PART TWO
Designing your organization the OPTIMAL Way

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Outlining your brief

04

To whom does design address itself: to the greatest number, to the specialist of an enlightened matter, to a privileged social class? Design addresses itself to the need.

CHARLES EAMES

This is the first step in the OPTIMAL Organization Design Approach. Whether you are investigating if an organization design or redesign is necessary; shaping a programme of design work for others to follow; or leading an organization design programme, you start here. The aim of this step is to crystallize the client's requirements of the design so that the brief is clearly defined for both the client and the design team that will be put in place in the next step. This chapter covers how to get off to a good start: shaping, understanding and challenging the brief; creating a design brief to determine the design phase of a programme of work (which includes a shared understanding of the design and programme context, a distillation of the strategic intent, identified target capabilities required to deliver this and a programme brief); as well as getting the sponsor's agreement to progressing this work. This step is important because the seeds of success for a major programme are sown right at the start, as are the seeds of failure. Attention to the first 10 per cent of any work is crucial, to ensure that everyone knows what they have to do and why, in order that the team is able to make a good start and because there may be severe limitations to changing later. You should gain an insight into how to commission an organization design programme with a clear design brief and firm foundation that has buy-in from the client(s) and can direct the design work ahead.

There are four parts to the process. First, making sure the right people are involved. Then exploring the design and programme context and optionally looking beyond the organization being designed for wider insights. There are tools to help you distil the strategic intent into succinct strategic statements and identify the target capabilities that these imply for your organization. Last, the focus turns to capturing a brief for a programme of work. The time taken to carry out this step is largely dependent on what previous strategic work and thinking has been done. It can take as little time as a few

days for meetings, workshops and writing up, if strategic thinking is well advanced or you are looking at designing for a small team and their role within the broader organization's strategy is clear. The OPTIMAL Way can be used to fast track and capture any 'strategic insights' that are held. It will take longer if your organization needs or wants to precede this with further strategy work and/or take time at this step to look at alternative organizations for reference and insight.

Getting off to a good start

There is a Zen saying that, 'a thousand mile journey begins with one step', and when it comes to design programmes it is best to make it a firm one. The role of design is the translation of the emergent ideas into something more tangible. Irrespective of where the organization is in its thinking, or whether you already think you 'know' some of the answers, it is valid and necessary to ask lots of questions. This is because your focus will be to solicit all the information, concepts and feelings from a variety of stakeholders needed in order to create a design for the organization. Often, any work that will have been done in advance is not carried out with an emphasis on design or a focus on the range and breadth of information required for successful organization design and/or implementation.

If you come from a programme background then an inception step where you set out the brief may be familiar territory for you and to some extent this will be similar to other programme initiations that you may have carried out. However, there are some important differences that are specific to organization design. This is inception with design in mind. An organization design programme is a complex programme with potential for widespread ramifications across an entire organization or any part of it and across some or all aspects of its activities, or, in our terms, segments of the Compass. Avoid drifting into execution or feeling/being pressurized into action too quickly. There is a delicate balance between acting quickly and acting wisely and an intensive orientation phase prior to starting will yield benefits later. For many people it is uncomfortable, even unnatural, to want to put effort into planning, particularly if there has been time already spent on the strategy, but starting well means challenging this natural desire to want to get on and do things.

Who to involve from the start

There are three key leadership roles needed from the start of an organization design programme: a sponsor, a commissioner and a senior HR leader. Good design starts with the needs of the client (the person or organization commissioning and paying for the work), finding out what they want. As Edwin Lutyens said, 'there will never be great architects or great architecture

without great patrons'. The sponsor is a senior individual from the client organization, who acts as a single focal point for contact on the day-to-day interests of the client organization. Their role is to actively champion the change that is proposed throughout the duration of the design programme; ensuring the programme is visible, resourced, supported and well led to enable it to deliver what the client wants. A committed and involved line sponsor is vital to the programme's success. You need to identify a suitable sponsor, if one is not already in place.

If you have been asked to carry out an organization design, to look at whether an organization design is necessary or to shape a programme of design work for others to follow, you start here. We refer to this start-up role as the 'commissioner'; it is generally an individual or small team. Their role is to establish whether there is a firm basis for the programme to go ahead and if so to shape the design phase of the work and help to set up the programme. They work out what needs to be done and why; articulate and challenge the brief, work with the sponsor to establish the nature of the team required to carry out the design including either specific individuals or areas. The commissioner may or may not subsequently become part of the design team and work on the programme, but they often do. They may be the programme leader, an organization design expert involved throughout the design, an HR business partner or a senior consultant in a change organization. Whatever their title and experience, this role requires very strong consultancy skills. Consultancy skills are those that allow a person to take a critical view of an organization, to diagnose it and give advice on how to change it, along with the ability to persuade others of the need for action. A good consultant is able to identify and investigate problems and opportunities; to recommend the right action to take and implement those recommendations. Leadership in consultancy comes from experience, expertise and influence coupled with a passion for communicating the ideas and bringing others along on the journey. Appendix 1 covers consultancy and other skills required in an organization design team. In this step, the sponsor works closely with the commissioner; in subsequent steps with the programme leader when they are appointed.

Because of the nature of the change whenever there is a design or redesign, HR should be involved from the start and throughout the design and implementation phases; a senior HR leader should work with the programme throughout its lifecycle. In addition to these three key roles, the key people to involve in this step are the executive or senior team. You may also want to involve people with knowledge of existing work, for instance: strategies; people with influence; people with resources; and people who care about the outcome.

Clarifying the terms of reference for this step

As 'commissioner', your first discussion should be with the sponsor of the work. Clarify your terms of reference:

- What are your respective roles and responsibilities as sponsor and commissioner?
- What will the commissioner's role be in the programme?
- What is the sponsor's role in dealing with the problem, issue or opportunity?
- What do you have to deliver and when?
- What are your respective expectations; for instance, access to people, information, process and budget?
- What are the basic ground rules that will frame discussions with executives and the wider organization in this and subsequent steps?
- Who are the key stakeholders that need to be involved?
- How will this programme be presented to the organization?
- How will the commissioner be presented to the organization?

Shaping the brief, understanding it, challenging it

The client that has called you in may already have done a lot of preparatory thinking and work ahead of this point or they may just have an idea at an embryonic stage with emergent thoughts. You need an understanding of the strategic and operational context for this organization as well as the brief for this piece of work. In these early steps you need to think broadly and question, question, question. In asking lots of questions there are many parallels with other similar professions: architects, consultants, event specialists, travel agents. The presenting problem or solution(s) may not hold up to closer scrutiny. The main purpose is to get an insight into the strategic intent, to see what needs to change and what needs to remain. When you look at the question sets shown in the book you may find they need tailoring to your organization; however, they will give you some ideas of areas to look for.

Understanding the context for design and change

Many books on organization design make an assumption that design starts with strategy. In our experience, this assumption does not hold true for large numbers of organizations. It can even be unhelpful because some executives are put off organization design because they think that it cannot be done without substantial time and effort spent up front developing strategies. Also, even if strategic thinking has taken place it is rarely done or presented with design in mind. Strategies can be emergent within organizations more opportunistically than strictly planned. Work in government organizations

may be driven more by policy and legislation rather than an overarching formal strategy. And even if a client arrives with firm ideas of what they want, you should treat these as the starting point for dialogues that will establish the brief clearly for you and the design team and ensure you have a shared understanding with your client. You need to locate the information, intelligence and insight into the organization's strategy that will provide a thorough foundation for the design work. Some will be written down, but much more will be tacit, residing in the minds of key individuals, and you need to bring out as much as possible of this hidden thinking. Throughout these dialogues you are looking for insights that will inform the client's requirements for the design. As you do this, it will help clarify their thinking, too.

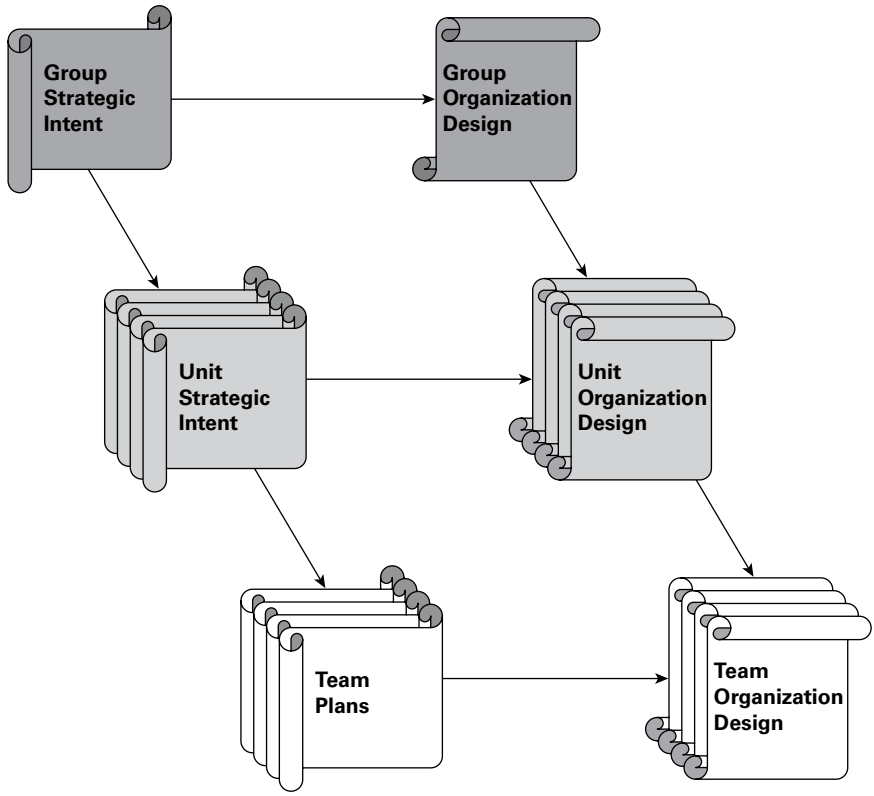
Expensive decisions and big impacts will be made on the basis of the design and the organization will have to live with the consequences. For this reason, you should not hesitate to challenge the findings of earlier work; they may be insufficiently detailed and could impose restrictions on the future organization within them that is not being considered. As an example, a global credit card company outsourced its IT to support their strategy of cost containment. It obtained the results it thought it wanted, 'a partner company delivering more for less and faster'. However, when it adjusted its strategy two years later for European expansion it found that its organization design limited it even though it had only just been implemented. Its CEO said, 'We have replaced the stairs with an escalator, only to find that what we actually needed to do was install a lift in a different building.'

At this point, start to gather together information and insights on the broader context for change. Are there customer and market strategic insights that can help? If the situation is highly uncertain or unpredictable, has scenario planning been carried out? It could help to frame the strategic thinking, and the design work. The scenarios can also be used at the assessment step to judge design options.

'Always design a thing by considering it in its next larger context – a chair in a room, a room in a house, a house in an environment, an environment in a city plan.' This advice from the Finnish architect, Eliel Saarinen is equally valuable for organization designers. It helps to understand the part of the organization you are designing within a wider context or a whole organization in its operating context and where the organization is going in future. This will also help you to scope the programme of work and understand where higher level context informs the organization that is being designed (see Figure 4.1). In this figure, units may be divisions, business units, shared service or functional units.

Although at this stage you may not have chosen an organization design model to use throughout the process, if you have one it can be helpful to use it. We find it useful to consider the different aspects of the Organization Design Compass (Work to be done, Norms and behaviours, Enablers, Structure): as a prompt to facilitate discussions; to enquire on a range of perspectives; to understand any preconceptions and conventions in use,

FIGURE 4.1 Understanding an organization's design within its wider organizational context



which may be tested later; and as a means of capturing ideas, 'dreams' and concepts as well as documenting information.

The best way of doing this is to conduct individual interviews initially, then repeat these as a group exercise with key stakeholders (see Tool 4.1). Although you can use just the group exercise, you will get far richer insights by doing both. Repeating questions in the group exercise that have been asked individually often highlights nuances of understanding between people. If you carry out interviews the number you carry out depends on how far knowledge is spread and the time available. Individual interviews allow you to:

- Involve people who may not be involved later on; for example, those who have strong insights into prior strategic work or operational problems. They can provide deeper insights into why conclusions were reached rather than just the bare conclusions alone.
- Involve people with specific knowledge/perspectives and a wider range of perspectives.

- Avoid group think.
- Obtain a different sense or quality of information.
- Gain insights into hopes and fears for the individuals themselves and their sections.
- Understand the make-up of key individuals.

Group exercises enable the commissioner to reach people quickly and stimulate dialogue between people, allowing the group to:

- share real understanding and different perspectives;
- discuss and learn from each other;
- reach shared and agreed points of view resulting in a consistent message;
- plug gaps in preparatory thinking.

For the individual interviews, include some or all of the people who will be involved in the group exercise as well as widening the net to get broader insights. Consider the context in which the organization is operating today and in future; use the prompts in Table 4.1 to understand the programme and design context. Aim to document the insights at a high level in appropriate forms; for instance, as statements and sketches as well as notes. You should collate an information and evidence base as you go so that it can be referenced in the later steps by the design team. From these individual interviews you will end up with multiple perspectives on the programme and design context. Prepare a 'chorus of voices': anonymous insights, collected from the individual interviews focusing particularly on areas of agreement and where there are different views to help establish a shared understanding. This will lead to a more productive group meeting.

TOOL 4.1 Getting a shared understanding of the context change

The objective of this exercise is for the commissioner and the participants to get a shared understanding of the context for the change.

Who to involve

Include members of the senior team with knowledge of the context for change: strategy and/or operational problems. If market and customer insights have not already been captured through your strategy, include people with these insights. Ensure you involve strategic HR; they are a key partner in organization design.

Inputs

The 'chorus of voices' drawn from individual interviews.

Instructions

- Present the 'chorus of voices': use this to start the debate confirming areas of agreement and highlight areas of divergent thinking.
- Consider the context in which the organization is operating today and in future: use the prompts in Table 4.1 to understand the programme and design context. Tailor this to draw out a shared understanding based on what has been learnt from the 'chorus of voices'.
- Aim to document the findings at a high level in appropriate forms; for instance, as statements and sketches as well as notes.
- After the meeting document the shared view of the design and programme context.

Outputs

Shared view of the design and programme context.

TABLE 4.1 Prompts to understand the programme and design context

Problem statement	Always start with the problem statement • What is the problem that needs to be solved? • What is the operational objective you are setting out to achieve? • What is the vision for improvement you are seeking to achieve? • What has been done already to solve the problem, issue or improvement you are seeking to make? • What has happened as a result of what has been done already? • What are the symptoms of any failure to deliver expected performance?
Organizational history	Understanding this can help identify hidden dynamics that define identity and resistance • How old is the organization? • What is the previous history of change in the organization of this type of change? • What else has been done in the recent past? • What was the experience of previous changes? • What is the experience of change and design for key stakeholders?

TABLE 4.1 *Continued*

External environment	• What is the environment in which the organization is competing, eg sector, industry? • Are there any significant changes impacting the organization from its external environment, industry sector, market, legislation, regulations, government, technology? • What is the outlook for the organization's sector and why?
Organizational purpose	• What is the group there to do and accomplish together? • What is different for its people, the organization and the world as a result of the organization's existence? • Is organizational purpose shared, understood and followed? • Does the purpose need to fit within a wider organizational purpose, say for an organization within an organization? If so, what is that? • Does the purpose have to be cognisant of any other contexts, eg partners?
Mission	• What is the organization there to do and for whom?
Vision	• What does the organization want to be?
Strategy	• What are you trying to achieve? Where? When? • What is the intent behind the strategy? • Can you describe what the strategy means for each operational unit within the organization? • Are there supporting strategies, eg people strategy, IT strategy, marketing strategy? • What does the organization want to be when it has changed? • What is the business case for this change?
Organizational goals and objectives	• What are the long-term goals of the organization? • What are the short-term goals of the organization? • What are the group's objectives?

TABLE 4.1 *Continued*

Operational drivers	• What must the organization achieve operationally? • What does the organization want to avoid operationally?
Structure	• How is your organization structured? • Obtain an organization chart • How large is the organization? • How many people does the organization employ? • How many locations does the organization operate in? • What are your latest key financial and other critical measures? • Are there any strategic choices made that have structural implications, eg legal basis, philosophy around how units within the organization will work together?
Criteria for success	• When is the organization successful? • Which building blocks does the organization need in order to realize its goals? • What does the organization want to achieve? • How will success be measured?
Scope – Boundaries	• What are the boundaries of the organization being designed? • What organizations bound this organization? • What are the boundaries for change in terms of the 12 segments of the Organization Design Compass? • What else is going on inside or outside the organization that this design needs to link to?
Scope – Constraints	Establish what can and cannot change and ensure that the programme is able to tell the difference. • What are the legal, regulatory and/or policy frameworks the organization has to operate within? • Is anything ring-fenced? • What cannot be changed?

TABLE 4.1 *Continued*

Approach	• How will the organization be aligned and people inspired to achieve superior execution? • Are there any sensitive areas the programme needs to be aware of, eg those involving regulators, union consultation and legal constraints? For example, TSB needed an Act of Parliament in the 1980s. Co-op and Britannia needed another in 2009. Competition authorities are often involved in mergers and acquisitions • HR is often well placed to lead or be involved in organization designs because of some of these sensitivities
Risks	• What are the risks to the business and to customers of making this change?
Timescales	• What timings are required for the design and/or the implementation of the resulting change? • What links are there to other programmes/events in the organization?
Anything else?	• Is there any other information that sheds light on the problem, issue or opportunity?

Getting insights from other organizations

When you carry out an organization design it is often useful to compare your design thinking against organizations that are similar by sector, markets, geography, technology or that have already moved in a direction that you are considering: eg set up shared services, outsourced that function, set up a business in that territory; or perhaps have had a similar challenge and done something radically different. This is optional; it can be done during this step or later on or not at all, but can be very useful. It is about exploring, gaining inspiration, understanding the pitfalls that you may need to avoid as you go through the journey, rather than benchmarking or analysis. It is about learning from other organizations that operate the way you are considering, or have undertaken similar transformations. You can learn from written material, visits and meetings undertaken directly or via intermediaries such as consultancies and research organizations. If it is a major change, encourage your leaders to talk to and see other organizations. A word of caution though, as well as looking at their solutions and successes or otherwise, it is important

to make sure you understand the context these organizations are operating in. This will help establish whether their solutions will be more or less suitable for your organization and/or easier or harder to implement.

This can be a one-off process of visits but external learning can also provide a basis for support along the journey for senior leaders. One of the authors established and ran an Advisory Board for one group of senior executives as they went through a major outsourcing change, with a range of C-level executives drawn from public and commercial organizations that had designed and implemented similar organization designs, had the scars and 'lived with' the subsequent operations. In October 2010 Sir Gus O'Donnell, the UK Cabinet Secretary, requested help from the private sector for the civil service to learn from the business experiences on how to reduce the number of jobs by thousands, without losing key functions.

Distilling the strategic intent and framing the brief

So far all the focus and activity has been about understanding the organization and its operating context: data gathering, analysis, describing and understanding the organization from various views inside and out. It is a process driven and developed around fact gathering, evaluating and defining. This is a good time for the sponsor and the commissioner to have a conversation about what has come out from the internal and external work and start to consider any adjustments and plans for the work ahead.

Irrespective of what has been done before, to what depth and how it has been articulated, you now need to encapsulate very clearly the strategic intent that will drive the design and identify the distinctive capabilities that align with that intent. The next two activities help you set that out so you can determine what you need to be able to change over time.

Defining strategic statements

The next step is to define clear, distinctive and differentiated strategic statements. The aim of this is to distil the strategic thinking and all the information and knowledge gained to date to achieve clarity of intent. A strategic statement is a succinct description of the core things an organization needs to exploit its opportunities and avoid threats. People can internalize these and use them to guide them in difficult choices and trade-offs in the design process.

Articulating effective strategic statements focuses on creativity and differentiation. It is developed and written around the intuitive, differentiating elements of the organization discovered in the earlier activities and work done. Your strategic statements should state what will drive the organization's

direction. If you are not able to do this it is probably because there is some more preparatory work to do. Tool 4.2 shows you how to formulate strategic statements that are clearly defined. Laying them out the way suggested makes it is easier to devise them, because executives know what you are looking for. Using this structure and adding additional information to the statements to explain why, makes them more credible and more straightforward for the design team and wider organization because the strategy's essence can be readily communicated; the strategic intent is simpler to understand and internalize.

Crafting these is not straightforward, it can lead to heated discussions around individual words, but it is this dialogue that focuses executives' understanding of the challenge and starts them thinking about the implications. Depending on the scope of your design you may need to do this for a number of different units: the overall organization, each section and each functional area. Any lower level strategic statements must be in agreement with the overall organization's strategic statement and aligned with each other. A global pharmaceutical company's strategic statements might include:

- operate a world-class research and development function to maintain a pipeline;
- expand generic products in emerging markets to generate business growth;
- outsource operations and collaborate with strategic partners to develop the target business shape.

TOOL 4.2 Defining strategic statements

To define the key strategic themes that focuses the organization on delivering its strategic intent and shape the organization being designed.

Who to involve

Include: the senior team responsible for the design (a subset of people you have had dialogue with, but ensure you include strategic HR); people with knowledge of the context for change: strategy, operational problems; people with influence; people with access to resources; people who care about the outcome; senior leaders from the current organization can also be considered.

Inputs

Inputs are any relevant strategic material as well as insights gathered for understanding the context and the shared view of the design and programme context.

Instructions

Look back at the strategic material and insights you have gathered. Create a set of high-level statements that capture the essence of your strategic intent (usually four to eight statements are enough to encapsulate the major streams). Well-defined strategic statements will have these elements:

- Activity: what are the key actions that the organization is going to focus on?
- Time period: by when is it going to do it?
- Geographic location: where is it going to be carried out?
- Reason for doing it: why are you going to do this?

Review and refine the set of strategic statements:

- Do they include the big things that you need to continue and/or the new areas you want to concentrate on?
- Do they describe your offerings products/services, market/customers?
- Do they describe what products/services are to be brought to the market and for whom?
- Do they describe the style of organization you are moving toward, eg vertically integrated or highly networked?
- Do they clarify what makes your organization distinctive?
- Do they agree and are they in sync with other levels and parts of the organization's statements?
- Do they fit with this organization's role within its wider organizational setting?
- Do they differentiate this organization from its competitors/'near neighbours'?
- Statements of 'how' need only be included if they provide significant strategic direction.
- Are the elements of the statements unique, actionable and value adding?
- Are they stated in broad, descriptive, general, non-tactical terms?
- Are they clear enough to guide the managers of the organization as they make operational decisions?
- Are they specific enough to give clear direction?
- Are they brief and clear for internal and external stakeholders, eg employees, suppliers?
- Is it clear what any boundaries are?

Outputs

Strategic statements.

