Gartner

How AI Will Change Your Organization Design

What CHROs need to know

AI will change the way work is organized

The technological innovations underpinning the digital era have had a profound impact on business models across all industries and have reshaped the mix of work. However, the slower-paced, incremental nature of these changes means that we have not changed the way we organize work. Their impact has primarily augmented long-established norms of org design. Organizations have spent the past 25 years discussing and pursuing agile org design but instead matrixed org design is dominant.

Generative and agentic AI promises not only to have a similarly profound effect on business models and work mix but to also change the way we organize work through our org design. This is in part because adoption is happening faster, although embedding it in all relevant workflows will take time. Primarily, these technologies will shift how work gets done, not just what is worked on, for knowledge workers and a large portion of frontline workers.

Strategic planning assumptions

- **By the end of 2028,** top-performing organizations will have moved over half of their workforce to formal, versatilist role designs.
- **The average organization today has six layers of decision making.** Gartner predicts that by 2028, in the AI era, with leaders making AI-infused decisions covering wider spaces, the average organization will have four layers of decision making.
- **By 2030, product-aligned (or outcome-aligned) structures** will surpass functional ones as the most prevalent formal structure. In affected areas, talent reviews and promotion calibrations will move from being business unit led to being owned by enterprisewide chapters for distinct talent/skills segments.

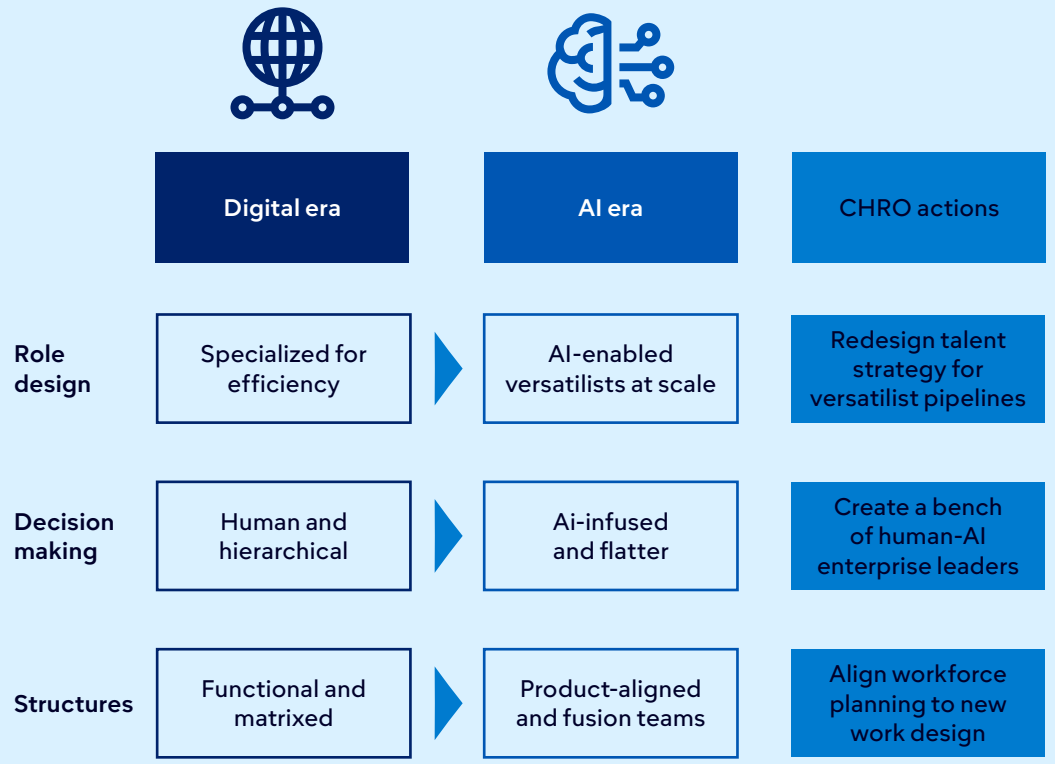
Three org design shifts in the AI era section

The foundational elements of org design — specialized roles, functional structures and centralized planning — have been very "sticky." They were developed in Frederick Taylor's The Principles of Scientific Management and have remained organization design common sense for the last century. The transformational impact of AI, including generative and agentic AI, will mean the value of establishing new org design goals that capitalize on the opportunities of AI will outweigh the switching costs of moving away from the benefits of Taylorist-driven org design. Organizations will rely on forward-looking CHROs, who take advantage of their cross-enterprise view of talent and work, to orchestrate the shifts.

