems.[11]

Consequently, the principal risks to consider when forming smaller teams are the potential for a lack of organizational alignment and the development of homogenous thinking or "groupthink."[12]

Grow by Staying Small

56%
of growth scenarios grew by staying small



More teams, smaller teams

Goal	**Speed & agility** Autonomy-driven
Span of control	**Narrower span** Focused management
Decision speed	**Fast** Due to reduced coordination
Communication	**Direct** Informal, within teams
Risks	**Loss of alignment, groupthink**

Source: Visier Research & Insights, Visier Inc. 2026

> Smaller teams can make coordination easier; but they can also be homogenous, and lack alignment with the rest of the organization.

REDUCTION PATTERN

How organizations thin the herd

When analyzing only the companies that reduced their headcount, 44% of them "Downsized by Thinning" with the goal of maintaining efficiency and agility[13] while enabling faster decision making and more direct communication. Only considering the companies that **reduced** their headcount by an average of 25% over the peak period in our research timeframe, we found that most commonly, companies **reduced both the number of teams, as well as team sizes** (see figure: Downsize by Thinning).

Why this matters for teams

Downsizing by thinning out is the most common way to restructure teams after headcount reductions, which may be due to layoffs or reductions in force, divestitures or other types of downsizing efforts. In this case, the goals of making teams smaller, and narrowing managerial span of control is to maintain efficiency, and agility, but also enable quicker decision making and direct and informal communication patterns.

A reduction in headcount also entails a corresponding loss of human capital. When organizations downsize to cut costs, they not only reduce the employee count but also lose the institutional memory and specialized expertise that departing employees take with them.[14] Such changes can lead to unintended yet well-documented consequences, including sentiments of "survivor syndrome" after downsizing or layoffs, resulting in reduced organizational identification, decreased commitment, and lower performance among remaining employees.[15]

Downsize by Thinning

44% of reduction scenarios downsized by thinning

Less teams, smaller teams

Goal	**Speed, agility, and autonomy** Efficiency through focus
Span of control	**Narrower span** Fewer direct reports per manager
Decision speed	**Fast** Due to reduced coordination
Communication	**Direct & informal** Within tighter teams
Risks	**Loss of human capital** Skeleton crew trap

Source: Visier Research & Insights, Visier Inc. 2026

> Creating smaller teams after downsizing maintains efficiency, but the loss of human capital can create a "skeleton crew."

Measuring What Changes with Workforce Intelligence

Organizational redesign, whether driven by growth or reduction, is fundamentally a series of complex trade-offs, with each structural change presenting unique benefits and risks.

> **Workforce intelligence is a crucial, non-negotiable discipline in organization design.**

Regardless of the need of the business at any given time, the use of workforce intelligence is a crucial, non-negotiable discipline. The use of workforce data provides the fact-based capability required to monitor the operational benefits, human capital risks, and real-world outcomes of any transformation on both the organization and its people, allowing leaders to pinpoint management efficiency problems, assess the impact of reducing positions, and quickly build new structures as the business demands.

Metrics To Track

To ensure the sustainable optimization and effectiveness of organization design and transformation, leaders should continuously track the following critical metrics:

- Spans and layers
- Manager ratios
- Manager turnover
- Loaded cost[16]
- Grade mix
- Percentage of senior leadership
- Number of positions with direct reports
- Revenue- versus non-revenue-generating teams
- FTE-contractor ratio
- Location breakdowns, time zone overlaps