Defining target capabilities

Different capabilities are required to deliver different strategic intents (outlined in your strategic statements). Target capabilities are what an organization

needs to be able to do outstandingly well in future to execute its strategy and win in its operating environment. Each capability is likely to have an impact on many aspects of the organization. Target capabilities cover what the organization must know how to do to execute its strategy and how people in the organization work together to get things done. They are the fundamental blocks to excel at. For example, a Financial Services business must know how to manage risk and design innovative products. If an organization wants to have a global presence, it will need to be good at international management. Some capabilities are not that obvious; for instance, the Child Support Agency in the UK needs to be good at debt recovery. Other capabilities are recognized after major events; Bob Dudley, CEO of BP speaking in October 2010 after the Deepwater Horizon rig disaster in the Gulf of Mexico said, 'There are lessons for us relating to the way we operate, the way we organize our company and the way we manage risk... [BP] will, over time, become one of the best companies in our industry at managing risk.'

Capabilities are hard for competitors to match because they can take time to build and can be hard to emulate or acquire. It helps to think about capabilities in terms of:

- Core capabilities: these focus on the strategic aspects of what needs to be done; delivering the products or services that you market.
- Enabling capabilities: these focus on the relational aspects of how people work together to get work done. They support the delivery of core products; for instance in talent management, collaboration, organizational planning, strategy and investment; and the organization's ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments. Of course if you are designing an HR Department, talent management will probably be core to you!

Decisions on capability have implications on the design. Each capability impacts, for instance, the work done, the skills and competencies you require, the behaviours required from the organization's people and/or suppliers and how performance is measured and rewarded. A capacity for leveraging resources and competences to support a capability can create a long-term competitive advantage for an organization. Building capabilities involves building and developing skills in a range of areas. In 2010 the UK Civil Service identified a set of capabilities as important for them. They are broken down into three categories: leadership, strategy and delivery. Leadership comprises: set direction; ignite passion, pace and drive; and develop people. Strategy covers: set strategy and focus on outcomes; base choices on evidence and customer insight; and collaborate and build common purpose. Delivery includes: innovate and improve delivery; plan, resource and prioritize; develop clear roles, responsibilities and delivery models; and manage performance and value for money.

TABLE 4.2 First pass list of capabilities for a global pharmaceutical company

Strategic Intent	Draft capabilities needed
Pipeline	
Operate a world-class research and development function	• Original research • Applied research • Exploitation of research ideas
Source innovation from outside	• Manage relationships • Industry scanning
Business growth	
Partner with payers to understand needs of customers	• Manage relationships • Consumer / customer / market research
Expand generic products in emerging markets	• Production efficiency • International logistics
Business shape	
Operate an efficient and effective business using Lean Sigma	• Manage using Lean Sigma • Manage programmes • Manage change
Outsource operations and collaborate with strategic partners	• Manage suppliers • Manage services • Manage demand
Culture and behaviours	
Foster creativity and collaboration	• Collaboration • Innovation
Promote a culture of responsibility and accountability	• Responsible and accountable organization

When you define your organization's capabilities make sure you are thinking systematically, touching every aspect of organizational functioning. Tool 4.3 can be used to define your organization's target capabilities. To show you how this works in practice, Table 4.2 shows a draft first pass list of capabilities drawn up from the strategic intent shown on the website of a global pharmaceutical. It is used here to produce a first pass list of target capabilities and to illustrate the thinking process in moving from strategic intent or strategic statements to target capabilities. A list like this can start the dialogues needed; the draft target capabilities would need to be reviewed, confirmed and slimmed down to the key 8 to 10 capabilities and then annotated.

TOOL 4.3 Defining target capabilities

To define an annotated list of the top 8 to 10 capabilities required to deliver your strategy.

Who to involve

Include the people involved in defining the strategic statements.

Inputs

Strategic statements.

Instructions

- Considering the strategic statements, define what these tell you that you need to be really good at: capture these using the template in Table 4.3.
- Have you considered both core and enabling capabilities?
- Prioritize the top 8 to 10 (often the first pass list is too long).
- Annotate the target capabilities to explain why the capability is required. This cements the group's thinking and provides information for the design team.

Outputs

Annotated target capabilities.

TABLE 4.3 Annotated list of target capabilities template

Target Capabilities	Reasons why the capability is required
Capability 1	*Include annotation for each capability*
Capability 2	

OPTIMAL programme considerations

Setting out the programme brief

Once you have a shared understanding of the design and programme context, the strategic statements and the annotated target capabilities there is only one more component to include in 'a design brief', namely the programme brief. The programme brief sets out the specific change for the design programme (which may be a subset of the information explored); this information needs to be collated and the thinking behind it needs to take place now. This is generally pulled together by the commissioner working with the sponsor. A programme brief checklist with areas to be covered is shown in Table 4.4. The primary use of this is to:

- ensure that the programme has a firm foundation before asking the programme sponsor to make any major commitment to the programme;

- act as a base document against which the programme steering committee and programme leader (both set up in the next step) can assess progress, issues and ongoing viability;
- provide a reference so that people joining the programme can quickly and easily find out what the programme is about.

TABLE 4.4 Programme brief checklist

Section	Description
Goals	The programme goals (not the organizational goals)
Objectives	The programme objectives (not the organizational objectives) • Does the programme cover design only? (common where design is likely to result in many programmes for implementation and covers whole organization change in large-scale organizations) • Does the programme cover the whole change? (more likely in smaller or medium-size change)
Programme success criteria	Criteria for measuring success against which you can confirm that the programme has delivered all of its objectives and outcomes • Consider any sub-themes or programmes • Consider thinking this through in terms of the organization design model that may be used (if that is known at this stage)
Introduction	Brief outline of the background to the programme • The context that has been established • Outline of rationale for the organization design and the programme • Details of sponsor who commissioned the programme, drivers etc • Statement of fit within a wider organization
Vision	Brief description of the organization design vision statement (if there is one)

TABLE 4.4 *Continued*

Section	Description
Business case	High-level statement of the business case with broad brush measures
Scope	Scoping statements stating what is in and out of scope for the programme • Include details of boundaries and ring-fenced areas you have found Note: actively resist churn in the programme's scope
Constraints	Details of constraints or difficulties that the programme may encounter, eg legislation, regulation, policies, compliance issues
Interdependencies	Potential overlaps with other programmes (or their parts) where ownership or issues etc need to be clear • What this programme needs from others • What others need from this programme • Include ownership and timescales
External factors	Brief description of any external factors that may impact on the programme Brief statement of how this programme may impact others
Key assumptions	Details of initial key programme-level assumptions made on which the design and programme will be based • State level of confidence
Key risks	Key risks to the programme • With details of likelihood, any countermeasures, contingency plans • Include these in a risk log to be managed
Key issues	Live programme-level issues for the programme

TABLE 4.4 *Continued*

Section	Description
Resources	This needs to cover you through until the programme is pulled together when you will look at resources in more depth In particular focus on sourcing the programme leader, the design leader and key roles: consider whether suitable expertise is in-house or if you need to go outside the organization. Are there any specific teams or individuals that need to be involved? Brief description on how the programme is to be funded: this may cover the design phase only at this step or the whole programme Brief description of the people required • Who are they? • What they are required to do? • Are they needed on a full-time or part-time basis? Brief description of any other key resources that may be required covering, for instance, skills, consultants, accommodation, technology
Stakeholders	Record the programme's key stakeholders • their location • their interest
Communications	• Brief details of how programme-level communications are to be run • Record any high-level communications and messages that need to be encapsulated at this point • Any sensitivities should also be considered
Quality	Brief description of any quality assurance process

Does the programme brief:

- Document information captured in this step?
- Address and solve the right problems?
- Form a sound basis on which to initiate a programme?
- Accurately reflect the mandate for the programme and the requirements of the client?
- Indicate how the sponsor will assess the acceptability of the finished product(s)?
- Provide clarity for all stakeholders, not just those working on the programme?

In the next step, the contents of the programme brief are extended and refined to create the programme definition and plan, after which the programme brief is no longer maintained.

Taking the programme forward

The key person from whom to get approval and sign-off at the end of this step is the programme sponsor. They will want to see the documented design brief. If the sponsor can answer 'yes' to all of the following questions the design programme should be well positioned to progress:

- Is there sufficient information to make a decision?
- Is change necessary given the context seen?
- Is organization design the right response for the organization?
- Is there enough information to get started or is there more to do?
- Is now the right time to undertake the design and change?

If you answered no to any of the questions, what alternatives can be recommended?

Given that organization design now is the choice, either to the whole or parts of the organization, it is time to start to pull together a design programme. The OPTIMAL Organization Design Approach will provide a high-level design and can also be used in implementing and embedding as design is cascaded to lower levels of detail. The design phase covers the overall architecture, not every aspect of design. Work out now with the sponsor how much detail the organization feels comfortable with defining up-front and what can be left until later on to define. For instance, will the design phase only cover defining the overall shape, allowing appointed managers to define the detail they need at a later step or does it need to be more prescriptive? This will tailor the approach decided as the programme is pulled together. The same organization will take different approaches at different times and in different circumstances: just as the same person has

contrasting needs for distinctive holidays, they may plan in detail, 'go with the flow' or have elements of both. Some organizations have a preferential style just as do individuals on holiday. People in organizations can feel uncomfortable to be over planned or under planned. Allowing a high degree of emergence can be seen as the only way to embed change or, conversely, result in high degrees of discomfort.

The commissioner's role is fulfilled. The team or individual who have carried out this role out may stay on the programme to be set up or may leave. If necessary, ensure a clean handover.

Conclusion

At the beginning of a programme your main focus should be outcomes, not just outputs. The outcomes from this step are that you have shaped the problem, reached a shared understanding of the challenge and what needs to be designed. This has been articulated for the programme and agreed by the programme sponsor and any wider executives/senior people that have been involved. You will also have produced some key outputs that help you achieve these outcomes and they will be required throughout later steps of the organization design programme, as follows:

- Programme leadership identified programme sponsor, senior HR leader and the commissioner; the latter may or may not be involved in later stages of the programme.
- Working papers:
  - from the individual interviews – multiple perspectives on the programme and design context;
  - a 'chorus of voices' collating key areas from the individual interviews.
- External organization insights.
- Design brief:
  - the shared understanding of the design and programme context;
  - strategic statements;
  - annotated target capabilities;
  - programme brief.

Keep sight of the outcomes and the reason you are doing this work. 'An organization's reason for being, like that of any organism, is to help the parts that are in relationship to each other, to be able to deal with change in the environment.' – Kevin Kelly. You should now be in a position to take forward an organization design programme. By the time you complete this step you will have the knowledge to initiate an organization design

programme yourself and know how to do this so you can get the go-ahead to proceed. You will be able to do this whether you are designing an entirely new organization from scratch or taking a current organization and realigning it. Walt Disney said, 'You don't build it for yourself. You know what the people want and you build it for them.' However, you cannot build it on your own, so now we turn to putting the team together to design and build it.

Pulling together your programme

05

The secret of getting ahead is getting started.
The secret of getting started is breaking your complex, overwhelming tasks into small manageable tasks, and then starting on the first one.

MARK TWAIN

There is a clear, shared brief and the go-ahead for an organization design programme. This step of the OPTIMAL Organization Design Approach is about preparing for the journey ahead. The aim of this step is to put in place the programme to deliver a high-level design that meets the brief. This chapter covers the assembly of the design programme leadership and team; setting out the approach that will be used (the design model, process and toolset); and ensuring everyone has sufficient understanding of the requirements and approach to enable fast progress to be made. It includes the skills required for design work and how to identify the people who have them. We then look at setting up your programme on a sound basis and finally document the route you are going to take. This is important because design work should be run using project management disciplines. It is a multidisciplinary activity requiring common ground and knowledge as well as a shared vision of where the programme is heading. People from different disciplines, often different locations, and existing organizations need to be aligned and ready to work together. You should gain an insight into how to establish a fully resourced organization design programme with a team that is kitted out, ready to go and successfully deliver the programme's design brief.

This chapter explains the tasks for the person or people setting up the programme, generally a programme leader with a design leader. They may be the same person on smaller projects. A number of things are happening in parallel in this step: the broader programme and the design elements are established. At different levels the step covers: resourcing; making choices on how the programme will work; and ensuring everyone has sufficient knowledge to commence work. Everything is brought together at the end ready for steering committee sign-off. The key determinant in how long this step takes is access to suitable resources.

Resourcing the programme

Who leads organization design work? This sounds quite a straightforward question, but in practice, there are multiple leadership roles and levels in carrying out an organization design programme. The following case describing leadership of organization design programmes at Barclays in the early 2000s shows different aspects of leadership required from their business units, HR and organization design.

In the early 2000s, Barclays Bank plc brought in a new CEO, Mathew Barrett, who with his Executive and Board reviewed the bank's strategy to focus on it becoming a major global financial services provider, delivering a chosen set of products to selected marketplaces. This needed a significant transformation to change it from a series of stand-alone businesses each operating in their own way and largely UK-dominant, to having a coherent global business model with value added by all parts of the organization: the newly created individual business units, a newly created shared-services organization for operations and IT, as well as the group's central functions.

At the time, it was recognized that a significant transformational change was required and this required deep expertise in new skills while the external consultancy fees were not to be increased. One response to contain consultancy expenditure was to create a professional internal management consultancy unit. Within that group, one of the practices established was an organization design practice. Independently, and at the same time, the HR function was becoming more strategically focused and moving to a business partner–centre of excellence model. It too had recognized the need to establish an organization design centre of excellence capability.

In effect, two organization design competency centres were being separately built, both were small and formative but existing on parallel tracks. Neither was sufficiently resourced for the pending demand given the amount and complexity of the change going on throughout the group. Some business units would go to the HR centre of excellence and some to the internal consultancy for their organization design support. This was because of existing relationships within the Barclays group, and neither offered access to a comprehensive range of organization design skills. This was a waste of scarce resources.

HR's own role was transforming from a more transactional organization to fulfil a more strategic function. Within HR's organization design centre of excellence, relationships with strategic planning were formative and there was limited access to business executives for the HR staff involved in organization design. Those involved in organization design from HR generally were less senior than the internal consultants. In addition, there was a conflict in the central HR's role as policy setters in the organization design space versus their role as designers.

The internal consultancy did not have ready access to the emerging HR strategies and policies or HR information in various data sources. They also lacked vital HR skills, such as resource and talent planning, employee relations and use of employee metrics.

The HR centre of excellence developed the overarching Barclays' organization design principles. The internal consultancy and businesses adhered to these. HR also provided relevant input to all aspects within their domain. The internal consultancy supported the business with the provision of other competencies that the businesses did not have themselves (which varied from business to business). Business leadership was provided by the business unit, shared services or functional unit going through the change and by group executives to fit with the overall enterprise direction. In this case the following areas provided different skills, knowledge, capabilities and leadership:

Group executives:

- Business leadership: fit with Barclays Group purpose, strategy, values, business model and other business areas, business objectives.

Business unit executives:

- Business leadership: sponsorship and executive direction informing organizational purpose, strategy, values, business objectives, policies. This included HR.

The HR centre of excellence for organization design:

- Strategic leadership: development of Group-level HR strategies, policies and principles.

HR business partners:

- HR generalist knowledge with an understanding of the business units they worked in and ability to access relevant HR specialists and information sources.
- Strong links to HR for access to HR data and the ability to change some enabling processes, such as rewards and performance appraisal, as well as learning and development.
- An ability to understand the implications on people and provide solutions; for instance, protecting key people through major transformation and ensuring management of talent.

The organization design internal consultancy:

- Access to strategic thinking: to understand what change was required at executive level with the business; with close links to strategy development and a broad understanding of the impact on process and technology as well as people.
- Good consultancy skills; such as understanding root causes of problems rather than addressing symptoms of perceived business problems.
- Good organization design skills; developed through experience as well as theory.

Business units, shared service units, functions:

- Programme and project management disciplines.

Change management was variously supplied by business units, HR and internal consultants depending on the business unit. This case highlights some of the different capability requirements organization design needs and where these were located at that time in Barclays. It draws out the multiplicity of leadership roles on an organization design programme well.

Typically, there are five different leadership roles in an organization design programme; these are leadership from the 'business' or 'client', programme leadership, design leadership, HR leadership and leadership from specialists, as described below.

Business leadership

Organization design should always be led by the business. Effective leadership has been consistently found to be a critical success factor and key enabler in delivering effective design and change leading to successful outcomes. Business leadership is needed to shape the nature and the content of the future organization, particularly drawing on the capabilities, attitudes, behaviours and knowledge of the senior management. Senior management's leadership plays a pivotal role, particularly their experience gained from other organizations that they have worked in and people they have worked with. Business leaders ensure that the design developed is linked to their thinking on the organizational purpose and strategic direction, ensuring sponsorship of the design, obtaining their buy-in and driving the execution of the design.

Programme leadership

Leadership is required from the person who leads the execution of the design work and/or the change. The person who is asked to carry out an organization design programme may or may not have past experience of carrying out an organization design. They may also lead the organization involved or lead other change programmes. A programme sponsor often straddles both business and programme leadership. There are other dimensions to programme leadership too from other programme specialists, eg change management.

Design leadership

Design leadership comes from:

- providing confidence to the organization that the process will deliver optimal results;

- assuring the process is robust and followed;
- facilitating the process;
- assuring the design meets any external design requirements of it;
- assuring the design meets the requirements of the programme;
- leading the design to produce high-quality outputs and outcomes;
- being an expert in organization design.

An additional independent assurance function can be provided by a design authority on large complex programmes.

HR leadership

HR leadership involves:

- aligning organization design work with HR strategy;
- linking organization design to HR policies, standards and frameworks;
- ensuring tight linkage of outcomes with talent management and learning and development;
- connecting with individual performance management processes;
- joining up organization design with culture, norms and behaviours, organization development, resource management.

Specialist representation

Other team members involved in an organization design programme will be leaders in their own area, whether that is in:

- business and operational expertise related to the organization being transformed, eg running part of the process being changed in a contact centre;
- a central services or functional area, eg from Risk, Finance and IT units;
- HR, which may be involved in various detailed ways.

Of course, functions and HR may be the area being transformed in which case they may have multiple roles on the programme.

Good organization design leaders, like programme leaders, need to know something about everything. They are generalists, not specialists; the conductors of the symphony, not virtuosos who play every instrument perfectly. As a practitioner, an organization design leader coordinates a team of professionals from many disciplines. In James Crupi's words, 'the leader's job is not to cover all the bases – it is to see that all bases are covered'. Typically, the interests of some team members will compete with the interests of others. An organization design leader must know enough about each discipline to negotiate and synthesize competing demands while ordering the needs of the client and integrity of the entire programme. Appendix 1 lists the skills

generally required in an organization design team, from medium to expert. This is covered further in establishing the design team below. In addition, both the leaders and team involved on an organization programme need to be highly skilled at working collaboratively; working in partnership across hierarchy, organizations and functions to deliver the defined objectives.

Participation in the OPTIMAL Organization Design Approach is not just a matter of asking people what they want and then giving it to them. It is a fragile and delicate process of negotiation, a conversation about many different experiences and perspectives, points of view and values to take into account. Designers may take on the role of educator, interpreter, critical friend, negotiator or advocate. Organization design is both an art and a science. So the design leaders will use both the rational, analytical side of their brain as choices are made based on evidence, and the creative side as sparks of inspiration can make any design great. Just think of outstanding architects, their skills and their legacy; they encapsulate the qualities of an outstanding design leader.

Putting the programme and design leaders in place

The programme sponsor and senior HR leader should have been established in the previous step and already be in place. This will ensure that if someone from HR is not fulfilling either the programme leader or design leader role, the design work is aligned to HR strategy and vice versa. The commissioning role is complete, now is the time to assign the programme and designer leader roles. In practice, on a small project they may be one and the same person, while on larger, complex programmes they are usually different people. In addition, on major programmes with either a large-scale design piece of work or long-term and significant implementation implications, it is not uncommon for these leaders to be assisted and strengthened by a design authority. A design authority is a role that will quality assure the organization design process and outputs. It is typically only found on large or complex design programmes. A design authority is an assurance function not a compliance function. Its role is to advise not to veto. In Part Three we look in more detail at the role of a design authority. The design authority person or team can also act as an advisor to the wider leadership community. If you are going to have a design authority on the programme they are best brought in up-front with the leadership, before major decisions are made and ahead of the bulk of the team.

Identifying and resourcing the design team

Any team embarking on an organization design will require a number of skills or access to them. Appendix 1 lists the skills generally required in an organization design team. These are the skills required at the design phase; some of these will also be required in implementation but will change in prominence.

We have tried to give a sense of the relative skill levels and shown those at medium level and above. The nature of your challenge will also influence the specific skill and the levels required. Smaller, simpler changes obviously do not require the skill levels and experience of larger, complex scale challenges. To make it easier to digest we have clustered the skills into consultancy skills; change management skills; HR specialist and generalist skills; and programme/project management skills. Many of the team will be leaders in their own fields and all will need to be highly skilled at working collaboratively; working in partnership across hierarchy, organizations and functions to deliver the defined objectives.

These skills do not have to reside in one individual. Depending on how large and/or significant the design to be undertaken, these are likely to be spread across a number of individuals or teams. People interested in organization design tend to be highly business-orientated and want to be proactive in influencing the future. They are results focused, as well as goal- and improvement-orientated. They are likely to value progress, change, team working, knowledge and expertise. Non-functional skills that are required are very high amounts of critical thinking, planning, problem solving; and high amounts of logical thinking and decision making. Because organization design is a broad skill set, it attracts people who enjoy using their creative and analytic skills. The creative side often attracts those who are visionary and innovative. The analytical side attracts people who enjoy assessment, seeking multiple perspectives, gathering more information where necessary and identifying the key issues that need to be addressed.

Organization design teams are often characterized by a small number of full-time team members and a larger number of part-time participants brought in for their specialized expertise. Organizations differ in how they secure resources for programme teams, so here we can only offer you general advice. In resourcing the team, some factors and further guidance we recommend are:

- Look for insights in Appendix 2: typical backgrounds that lead people to become organization designers.
- Work with your organization's current resourcing processes to find suitable people.
- Look out for the brightest and best in the organization. Quick, agile and open minds are as important as existing organization design skills.
- Select influential people who will have the power to see changes through. Unless your organization is prepared to change, the programme will lead nowhere.
- Aim to resource the extended team from a range of levels, not just the top tiers.
- Involve people that the leaders expect to be part of the future and have credibility with their colleagues (can HR identify some potential people for you?).

- Watch out for change-resistant managers who nominate people who will maintain the status quo. Consider getting the section heads to recommend two to three people from other sections.
- Involve functional people where relevant, typically finance and HR, and sometimes marketing or compliance. Get the balance right between numbers of functional people and number of line people.
- Ensure you have sufficient technical skills in organization design work on the team, for instance in facilitation and process mapping.

As a cross-check and different perspective, have you got:

- a good spread of people with different viewpoints and attitudes to generate a healthy dialogue and spark creativity;
- representatives from different locations (if that is relevant);
- a mix of people with different lengths of service within the enterprise organization;
- a mix of people with different experiences of other organizations;
- a cross-section reflecting the diversity of your people?