Org design goals will shift in three key ways (see Figure 1):

1. **Role design:** Digital era roles are designed for specialism to drive efficiency. The embedding of generative and agentic AI into workflows will make broader, versatilist role design at scale a reality.
2. **Decision making:** Digital era decision-making hierarchies enable leaders to make good decisions at speed, through functional expertise and many layers. In the AI era, leaders will be the "human in the loop" overseeing AI decision intelligence models in flatter organizations.
3. **Structures:** Digital era structures are functional to deliver expertise and matrixed to deliver cross-functional outcomes. Structures in the AI era will be product- or outcome-aligned with fusion teams comprising many different skill sets.

Figure 1: Three organization design shifts



Source: Gartner

CHRO Action for Role Design

Redesign talent strategy for versatilist pipelines

In the digital era, roles continue to be designed for specialism, in pursuit of economies of scale. Today, 50% of roles are highly specialized and an additional 27% are moderately so. However, work must typically be performed across siloes, so organizations have been trying to develop T- or π-shaped versatilists — talent with deep expertise in one or two domains and broader knowledge of processes and business context adjacent to their expertise — to deliver value.

Although Gartner defined the need for versatilist talent in 2003, efforts to upskill talent in this way have not yielded success. The requirement for high learning agility means that only a minority of seasoned talent today can be effective versatilists. Adoption of generative and agentic AI tools that augment and reengineer work creates a path to versatilists at scale. A majority of seasoned talent can be effective versatilists when paired with these tools, which reduce the barriers to quickly gaining that “top of T” breadth of knowledge. Talent who conduct AI agents supporting different elements of workflows will have far more breadth than before. By the end of 2028, Gartner predicts that top-performing organizations will have moved over half of their workforce to formal, versatilist role designs.

We’re already seeing examples of this shift play out in discussions with organizations:

- **Lower requirements for agility:** I&O IT leaders in one organization have shifted from hiring Python automation specialists to broader software engineer roles. This wider role design required the most exceptional and agile talent in the digital era. However, because seasoned talent can conduct agentic AI to help them quickly deliver value across a broader set of tasks, a viable proportion of talent is set up to succeed and thrive in the AI era.

- **Accelerated onboarding time to productivity:** Leaders in a retail organization have shifted from hiring shelf stockers for each distinct department to ensure talent (often with tenure under six months) can deliver the right stock, in the right place, with the correct presentation, to hiring the same talent to work with the same speed and quality across all departments. They can do this because talent can interact with generative AI to determine the right assortment (and location of stock) for all areas.

- **Combining previously siloed tasks:** One Chemicals company described how their R&D scientists, responsible for developing new product formulas, are also modeling the impact of packaging on their new formulas. Previously, this was done at a later stage by their industrial design team; however, now their scientists can leverage AI to gain sufficient knowledge to tackle this task further upstream.

Leading CHROs will redesign their talent strategy in the following ways to develop a strong pipeline of AI-enabled versatilists:

1. **Incentivize versatilist skills:** Employees are ready and willing to use GenAI, but only 42% know how to identify where AI can be used to improve their work, and only 23% say their manager has discussed with them how their roles will change with the introduction of AI. CHROs need to update rewards and recognition, competency models, job descriptions and training programs to incentivize workers to use AI to augment and redesign their work. (For more, see Case Study: Redesign Work Processes to Unlock GenAI Transformation.)

2. **Build (or rebuild) expert career paths:** Versatilist conductors won't only extend their "top of T" knowledge using generative and agentic AI, they will also extend their knowledge spike(s) farther down. This will crowd out demand and development for more junior staff, who organizations need to become the conductors of the future. Organizations must clearly define the foundation skills experts need to effectively conduct generative/agentic AI and ensure that developing talent can learn them without relying on AI. (For more information, read 3 Tactics to Prevent GenAI-Driven Skills Loss by Focusing on Early Career Talent.)