Endnotes

1. Rosenbaum, E. (2025, November 26). MIT study finds AI can already replace 11.7% of U.S. workforce. CNBC. https://www.cnbc.com/2025/11/26/mit-study-finds-ai-can-already-replace-11point7percent-of-us-workforce.html
2. Yotzov, I., Barrero, J. M., Bloom, N., Bunn, P., Davis, S. J., Foster, K. M., Jalca, A., Meyer, B. H., Mizen, P., Navarrete, M. A., Smietanka, P., Thwaites, G., & Wang, B. Z. (2026). Firm data on AI (Working Paper No. 34836). National Bureau of Economic Research. http://www.nber.org/papers/w34836
3. Gartner. (n.d.). AI-caused headcount change. https://www.gartner.com/en/articles/ai-caused-headcount-change?source=BLD-200123&utm_medium=social&utm_source=bambu&utm_campaign=SM_GB_YOY_GTR_SOC_BU1_SM-BA-SWG-AP-CF
4. Joseph, J., & Sengul, M. (2025). Organization design: Current insights and future research directions. Journal of Management, 51(1), 249–308. https://doi.org/10.1177/01492063241271242
5. Based on interviews with workforce analytics experts in global enterprise sized organisations in the spring of 2026.
6. Robinson, B. (2025, January 24). The "great flattening" trend is picking up steam in 2025. Forbes. https://www.forbes.com/sites/bryanrobinson/2025/01/24/the-great-flattening-trend-is-picking-up-steam-in-2025/
7. Economist Impact. (2025). Bridging the gap: The challenges people managers face in supporting employee mental health. https://assets.ctfassets.net/9crgcb5vlu43/5HDlz5fv10DD3rcuTdXA5q/f1e91ab638cffdeabc09d71811eb899c/EIxLyra-Bridging_the_gap-Report.pdf
8. McGraw Hill. (2025, October). The Great Flattening: Why companies are ditching middle management. McGraw Hill Higher Education. https://www.mheducation.com/highered/blog/2025/10/flattening-management-trend.html
9. Mills, T. R. (2019). Organizational flattening and the implications for internal stakeholders and communication: a systematic literature review [Master's thesis, University of Canterbury]. UC Research Repository. https://libcat.canterbury.ac.nz/Record/2798385
10. Joseph, J., & Sengul, M. (2025). Organization design: Current insights and future research directions. Journal of Management, 51(1), 249–308. https://doi.org/10.1177/01492063241271242
11. Cao, S. et al. (2022). Group size and group performance in small collaborative team settings: An agent-based simulation model of collaborative decision-making dynamics. Complexity, 2022, 1–16. https://doi.org/10.1155/2022/8265296
12. Avdiaj, B. (2022). Size and decision-making: A systematic literature review on groups and teams. Management and Economics Review, 7(1), 14–31 https://doi.org/10.24818/mer/2022.02-02
13. van Dick, R., Drzensky, F., & Heinz, M. (2016). Goodbye or identify: Detrimental effects of downsizing on identification and survivor performance. Frontiers in Psychology, 7, Article 771. https://doi.org/10.3389/fpsyg.2016.00771
14. Slavković, M., Babić, V., & Aleksić, V. (2021). Knowledge management and downsizing: Implications for organizational performance. Acta Economica, 19(35), 35–51 https://doi.org/10.7251/ACE2135035S
15. van Dick R, Drzensky F, Heinz M. Goodbye or Identify: Detrimental Effects of Downsizing on Identification and Survivor Performance. Front Psychol. 2016 May 25;7:771. doi: 10.3389/fpsyg.2016.00771. PMID: 27252674; PMCID: PMC4879335.
16. According to one Visier customer, the term "loaded cost" reflects the total financial investment a company makes in an employee, rather than just their base salary. It represents the "all-in" price of labor. This figure accounts for the base pay plus the additional expenses an employer carries, such as health benefits, payroll taxes, bonuses, and the cost of paid absences like vacation or sick time. By evaluating the loaded cost per Full-Time Equivalent (FTE), a business can understand the true economic impact of its workforce and budget more accurately for every role it fills.

Contributors

Andrea Derler Ph.D., Research & Value

Andrea is the principal of research and value at Visier. Her background in management research, neuroscience, and human capital consulting helps her produce data-based, practice-oriented, and actionable insights for business and HR leaders.

Manda Winlaw, Ph.D.

Manda is a data science manager at Visier, contributing to research and developing data products for Visier. She has worked as a data scientist in a number of different fields and strongly believes in using data to drive better decisions for all people.

Erfaneh Mahmoudzadeh, MSc

Erfaneh is a data scientist intern at Visier, developing HR analytics reports and transforming data into actionable insights for workforce optimization. She has a background in deep learning research and graph neural networks and is passionate about using data science to help organizations make better decisions.

Dani Haig, User Experience Designer

Dani is a user experience designer at Visier, specializing in designing usable, beautiful software that empowers users to get work done. Dani has designed a variety of experiences across the Visier platform and is passionate about the rich stories that can be told with data.

Johanna Lynn, MSc, Staff User Experience Designer

Johanna designs for Visier's Organization Design product, where she's made it her mission to prove that behind every org chart is a human story worth telling clearly. She believes great design should feel effortless, and it shows. Her work turns how companies grow, shrink, and restructure into visuals that just make sense.

About our data

The findings as presented in this report are curated from the Visier Community Data. Visier's database contains more than 18 million employee records from more than 10,000 customers in 75 countries.

For the analyses in this report, we used available data from a subpopulation of over 170 enterprise-sized organizations, with a collective headcount of more than 7.7 million global employee records.

Companies represent a wide range of industries, including healthcare, technology, financial services and insurance, energy, and manufacturing. Weighted averages account for different headcounts per each organization.

For each of the included companies, Visier ensured a high degree of confidence in both data availability and quality for the topics and time period being covered by this report.

About Visier

Visier is the global leader in Workforce Intelligence, empowering organizations to make every people decision with confidence. Through Visier Workforce AI, our award-winning AI technology delivers actionable insights that help HR leaders plan, decide, and act at the moments that matter most. As the market leader in people analytics, workforce planning, organizational design, and manager effectiveness, we enable companies worldwide to drive smarter workforce decisions, optimize talent strategies, and achieve measurable business impact. Our mission is to help businesses lead with insight at scale while continuously transforming in a rapidly changing workforce landscape.

Founded in 2010 by the pioneers of business intelligence, we have over 85,000 customers in 75 countries—including enterprises like Domino's Pizza, Experian, Amgen, eBay, and Ford Motor Company.

Discover more at **visier.com**.

visier.com | info@visier.com | 1.888.277.9331