Ensuring the business leadership is in place to support the programme

Successful programme outcomes are not just dependent on programme management techniques, processes and good technology. They have much to do with leadership, culture and inculcating good behaviours, yet these people skills are often given insufficient attention. You also need to set up the programme governance. This will almost certainly include a programme steering committee (or board). A few thoughts on what is different in organization design steering committees:

- Numerical targets often have a very high focus; eg numbers of people, cost per head.
- Control is about influencing what is about to happen.
- There needs to be clarity on how and to whom reports and conversations will be presented and when. Sensitive information will need to be carefully released.
- They need to govern the design process, so that any design reviews assess design maturity rather than using them to release budget for the subsequent step.
- They should include the senior HR leader.

You may also want to consider setting up a business user group to support the design work and resolve questions as you progress. Business user groups are senior managers, heads of departments or senior team leaders who really understand the implications any design will have on the organization within

their area of responsibility. They can be very beneficial in resolving thorny issues and making trade-offs that can be implemented. In the OPTIMAL Way, an effective use of a business user group is to review each design level as it is completed.

Programme structures and roles differ from organization to organization, from programme to programme. Figure 5.1 shows Chevron's preferred organization design roles. Chevron, the multinational oil company has an in-house organization design group who assist business units in redesign work. This group maintains a standard design methodology that is deployed across the organization and they have templates of their preferred roles in any design programme, eg problem owner and change agent.

Shaping your approach

Establishing the programme backdrop

If you have not followed 'outlining your brief' because a different programme initiation method has been used, you may have some gaps to fill. In particular you need to define the strategic statements and target capabilities before you proceed. If you have not been involved in the earlier step you will need to get up to speed.

Organization design programmes are often one of many change programmes in an organization. Most organizations have some established ways of carrying out all their change programmes, including organization design. Identify what these are and how they affect you. In particular, where your organization has established practices and expectations then consider reusing these where you can or have to. This is a quick exercise. Plan to spend only a relatively short amount of time on this. From past organization design work, consider the outcomes and the impact on people as well as the process:

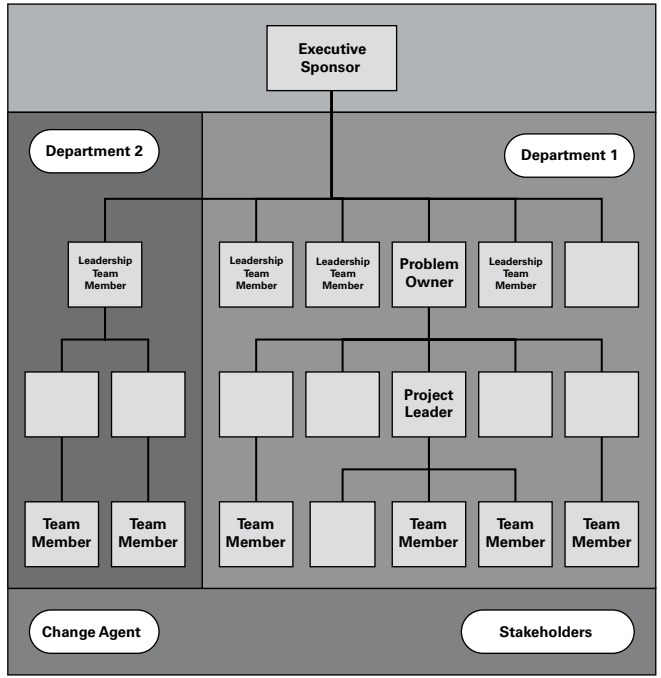
- What other organization design work has your organization done recently?
- Who was involved?
- What methods and tools did they use?
- What worked?
- What did not work?
- Are there any post-implementation reviews that you can learn from?

Drawing on the wider portfolio of change programmes:

- What will people in the organization expect to use and see?
- What are they familiar with?
- What established practices can you reuse?

FIGURE 5.1 Chevron's preferred organization design roles

Executive Sponsor	*Ultimately responsible for approving the recommendations made by the Problem Owner. Ensures that the change initiative is fully in line with corporate strategy. Removes road blocks and gathers support at a senior level.*
Problem Owner	*The person most affected by the issue and the person who has the most to gain from the solution.*
Leadership Team	*A group of leaders who are invited to challenge and support the work of the Project Team and the Problem Owner. Comprises key stakeholders who can influence the success of project implementation. May also include subject matter experts without a stake in the outcome.*
Team Leader	*An existing or future leader in the organization who has a stake in the outcome. Good communicator with excellent project management skills. Has the drive and a determination to succeed.*
Project Team	*A cross-functional and diverse team who collectively have sufficient depth and breadth of knowledge to understand the issues. The quality of the result depends on the quality of the team. All should have significant credibility, survive the change process and become champions of the new organization.*
Change Agent	*Subject Matter Expert (SME) in Organizational Design, Facilitator, Coach, Pair of Hands.*



Stakeholders	*Stakeholders are individuals and groups, both inside and outside the organization, who can influence or be impacted by project implementation and who can actively reinforce the change*

Are there any higher level frameworks and standards within the organization that you have to conform to, particularly: programme management, financial, HR, risk, change?

Does your organization have any established frameworks, tools and methods that you can use for:

- project and programme management;
- process mapping;
- drawing organization charts (many HR software systems come with this);
- running workshops;
- stakeholder management;
- communications;
- engagement?

Choosing how you will carry out the design: part 1, models and process

Good leaders of design programmes feel comfortable shepherding people through a process that is genuinely creative. The control is not in forcing the outcome towards predetermined views, but in confidence that the process will deliver the best outcomes for the organization. Therefore one of the first steps that the programme and design leaders (with a design authority, if they are in place) need to work together on, is ensuring that they have a robust process on which to build their plans and take others with them on the journey (the wider leadership, the team and the wider organization). From here on, we assume you have chosen the OPTIMAL Organization Design Approach and the Compass. You can be confident that this process works well with the accompanying model and toolset.

The decision on the choices of models, processes, tools and techniques, rest with the programme leader and designer: they are the ones to give leadership and direction on this. Your own practical experience and expertise, along with the nature of the challenge, will largely guide your choice. The programme leader agrees with the sponsor on how decisions will be made throughout the programme. Document these decisions in the programme definition. A checklist of what to include is shown in Table 5.3.

You can vary how you deploy the OPTIMAL Organization Design Approach: choose what suits your particular programme – what tools and techniques to apply; whether to use small expert teams or large group interventions; how you will assess alternative design options; and how the major decisions on your programme will be made.

It is less common for someone working in organization design to be given the task of designing a large, enterprise-wide organization. Usually the task is to design a part of an organization: a business unit, a functional unit, a

department, a team, a company. Or the task is reorganizing a part of the organization to deliver a set of processes or functions, maybe setting up an operational shared service centre or setting up a new section. The more of the organization that you are designing or redesigning, the more freedom you have about what you can change, how much you can change and how you can tackle the design process. Conversely, the less of your organization you are designing, unless it is a highly autonomous small specialist unit, then the more you will be constrained by the decisions, policies and practices that you inherit from the larger umbrella organization. Tailor your model, process, tools and techniques to the complexity of the challenge. If your organization already has a model they understand then it can be helpful to use that as it will be easier to communicate.

An organization design programme can be completed by a small expert team or by large participatory groups. There are pros and cons for each method, so it is best to look at what is important to your organization and programme; Table 5.1 may help you here. Also consider:

- What skills do you have available? Working with small teams and facilitating large groups need different skill sets. Can you supplement your own organization's skills with external ones, such as consultants or contractors for part of the design work?
- Your organization's norms and behaviours are important. Sometimes you will want to work with the norms of your organization but sometimes you will want to deliberately work in a different way. Look at whether the organization mainly solves problems using small expert groups or is mainly an organization that uses large groups. Then you can ask which you want it to be in future. Is it the same or different? Perhaps you want to signal an intention to change or to force a different perspective. Modelling your future norms and behaviours during the design programme can be a powerful tool in demonstrating how you want things to be in the future. As Mahatma Gandhi said 'be the change you want to see in the world'.

In later steps, we describe how to set up an evaluation scheme and develop a number of design options at concept level, assess these and iterate through the development of design outlines and their assessment. As you iterate, you develop more detail for preferred options. The number of options at each level that you want to consider as well as how to assess the options are choices to be made now. Decide:

- How many design options at concept and outline level will you generate and review?
- How will you assess the design options and compare alternatives and who will do this?
- If the environment is very uncertain or complex, do you want to add scenario testing to your assessment?

TABLE 5.1 Pros and cons of involving different size groups in design

What is important to you?	Small, expert team	Large, participatory group
Speed of design	+ Usually the design stage is quicker	– Can be very time consuming and expensive to set up and run
Speed of implementation	– Implementation can be slower as less people have been engaged at design stage	+ When large groups are involved and engaged implementation is faster
Confidentiality	+ Easier to maintain confidentiality	– As more people are involved, more chance of leakage
Radical change		+ Increases ability to get buy-in to new designs

Getting the programme team and leadership ready for this programme

With the team in place, they need to work together to deliver the requirements identified in the design brief as well as understand and follow the approach you have chosen for your programme. Depending on the skills and experience of the team, you may also need to provide the team members with some basic education on organization design. Make sure that this is about a real understanding: make this very interactive. Many groups that are new to design use experienced organization designers to provide or support this as they can bring the models, methods and techniques to life with examples. Senior leaders involved in the previous step can help to bring the strategic thinking to life. Consider covering the following:

- Organization design theory:
  - what organization design is about;
  - information on your design philosophy;
  - some wider perspectives on the background to organization design: what to do, what to expect and what experiences have been seen elsewhere;

  - what works in the current organization or in others you have experience of;
  - drawing out existing knowledge and experiences from the team members.
- How organization design will be carried out on this programme:
  - an overview of the model to be used;
  - an overview of the process to be used and how you will carry it out;
  - insights from the programme backdrop.
- Design brief focusing on requirements to deliver the OPTIMAL design:
  - aspects from the shared understanding of the design and programme context;
  - strategic statements;
  - target capabilities;
  - aspects from the programme brief.

A shortened version of the training provided for the design team is generally more appropriate for the steering committee, business user groups and any other workstreams that need to get up to speed. You may want a separate steering committee meeting to do this before going through the specifics of the programme definition and plan. An 'intelligent client' who can understand, challenge or accept, and ultimately approve the designs is essential to your success.

Choosing how you will carry out the design: part 2, methods, tools and techniques

The design models and process to use have been chosen, now we choose the design methods, tools and techniques. The aim here is to establish any workbooks, templates and software that the design team will use during the programme. This is particularly useful if the programme involves a large geographic spread. This activity is usually carried out by the team, with the lead designer having the greatest input. Draw on the experiences of the team members' past uses of methods, tools and techniques and adapt them to this programme's requirements. There are a range of tools and techniques in later chapters of this book for you to use too. A typical toolkit might include descriptions, documentation and instruction on using the chosen organization design model, process and methods, tools and techniques, as well as how to run the interviews, workshops and discussion groups. Consider:

- Contents of a toolkit:
  - methodology;
  - process mapping methods;
  - activity mapping methods;

  - methods for producing organization charts;
  - document templates;
  - presentation templates;
  - intranet templates (if used).
- Interviews, workshop and discussion group:
  - scripts to introduce the programme and the team members;
  - interview checklists for all steps;
  - workshop techniques to be applied;
  - outline workshop templates;
  - how you will document workshops.

You may need additional training events in your chosen methodology and toolkit where these are not familiar to team members. You may also want to consider how to present your toolkit. Birmingham City Council has recently developed a methodology and toolkit for organization design to be used across all the Council's organization design programmes. They are using an intranet to document the methods and train and guide people in how to use them.

OPTIMAL programme considerations

The design leadership, team, model, processes, methods, tools and techniques are now in place. In parallel, the programme as a whole is being constructed. Change leadership and HR leadership are vital to the success of organization design programmes. Your aim is to deliver hearts, not just charts.

Change leadership and other workstreams

Throughout the design phase the programme needs to prepare the ground for implementation. These may be workstreams or activities within workstreams, depending on how you configure each programme. They will run alongside the design workstream that this book focuses on. The following lists are the areas that need particular consideration on an organization design programme.

In HR/Talent management/Organization development:

- Start planning for any potentially difficult challenges, eg significant changes in numbers of people; types of people; skills or in employment terms and conditions.
- Identify when there is a need to halt or refocus current, business as usual, recruitment and training activities.
- Work out when and how to go through formal consultation processes with trade unions, works councils and other staff bodies.

Do different geographies have different requirements? Do different legal entities need to be looked at?

- Start identifying the people the organization really wants to keep – keeping talented individuals in place for long enough to make a difference, particularly when other jobs are easy to secure.
- Monitor where, when and how the design impacts organization development work.
- Consider changes to culture.

Across change management:

- Ensure buy-in as the programme progresses, with strong engagement, stakeholder management, communication management and continuing leadership support.
- Establish which people and groups to involve when and how to coach and support the business leaders.
- Align communications messages with other change programmes in the organization.

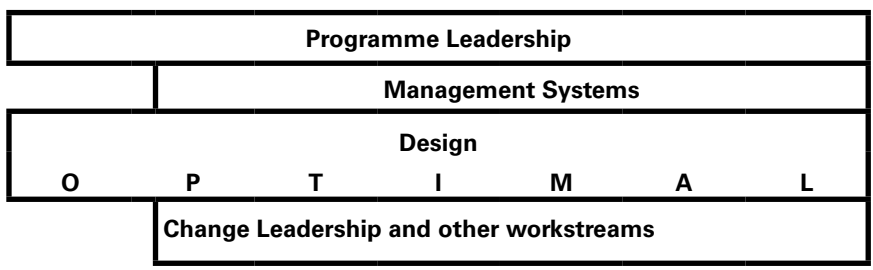
In finance:

- Handling financial complexities and modelling.
- Managing the costs and benefits of the programme.
- Planning how to manage the release of financial figures that are sensitive both internally within the organization and also to financial markets.

You may need others, too, depending on your programme; eg a commercial workstream for a programme with sourcing. There are so many variants that can be used alongside OPTIMAL that we do not want to be prescriptive on which ones you use, but do want you to see the whole picture of what is involved. Table 5.2 shows how other programme aspects relate to the OPTIMAL steps.

If you are going to undertake a cultural assessment now is the best time to do it because it influences how you are going to run the programme. It will inform what you need to change around norms and behaviours in the next step and how you manage stakeholder engagement.

FIGURE 5.2 Other programme aspects related to the OPTIMAL steps



Establishing management systems and the programme environment

This covers all the usual factors that go with setting up a programme office and environment for a team. The working environment, the systems for sharing files and maintaining documentation and control need to be established at this point. There are a few specific considerations that need particular thought for an organization design programme:

- Desk/hot desk requirements. How many of the design team will be full-time and how many will be part-time while working on other jobs? Do you need to co-locate people or will they continue working at their own desks?
- Often there is confidential and/or sensitive information with restricted access to some data. How will confidentiality be handled?
- All incur direct expenses; eg for workshop venues, for getting specialist help such as facilitation, for travel and accommodation for team members. Are budgets and financial control systems clear? Who can incur costs? How are costs authorized and approved?

Control mechanisms that support the programme will also need to be put in place. The best way to do this is through a well-functioning programme office. Programme offices for organization design programmes are little different from those on other programmes. They support the programme leader managing, for instance, the programme costs and budget; the business case; risks, assumptions, issues and dependency logs; and milestone and plan tracking.

You need to define the decision-making framework for the programme. This will be mainly the responsibility of the programme leader in dialogue with the sponsor, steering committee members and the secretariat to any higher level board if you expect them to be involved in the final decision point. The choices will generally reflect what is usual in your organization for a change programme of similar scale and complexity. Consider:

- Where will the final approval for the design take place?
- What do they want to see; eg is it just your final design recommendation, or do they want to see three alternate designs and a recommendation? This may colour the output you need to produce during the programme and the time it will take.
- How often does this group meet?
- What else will be on the agenda at that time?
- How do they expect it to be presented to them in terms of documentation and style?
- What length of presentation and discussion will it need?
- How far ahead of meetings do papers need to be submitted?
- Do background briefing papers need to be sent as well as discussion papers for the meeting?

We only focus on outputs connected with the design workstream in this and subsequent steps, eg taking design outputs to Steering Groups, there will of course be updates from change workstream and other activity too. Ensure you retain a consistent design philosophy in the face of programmatic pressures; monitoring real progress (rather than false metrics); and retaining focus on the key programme objectives and stakeholder needs.

Risk inherent in organization design programmes can be higher than some other types of change, but there is no hard and fast rule to this, it really does depend on each programme's characteristics. You may find you need to focus on different areas of risk too; for instance, people risk. Could the change that is being made increase your turnover of key people or key talent? As Donald Will Douglas said, 'When you design it, think how you would feel if you had to fly it! Safety first!'

Set out the programme definition and plan

Two further key deliverables from this stage are the programme definition and plan. The programme definition extends and refines the programme brief with the work done and knowledge obtained in this step. How you achieve this will vary depending on the usual practices of your organization and there is a wealth of other literature to guide you. Generally there is no need to maintain the programme brief once the definition is in place. An annotated programme definition to assist your thinking is shown in Table 5.3. The primary uses of the definition and plan are to:

- Ensure that the programme has a firm foundation and is on a sound basis before asking the programme steering committee to make any major commitment to the programme.
- Act as a base document against which the programme steering committee and programme leader can assess progress, issues and ongoing viability. This forms the 'contract' between them.
- Provide a reference so that people joining the programme can quickly and easily find out what the programme is about, and how it is being managed.

The programme definition and plan should be maintained throughout the programme, reflecting the current status, plans and controls. It consists of a number of component products. These should be baselined at the end of this step and will need to be updated and re-baselined, as necessary, at the end of each step, to reflect the current status of its constituent parts. This first version can be used at the end of the design phase/programme to assess the programme. The programme leader with the team should also establish a plan for the design phase using whatever planning methods your organization favours.

You just need approval and the newly formed Steering Committee should give you that. Work with your programme sponsor to clarify what and in

TABLE 5.2 Programme planning and definition checklist

Section	Description
Goals and objectives	From the programme brief – the programme goals and objectives
Programme success criteria	From the programme brief, often added to as the programme is pulled together and thinking matures • Criteria for measuring success against which you can confirm that the programme has delivered all of its objectives and outcomes • Consider any sub-themes or programmes • Consider thinking through in terms of the elements of the model you propose to use
Introduction	From the programme brief • Often added to as the programme is pulled together and thinking matures
Scope	From the programme brief • Updated only if necessary
Structure	How the programme will be • Structured including a high-level organization chart • Governed including a governance framework (if appropriate), terms of reference for any committees, details of escalation mechanisms or requirements For each key work strand within the programme • Who owns them • Their priority
Approach	Include • The model and process you are using • The methods, tools and techniques you are applying • Type of involvement (small expert teams or large group interventions) • Number of design options to be generated and reviewed at each level • How the design options will be assessed and who will make the assessment

TABLE 5.2 *Continued*

Section	Description
Key risks	Latest view of key risks to the programme • With details of their likelihood, any countermeasures and/or contingency plans • Include these in a risk log to be managed
Key assumptions	Latest view of key programme-level assumptions on which the design and programme will be based • State level of confidence
Key issues	Current issues for the programme
Interdependencies	Definition as in the programme brief • These are much better understood as a programme progresses and should be updated here
Deliverables	Developed from the programme brief's statements on programme success criteria, drill down to: • The major outcomes, outputs and targets the programme will deliver • Focus on delivery of measurable benefits • Consider thinking through in terms of your chosen model • Include any firm dates that will drive the programme
Resources	The resources needed for the design phase of the programme • Brief description of the people required • Who are they? • What they are required to do? • Are they needed on a full-time or part-time basis? • Brief description of any other key resources that may be required, eg skills, consultants, accommodation, technology
Plan and milestones	• Key milestone dates that need to be tracked • Detailed programme plan to be managed (in whatever format your organization prefers)

TABLE 5.2 *Continued*

Section	Description
Business case	A first view of the business case that will be maintained throughout the programme
Other workstreams	For instance deliverables from change leadership workstream • Stakeholder management • Communications management

how much detail they need to see things now and at each step along the way. Remember the funding and business case, if you have a vision and no resources it is just a dream; a programme generally starts when the business case has been approved and the appropriate funding is in place.

Conclusion

You have leaders on board, governance, team and systems in place. You have chosen and modified the model, processes, methods, tools and techniques you will use. All should be trained and ready to go. Relevant workstreams should be in place to support the design through the next steps making sure that what you do engages and carries others with you. There is a lot now in place:

- Design programme leadership and team:
  - programme leader, design leader, specialist representatives and steering committee;
  - optionally, design authority and business user group.
- Programme management systems and environment.
- Other programme workstreams (as required):
  - cultural assessment (optional).
- Design workstream:
  - knowledge from past organization design work and programmes;
  - organization design model – the Compass and how it will be used;
  - design process – the OPTIMAL Organization Design Approach and how it will be used;

  - toolkit, including methods, tools and techniques;
  - training materials on organization design, models, process and design brief;
  - training materials for methods, tool and techniques.
- Programme definition and plan.
- Steering committee pack.

By the time you complete this step you will have the knowledge to set up an organization design programme yourself and know how to do this so that you can get the go-ahead to proceed. You will be able to do this whether you are designing an entirely new organization from scratch or taking a current organization and realigning it. The programme team is ready to go; shared enthusiasm now can become infectious. In David Mahoney's words, 'There comes a time when you have to stop revving up the car and shove it into gear.'

Taking stock of the change required

06

Before attempting to create something new, it is vital to have a good appreciation of everything that already exists in this field. **MIKHAIL KALASHNIKOV**

Now the design team is in place and you have the agreement to go ahead, you start to look at the changes needed. The aim of this step is to identify the most critical aspects of the organization to change so that the strategic intent can be delivered with the target capabilities embedded; to get an understanding of the implications of this so that the subsequent design effort and programme can be tightly focused; and to provide the programme with information to support the design and implementation. This chapter covers a detailed understanding of the current state and a view of the future state organization. It looks beyond the organization being designed for lessons that might be applied from elsewhere and includes an understanding of the wider territory in which an organization operates. It uses the Organization Design Compass and various frameworks to explore what is the gap between the current and future state organizations. Lastly, the specific change areas that the programme should look at in the design work are selected and any implications on the programme factored in. This is important because the change is based on evidence and a multidimensional point of view, which allows the exercise of sound judgement and results in informed choices about the new design and how to implement it. You should gain the knowledge of how to build an evidence base for an organization, how to establish a future state organization and how to draw out the direction and extent of change that a design programme will follow and that has buy-in.

In this step you will cover:

- building an evidence base on the current organization;
- learning relevant lessons from other organizations;
- reflecting in order to understand the current organization's characteristics;

- envisioning the future state organization that delivers the strategic intent with the target capabilities embedded;
- establishing how to take the change forward by assessing the direction and extent of change across the Compass to deliver the target capabilities;
- deciding the preferences and priorities for the programme;
- updating the programme to take all of this into account;
- getting approval from the sponsor and steering committee.