3. **Build a process that supports fluid updates to your job architecture:** Chaos will ensue in organizations that incentivize talent to become conductors using generative/agentic AI but leave digital era job architecture in place (see AI Won't Cause a Jobs Apocalypse, but It Will Unleash Job Chaos). Different employees across the matrix will vie to do the same work, leaving midlevel managers with more, not less, work to manage, including conflict. CHROs must invest in upgrading their work and skills intelligence infrastructure to ensure they have the correct data and intelligence to enable annual job architecture updates, keeping pace with evolving role design.

CHRO Action for Decision Making

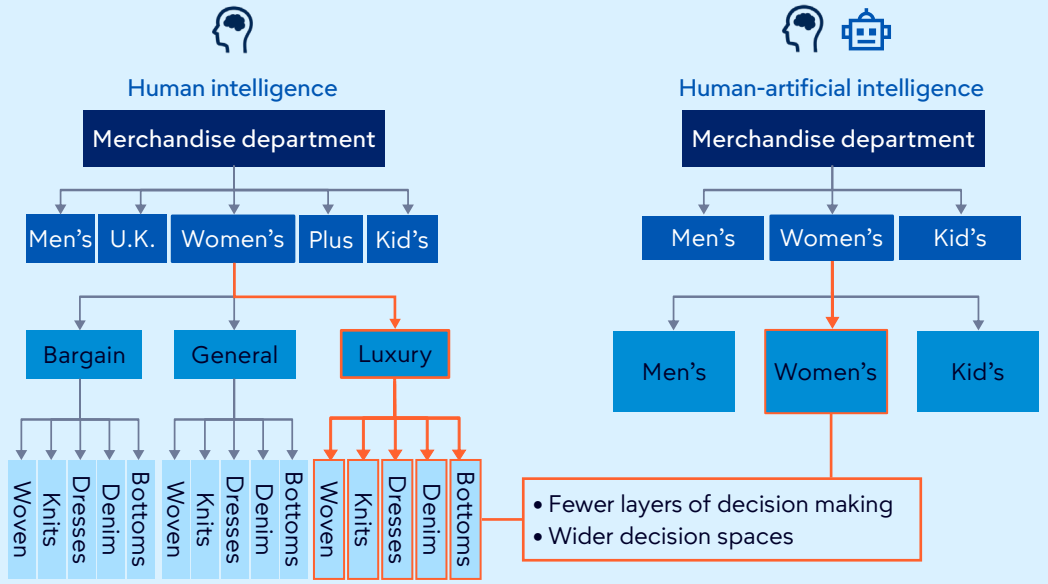
Create a bench of human-AI enterprise leaders

Digital era decision hierarchies optimize for human intelligence. The leaders who emerge at the top of functional structures use in-depth expertise (e.g., in buying, marketing, or selling) to make informed strategic decisions for their teams. Then, decision accountabilities are divided so that leaders can make informed decisions at the pace of business. If an accountability becomes too large, it is subdivided.

AI-infused decision making, which optimizes for the combined use of human and artificial intelligence, will reshape decision hierarchies. Whereas human leaders must disregard large amounts of data to make decisions quickly, AI models can efficiently interpret it all. The move to the digital era generated vast amounts of data; AI, when combined with human intelligence in the AI era, creates the capability to interpret it at the pace of business. Optimized AI-infused decision making builds around the customer or product data variables that explain most variation in customer outcomes, not the functional areas where leaders develop expertise. Moreover, decision accountabilities will encompass a more expansive space, as leaders working with AI can make informed decisions at the pace of business. The average digital era organization has six layers of decision making up the CEO. In the AI era, with leaders making AI-infused decisions covering wider spaces, the average organization will have four layers of decision making (see Figure 2). As a result, the need for enterprise leaders (rather than functional leaders) will be even greater in the AI era.

Figure 2: AI-infused: Flatter and wider decision spaces

Illustrative change to decision rights: Merchandise department



Source: Gartner

Case in Point:

Impact of AI algorithms on decision making

Researchers tracked the buying division of an online retailer for over a year, charting the impact of AI on decision making and the org chart. Previously, buyers would work with data in Excel to design optimal buying plans for a given period, so areas were subdivided sufficiently to enable quick decisions. For example, a buyer would decide on woven fabrics for bargain clothes in the women's department.