Building an evidence base takes the most time in this step. The work is lead by the design leader and carried out by the design team. How deeply you delve into evidence depends on the nature of the challenge you face, so it is difficult to generalize on how long producing it will take or how many people are needed to pull an evidence base together. If you are designing a small team, then it may only take you a day or two. If you are designing a new organization or a new section within an existing organization there may be little or no evidence base to collect. If you are involved in a merger of organizations then it may take many weeks. In addition, there is a fine line between being comfortable dealing with ambiguity and making decisions based on good evidence. Judgement on what outcomes must be achieved is paramount to establish the time and effort needed. Assessing the future state and taking stock of the change required is relatively fast once the evidence base is complete: a few days should be sufficient. Allow time at the end for ensuring a good understanding across the programme team, business user groups and to factor in programme changes. The steering committee will also need time to approve the way forward.

Building an evidence base

An evidence base is an information resource with a purpose: to understand the organization's history, the current position and the trends to inform the organization design. It is made up of hard and soft evidence; both are equally important. The formal and the informal are both vital in how an organization works. An evidence base gathers together insights from different perspectives, for instance: the chart and the heart; the planned and the emergent; and the expressed and the tacit. Here you will be looking for facts and figures and analysis of these as well as opinions and feelings.

The trend for using rich evidence bases for management decisions is not unique to organization design. Leading organizations, such as Tesco, Google, Coca-Cola and Capital One use evidence-based techniques in their strategic decision making to drive their competitiveness. The authors have applied the same rationale for many years in their organization design work. Using an evidence base allows the exercise of sound judgement and results in informed choices about the new design and how to implement it. The evidence

base allows you to address questions with an evaluative and qualitative approach. As in all management, informed decision making correlates very closely with better outcomes than decisions based on assumptions, anecdotal experience and the occasional hunch. Implementing an organization design is a serious step for any organization. It will impact how the organization performs in future and it will impact the lives of the people that make up the organization as well as its customers. The outcomes can be positive or negative. With so much at stake, it is important to make the best judgements available: a good evidence base is the first significant step to achieving that in organization design. Some uses of an evidence base are to:

- assess the gap between where the organization is currently and where it needs to be in the future;
- inform judgements about possibilities and potential as the future design options are mapped out;
- assist in preparing financial models, employee models and cost-benefit cases to help see the impact of design choices;
- support consultation processes with unions, regulators and third-party suppliers that have a stake in the design outcomes;
- inform the programme planning and scheduling of the implementation.

You are looking for a level of detail in an evidence base that is appropriate for the design decisions to be made. Watch out for getting bogged down in pursuing spurious accuracy in constructing an evidence base. Usually you collect data at three levels. Start at the organizational level above the one you are designing; then cover the organization you are designing; then its immediate reporting level. Only consider going down another level if the situation is very complex or large. You may find that you need to vary your questions for different levels being reviewed and you may need more precise information at lower levels. As you drill down more levels and into more information, it may be unnecessary to cover every unit or it may be irrelevant to repeat all the questions; eg if incentives and rewards are the same throughout all the levels then you will not need to repeat the research.

There is skill and judgement to apply in seeking out and sensing the best available evidence. Possible sources of data to draw out knowledge on the organization include the following.

For hard evidence:

- formally published documentation, eg annual reports to shareholders;
- internal reports, eg business plans;
- HR for employee databases and information;
- Finance for management accounts and budget information;
- management information systems.

For the soft evidence;

- company intranets: to see what is promoted, celebrated and held as examples;
- new joiner induction materials: what newcomers are told about in terms of the values, styles and behaviours required;
- press releases that show how the organization wants to be seen;
- employee surveys;
- physical evidence: eg how are visitors greeted; what is on people's desks; what is in the company newsletter?

Programme information already gathered:

- working papers from the individual interviews on the programme and design context;
- the design brief.

And also:

- questionnaire surveys;
- interviews (face-to-face and telephone-based) as well as discussion groups.

Tool 6.1 helps you to establish an evidence base for the organization you are designing. Here the Organization Design Compass is used to ensure that evidence is collected across all areas of the organization. Often the 'Work to be done' quadrant is very tangible and well understood in organizations and a simple, short question set is sufficient to get to the core answers. But if your organization has intangible products or services then you may need to expand on these questions to get a clear understanding of the current position.

TOOL 6.1 Establishing the evidence base

Who to involve

This step is carried out by members of the design team who can draw on executives and managers with knowledge of the organization as well as functions such as Finance and HR, all of whom can provide relevant and useful information. For soft evidence: HR including talent management is essential. Although people in an organization are often best placed to articulate the current state, experience shows that they can take a 'rose-tinted' view when assessing their current organization. Consider approaching the organization's customers or suppliers to challenge any self-assessments undertaken.

Instructions

As you do this respect any confidential or 'off the record' statements from interviewees.

Establish what you need information on:

- Establish what levels of the organization to consider.
- Formulate a set of questions and topics on which you need evidence. Table 6.1 has a prompt list to get you started. The list can be used to help you tailor your own question sets to suit your situation.

Identify appropriate sources to answer your questions:

- Identify people and areas that can help, eg executives, managers and representatives of functions.
- Identify reports, systems and other information sources.

Draw out the relevant information, collate and document the evidence base as you go:

- Carry out desk research from the information sources.
- Hold interviews and discussions with individuals and groups identified. You may want to tailor prompt lists for different interviews, workshops or discussion groups.
- Keep sketches that people draw of the organization charts. How individual people see the structure may vary from official organization charts and both are evidence.
- Sometimes the organization's stated values differ from those observed. In Chris Argyris' terms there is a difference between the espoused values and the theories in use. Be alert to this, the difference is evidence so note it.
- Bear in mind too, that different people in the organization may validly have different opinions; you are recording these in the evidence base, not seeking consensus or agreement.

For all the significant data include:

- Sources for the evidence and the date to which it applies.
- Whether the facts presented are exact or estimates.
- If estimates are included, document any assumptions made.
- Dates, times and names of participants on notes of any meetings, workshops or discussion groups.
- Original outputs from any workshops in the form of digital photos, but only if they are clear enough to read.

Observe and note soft evidence as you do this, add this to your evidence base:

- Listen out for the kinds of language people use in the organization.
- Observe how people treat each other within the organization and how they interact.
- Note characteristics of how people behave: are they professional, friendly, formal, social, open or directive?
- Observe how meetings are run, how focused are they on goal attainment or are they used to socialize ideas and thoughts or both?

Review the evidence base once all the information is collated:

- Review and critically appraise it, assess its validity and separate personal opinions from hard fact.
- Analyse and summarize the evidence base so the salient points are presented for the design team and other stakeholders who will use it.
- Some evidence you uncover will be contradictory. For example, in establishing how many people work in part of an organization, you may get a range of answers from different sources. 'People' may be counted differently and it may be hard to tease out exactly what any particular figure includes: is it full-time permanent, full-time equivalents, excluding those on maternity leave (or including them), counting contractors or agency people or not? There is lots of scope for variation. You will need to apply judgement on the significance of the differences for your purposes and whether you need to resolve them or not. Soft evidence can be contradictory too.

Outputs

- Working papers:
  - Master prompt list for establishing the evidence base.
  - Tailored prompt lists for establishing the evidence base.
  - Meeting, workshop and discussion group notes.
- A summary of the key evidence: to share with the steering committee, sponsor and other stakeholders. This generally contains: a high-level picture of the organization; a one-page overview; and one page per Compass quadrant with key hard and soft evidence.
- A detailed evidence base: this will be the ongoing resource for the design team. There is no set way of documenting the evidence base. The aim is to ensure that it can be read and understood by anyone who may use it subsequently. The evidence base often has a longevity that goes way beyond its original programme and can become part of the knowledge base of the organization. We have seen instances where a detailed evidence base collated for one programme has been used for many years in a multitude of subsequent change programmes. A badly documented evidence base can be misinterpreted down the line, leading to misunderstandings and poor decisions.

Learning from other organizations

In outlining your brief, insights from other organizations may have been obtained. This time go beyond insights, into exploration of external organizations at a deeper level, to understand aspects of how they are organized. The aim of this activity is to learn from external organizations; obtaining

information to help shape the future organization's design. There is probably already a lot of knowledge and experience to hand. The various leaders involved in the programme will bring their previous experiences of organization design and change. You may also be able to call on the knowledge of others within your organization with relevant experience.

Optionally you can augment in-house knowledge with specific primary or secondary research into other organizations; it can be helpful particularly where there is a radical change from the current situation. For example, in early 2010 the UK Civil Service Operational Efficiency Programme investigated the ratio of HR employees to total employees. The Civil Service average ratio was 1:44 compared with UK medium-large companies' average ratio of 1:127. The Operational Efficiency Programme set a target of 1:77 for the Civil Service: based on analysing the detail behind the headline numbers and using that analysis to produce an appropriate ratio for their needs. This is a good example of comparing organizations and applied learning.

Primary research involves visiting other organizations to observe them and interview their people to learn about how they are organized and understand why they are organized that way. Study tours of several different organizations can be used if you need a range of different views. Senior executive networks can give access to other organizations, so can local business groups and trade associations. Customers and suppliers can be useful cooperative sources. However, primary research is an expensive option. Before embarking on it, set out clearly the questions that you want answers to; identify the organizations you want to study; and decide how you want to collect data. Simple data can be exchanged by using a questionnaire either by post or email or through a phone survey. A site visit will give you a much better feel for how an organization operates. If you use primary research, be prepared to reciprocate and share information about your organization with those organizations that you are getting information from.

Secondary research is where you use published material and carry out desk-based research to interpret that information. Secondary research is cheaper than primary research but it is also less easy to find answers to specific questions. Be conscious of the trade-offs. There are many possible sources including:

- professional benchmarking companies;
- business schools;
- published reports; for instance, Corporate Executive Board publications;
- external consultancies;
- specialist research groups in the organization's area; for instance, Gartner or Forester for IT, and Merchants, a Dimension Data company, for call centre benchmarking;
- asking questions through professional networking groups; for instance, the Organization Design Forum, LinkedIn.

Whichever route you adopt in your data collection, it is best to document the 'Lessons from other organizations' in terms of the Organization Design Compass. This will help you when you use it. Include a description of the lessons you have found, which organization it works for as well as why, and what and who your information source(s) are.

Assessing the direction and extent of change

The summary of the key evidence provides a view of the current state. Next you envision the organization's future state and carry out a gap analysis to assess the direction and extent that it needs to change. The focus of the gap analysis is on what and how much of the organization needs to change to deliver the future strategy. It is about looking at the organization's fitness for where it is going and what it needs to do to get there, rather than assessing its current fitness. In the same way that if you decide to run a marathon, you need to take stock of your current fitness and establish how much training you need to do to be fit enough for the endurance needed.

A workshop approach is the best way to define the future state and assess the gap between the current state and future state organizations. The gap analysis can either be run in the same workshop as identifying the future state or it can be run a few days later. It will involve the same people. Running it a few days later allows the design team time to review the earlier workshop and synthesize the outputs. There may be gaps or inconsistencies that the design team will have the chance to review and resolve. Conversely, running just one workshop maintains momentum and those involved will get a strong sense of progress. Tool 6.2 describes how to do this; here it is shown as one continuous workshop. A few additional things to consider:

- In facilitating these workshops taking a broad brush view is more important than low-level accuracy and the facilitator should keep the discussions pitched at the high level.
- In the gap analysis, the participants are trying to show direction of movement and extent of travel rather than pinpointing an exact destination.
- The workshop focus is on what will be different, not how that will be achieved, and facilitators need to keep the focus right.
- Getting at future Norms and behaviour can be tricky. It may be useful to ask: What will it look and feel like to customers and employees?

TOOL 6.2 Assessing the direction and extent of change

Who to involve

The design team should facilitate the workshop and it is also helpful to involve other members of the design team who need to hear the debate, energy, passion and get a depth of understanding behind the thinking in the output. Involve people drawn from the senior team that have responsibility for the organization being designed; people with knowledge of the context for change including the strategy and operational problems that are triggering the change and people who care about the outcome. We recommend involving a range of people as this helps get understanding and buy-in to subsequent implementation of new organization designs. The more inclusive you can make this step the better.

Inputs

- Environmental complexity and stability framework.
- Work standardization framework.
- Classification of operating mechanisms framework.
- The design brief.
- The summary of the key evidence.
- Lessons from other organizations (if done).

Instructions

Set up:

- Orientation for participants on the design brief using presentations and debate to ensure understanding and to focus the workshop.

Understand the current state:

- Presentation of the summary of the key evidence.
- Review the environmental complexity and stability framework covered in Part One, consider the current organization and plot where it appears on the framework.
- Review the work standardization framework covered in Part One, consider the nature of the work processes in the current organization and plot where the current organization appears on the framework. Would you classify the work as 'craft', 'non-routine', 'routine' or 'engineering'? Does this apply to the whole organization or most of it or are there significant variations across the organization?
- Review the classification of operating mechanisms framework covered in Part One, consider the current organization, plot where it appears on the framework. What is the nature of the operating mechanisms in the organization? Is the classification consistent across the organization or do operating mechanisms vary?
- Discuss what this information is telling you about the current state of the organization: consider the characteristics of the current organization using the Compass to look at

each segment in turn; a mind map is a useful tool for capturing your thinking on this, see Figure 6.1.

- Capture the 'current state characteristics': the main 5 to 10 characteristics of the current organization by Compass segment.
- Note any updates to the evidence base at detail and/or summary level that may arise.

Lessons from other organizations (optional):

- Presentation on lessons from other organizations.
- Discuss what makes them successful and why it is relevant. What is relevant to the organization being designed?

Envision the future state; delivering the strategic intent and with the target capabilities embedded:

- What does the organization need to be like for the future strategy to be fulfilled?
- Review the three frameworks covered in assessing the current organization. Consider and plot where the organization needs to be on these.
- Consider the characteristics of the future organization using the Compass to look at each segment in turn; a mind map is a useful tool for capturing your thinking on this, see Figure 6.1. What will each Compass segment need to be like to deliver the target capabilities identified n the design brief?
- Capture the 'future state characteristics': the main 5 to 10 characteristics of the future by Compass segment.

Take stock of the change the organization requires:

- Are there significant changes to your business model in the future? For example, consider what and where you source products, services and resources and distribute them.
- Is the future state different from the current state organization on the three frameworks used above?
- Identify the changes needed by working around the Compass, taking each segment in turn comparing the current state with the future state. Table 6.2 gives a gap analysis template to use to complete the analysis, for each segment consider:
  - What needs to be kept/retained/protected?
  - What needs to change?
  - How much change is needed?
  - How little change can accomplish the goal?
  - The overall assessment of the amount of change required.
  - How difficult is the change to make?
- A radar chart of change required can be used to show the direction and the extent of change, see Figure 6.2. Assign subjective scores to the Compass segments for the current state and the future state. Plot these on the radar chart.

- It can be very difficult and/or not effective to make changes in all 12 segments at once. Consider the Compass: what areas are the most important to the organization to make progress on to deliver its target capabilities and which will have the biggest impact? The gap analysis will help this thinking. Establish priorities and preferences for these.
- A heat map of the change required can also be used to show this, focusing on where the programme should focus efforts in design and change. An example of a completed heat map of change required is shown in Figure 6.3.
- Prepare a change specification to accompany the heat map. This should draw on the information from the gap analysis and the priorities and preferences thinking and cover:
  - What needs to be kept/retained/protected?
  - What needs to change?

Outputs

Working papers:

- The current and future organization plotted on:
  - the environmental complexity and stability framework;
  - the work standardization framework;
  - the classification of operating mechanisms framework.
- Other workshop outputs should be captured but do not need writing up formally.

Current and future state:

- The current state characteristics: showing the main 5 to 10 characteristics of the current organization by Compass segment.
- The future state characteristics: showing the main 5 to 10 characteristics of the future organization by Compass segment.

Design and change requirements:

- Gap analysis: showing the characteristics of the change required by Compass segment.
- Radar chart of change required: showing the direction and extent of change required.
- Heat map of change required: showing the priorities for work.
- Change specification: showing what the programme should change and what should remain.

Evidence-base updates at detail and/or summary level (if required).

FIGURE 6.1 Organization characteristics template

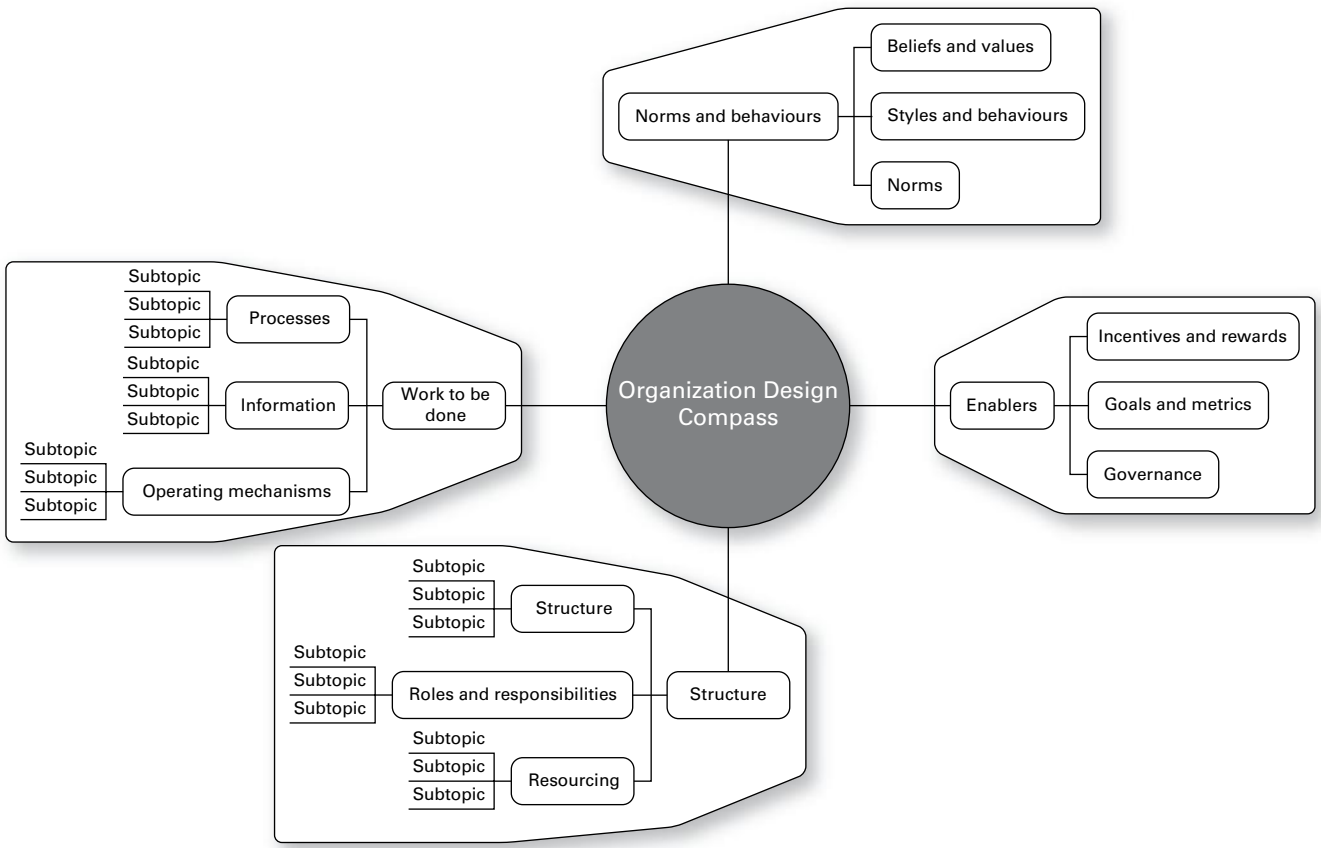
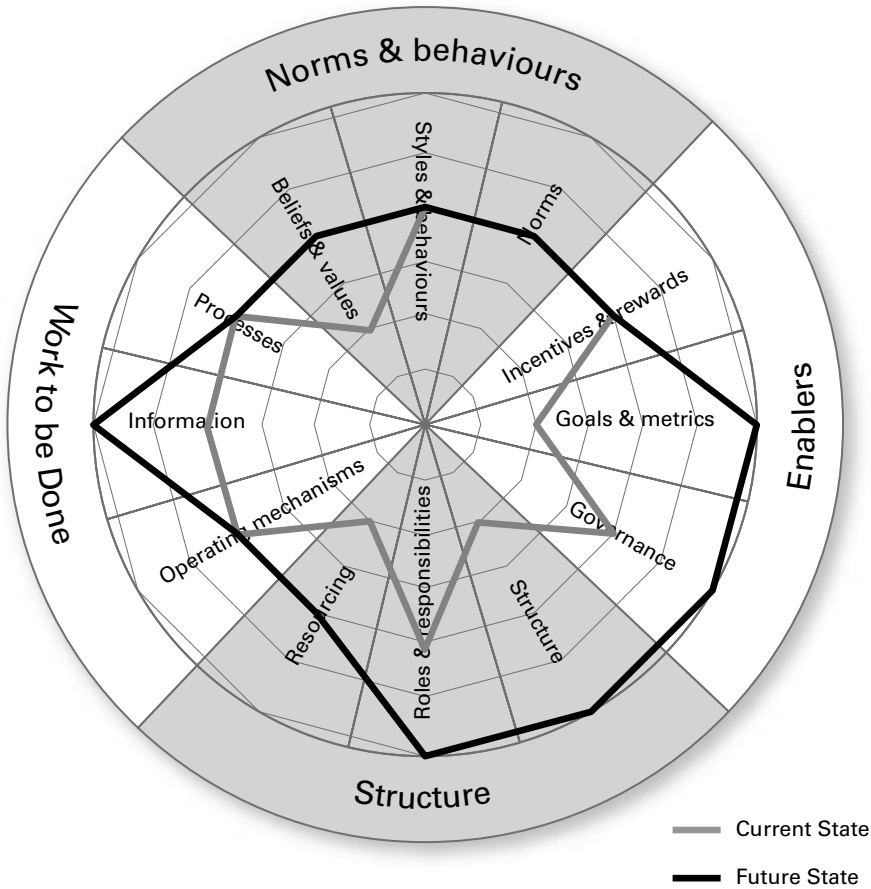


FIGURE 6.2 An example of a radar chart of change required



The example shown in Figure 6.3 is based on a Scandinavian learning organization. They started as a small, entrepreneurial company, but at the time of this work the organization had become very successful globally and reached a level of maturity that demanded a step change in their organization. The growth of new business areas resulted in a need to further codify and exploit the skills and assets of the organization and its partner network. The organization had a very strong set of Norms and behaviours that were strongly based on a close-knit community at its head office; these needed changing to support the reality of a dynamic global organization.

FIGURE 6.3 An example of a completed heat map of change required

Work to be done		**Norms and behaviours**	
Processes		Beliefs and values	
Information		Styles and behaviours	
Operating mechanisms		Norms	
Structure		**Enablers**	
Structure		Incentives and rewards	
Roles and responsibilities		Goals and metrics	
Resourcing		Governance	

No change	Low	Medium	High	Complete change

OPTIMAL programme considerations

After this step you have a much clearer picture of the nature of the change required and what the organization wants to pursue across all the segments of the Compass to deliver its strategic intent. You have an assessment of what needs to be done to effectively deliver the target capabilities and move from the current state to the future state organization, ie which segments will be addressed, and you have a better view of the amount of design and change work that the organization wants to pursue. Make sure all the design team and the wider programme including business user groups are up to date with the latest information. It is important to revisit all aspects of the programme definition and plan because now you have much more detail. It is a good time for a planning day with the whole programme bringing everyone up to date and looking programme-wide at the consequences.

It is vital that this latest view of the design and programme is approved by the sponsor and steering committee; what they want to see differs widely from organization to organization. The important thing to bear in mind is that you are looking for approval to proceed and that the areas you are going to focus your design work on are aligned with your sponsor and steering committee. Tailor a steering committee pack/presentation to meet this need. The contents of this will depend on your organization: it will be highly tailored

to the nature of the problem and the steering committee preferences. You will need to judge how much information to take to them for approval. As a guide the pack is likely to include:

- summary of key evidence and the current state characteristics, this will give them a clear view of the current state;
- lessons from other organizations, include relevant highlights;
- future state characteristics, this will give them a clear view of the future state;
- heat map of change required, showing the priorities for work;
- summary of the change specification, showing what the programme should change and what should remain with commentary on the underlying rationale.

With this further detail on the design programme, the steering committee may wish to review the organization's risk appetite and change appetite so it is advisable to be prepared to discuss the following:

- options: do it all/do some of it/do none of it;
- analysis of what and who else might be impacted by this programme;
- cost implications (for change and operation of the new design);
- timing estimates for the design and implementation.

The information you take to your steering committee at this stage often becomes an important communication source for circulating and engaging the wider organization. It expresses the changes needed more tangibly than earlier high-level work so the future state organization may now start to become more real for many people. The nebulous is starting to take shape; people can start to see glimpses of how the change may affect their part of the organization and sense what it could mean for them. The HR and change leadership involved in the programme will have an important role in assessing how best to get this across, as well as the work they will need to do throughout the design and implementation phases.

Conclusion

This step really marks a change from strategic thinking and preparation to defining activities. The outcomes from this step are agreement from the sponsor and steering committee to a clearly defined set of changes required by the organization design programme. This will focus the design team's efforts in the next steps of the programme. There will also be a solid knowledge base of evidence and understanding about current organization that can be used throughout the rest of the design phase and into implementation. The outputs produced cover:

Working papers from capturing the evidence base:

- master prompt list for establishing the evidence base;
- tailored prompt lists for establishing the evidence base;
- meeting, workshop and discussion group notes.

Lessons from other organizations.

Current and future state:

- an evidence base of the current state:
  - a summary of key evidence;
  - a detailed evidence base;
- the current state characteristics, showing the main 5 to 10 characteristics of the current organization by Compass segment;
- the future state characteristics, showing the main 5 to 10 characteristics of the future organization by Compass segment;
- analysis of change required:
  - gap analysis: characteristics of the gap for each Compass segment;
  - radar chart of change required;
- direction for the design programme:
  - heat map of change required, showing the priorities for work;
  - change specification, showing what the programme should change and what should remain;
  - updated programme definition and plan (and supporting documents);
- steering committee pack for this step;

Working papers from assessing the direction and extent of change:

- the current and future organization plotted on:
  - the environmental complexity and stability framework;
  - the work standardization framework;
  - the classification of operating mechanisms framework;
- workshop outputs.

On completion of this step you will have the knowledge to lead a design programme in assessing and focusing the design work to deliver the required target capabilities for an organization. Now with a clear view of what is needed: let the design commence. We will move from thinking about what the design must do to thinking about how things must be done. In Steve Jobs' words, 'Design is not just what it looks like and feels like. Design is how it works.'

TABLE 6.1 Prompt list for establishing an evidence base

	Hard evidence	Soft evidence
Organization	– What is the purpose of the organization? – What are its key outputs? – Who does it provide these for? – How old is this organization? – What are the significant milestones in its history? – What is the organization's current budget? – How have budgets changed over time? – Why have they changed? – Are there any relevant external guidelines eg current and future regulations and legislation? – Future projections eg industry and organization projections of workload – Are there any higher level design principles preferred or mandated for the organization? – What other change programmes or projects are progressing in the organization that will impact the future design? – How will these change programmes impact the future design? – What is the timescale for these change programmes?	
Work to be done	– What are the most significant work processes in the current organization? – What are the key operating mechanisms and information flows that support these? – What is the core information required?	– How well does the organization work? – How smoothly do the processes operate?

TABLE 6.1 *Continued*

	Hard evidence	Soft evidence
Structure	Current formal structure: – How is the organization structured? – How well defined is the structure? – Is it followed? – How well defined are the boundaries between areas? – Is the structure static or changing frequently? – What is the business reason for this? – What percentage of the organization do these make up? Roles and Responsibilities: How clearly defined are they? Current resourcing: – What are current employee numbers? – What are current employee profiles eg by grade, service length, age, skills? – What characterizes the employee, eg full time versus part time, agency versus direct employee? – What are the key competencies in the organization? History: – How has this changed over time? – Why?	Information on the informal structure – Who is really key to making the current organization work? – What makes the current organization work? – What ad hoc working groups exist beyond the formal structure? – Who is involved in them? – What do these groups achieve?

TABLE 6.1 *Continued*

	Hard evidence	Soft evidence
Enablers	Incentives and rewards – How are units incentivised and rewarded? – How does the organization disincentivise and penalise unwanted results and activity? – Who sets both of these? – How closely are unit rewards linked with business performance? – How are units managed when they do not perform as expected? – What are salary increases and bonuses based on? Goals and metrics – How are organization goals and metrics established? – What are the key performance indicators? – How does the organization perform against expectation? – How does the organization perform against competition? – Who sets broad business goals? – How are they communicated to stakeholders, eg customers, employees, suppliers/partners? Governance – What types of governance structures exist and why, eg boards, committees, councils? – How do they relate to each other and the structure described above? – What external mechanisms govern the organization, eg regulations, service or supply contracts, audits? – What external standards are in place, eg quality standards, accreditation, industry bodies? – What are the key control mechanisms and processes?	– What is the balance between formal and informal control? – How are approvals granted? – How are major decisions made and who is involved? – Are vetoes common or unusual? – Is single point accountability or group decision making favoured? – Who really makes the decisions? – How effective, integrated and understood are the governance structures, processes and mechanisms? – How well do they function?

TABLE 6.1 *Continued*

	Hard evidence	Soft evidence
Norms and behaviours		– What are the organization's values? – What are its key beliefs? – What styles and behaviours are recognised? – How would you describe the style of the leaders and managers? – What behaviours are exhibited? – How do people treat each other? – What gets rewarded and celebrated? – Who are held up as role models and why? Input from HR including talent management – What is included in new joiner induction? – How are managers trained? – How is employee engagement done? – What language is used eg when referring to colleagues, customers, time scales?

TABLE 6.2 Gap analysis template

Work to be done Questions	**Processes**	**Information**	**Operating mechanisms**
What needs to be kept/retained/protected?			
What needs to change?			
How much change is needed?			
How little change can accomplish the goal?			
Overall assessment of the amount of change required (none/low/medium/high/complete)			
How difficult is the change to make? (not applicable/low/medium/high)			

TABLE 6.2 *Continued*

Structure Questions	Structure	Roles and responsibilities	Resourcing
What needs to be kept/retained/protected?			
What needs to change?			
How much change is needed?			
How little change can accomplish the goal?			
Overall assessment of the amount of change required (none/low/medium/high/complete)			
How difficult is the change to make? (not applicable/low/medium/high)			

TABLE 6.2 *Continued*

Enablers Questions	Incentives and rewards	Goals and metrics	Governance
What needs to be kept/retained/protected?			
What needs to change?			
How much change is needed?			
How little change can accomplish the goal?			
Overall assessment of the amount of change required (none/low/medium/high/complete)			
How difficult is the change to make? (not applicable/low/medium/high)			

TABLE 6.2 *Continued*

Norms and behaviours Questions	Beliefs and values	Styles and behaviours	Norms
What needs to be kept/retained/protected?			
What needs to change?			
How much change is needed?			
How little change can accomplish the goal?			
Overall assessment of the amount of change required (none/low/medium/high/complete)			
How difficult is the change to make? (not applicable/low/medium/high)			

Identifying assessment criteria

07

In my opinion, no single design is apt to be optimal for everyone. **DONALD NORMAN**

In this book we have set out to show you how to define the optimal design for your organization to deliver its strategic intent. No single design is likely to be optimal for everyone or from every perspective; there will be many opinions on what the optimal design is for any particular situation. This chapter aims to show you how to identify assessment criteria so that you can ensure you choose the most advantageous design option for your organization and judge the relative strengths and weakness of different design options in meeting your organization's requirements. This is one of the best-kept secrets in organization design. This chapter covers what an evaluation scheme is and why you should use one. We recommend and describe the evaluation scheme used in the OPTIMAL Organization Design Approach: one based on identifying design principles and criteria; design principles associated with some organization types; and how you can develop design principles and criteria-based evaluation schemes. Using an evaluation scheme is important to an organization because it reduces the impact of preconceptions of outcome and delivers the best-suited design ensuring alignment and trade-offs. It makes the design process better because it is faster, has focus and has a measure of success. Communication is facilitated increasing the chances of more rational discussions and decision making, and stakeholder buy-in. Done well, this is one step that pays big dividends and is especially important on larger and/or more complex programmes. You gain an insight into how you can define a suitable evaluation scheme to enable you to assess organization design options.

This step is very straightforward: simply define design principles and criteria and ensure there is a marking scheme you can use with them. It is a very small step in terms of the time and effort; typically taking only one to two days, with only a couple of people involved whatever the size and complexity of your programme.

Evaluating using design principles and criteria

An evaluation scheme is a means of assessing the extent to which a design meets its objectives. This will help you and others improve the design. There are many reasons why it is helpful to use an evaluation scheme. Using one:
Provides focus:

- On strategic issues – because the design criteria are based on design principles it ensures strategic focus is maintained.
- Concentrates design choices on what is most important.

Delivers best-suited design:

- Ensures capabilities required are delivered in the most effective and efficient way by enabling you to select the best-suited design option for your organization.

Ensures alignment and trade-offs:

- It provides another opportunity to ensure all elements of the model you use are covered in the design; that you are aware of the interactions between elements; and that you make conscious trade-offs for the best overall outcome.

Reduces the impact of preconceptions of outcome:

- One of the thorniest challenges faced by designers is when a senior player just 'knows the solution' and cannot be swayed. However, they may be thinking short term rather than strategically and not seeing 'the whole picture'.

Allows more rational discussions and decision making:

- The problem of preconceptions is compounded when different people have different designs in mind. They are rarely the same but this provides a framework for making trade-offs.
- The results from a design generally have major implications on people, their jobs, their teams and their lives. There will be political and emotional standpoints. Almost everyone believes they and their people are doing good and worthwhile work for their organization. Any sense of removing or redesigning that is felt personally.
- Design criteria helps people focus on the business issues and gives them a chance to test their opinions but reduces the negative aspects of power politics.

Facilitates communication:

- Facilitates documentation of the rationale for choices made.
- Facilitates the communication of the rationale for the choices made. There is a lot to be said, in the interests of transparency, for publishing the criteria to key stakeholders. It provides a valuable asset to understanding the thinking behind choices made for the implementation team once design is completed.

Increases chances of stakeholder buy-in:

- It greatly increases your chance of getting stakeholder buy-in both logically and emotionally and so eases the implementation path.

Speeds up the design process:

- Later stages of the design process are quicker as design options that fall short of the criteria can be discarded and only those that pass and are selected are iterated.

Provides measures of success:

- It enables testing and marking by different people;
- It provides relative measures between different options.

The evaluation scheme built into the OPTIMAL Organization Design Approach assesses the design as it is being developed. This is in order to improve the learning and understanding about any particular design and improve design decisions. This evaluation scheme is based on design principles and their related design criteria. The design principles are the guiding set of requirements that you design around and which prescribe what your design must (or must not) include, laid out as a list of succinct, clear statements. Some of these may be set out in advance of the design programme because they are enterprise-wide. Design criteria are the standards against which to judge the design options you have against your design principles. They include what indicators to look for and any values that are to be applied. For example, if a design principle is 'the organization must be run at the lowest cost' then a design criteria could be based on 'lowest operating cost'. Table 7.1 shows how this works in practice, looking at the design principles and criteria for an IT and operations shared-service organization.

Sometimes the design principles and the related criteria appear the same or almost the same. Consider the situation that a bank on Jersey was facing a few years ago. The island of Jersey has an advantageous tax position that makes it attractive for offshore banking for UK citizens living elsewhere and non-UK citizens working in the UK. But the island is small, has a limited population and strictly controlled immigration. There is virtually 100 per cent employment and new or expanding businesses are stretched to recruit new staff. So when this bank was completing an organization design to manage an increase in its work volume from new services and an expanding

customer base, one of its requirements was that any new design should not increase staffing. Here, the design principle was 'the new design should not need more staff than the old design' and the criteria was 'number of future staff relative to current staff'.

Marking is an important part of the evaluation scheme. It provides a judgement of how well a design meets the criteria set. The resulting scores and assessment assist learning and can be used for feedback, for decisions on progression, modification or whether not to pursue further.

TABLE 7.1 Design principles and criteria for an IT and operations shared-service organization

Design principles	Design criteria
Demonstrably delivers the CIO Strategy including the shared-service strategy, outsourcing and follow enterprise 'rules'	• Will deliver our shared-service strategy • Supports outsourcing of services • Will not duplicate the demand management function embedded in our client business units • Is credible to our clients and to our people • Enables us to not exceed our financial and headcount targets • Can grow, shrink, change flexibly and rapidly as we outsource services
Embeds capabilities required within three years	• Embeds planning • Embeds sourcing services and components from third parties • Embeds packaging services to achieve economies of scale • Embeds end-to-end service management • Embeds supplier management • Preserves required build and run competencies
Simplifies current structure	• Clear single points of accountability: no use of 'joint' in role descriptions • Reduced use of matrix organization structures

TABLE 7.1 *Continued*

Design principles	Design criteria
Broadens spans of control	• There will be no long-term 1:1 or 1:2 reporting lines • A minimum ratio of 1:6 to 1:8 will be the target for management roles
Simplifies business process	• One process for one purpose – ie consistent and pervasive use of common processes • Minimizes boundaries between our organization and our clients • Minimizes internal handoffs • Embeds specific process ownership
Embeds an ethos that is professional, commercial and values shareholder return focused on service and supplier management	• Has a commercial outlook in setting up, pricing and invoicing services • Exercises rigorous financial control on all services provided • Has a strong service management culture • Has a rigorous supplier management culture to ensure they deliver quality services in a timely and cost-effective way
Makes best use of enterprise's resources	• Will use enterprise shared services as far as possible – no duplication • Makes the best use of hard to find skills • Reduces costs
Minimizes implementation impact	• Minimizes the number of moves of both job and locations that our people experience (once if possible)

The example in Table 7.1 is based on a large multinational whose aim was to create an umbrella IT and operations shared-service centre for their business units and head office functions. Their three-year strategy included: migrating services that could be shared from these units, achieving internal efficiencies and consolidation, and subsequently outsourcing components to third parties where effective.

Design principles for selected organization types

Different types of organization are generally associated with different characteristics and this leads to different design principles: some generic to the type and some unique to the organization. Looking at some generic principles for these may help you get a better idea about what design principles are and provide a starting point if the organization you are designing is one of these types. Table 7.2 shows example design principles for four types of organization. Product leaders and organizational effectiveness types are self-evident but the other two may be less familiar. 'High reliability organizations' are those where safety is central to what they do. Nuclear and petrochemical industries are examples. In December 2005 at the Buncefield Oil Storage Depot in Hemel Hempstead vapour was ignited, triggering the largest explosion in Britain since the Second World War. In 2009, the official report from the UK Government's inspectors was published. Included in this was the recommendation calling for operators to build and operate 'high-reliability organizations'. The key characteristics they listed inform the design principles below. 'Decision-driven organizations' tune their whole organization to identify and make the most important decisions well, at speed and then act on them. They have a clear process for doing this, which impacts their organization's design and everything their people do.

TABLE 7.2 Example design principles for four types of organization

Organization type	Example design principles
Product leadership	• Organization must deliver the best products to customers • Organization must constantly encourage product innovation • Organization supports new ventures that exploit innovations • Product marketing is a key to us • Team working and information sharing across groups is easy • Efficient investment appraisal and allocation of resources to new ideas and ventures

TABLE 7.2 *Continued*

Organization type	Example design principles
Operational effectiveness	• Organization must deliver high volumes of products or service at lowest total cost to customers • Transactions are easy, pleasant, quick and accurate • Standardization of processes, tools and methods • Minimize waste • Minimize overhead costs
High reliability	• Safety is the primary organizational objective • Reliability takes precedence over efficiency • When systems and processes fail, they must 'fail safe' • Organization must constantly evaluate itself for unexpected problems • Embed appropriate target capabilities • Embed risk management and assessment • Seeks the advice and counsel of experts • We learn from mistakes: all accidents are reported and their root causes examined
Decision driven	• Organization must improve its decision making – prioritized on value • Organization must clear the bottlenecks in its decision making • Organization must have clear roles and accountabilities • Organization must involve the right people at the right level in the right part or the organization at the right time • The goal is to act on the decisions made • Speed and adaptability are crucial • People need to clearly understand their roles in decision making (if any) • When there is a conflict of hierarchy, decision roles outrank structural roles

Defining design principles and criteria

In defining design principles and criteria it is helpful to have a framework to ensure you consider every area. We find it easiest to reflect on strategic intent; operational efficiency and effectiveness; resource information gathered in earlier steps; ease of implementation and wider organizational level design principles: see Table 7.3. The principles and the criteria are then reviewed for completeness. Design criteria should be measurable wherever possible and:

- may not stem from principles;
- may measure absolute values;
- may measure relative differences between options;
- may require a yes or no response;
- may have threshold levels;
- may be the same as a design principle, eg supports shared services;
- may be set out as questions or statements.

TOOL 7.1 Defining design principles and criteria

Who to involve

Only a couple of senior people from the design team that have worked on developing the target capabilities and/or diagnosing the capability gaps need to be involved. HR directors are often well placed to be included as they are generally aware of existing principles, both explicit and tacit. Optionally add a design authority, if you have one, or you may choose to use them as a reviewer of your output prior to approval. Those involved will require access to the wider organization so they can clarify requirements as they develop criteria.

Inputs

Insights and information gathered when you outlined the brief and took stock of the changes required including, the design brief, the analysis of change required and the direction for the design programme.

In addition, some organizations have organization design principles that they have already decided will apply to all new designs within the organization. For instance, a business unit within a large corporation might need to be cognisant of the enterprise design principle that 'all Corporate Services, eg HR, Finance, are to be delivered to business units through shared-service centres and centres of expertise'. Another that we have seen is 'any new organization must have no more than five layers'.

Instructions

- Use the prompts in Table 7.3 to help you consider and work out what to include on your list of design principles and criteria. Aim for approximately 12 design principles based on the big things and one to five design criteria per principle.
- Once you have a first-pass set of design principles and criteria, review and refine them.
- Confirm the marking scheme and, if required, relative weighting.

Review and refine the principles and criteria.

You will have covered most of the Compass in doing this. As a final check for completeness:

- Do your principles and criteria cover every quadrant?
- Are they aligned and not contradictory?
- Is the balance right?
- Are any limits and boundaries that need to be reflected, covered?
- Is it clear what is different in the future organization from the current one and what it means?
- Do they differentiate your organization from others?
- Do they consider all aspects of the organization?

Confirm the marking scheme:

- Are the criteria measurable wherever possible?
- Are the criteria consistently written so that a high score for each criterion represents a favourable result and a low score represents an unfavourable result?
- Use a four-point rating scale: 1 = poor, 2 = fair, 3 = good and 4 = excellent.
- For a no/yes response; rate no = 1, yes = 4.
- Where a benchmark must be met, eg must operate with a budget of £x million: rate fail = 1, pass = 4.
- Where a score cannot be made in an early pass; leave these blank or score them zero.
- Are some criteria more important than others, either because they are more tightly aligned to delivering the strategy or because of limits and constraints?
- Do you need to weight at criteria or principle level? Say: low, medium or high or on a numerical scale or just mark some as critical?

Outputs

A completed design principles and criteria marking scheme: Table 7.4 shows the template for this. Table 7.1 shows design principles and criteria for an IT and operations shared-service organization.

TABLE 7.3 Prompts to help work out design principles and criteria

Considering your strategic intent

Examine your strategic statements and target capabilities. At the simplest any design must deliver these

- Are some more or less important?
- Are there trade-offs needed?
- Check these for completeness – is anything missing?

Review the organizational archetypes

- Have earlier dialogues or thinking steered you towards one or more archetypes?
- Do the advantages or disadvantages of these archetypes suggest principles or criteria to you?

Consider executive expectations of how they want the organization to function

- Does any phrase constantly recur which is 'shorthand' for characteristics; eg high reliability, customer focused, lean, high performing?

Look at future needs

- Do your principles and criteria need to cater for future needs; eg does the design need to be flexible enough to adapt to future changes?

Do you need to consider countries and territories and how these affect the criteria?

Considering whether designs will operate efficiently and effectively

- Are the unit's boundaries sensible?
- Are accountabilities effective and in line with strategic intent?
- Have you considered the motivation of the kind of people you want to keep and attract?
- How clearly can you identify the critical deliverables for each unit?
- How clearly can you identify the performance measures for each unit? (Often, as criteria, organizations ask if these make sense to customers, to suppliers or their people.)
- Are there specific expensive specialists that you need to highlight?
- Do you need to consider training, developing, nurturing and grouping any particular pools of talent?
- Do you have specialist cultures to consider?
- Do any groups need to operate outside the prevailing corporate culture; eg innovation groups in an otherwise bureaucratic organization?
- Do you need to consider the number of layers in a hierarchy?
- Or spans of control/accountability/influence/support?

TABLE 7.3 *Continued*

Considering the resource information gathered in earlier OPTIMAL steps

- As well as evidence what clues did you pick up about resources?
- What are the financial constraints?
- Are there any people constraints; eg headcount, recruitment policies?
- Have you considered the hidden constraints?
- How easy is it to recruit to fill gaps?

Considering ease of implementation

- Consider the impact on availability and talent of the leadership of the organization
- Consider any key players in your organization that you need to keep throughout the process or who have required skills for the future
- Does your design help get and keep commitment of key stakeholders by, say, providing them with appropriate responsibilities and reporting relationships?
- Do you need to have principles on the design and its implementation being feasible?
- Consider barriers to success due to any constraints; eg government regulations, interests of outside stakeholders, limitations of information systems, risk appetite or current organization culture
- Consider the availability of people and funding to implement the design.