The research team joined as the central data science team rolled out a new algorithm to aid buying decisions. As they experimented with the tool, which removed the constraint of team structure, they quickly realized that their small decision spaces were arbitrarily limiting the set of buying options buyers could consider. They needed to move away from their existing structure, toward one built around customer age segments — the variable that explained most variation in outcomes — and to create wider decision spaces now that their buyers could process information on the broader space more quickly.

Leading CHROs will redesign their talent strategy in the following ways to develop a strong pipeline of AI-enabled versatilists:

1. **Embed decision intelligence closer to leadership:** The generative and agentic AI models that augment decision making rely on excellent data and analytics teams, facing no friction. CHROs can ensure this by repositioning the chief data officer to report directly to the CEO, by doubling the resources devoted to upskilling the data science team's business acumen (they definitely need more of it) and by investing in decision intelligence platforms (see Market Guide for Decision Intelligence Platforms).

2. **Update succession planning:** Organizations need to deepen their benches of leaders capable of being accountable for being the "human in the loop" overseeing AI-informed decisions. By the end of 2026, embed this new muscle into critical role success profiles and leadership development efforts, to build the capability at scale in the bench (see Human-AI Delegation Framework for Decision Augmentation)

3. **Build (or rebuild) your organization's muscle in removing leadership blockers:** The reality is that many leaders and rising leaders won't have what is needed. CHROs must have a transparent process for removing them and avoid their organizations falling behind.

CHRO Action for Structure

Align workforce planning to product-aligned work design

Digital era teams continue to be built around functional structures — today, they are more than twice as likely to be the dominant organizing principle. Functional structures, which group employees with the same skill sets on teams, are efficient for developing specialist skills and driving economies of scale. To coordinate work that flows horizontally across functional siloes, digital era org design created matrixed coordination. Today, 53% of employees require three or more layers of signoff on their work to ensure it is aligned. Spans have reduced to seven on average, so managers can help their teams navigate the matrix and networked, tiger teams focus on delivering cross-silo customer-oriented work.

As AI-infused decision making builds around customer or product data variables that explain most of the variation in customer outcomes. Gartner predicts that, by 2030, product-aligned (or outcome-aligned) structures will surpass functional ones as the most prevalent formal structure. Product- (or outcome) aligned decision hierarchies naturally result in fusion teams. Most formal teams today are composed of workers with the same skill sets. By contrast, fusion teams bring together employees with diverse skill sets to collaborate and deliver a self-contained outcome for customers. Fusion teams can move with greater speed and agility because they have the necessary skills on the team, rather than being siloed across different teams. They don’t need three layers of signoff for their work; they don’t have as much manager oversight to navigate the matrix; and they remove the need for networked, tiger teams to deliver outcomes.

However, product-aligned structures and fusion teams do create new workforce planning challenges. Upskilling talent, which occurs mainly through day-to-day learning from peers within functional teams, needs to be coordinated for talent spread across fusion teams. Likewise, career growth, which is typically vertical in functional structures, needs more coordination when the next opportunity could be in any business area. Gartner predicts that by 2029, business units will no longer lead talent reviews or promotion calibrations. Instead, work and talent management will be separated, and complementary enterprisewide chapters (also known as tribes or guilds) will lead them for distinct talent/skills segments.

Case in Point:

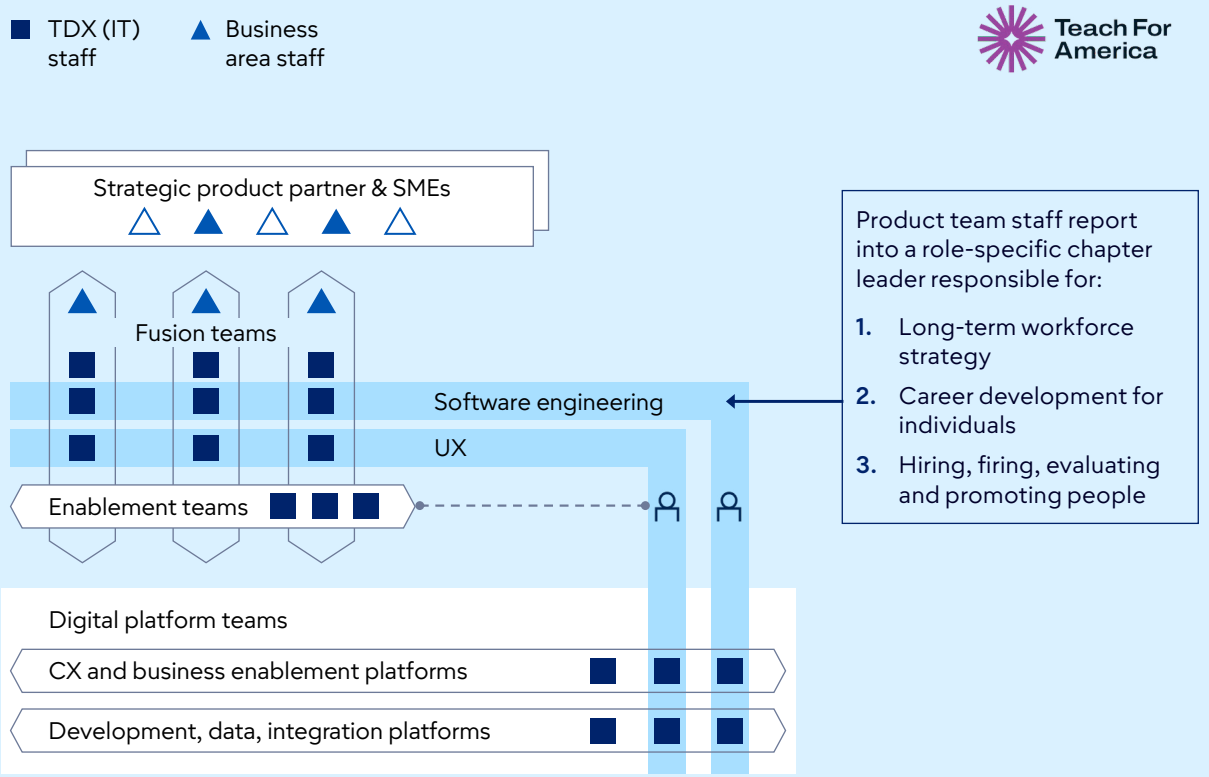
Fusion teams at Teach for America

With a customer-centric lens, Teach for America designed its structure around the nine key outcomes that matter in their customer journey. To deliver on each outcome, it created fusion teams, combining the IT talent they need to develop their predominantly digital products and the business staff they need to ensure those products meet customer needs. Because different talent segments are distributed across teams (each fusion team has a software engineer, a UX expert, a marketing expert, etc.), Teach for America uses its networked team structure to bring together each key talent segment into role-specific chapters. Each of these chapters has a leader, who is responsible for the workforce strategy for that skill set, for upskilling and developing talent in the chapter, and for hiring/firing/evaluation/ promotion decisions for that staff. (For more, see Driving Digital Transformation: Teach for America's Framework for Managing Fusion Teams.)

For new skills areas, where you need to build a skill quickly, having a centralized team that is function- or skill-specific and is deployed into fusion teams, will help grow that skill more quickly. Once you reach sufficient scale and maturity of the skill, the centralized team can be disbanded across fusion teams.

Figure 3: Separate talent management from work

Structures for interdependency management (partial representation)



Source: Gartner

Leading CHROs will reshape their workforce planning to feed product-aligned and fusion teams work design:

1. **Upgrade work and skills intelligence infrastructure:** AI-powered skills management technologies have been a nice-to-have over the past five years. In the next five years, they will be must-haves to support more frictionless mobility and growth of talent between outcome silos and more frequent job architecture updates.

2. **Split the manager role:** Organizations with predominantly product- or outcome-aligned structures need project leaders to lead the work of fusion teams and people development leaders to own the development of talent/skill segments. CHROs should formally split the manager role into these two paths in their job architecture.

3. **Transition the talent review process from being business unit-led to chapter- or guild-led:** The parts of your business that become outcome-aligned for greater speed and agility won't be effective at performing talent reviews. CHROs should transition their organizations' talent planning practices for those areas from being BU-led to being skills chapter- or guild-led.

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