Considering design principles you must adhere to from your wider organization

- Are there any higher level design principles that you must adhere to?

OPTIMAL programme considerations

It is good practice to get the design principles agreed by the steering committee and the design criteria agreed by the programme manager and sponsor. It can help with buy-in and feedback if these are discussed with other stakeholders.

TABLE 7.4 Design principles and criteria marking scheme

Design principles	Design criteria	Marking	Weight

Conclusion

Having the basis agreed to choose an optimal design option for your organization that reduces the politics and emotion later on in the programme may sound like the Holy Grail. However, that is the outcome from this step. Having the ground rules laid down can be comforting. You have clarification and agreement of how you will assess your design options. This is clearly set out in your design principles and criteria-marking scheme. They can be tailored to the needs of your organization design programme; it is immaterial if other programmes and organizations choose differently. As David Gill CEO Manchester United Ltd says, 'All I can do is assess the value from a Manchester United perspective. Whatever Chelsea do, they may have a different criteria, and different financial assets.' By the time you complete this step you will have the knowledge to put in place an evaluation scheme based on design principles and criteria that is impartial, balanced and aligned to the organization's strategic direction. Now we start designing the organization.

Mapping the design options

08

Robert McNamara taught me never make a major decision without having a choice of at least vanilla or chocolate. And if more than a hundred million dollars were at stake, it is a good idea to have strawberry too. **LEE IACOCCA**

After getting agreement on the direction and scale of the change required and identifying the evaluation scheme, you move on to generating options for the new organization's design. The aim of this chapter is to develop and refine alternative design options for the organization to choose from. The chapter sets out how to develop a number of options, at a concept level first, then how to develop selected options into more detailed, design outlines. It is important not to settle on 'a solution' too early, or to waste time and effort pursuing too many options too far. The process of developing and refining ideas is neither straightforward nor linear. We urge you to deliberately set out to create several design options and not to rush headlong into the first feasible one that springs to mind. More flavours are better when the scale is large, novel or complex. In organization design, as in any design process, you are trying to open up possibilities and break down incorrect assumptions about the limits of the challenge. The role of the design leader is to stimulate and encourage lateral thinking and unlock the imagination, ingenuity and inspiration in their team. Use ideas to spark more ideas. Following this chapter you will gain the skills to generate designs that meet your design brief, moving from the concept level to outline level.

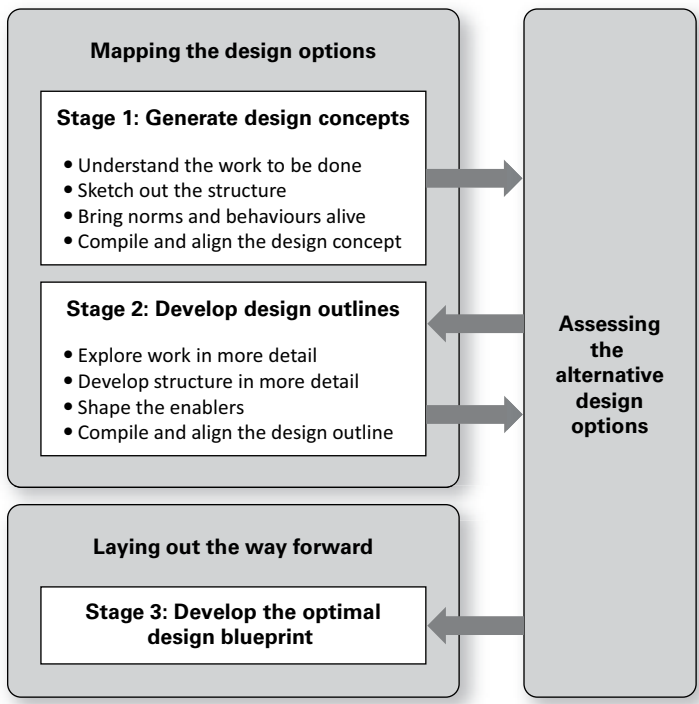
This is a highly creative step. This design process is evolutionary and deliberately involves many dialogues and conversations to see different perspectives, both from the people involved and in terms of how the future organization might work. This allows ideas to be explored, repeated, refined, practised, worked over, discarded and combined. To quote Seth Godin, 'You win by trying. And failing. Test, try, fail, measure, evolve, repeat, persist.' As you look at your future organization from different perspectives you sketch out one part, look at another, reflect and, if necessary, adjust those you

already have done as you go. The process is akin to spinning plates, moving back and forward as you define elements: the objective is to define options so that all the parts balance and work together.

In the OPTIMAL Organization Design Approach, organizations are designed in three stages (see Figure 8.1). This is a staged approach based on practice and experience; many other design practices follow a similar pattern. In this approach you consider more options at earlier stages, and then increase the level of detail and areas developed as you progress through the stages. The first two stages are covered in this chapter. To start with, you produce a few, very high-level concepts, then you assess these. The feedback from assessing the alternatives allows you to eliminate some, adjust some and perhaps generate more ideas that you want to look at. Then, at outline level you develop selected ones further, adding more detail to produce the design outlines, which are in turn assessed. Assessment for both of these stages is covered in the next chapter.

The final stage of the high-level design is to take a chosen design outline – the optimal one to deliver the organization's strategic intent and target capabilities – and produce a design blueprint. This stage is covered in the

FIGURE 8.1 The OPTIMAL design and assessment process



final step of the OPTIMAL Way. The aim at the end of that stage is akin to an architect getting to the point where they can provide sufficient specification for a builder to pick up and complete their work. Laying out the way forward establishes how to take that high-level design down to the 'builder's specification' and in organizational terms into implementation. Beyond that, there is more low-level design work for the line manager who will design and adjust within the frameworks specified to meet their developing needs over time.

As you move through design levels, outputs from the previous stage are subsumed and updated where appropriate, becoming part of the definition for the next level. So a design concept may contain elements retained from the current organization as detailed in the change specification plus outputs from elements generated in the design concept stage. Similarly, a design outline contains elements carried forward from the design concept stage plus the outputs from the design outline stage and so on. Appendix 4 lists the design outputs produced by level and Compass segment.

This is the most complex step in the OPTIMAL Organization Design Approach and it takes the most time in the design phase of the programme. It is difficult to generalize how long this step takes to carry out. It largely depends on the size and complexity of the organization you are designing. Designing options for a team of 50 people is much quicker than an organization with many sub-units, complex supply chains and 10,000 people.

Generating design concepts

> Practice safe design: Use a concept.
>
> Petrula Vrontikis

Generating design concepts takes the inspiration and ideas from the work you have done in outlining the brief and taking stock of the change required. It draws on the formal outputs, insights and information that were produced and documented in those steps. It also draws on all the intangible learning gained so far. You start by taking these ideas and generating embryonic design concepts that have some 'shape' to help the team and organization learn and reflect. Explore pieces of the design that trigger your thinking. Here you are looking at aspects that are essential to how the organization might work and which will drive the design, eg how social networking could change the operation. These ideas may be from the original inspiration that drove the programme to be initiated or themes that have emerged during conversations and dialogues in earlier OPTIMAL steps. You are looking for a range of ideas to galvanize the development of different concepts.

The Compass is used to frame debates throughout design. It does not matter which quadrant you start in, because you will need to explore all the quadrants and revisit earlier ones again as your thinking evolves. The process is not linear and you will circle round developing ideas as you go.

The change specification highlights which elements of the current organization are fixed and also the quadrant with greatest impact on the future design – often Work or Structure. The quadrant with the greatest change is generally the best place to start. If you have no preconceived ideas of where to start, begin with the Work quadrant, this is where we start below.

The process below shows how to generate one concept. Repeat the process to generate and explore further concepts. Even if you are designing a small team try to conceive several concepts. The precise number of concepts you generate will depend on the nature of the challenge you have and the decision-making approach agreed with the sponsor and steering committee. If you have no steer we recommend you aim to generate three to five design options at concept level. In the different high-level design concepts:

- Often the key work processes are the same in different design concepts but the work processes use different operating mechanisms; for example automated versus manual.
- There are usually many different ways of structuring and different concepts generally have different structures.
- Different structures can influence the key work process. For example, outsourcing is a structural option and in an outsourced structure service, management processes are the key processes rather than production processes.
- Norms and behaviours are usually similar between design concepts and the set you define for your first design concept may well need little, if any, adjustment for subsequent concepts.

Understanding the work to be done

The first thing to look at is what the organization that you are designing has to do to fulfil its role and deliver its outputs. All organizations have work processes whether they are small or large: vertically integrated or networks of loosely connected individuals or groups. Levels of formality in defining work processes differ between organizations. A bank lending to personal customers has very formal, rigidly defined processes that ensure fairness and impartiality in lending decisions. Astra Zeneca has formal knowledge of harvesting processes in its research groups. In contrast, a master carpenter creating a bespoke piece of furniture has very informal processes – the craftsman's skills are more important – and knowledge sharing via informal internet-based interest groups is also often based on informal processes within the groups.

Tool 8.1 shows you how to identify and document your key future work processes at a high level. Apply this at a level of formality that suits the organization being designed. Focus on the major work processes that are customer- or market-facing or central to production, there is no need to cover internal supporting or enabling work processes.

TOOL 8.1 Identifying and documenting key future work processes

Who to involve

Include the design team, particularly those members with process mapping skills, logical thinking and experience of the work of the organization under design and include senior leaders to provide business input.

Inputs

The inputs for this are the insights and information gathered during the early steps: the design brief, the current and future state and the change specification.

Instructions

Identify what the key processes are likely to be. Concentrate just on the work processes (customer- or market-facing) not on any supporting or enabling work processes. Examples might be:

- All manufacturing and production processes.
- Servicing customers: including order taking, materials purchase.
- Business development.
- Product or service development.
- Winning new business or new customers.
- Providing after-sales service.

Prompts to help the discussion:

- What products or services will this unit deliver?
- What will the unit manage, eg customers, products, services, channels?
- What will the unit develop, produce, plan, implement, approve, maintain, operate, monitor, provide, find, solve, diagnose?
- Why does the unit do the things identified above?
- For whom does the unit do the things identified above, remembering that customers can be internal or external?

Include any key processes that straddle the boundary of the organization or that can be executed outside of it, eg in an outsourced arrangement or in adjacent organizations within an enterprise organization. However, keep in mind that you are looking at the processes within the organization you are designing and not the wider organization.

Keep the draft list of processes and the notes from the discussion as a working paper. They can sometimes be reused when generating other concepts or later in the design.

Refine the list to focus on the top 7 to 10 only and list these. At the required level of detail you typically focus on no more than this. If there are more, then think about whether they are actually steps in the same process. If there are fewer, fine!

For each key process produce a high-level process map: record on these the inputs, outputs, operational controls and operating mechanisms. You can use your organization's preferred high-level process mapping approach or use one like the example in Figure 8.2.

Outputs

- List of top 7 to 10 key work processes.
- High-level process maps of key work processes (Figure 8.2 shows a completed example).
- As working papers: list of work processes identified and the notes from the discussion.

You should have a clear view of the most important future work processes that your organization has to carry out.

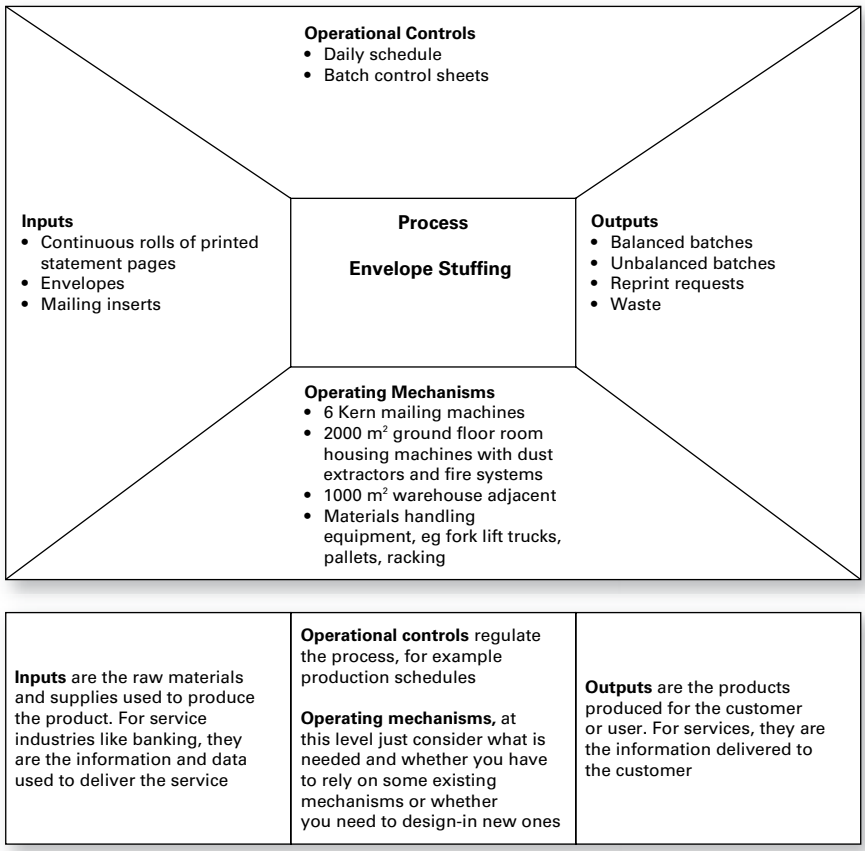
When you have completed the process maps, examine the information captured on all of them about the operating mechanisms. Apply a sense check to see if the operating mechanisms are described at the appropriate level for all the processes. Where processes are assumed to share operating mechanisms, are the descriptions used across the documentation consistent? Revise the key work processes, if necessary. Collate all the information on operating mechanisms and consider the overall picture. If there are significant changes from the current state involve appropriate operations or IT experts, such as business or IT architects, designers or planners for their insights and comments. They will need to be involved in future operations or technology design work if this design concept is taken forward and their early input is beneficial. As an output, produce a list of operating mechanisms for the top 7 to 10 key work processes.

Sketching out structure

Next you turn to the Structure quadrant to define the units that will deliver the work. Making choices on the units in the organization separates some activities, functions and disciplines while combining others. In doing so it shapes the core organization to focus on delivery while de-emphasizing less critical work. At the concept stage you identify the main building blocks of the new organization, their responsibilities and the high-level structure that links them together. Thinking about structure is not just about considering hierarchical structure: it is also about thinking through how tightly or loosely coupled the structure needs to be and how much structure plays a role in the organization that you are designing. In some organizations, formal structure plays a large part in their design. Other organizations are held together more by a shared organizational purpose and values and they have minimal formal structure, or structures that can be assembled as needed to deliver particular outcomes.

Figure 8.2 shows a completed high-level process, 'envelope stuffing', for a print and mail utility company. They mail about 200,000 statements per day. The process takes printed statements on continuous paper rolls, separates them into A4 sheets, selects the right number of sheets to go to each customer, then folds and stuffs the sheets into envelopes along with appropriate marketing inserts ready for mailing to customers.

FIGURE 8.2 An example of a completed high-level process map



Use Tool 8.2 to create a view of the organization's high-level structure. This is a highly creative exercise rather than an analytic one. Draft and redraft sketches as ideas are explored and thinking developed. There is no sequential process for this, sketch out different thoughts and explore various configurations, repeat this until you have a structure that looks broadly workable.

In deciding on an organization structure, different parts of a large organization may need to work in different ways and a mix of structure types and characteristics may be required. In reality, many organizations are hybrids

and the skill is in blending structure to the organization's circumstances. If you are considering a hybrid, matrix or multi-dimensional structure, be aware that these can be very easy to sketch on paper but it is much more difficult to get the right mix of skills, norms and behaviour and enablers to make them work in practice.

TOOL 8.2 Sketching the structure

You need to identify the main building blocks of the organization, their main responsibilities and how they link together. The aim is for as simple a structure as possible.

Who to involve

Include the design team and representatives from the business user group. The ideal group size for this is about seven people.

Inputs

- Annotated target capabilities.
- The future state characteristics.
- The analysis of the change required.
- The change specification.
- The working papers from taking stock on the future organization plotted on the environmental complexity and stability framework, the work standardization framework and the classification of operating mechanisms framework.
- List of top 7 to 10 key work processes.
- High-level process maps of key work processes.
- The organization archetypes.

Instructions

Identifying a concept:

- Take all of the inputs about the future organization and review these to fix the group's thinking on the future state required. Consider the target capabilities, the future state characteristics, the geographies that the organization will operate in, the customers it will serve and the products or service it will deliver.
- Identify whether any of the group have brought ideas about a design concept to the session with them. Get these out on the table early.
- Take a look at each of the organization archetypes described in this book for inspiration and reflect on any additional types of organization that you know about. Are the group drawn to any particular archetype that might be the basis of a design concept?
- It does not matter in which order you take the archetypes but look at all of them, even if at first sight they do not seem promising, as it can be a mismatch or disconnect between the archetype and your situation that sparks an idea. Keep an open mind.

- Is there something in an archetype that you recognize about the future organization or that triggers an idea for the future organization? This might be in either the strengths or weaknesses of the archetype. You are pattern matching between them and the future organization and its situation.
- What does the strength and weakness of the archetype tell you about suitable design concepts?

As the design concept emerges, identify the units within the future organization:

- Look at the work to be done as documented in the process maps and imagine what the main units in the organization might be to deliver that work.
- Think at one and two levels below the 'head of organization' role and think about what the units are responsible for delivering.
- Give each unit that is conceived a meaningful name and develop a list of its main responsibilities.
- You can use the organization archetypes to guide and inspire you. The names given to units in each of the archetype may prompt your ideas.
- At concept stage focus on the responsibilities that are central to the unit rather than trying to define boundaries.

Sketch the organization chart:

- After you have identified the units, consider what their reporting lines might be and sketch how the units might link together.
- The archetypes plus the environmental complexity and stability framework, the work standardization framework and the classification of operating mechanisms framework can guide you. Look over the commentary on each of these and reflect on what they each show you about the new structure you have sketched.

Cycle between the sketch of the organization and the units you have conceived. Look to cover all of the key work process with a structure that meets the future requirements and looks broadly workable and viable in the organization's context and environment.

Outputs

You will have explored options on how you might structure the organization. Your output will be:

- Named units drilled down two levels from the top of the organization.
- List of the major responsibilities for identified units.
- Organization sketch of how units link together.

Bringing norms and behaviours alive

'Norms and behaviours' differs from the other three quadrants in a number of ways; the underlying segments:

- cover the way things get done;
- can awaken people's senses as to where they are going and what it will feel like to be there, connecting people emotionally with an organization;
- are often pervasive across a complete enterprise organization with limited scope to change them further down an organization;
- are the most difficult segments to change, often taking a long time to transform and their implementation can be a big deal because they help make the other segments work together.

Norms and behaviours were examined in taking stock of the change required: in the change specification, what the programme should change and what should remain were captured. In many redesign programmes there will be few changes to be made to these segments. However, there are situations when Norms and behaviours do need to be designed or redesigned. One example is if a new unit is set up that aims to do things radically differently from the rest of the organization. This was very evident in the early incarnations of many e-initiatives, which were often set up heavily ring-fenced from their main organization. Norms and behaviour are also crucial in mergers. In 2006 when Nokia and Siemens announced their merger, the newly formed joint Board recognized that creating a unified culture was essential to the success of the new organization. The integration focused on the importance of joint values and behaviours; the aim was for these to shape the design of work processes.

An organization's beliefs and values are vital to all organizations; they can be more important than structure in making an organization work. This is especially so in organizations that are loosely coupled and with less formally defined structures. Organizational values define the acceptable standards that govern the behaviour of all individuals within the organization. Without such values, individuals will pursue behaviours that are in line with their own individual value systems, which may lead to behaviours that the organization does not wish to encourage. Strategic beliefs and values are so fundamental to an organization's design that the required ones should have been captured when you outlined the brief for the programme: they will probably include organizational purpose, organization values, strategic intent and mission. The current state beliefs and values should have been ascertained in taking stock of the change required.

At concept level, you need a set of statements that capture the values and looks at the changes from the current state. These are short phrases or words that distil the ethos for the organization and that will have widespread understanding. The aim is to paint a picture of what is required; fleshing out the details will be done in implementation. If there are existing organization values documented you need to annotate them with comments on fitness, highlighting any changes that may be required. We often see this articulated with comments such as: 'more of this' and 'less of that'. In terms of who to involve in producing or reviewing values it really is situational. They can be captured using a top-down approach with strategic leaders or by engaging

more widely across the organization. With a smaller team or start-up organization as many people as possible can be involved. The output should be an annotated statement of organizational values.

Styles and behaviours, such as leadership and management styles and behaviours, can be specified and there may be differences between the concepts that you develop. Specifying styles and behaviours can be a leverage point for making lasting changes to organizations. The Work and Structure quadrants specified can inform the way things get done and vice versa. Taking the change specification as a starting point, set out two lists: one for styles and one for behaviours. Capture short statements or phrases that describe the key characteristics needed to make the design work: the styles and behaviours. They may echo some of the sentiments you have already highlighted in beliefs and values. You may want to consider some of the established models of leadership styles – for instance MBTI, which is based on the Myers Briggs/Jung typology – to prompt your thinking. You are looking here for major indicators that guide the way, such as the approach to risk. Existing statements may be annotated. The outputs should be two lists of annotated statements: one of leadership and management styles; another of behaviours.

Norms are the established and approved way of doing things: the customary rules of behaviour. You can be very inventive using group exercises to capture norms: some of the emotional feel of the future organization. Although norms may be explicit or implicit in a 'real organization', at concept level your aim should be 'create a sense' of the future organization. Use creative techniques of casting 'the group' forward to the future organization: bring the organization alive and help people 'be there'. There are many great graphic tools for this and lots of ways of doing this: storytelling, coats of arms, painting. Make it fun. The energy will help generate thoughts that may not have come through in the more analytical sessions. Ask open questions such as: What does it feel like to work here? What does it feel like to be a customer or supplier? What is rewarded? How is success measured and celebrated? Is there a metaphor for the organization? How do people dress? How do people interrelate with other groups and people? The outputs for this are 'defined norms' in whatever format the technique that you have applied produces them.

Compiling and aligning the design concept

Now you bring together all the elements of the design option that you are working on. Design options have outputs from the previous stage subsumed. So a design concept may contain elements retained from the current organization as detailed in the change specification (updated where appropriate) plus outputs from elements generated in the design concept stage. Consider these now and assemble them. Give the option a meaningful, descriptive name to capture the essence of the concept. The work done in reviewing Norms and behaviours can often inspire names for design options.

To unify the design concept, review the latest information on the elements and segments on which you have information so far, align the segments and adjust as necessary to create a coherent whole. There will be some segments that you have no information on at this stage, this is fine. Tool 8.3 will help you to align the design concept.

TOOL 8.3 Aligning the design options

The objective is to pull together a coherent overall design option.

Inputs

As input you need information on all the design segments you know about so far for this option. Include information on the elements produced at this stage and information subsumed from earlier work.

Who to involve

Include senior, experienced members of the design team: people who have worked on previous organization design programmes, who understand organization theories and can judge the interactions and interplays between design segments. If you are using a design authority, their expertise and wisdom is very useful here. We also recommend involving your business unit group for their practical expertise in resolving thorny issues and making trade-offs.

Instructions

A round-table debate involving about seven people is the most effective way to do this. Split up groups larger than this; replicate the exercise and bring the outputs together in a plenary group at the end. Make sure participants understand how the design option grid should be used. In this exercise you are looking for a broad fit between the segments; an 80 per cent fit is sufficient.

Provide an overview of the design option, summarizing the information known so far about each segment.

Complete a design option alignment grid using the template shown in Figure 8.3. At each intersection consider and mark the grid appropriately:

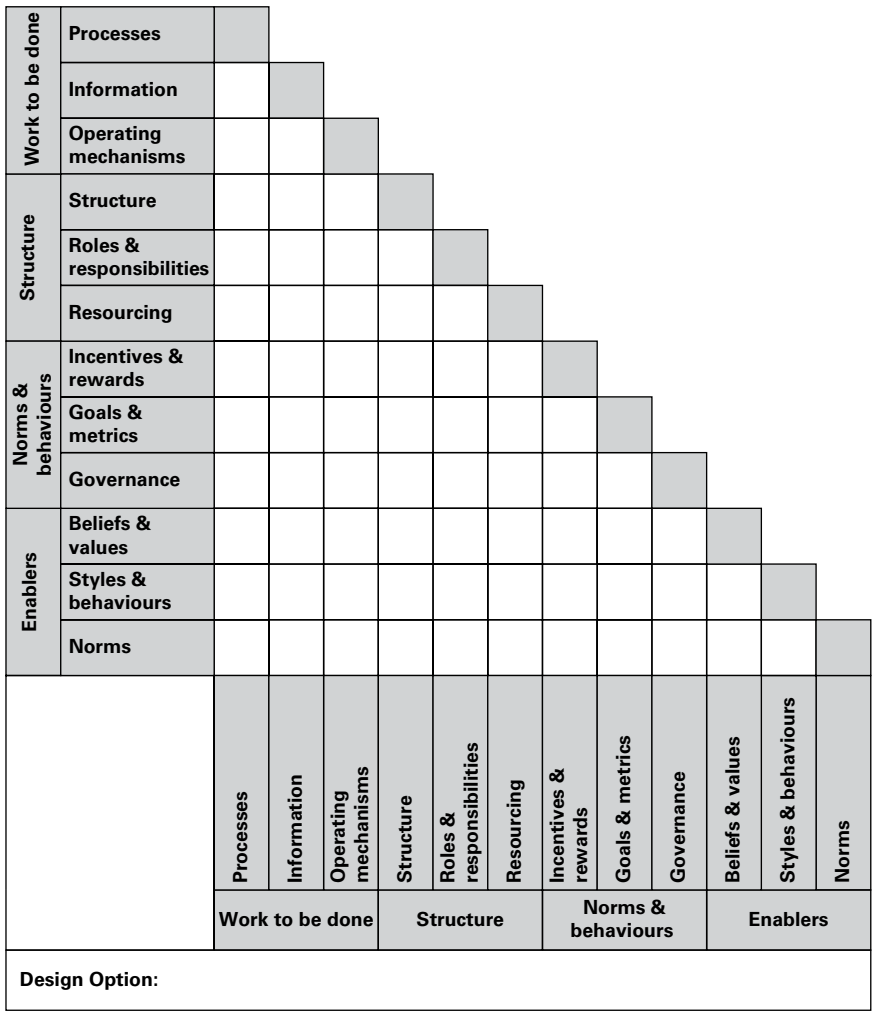
- Whether there is a relationship between the segments.
- If there is; whether more design work is needed to judge the segments alignment.
- If there is; whether they are aligned and congruent or misaligned.

If you find any major gaps or serious misalignment, you may need to revisit the thinking already done on one or more segments, and then re-align.

As you complete the grid capture insights on what needs to be built into any of the Compass segments and thoughts on what is required in more detailed design work; for instance:

- Implications of following this design option.
- Dependencies, eg a merger and acquisition may have constrains on when some structural changes can be implemented.
- Where the design option makes assumptions about other segments, eg the structure segment often makes assumptions about resourcing.

FIGURE 8.3 Design option alignment grid



Marking
✓ Segments are aligned and congruent
✗ Segments are misaligned
O No strong connection between segments
– Design work is incomplete; no assessment made

This is also the design team's chance to consider whether there is anything in the emerging design that may be a major barrier to implementation. This is not a formal assessment but a sense check on how 'doable' the design option is.

Outputs

- Design option (revised if necessary).
- Completed design option alignment grid.
- Insights for more detailed design work – some specific to the option and some generic.

You now have a completed design concept ready for assessment. Repeat this until you have three to five design concepts. At that point, you can assess the alternative design concepts (shown in the next chapter), before returning to develop the selected designs and creating design outlines.

Developing design outlines

> Starting off, all options are always open, but as soon as you choose something, you inevitably limit yourself. If you go for B, A is out.
>
> Alva Noto

The alternative design concepts are passed back to the design team once they have been assessed. All the design concept-level assessments including the design option evaluation score sheets and the design option evaluation summary with commentary should be available to the design team. Sometimes the assessors may suggest a hybrid of a couple of the options. If the assessment has suggested a hybrid, the design team will need to cycle back to generate the revised design concept and make sure they have all the concept-level outputs from that completed. The assessments from hybrid concepts' 'parents' will suffice for this stage rather than reassessing the hybrid itself. Now you take all the inputs and learning to date, the most promising two or three design concepts and the assessment feedback and develop these concepts further to create design outlines. Design options are more tangible and people in the organization will start to understand better what the future organization will feel and look like. The process described below takes one design concept at a time and develops it into design outline. The process is then repeated taking another design concept to produce another design outline and so on. In practice though, particularly where design concepts are similar, you are likely to progress these in parallel.

At this stage, you may want to start involving top talent who are potential candidates for the new organization in some of the design activities as soon as possible (if they are not already involved). Their input will be useful and they will get engaged in the design they are helping to create. Senior HR

and talent management should review the emerging structures to help identify possible candidates. Possible clues include: who in the organization do you keep talking to; whose advice does the design team keep seeking; and who is frequently volunteering to give their (useful) input?

Exploring work in more detail

In the Work quadrant break down each key work process into its component activities, identify the information needed for each process and understand who or what each process interfaces with (say, an organization, another process, or stakeholders). Use Tool 8.4 to identify the activities for the key work processes.

TOOL 8.4 Identifying key work process activities

The objective is to get a more detailed view of the key work processes by breaking them down into their component activities.

Who to involve

Include the design team, particularly those members with process mapping skills, logical thinking and experience of the work of the organization under design and ensure you have input from operations and IT.

Inputs

Inputs are the design concept and the design concept-level assessment.

Instructions

Decompose each high-level process into its component activities:

- Identify what are the main things that need to be done in order to fulfil the higher level process.
- Illustrate how each of these activities relates to each other by mapping the logic between them. Typically, activity maps are drawn as a simple flowchart (see Figure 8.4).
- Identify who or what the process will interface with and add these to the activity maps:
  - Who or what supplies inputs to the process?
  - Who or what does the process supply?
  - Who influences the operations of the process?
  - Who is influenced by the process?
- Check that the inputs come from somewhere: either from external sources, or are the output of another process of this unit or another unit.

- Check that the outputs are going somewhere: either to the customer, or are the inputs to another process of this unit or another unit.

Improve the activity maps:

- Apply the questions in Table 8.1 with a view to eliminating unnecessary activities, combining closely related activities and simplifying the process. This will also test the assumptions made around operating mechanisms and challenge whether these can be improved too.
- Revise the activity maps as needed.

Review all of the activity maps as a package:

- Use the work standardization framework and consider how standardized are the activities. As a general guide, more standardization is associated with increased efficiency and simpler structures. Is there anything you can design-in at this stage to help this?
- Revise the activity maps as needed.

Outputs

- One activity map for each of the key work processes.
- Optionally, you may record working papers on:
  - draft versions of activity maps;
  - reasons for changes to activity maps;
  - any assumptions surfaced in challenging and refining the activity maps;
  - any viable alternatives to the activity maps and the reasons for choices made.

FIGURE 8.4 Activity map template

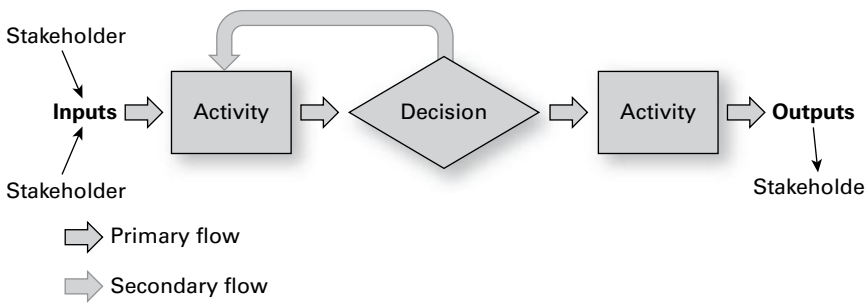


TABLE 8.1 Questions to improve activity maps

	Examine the activity	Generate alternatives	Select alternatives
Purpose	• What is achieved in the activity? • Is the activity's purpose clear? • Is the activity necessary?	What else could be done? • Eliminate • Modify • Substitute • Simplify	What should be done?
Sequence	• When is each activity in the process done? • Need they be done in that sequence? • Is there any duplication of activities in the sequence?	When else could the activities be done? • Earlier or later? • Combine with other steps?	When should it be done?
Place	• Where is the activity carried out? • Need it be done there?	Where else could it be done? • Combine work areas? • Centralize or distribute?	Where should it be done?
Operating mechanisms	• How is the activity done? • What assumptions are made about tools, equipment and methods?	How else could it be done? • Invest in equipment or new technology?	How should it be done?

Once the activity mapping is complete, review the maps as a package. Examine the information flows with your IT and operations experts. The organization design team are not usually responsible for specifying information systems; however, the design outline does need a view on the information system requirements. Look at any current information systems to see how suitable they are; whether they need to change; and what new system requirements there may be. Together with your IT and operations experts, produce a description of the information systems needed to support the key work processes, noting if these are current systems, amended systems or new systems.

Developing structure in more detail

In developing the design outline, you draw an organization chart of the future organization; describe the roles and responsibilities for its units and sub-units and draw the reporting lines between these. In most cases the structure only needs to be developed to two or three levels below the 'head of' unit role but for some complex units go as far as you need to go to make sense and help with understanding. This is often where hybrid forms of organization start to make sense. Even if the concept level is, say, a geographic structure then at the lower levels there may be some functional sub-units. Automated charting tools are useful for drafting at this stage as the organization chart gets more detailed.

As you firm up the structure, you start to flesh out the responsibilities at the unit and sub-unit level and develop role definition for key roles in the new structure. As you develop the structure, the resourcing model becomes clearer as you get a picture of what skills, numbers and types of people are needed in that future structure. Make sure the right people from your HR function are involved and consulted at this stage and together start to engage with people who need to get up to speed to understand potential implications. Work on structure and roles and responsibilities in tandem as the thinking on one informs the other, using Tool 8.5.

TOOL 8.5 Outlining the organization chart

Who to involve

Include the design team and HR.

Inputs

The change specification, design concept level assessment and the design outline so far.

Instructions

The design concept produced a sketch of the structure and listed the main responsibilities for each of the units identified; use this. Starting at the top of the organization, work down the levels and across the units.
Define each unit's role:

- List the key responsibilities and accountabilities for the unit in the top two boxes of the role definition template in Table 8.2. Responsibilities are what the unit is tasked with doing: the activities, processes or tasks assigned to the unit. Accountabilities are what the unit will be judged on; for example, contribution to profit; quality standards.

Turn the sketch of the structure into an organization chart for these units:

- The units identified in the concept become the boxes on the chart.
- Add reporting lines to join the units.
- Include any important dotted lines.

Identify sub-units for each of the units:

- Examine the major responsibilities for each unit and the relevant activity maps.
- Consider how the unit might break down into sub-units; for example, based on activity types, roles, markets, skills.
- Assign each sub-unit a meaningful name.
- List the key responsibilities and accountabilities for each sub-unit in the top two boxes of the role definition template in Table 8.2.

When all units have been considered, review whether all the high-level processes and activities have been assigned to units or sub-units. Adjust and amend any unit and sub-unit responsibilities where needed.
Add the sub-units to the organization chart:

- Add reporting lines to join the sub-unit and units;
- Include any important dotted lines.

Review the organization chart:

- Sense-check the chart to see whether the reporting lines are broadly workable; eg too narrow, too wide, unbalanced, inconsistent levels or have overlaps.
- Does the chart fit with your operating environment?
- Refine the organization chart and role definitions for units and sub-units (where necessary).

Complete the role definitions for the units and sub-units:

- Add any important behaviours required if these differ from the organization or level above.
- Add key competencies and skills required.

Hints and tips

RACI charts can be a very useful aid to get clarity on responsibilities; to avoid duplication of responsibilities and to make sure that all responsibilities are covered. Consider the size of the units and sub-units as you draw organization charts. Some units are purposefully

kept small, eg when a few experts or specialists are grouped together, or the unit size can be very large with little need for direct supervision, either as a result of training or formalization of processes, outputs and behaviours. Bear in mind that increases in size of units and sub-units usually leads to a requirement for more formal management roles, more formal processes and more procedures in the Enablers quadrant.

Outputs

- An outline organization chart containing unit and sub-unit names, reporting lines, significant dotted lines, any commentary needed for clarity.
- Role definitions for the units and sub-units drawn on the organization chart.

TABLE 8.2 Role definition template

Role definition for unit, sub-unit, work group or role name:	
Activities and responsibilities ● ● ● ● ● ● ●	Accountability: For what and to whom ● ● ● ● ● ● ●
Behaviours required ● ● ● ● ● ● ●	Competencies/Skills required ● ● ● ● ● ● ●

There will be some key roles in the new organization that need defining now. Typically, these will be the 'head of' positions in the most important units of the organization. Other roles may also be essential for the organization to work. For example, when Barclays set up an internal management

consultancy, the role of 'client relationship manager' to connect the business units (their clients) to the consultancy was vital. This role needed to be considered at this stage of design.

The design team should work with HR and link into the processes that exist in the current organization for producing and maintaining role descriptions. Working with HR, identify the key roles and complete a role definition for each, again using the role definition template in Table 8.2. Consider:

- Are any of these key roles 'undoable'?
- Is any role out of kilter with roles above, below or around it?
- Are there people in the current organization who can do these roles?
- If not, can the organization recruit to fill them; how easy or difficult is this?
- Does the availability of talent affect the timing of the design's implementation?

If the scope of any role makes it undoable or at odds with those around it, loop back and refine your organization chart and the unit and sub-unit role definitions before coming back to the key roles. Similarly if the availability of talent causes an issue you may want to make adjustments too. After making any adjustments, amend and refine the key role definitions where necessary.

As you develop the organization chart start the thinking about the resources needed for the new structure: the numbers of people; their skills; and the sources of people. Some of this information can be included on organization charts but that can become unwieldy so it is often better to document it separately at this stage; in an outline resourcing description. For each identified unit or sub-unit capture:

- The size of the unit in terms of numbers of people. Usually in a design outline this is an order of magnitude or a range.
- Any particular skills, educational or training standards needed.
- Considerations and thoughts about how to resource them. For example, the ratios of employed staff to agency staff; the mix of full-time to part-time.

Shaping the Enablers

The segments in the Enablers quadrant are a powerful way of making any chosen design option(s) work. Once you have narrowed down your design then shaping the right incentives and rewards, goal and metrics, and governance is an important part of what will make the design work in practice and they can compensate for the inevitable limitations and instabilities in the organization structures. Enablers are so important they should be designed as part of the whole organization rather than bolted on as an addition after the design has been implemented, as often happens.

In incentives and rewards, the design team work closely with senior HR people and senior management. Together they should think about financial and non-financial incentives and rewards as well as the disincentives and penalties. Incentives and rewards are as relevant for organizations as they are for individuals: so consider the organization and the processes that cascade incentives and rewards through the organization to units and sub-units as well as to individuals. In many designs there will be limited or no change to current systems and processes and any changes are more often about the nature and content in this segment. Where the team identifies changes, document the changes needed, highlighting what is new and different from today. Consider:

- What are the major impacts on current systems for performance management, performance appraisal, and reward and bonus schemes?
- Do the current systems, processes and mechanisms need to change to make the design work?
- Does the design need new systems, processes and mechanisms to make it work?
- Is there a need for dual incentives to focus senior managers on both enterprise and unit goals?
- Is there any training needed to embed the changes; such as training line managers in new performance appraisal systems?

Goals and metrics are rarely looked at in detail at this stage of design: they are generally picked up in implementation. However, they may be absolutely fundamental to a design, say for a multi-dimensional organization, in which case they may warrant detailed work at outline stage. The processes and mechanisms are addressed if they need to be significantly different from current ones; for instance where they will be tightly tied to how the strategy will be implemented by introducing a particular approach. Sometimes, steering committees want a view of what the goals and metrics for the new organization might be; say, a draft list of key performance indicators that could apply in the new organization. Make sure these focus on a range of parameters, not just the financial.

The governance framework, structures, processes and mechanisms ensure that all areas to run the organization 'as a business' and that need to be controlled are controlled. Effective governance does not happen by accident, yet governance is too often an afterthought to organization design and developed piecemeal. Governance is an essential part of organization design. Tool 8.6 can be used to identify governance.

TOOL 8.6 Identifying the governance

To identify the governance framework, structures, processes and mechanisms needed for the design option(s).

Who to involve

The design team plus others in the organization with know-how or experience of setting up governance.

Inputs

The inputs for this are the insights and information gathered during the early steps: the design brief, the current and future state, the change specification, plus the design outline so far.

Hints and tips

- Governance is the preserve of the senior team. The executive will be familiar with the structures, processes and any current arrangements. They know what works and what does not, what they like and dislike. Ask their advice!
- Are there arrangements elsewhere in the wider organization or the existing organization that you are redesigning that can be used as a starting point? Governance is often done well in Finance where regular budget and reporting cycles give them lean, well-rehearsed processes and mechanisms for authorizing and cascading that you might learn from. IT organizations, too, have often worked hard to embed governance and can be a source of advice.
- Is the governance strategic? Check that operational control is done in Work via operational controls. Actively design governance around the organization's strategic objectives and performance goals. At this stage you might not know numbers but you will know what needs to get measured.
- Frameworks should relate structures and key roles back to the most senior person in the organization involved (that may be outside the organization being designed).
- Processes that are related should be linked and you should have the fewest number of effective mechanisms possible (governance can become an industry). Aim to assess, improve and reduce the existing number of mechanisms.
- Governance can be temporary, eg for programmes, or permanent, eg for portfolios.
- Governance often extends beyond the organization being designed. Consider this when you think about the people who need to be involved in structures etc; eg suppliers, clients and regulators may also need to agree that what an organization has in place for some aspects of governance is fit for purpose.

Instructions

Clarify all the areas that need to be governed; eg the organization, finance, investment, change, architectures, capability, sales, operations.
Clarify the governance objectives and key outcomes for each area to be governed and determine the areas to focus on based on the outcomes.
Outline required governance arrangements: structures and processes:

- Leverage existing governance where appropriate.
- Outline any structures needed, eg meetings. For each governance structure include: name, purpose, where authority is drawn from (the individual role or group), attendees (roles rather than individuals), frequency with which meetings are held.
- Clarify how governance structures fit with the other structures or roles in the new organization or beyond in a larger organization.
- Articulate the governance framework to show how the structures and roles relate.
- Identify and articulate key processes at a high level: produce a list of key processes and complete a high-level process map to document each process.
- Is there any hierarchy that you need to pay attention to in defining governance, eg overriding objectives, values, strategic versus operational importance?
- How dynamic do the governance arrangements need to be?

Note the mechanisms needed to implement the intended arrangements:

- That is, how will the control be put in place, eg through standards, policies, guidelines, procedures, authorities.
- Select the appropriate governance mechanism for the focus area; these will be designed later in implementation.
- Consider reporting and escalation mechanisms.
- How will conflict be resolved?

Carry out a sense check:

- Do meetings overlap in remit or personnel?
- Are there too many or too few?

Outputs

- Governance framework.
- Outlines for governance structures, eg committees.
- List of key governance processes.
- High-level outlines for key governance processes.
- List of key mechanisms needed to make governance work.

Compiling and aligning the design outline

In creating the design outline, you have looked further at the Work and Structure quadrants and you have an outline of the Enablers quadrant. Now you bring together all the elements of the design option that you are working on. Design options have outputs from the previous stage subsumed. So a design option may contain elements retained from the current organization as detailed in the change specification (updated where appropriate) plus outputs from elements generated in the design concept and design outline stages. Appendix 4 lists design outputs by level and compass segment. To unify the design outline, review the latest information on the elements and segments on which you have information so far, re-align the segments and adjust them as necessary to create a coherent whole. There will be some segments that you have only a little information on at this stage, this is fine. Include all the segments and elements, even if they have not been updated in outlining the design, as they may now need adjusting to align with the additional definition in other segments. Once again, use Tool 8.3 to help you to align the design option.

You now have a completed design outline ready for assessment. Repeat this until you have reached this stage for all the design outlines you are preparing. At that point, you can assess the alternative design outlines.

Conclusion

In this step you have progressed from ideas to design concepts, and defined chosen designs further to outline level. The first two stages of the high-level design are complete. During this step you have established a number of possible design outlines for the future organization. All the underlying elements and segments have been compiled and aligned to create coherent organizational outlines, which deliver the organization's strategic intent and target capabilities. The design work has captured both soft and hard elements; and while the design outlines are still at a high level, they are much more tangible and people they are shared with will start to see what the future organization could be like. In this step you have produced a lot of outputs: Appendix 4 lists the design outputs produced by level and Compass segment. By the time you complete this step you will have the knowledge to take ideas for organizations and progressively develop high-level designs that meet a design brief. Now we will look at how to assess these; narrowing down the number of concepts to explore further, and getting to a position where an optimal design can be chosen from a number of design outlines. 'All changes are created in a moment – with a simple choice,' RT Gorham.

09 Assessing the alternatives

Greatness is not a function of circumstance. Greatness, it turns out, is largely a matter of conscious choice, and discipline. **JIM COLLINS**

This step is about conscious choice; it can have a profound impact on how the programme's stakeholders and team view design options. We have seen it change preconceptions, hearts and minds and get people behind the optimal design. It is simple, yet powerful. The aim of this chapter is to assess and compare design options either at concept or outline level: narrowing down the number of concepts to progress into further design; and narrowing down the number of outlines to choose an optimal design. This chapter covers how to assess the design options against the design principles and criteria produced in earlier steps; how to compare the resulting assessments to enable choice between options; and when and how to get agreement. The tools and techniques used allow you to review, analyse, evaluate and bring your ideas to a resolution. They aid the critique of options, individually and relatively, giving you a structured way to present the ideas and, if necessary, challenge the brief. This is important because the decision at the end of this step is a huge one for the programme and the organization. It may not be possible to reach all the desired outcomes, but completing this step ensures that you understand the trade-offs or refinements that may have to be made. The outputs provide a measure of success and a basis for dialogues between the designers, the sponsor and/or other stakeholders enabling compromise to be reached between what is required and what can be delivered or afforded. You should gain the knowledge you will need on how you can best select and judge design options you create.

This step is used iteratively with the mapping design options step; normally you will pass through this step twice. This step examines each design option that you are considering against the design principles and criteria defined earlier and then compares the alternative options. Each pass through this assessment step uses the same set of design principles and criteria. In the first pass through, design options produced at concept level are evaluated. The most promising design options are selected for further investigation and/or refinement. You return to mapping out the more detailed options

where the designs are progressively developed to create designs at outline level and then cycle back to this step to assess them.

Assessment can help you generate additional insights and lead you to create and explore other options as you iterate, so that you can formulate your optimal organization design. We recommend you take only a few options into design outline level because of the detail and amount of work required to design each option at that level. In the second pass through this step, design options produced at outline level are evaluated. The aim at the end of the second pass is to choose an optimal design.

The assessment process is the same for design options either at concept or outline level. There are two parts to the assessment process. First you assess each design option against design principles and criteria. Then you compare these alternative design options and summarize the evaluations. You may need to pick between close-running design options either to narrow down the number of concepts you develop further or to select your optimal design from your outlines. Assessing alternatives is a small step in terms of time and effort: typically this step takes one to two days each time it is performed. The number of people you involve is usually between 2 and 10 depending on how you carry out your tests.

For the vast majority of organization design programmes, the assessment shown in this step will be sufficient. For difficult challenges where the environment is particularly complex, the future, or your organization's future is very uncertain; or if a fundamental change is planned, scenario testing can be added alongside this form of assessment. Scenario testing is optional and used infrequently. This is a different type of assessment from that described above. It is more qualitative and less quantitative and it allows a much deeper level of evaluation. You need sufficient detail in the design to allow a reasonable test, but not so much that you have invested too much time investigating options that will be discounted following the scenario testing. Whether you carry out scenario testing of your design outlines before or after assessment against criteria really depends on your programme; there are reasons for and against carrying them out in either order. You may find it quicker and easier to first eliminate or change some of the outlines as a result of assessing design options against design criteria before turning to scenario testing. In Tom Peters' words, 'test fast, fail fast, adjust fast'. Or if the future is very uncertain you may want to use scenario testing first; if necessary, alter your design outlines before you assess these against design criteria. In Part Three we look at how to use scenarios to explore and rehearse future possibilities and highlight strengths and weaknesses with the design outlines produced and identify unintended consequences of the designs.

Assessing design options against design criteria

Assessing design options against design principles and criteria enables you and others to see the extent to which each design option meets your objectives, identifies constraints and improves your understanding and learning. The scores and annotated comments help the design team to refine their designs, making sure they preserve the aspects that score highly while trying to improve the aspects that scored low. Use Tool 9.1 for the assessment.

TOOL 9.1 Assessing design options against design criteria

Who to involve

This can be carried out by a small group as a desktop assessment or by a larger discussion group using dialogue and consensus to score results. The dialogues in both help those involved learn more about the options, enabling more informed scores and annotated comments. It is best not to include people involved in mapping out the design options because they are likely to be too close to the options. As a desktop exercise, involve two to three senior designers from the design team (who can call on expert support if needed.) You can include people who developed the evaluation scheme or from your design authority (if you have one). Discussion groups are very useful for building commitment and shared understanding across stakeholders with different perspectives. Here individuals can explain their view on scores allowing everyone to hear different perspectives and see what others value about the options. If a business user group has been established for a programme, they can be used. Of course, technology can be used to support assessment where time and geographical dispersion necessitates, but we encourage you to use it to facilitate dialogue face to face, if possible, rather than using technology to collate isolated decisions. If you use a discussion group include key stakeholders for a wider set of inputs and so that different opinions can be heard and considered, a good facilitator (preferably someone from the design team) and the design team for support. Whether you use a group or desktop approach, the inputs, outputs and instructions are the same.

Inputs

The inputs for this step were developed in the preceding two steps of the OPTIMAL Organization Design Approach: the design principles and criteria and the design options either at concept or outline level.

Instructions

- Ensure everyone involved has a clear and common understanding of what the design principles and criteria mean and how the scoring system works.

- Complete an evaluation using the design option evaluation score sheet shown in Table 9.1 for each design option.
- You can either score one design option completely across all design principles and criteria or take each criterion in turn across all options and score that way. We find that most groups prefer to work through one design option at a time and work down: as the options are still new it is easier to think them through one at a time. Comparisons across models can be made as you assess later options with those already marked to see whether relative scores are 'balanced' or whether you need to make adjustments.
- For each criteria consider the key points of the design option that are relevant to the assessment. Annotate as you go to indicate how scores have been assigned, for information for the design team and so they can be defended or challenged with your steering group. The annotations can also be a useful reference to the implementation team later on.
- Once you have completed the marking of each option a consistency check is useful.

Marking

- Use a four-point rating scale: 1 = poor, 2 = fair, 3 = good and 4 = excellent
- For a no/yes response: rate no = 1, yes = 4.
- Where a benchmark must be met, eg must operate with a budget of £x million: rate fail = 1, pass = 4.
- When the design is still high level you may be unable to score all criteria, eg you may be unable to assess costs criteria until later stages of design. Leave these blank or score them zero.
- You may have decided to weight criteria or principles or neither, carry this forward from your marking scheme.
- The overall evaluation score for a design principle is informed by the individual scores and any weighting established when the evaluation scheme was created rather than the sum total of the scores.

Outputs

A design option evaluation score sheet completed for each design concept or outline. Table 9.1 shows the template and Table 9.2 shows a completed example for one design principle.

TABLE 9.1 Design option evaluation score sheet

Evaluation of option: *option name (concept/outline)*			
Design principles	**Design criteria with commentary**	**Score**	**Weight**
Design principle 1	*Design criteria A* • Commentary		
	Design criteria B • Commentary		
	Overall evaluation for design principle		
Design principle 2	*Design criteria A* • Commentary		
	Design criteria B • Commentary		
	Overall evaluation for design principle		

Scale	**Excellent Yes**	**Good**	**Fair**	**Poor No**	**Not evaluated No info**
	4	***3***	***2***	***1***	***No score***

TABLE 9.2 An example of a completed design option evaluation score sheet

Evaluation of option: A : Functional outline		
Design principles	**Design criteria with commentary**	**Score**
Demonstrably delivers the CIO Strategy including the shared service strategy, outsourcing and follows enterprise 'rules'	Will deliver our shared service strategy • Clear definition of demand, service and supplier management functions • De-emphasizes current design, build, run model • Clear step-change from current organization	4
	Supports outsourcing of services • Not clear yet how it helps package and outsource services • Supports the management of outsourced services	2
	Will not duplicate the demand management function embedded in our client business units • Partially true, but not all businesses have demand management functions at this stage • Client relationship function faces demand management in client business units • Need to manage the size of the client relationship function	3

TABLE 9.2 *Continued*

Evaluation of option: A : Functional outline		
Design principles	**Design criteria with commentary**	**Score**
Demonstrably delivers the CIO Strategy including the shared service strategy, outsourcing and follows enterprise 'rules'	Is credible to our clients and to our people • Clients can easily see and make sense of the structure • Our people can see the new structure delivers the strategy and hence the rationale of that design	4
	Enables us to not exceed our financial and headcount targets • Difficult to confirm at this stage	
	Can grow, shrink, change flexibly and rapidly as we outsource services • Allows for this in time • In early implementation significant resourcing change implications	3
	Overall evaluation for design principle	**3**

Scale	**Excellent Yes**	**Good**	**Fair**	**Poor No**	**Not evaluated No info**
	4	***3***	***2***	***1***	***No score***

In the example shown in Table 9.2 at design concept stage: five options were scored by two people; a senior designer with a design authority representative; six pages of analysis were produced for each option; the assessment (including the comparison of alternatives and summary information below) took two days.

Choosing between design options

Comparing alternatives helps to improve design decisions. It enables you to learn which of the options best meets your organization's requirements. It allows you to assess the alternative destinations/end points. If some of your principles and criteria cover ease of implementation, it can also allow you to assess the relative strengths and weaknesses in the routes to delivery implied by the different options.

Once you have completed the assessment of each design concept or outline, summarize all the evaluations to provide a high-level comparison. Overall assessment is relative and focuses on priorities for design principles. There are almost always some priorities that an organization regards as more important than others, even when these are not documented. This helps you focus on and critique the relative strengths and weaknesses of the different options. How well does each option meet the principles? Tool 9.2 provides a structured way to present this information back to the design team (alongside the more detailed information generated from the individual assessments). The summary with critique is generally all the assessment information most sponsors and steering groups want to see following the assessment of the design outlines.

TOOL 9.2 Comparing alternative design options

Who to involve

Even if you have used a discussion group in assessment, the comparison can be completed by one to two people from the design team who were involved in those discussions.

Inputs

The inputs are the completed design option evaluation score sheets for each design concept or outline.

Instructions

- Summarize the analysis from all of the individual assessments using a 'design options evaluation summary'. Table 9.3 shows a completed example.
- Carry forward the overall evaluation scores for each design principle for each option. The overall evaluation score is informed by the individual scores and priorities (even where these are not documented) and any weighting established when the evaluation scheme was created rather than from the sum total of the scores.
- Support the summary with a short critique/explanation identifying which option(s) you recommend pursuing and why; which option(s) you recommend dropping and why;

TABLE 9.3 An example of a completed design options evaluation summary

Design principles	Options		
	A Functional	**B Service lines**	**C Service groups hybrid**
Demonstrably delivers the CIO strategy including the shared service strategy, outsourcing and follows enterprise 'rules'	3	2	3
Embeds capabilities required within three years	3	2	3
Simplifies current structure	4	4	2
Broadens spans of control	4	4	4
Simplifies business process	2	4	2
Embeds an ethos that is professional, commercial and values shareholder return focused on service and supplier management			
Makes best use of enterprise's resources	2	2	2
Minimizes implementation impact	3	2	2
Overall assessment of the option	**3**	**2**	**3**

Scale	Excellent Yes	Good	Fair	Poor No	Not evaluated No info
	4	***3***	***2***	***1***	***No score***

and any other steers, for instance, if no option can meet all requirements or a particular combination of features may provide a better result than any one of the options considered.

Outputs

A design options evaluation summary with commentary that covers all the design concepts or outlines assessed.

In Table 9.3 we pick up the design option evaluation score sheet that we looked at in Table 9.2 and show how the relative evaluations at design principle level for three of the five options scored. The example shows clearly how evaluation does not always give you clear direction. Scores of one and four are less common than two and three. Knowing priority principles helps. In this case 'delivering CIO strategy' and 'makes best use of enterprises resources' were critical to this unit and the wider organization. Even though option B had strengths, they were not in most important areas. Options A and C were investigated further.

After completing your assessments and comparison you will be able to reduce the number of options and refine and strengthen the remaining options, but there may still be too many feasible options. To help you pick between those that are close, in most cases, the preferred option(s) will be the ones that:

- have a simpler design rather than a more complex one;
- are more specific about details and assumptions;
- can adapt most quickly to major external changes;
- are expected to be easiest to implement;
- involve least change, eg fewer position changes;
- offer greatest improvements through economies of scale;
- best meet the needs of customers.

OPTIMAL programme considerations

Programme considerations at concept stage

The outcomes from the concept assessment are reviewed, analyzed and evaluated options that can be further explored and detailed in design work. At this stage, to support the design options you have assessed, you will have completed versions of the annotated score sheets for each design concept evaluated, a summary of the design option evaluation with supporting

commentary and have recommendations of options to pursue further or variations to consider. Some steering committees and/or sponsors may wish to be involved in reviewing the selection of the concepts; others will leave this to the programme team.

You may want to review the programme now. Are any risks or issues highlighted? In our experience it is rare at this stage to find any wider impacts on the programme; for instance, in terms of other workstreams, plans, budgets and business case.

Confirming your optimal design at outline stage

At the design outline stage you will have similar output supporting fewer, but more detailed, design options. You should be in a position to judge and select the optimal design for your organization. The commentary around the strengths and limitations will facilitate the tough choices and trade-offs that will need to be made in that selection. This is a key decision point in the organization design programme; therefore the approval for this stage is generally taken by the programme steering committee.

Some organizations and steering committees prefer to see more than one option so they can choose, others prefer designers to provide a recommendation and yet others prefer to see only a 'final choice'. You should review the programme now. Looking at the option(s) you are taking to your steering committee: consider the wider impacts on the programme in terms of other workstreams, resources, plans, budgets and business case, and the impact of the solution on your organization. Are any risks or issues highlighted? What are the key messages? At this stage take a broad view, as you will look at this in more detail for the chosen option in laying out the way forward.

Your steering committee will probably want to see a summary pack to support their decision making. The contents of this will depend on your organization and its preferences and it will be highly tailored to the nature of the problem and the organization. We have seen organizations where this is only acceptable as a three- to five-page written report and others that want fifty-plus pages. You will need to judge how much information to take to them for approval. As a guide the pack is likely to include:

- summary information describing the chosen/recommended option(s);
- the completed design options evaluation summary for the design outlines;
- significant insights from the assessment process particularly if you need to highlight principles or criteria that cannot be met by any of the options;
- key risks and issues for the programme and any other programme updates;
- your recommendation (if appropriate).

In our experience, however much information you take in to a steering committee and whatever the format, the discussion about an organization's optimal design will take time, so allow for an extended meeting. Depending on the organization being designed it may also require final confirmation from more senior decision makers at executive committees and boards.

Conclusion

This step is reminiscent of Neil Armstrong's saying 'one small step for a man, one giant leap for mankind'. It is simple and quick, but takes the organization design programme to the next level. As a result of conscious choice and a disciplined approach there is a shared understanding of the strengths and weaknesses of the designs produced and detailed feedback to help make adjustments in subsequent stages of design. There are two passes through the step, iterating back to mapping design options in between the passes to define further detail that in turn can be assessed. In the first pass, the design concepts that need to be defined further are identified and a shared understanding is reached of how these concepts support the organization's strategic intent. In the second pass, the design outlines are narrowed down further so that the optimal design for the organization you are working on can be established. A number of outputs have been produced that provide the basis for buy-in:

Design concept level assessment:

- a design option evaluation score sheet completed for each design concept;
- a design options evaluation summary for design concepts with commentary;
- recommendations of options to pursue further or variations to consider.

Design outline level assessment:

- a design option evaluation score sheet completed for each design outline;
- a design options evaluation summary for design outlines with commentary;
- a steering committee pack for signing-off the optimal design.

Programme updates (as required).

On completion of this step you will have the knowledge to use an evaluation scheme based on design principles and criteria to assess your design options. Now we turn to finalizing the high-level design and getting ready for implementation.

10 Laying out the way forward

Organizing is what you do before you do something, so that when you do it, it is not all mixed up. **AA MILNE**

The previous two steps covered the design and evaluation of a number of options culminating in a choice of an optimal design at outline level to deliver the organization's strategic intent. This chapter is the last step of the OPTIMAL Organization Design Approach and the completion of the design phase of your programme. The aim of this step is to ensure that the high-level design work is finalized and the optimal design concept turned into a design blueprint that can be implemented; in effect the builder's specification is complete and ready to be handed over. This chapter covers how to finalize the design; produce the design blueprint; pass on the design team's knowledge to the implementation team; and make a clean transition from design to implementation. This is important because a clear design shows those that follow it, what is intended for all major decisions. All the structural elements of the Compass framework should be clear; while the design still has latitude for ownership, evolution and emergence within this – as with a building, where the architect lays out sufficient guidance for the builders (who will carry out some more detailed design) and who in turn will hand over to occupiers who will also design and modify within the whole framework. After completing this chapter you will know how to produce a design blueprint and how to transition from design to implementation. You will be able to do this whether you are designing an entirely new organization from scratch or taking a current organization and redesigning it.

The process for this step is straightforward. So far you have produced the design outline; Appendix 4 has a reminder of the contents of this. First you add to the outline and complete the high-level design. Any feedback from the assessment and the steering committee is incorporated into the optimal design outline; then the additional detail is added to turn it into a design blueprint. To prepare for implementation, you look at the gap between the current organization and the design blueprint and assess the changes needed; identify the design tasks for implementation; and advise the implementation programme on the pacing and sequencing of the design aspects of the change. As you progress from design to implementation, you capture the lessons learned from the design phase; transfer the knowledge base; and say goodbye

to the members of the design team who are leaving the programme. Finally, you consider the programme plans again and look at the affordability and the do-ability of the programme. This is where you closely examine the risks and the consequences of moving forwards. Whatever route you take there will be both intended and unintended consequences, and you test whether the organization is prepared for them. You then secure a firm commitment from the organization to implement the new design to deliver the strategy.

In this step you will be working with only one design option – the chosen optimal design. The length of time and effort needed for this step varies with the complexity of the organization that you are designing but, as a guide, it typically takes about a third of the time and effort used in completing the mapping the design options step.

Developing the design blueprint

How much detail the organization feels comfortable with defining up front and what can be left until later on to define, are decisions made at the start of the programme. For instance, whether to define the overall shape and allow appointed managers to define the detail they need at a later step, or whether to be more prescriptive. Now there is additional knowledge from the design phase. Decide again how much more detail to put into the design now and how much you will leave to those that follow. There are pros and cons for the programme team doing more work versus the remaining design being passed on to leaders in the new organization. Essentially, this is a choice between the need for speed of design and control of design elements versus engagement, with its clear-cut advantages of increasing buy-in and commitment to the new design.

Here we present a typical middle course for the mid-sized design programme. In this the high-level design is completed, culminating in the production of a design blueprint. This design blueprint adds important details to the chosen design outline but leaves lower levels of detail to the new organization to develop. The first and minimum step is incorporating any feedback from the assessment and the steering committee. The chosen design outline is updated to document the latest decisions on the optimal design. Now you turn to enhancing the design.

Finalizing the work processes

So far only the top 7 to 10 key work processes have been mapped. In reality there are likely to be many more processes in the organization. This is the time to consider them. Aim to add to the ones that are already defined so that the majority of the work of the organization is covered. The level of formality appropriate to the organization is a useful guide. For a high degree of formality cover more of them, while in a less formal situation where

processes are emergent then develop less. Aiming for about 80 per cent coverage is a good rule of thumb to apply. Tool 10.1 shows you how to identify and assign responsibility for the additional processes.

TOOL 10.1 Identifying additional work processes and assigning them

This tool identifies additional work processes; maps them; identifies which units or sub-units will be responsible for them; and updates the organization chart.

Who to involve

Include the design team to lead this work, particularly those with process mapping skills, and people from the business unit group to provide business input. Getting a wider range of people involved in providing input here increases the involvement and buy-in to the design process. In addition to the business user group, look at who else in the organization can provide useful input.

Inputs

Inputs are the optimal design outline and the working papers listing work processes identified at the design concept level.

Instructions

Identify additional high-level work processes:

- Use the lists of work processes from the concept stage and the processes and activity maps from the design outline as a reference to earlier thinking to produce a new list of processes relevant to the chosen design. Keep these at the same level of detail as the top 7 to10 key work processes, identify any other work processes including support processes, add these to the list; eg production processes may already be covered but equipment maintenance processes may not.
- Review the list looking for gaps and overlaps. Refine the list so that it covers most of the processes that the organization will need.
- For each process, complete a high-level process map and record on these: the inputs, outputs, operational controls and operating mechanisms. You can use the organization's preferred high-level process mapping approach or the one shown in the example in Figure 8.2.

Assign responsibility for the additional processes identified:

- Can the processes be sensibly assigned to units or sub-units already identified? If so, update the role definitions for those units or sub-units adding the additional responsibilities. Add any required accountabilities, competencies and skills and behaviours to the role definitions.

- Identify whether new sub-units are needed.
- Consider what to centralize and what to decentralize.
- Consider whether there is another unit outside the boundary of the organization being designed that could carry out the process; for example a shared-service centre or a third party.
- Complete role definitions for any new units or sub-units and identify the appropriate reporting lines for them.
- Update the organization chart to reflect the new units and sub-units and their reporting lines.

Outputs

- List of work processes.
- High-level process maps of additional work processes.
- Role definitions for all units and sub-units.
- Updated organization chart.

Describing the operating mechanisms and information flows

Completing the Work quadrant of the blueprint needs the support of the organization's IT and operations experts to define the information systems and operating mechanisms. Add to the design work done at the design concept and outline stages and consider what is needed to support all of the identified work processes. Take a view of the whole organization and look at all of the information systems and operating mechanisms and describe the key features of these. The outputs are:

- description of information systems needed to support the organization;
- description of operating mechanisms needed to support the organization.

Defining work groups

Usually some parts (but not all) of the structure need to be explored at a lower level of detail in the blueprint and we call this lower level of detail a work group. Getting the work groups right is important. In the early 1990s, Barclays Bank took many of its back office processes out of its UK retail branch network and centralized them. The processing centres organized around process type, within these work groups were configured as

teams, each serving a group of bank branches. The aim of configuring this way was to maintain customer service and personal connections in the branches served. A specialist unit was set up with expertise in taking legal charges for secured loans; eg for mortgages. The original implementation failed to cater for a few highly specialized types of charges, limited to a small number of branches; for example taking a legal charge on precious gems as security on working capital loans. This expertise had developed in branches serving London's diamond traders. Following a review, the main branch-facing structure processing centres were kept and a few specialist teams with niche expertise were established to support all of the branch-facing centres.

Tool 10.2 helps you to identify work groups. This can be run as one large workshop focused on the whole organization or a series of design sessions each focused on a particular unit or sub-unit or related set of these. The first is preferable where there is high degree of interdependence between the units and sub-units, while the second is more applicable where they are very independent. Physically it is often best done where a large group can work together easily; for example pin boards or post-its; with the design team producing the more formal final documentation for the blueprint.

TOOL 10.2 Identifying work groups

The objective is to add detail to the structure.

Who to involve

This is best done as a facilitated, high-involvement exercise. Include members of the design team, particularly those with HR skills and knowledge; and people drawn from the business who have knowledge of the work to be done through their current role or with an interest and involvement in the future organization. Depending on the make up and skill level of the participants you may also need access to additional HR resources to contribute expertise.

Inputs

- Optimal design blueprint so far.

Instructions

For each unit or sub-unit, create a process/activity characteristics chart. Figure 10.1 shows a simplified version of a completed chart for a unit performing minor surgery on patients in a private UK hospital. To draw up the chart:

- The columns are all the activities and additional processes (as shown on the unit or sub-unit's role definition).

- The first group of the rows are standard to all charts and they describe attributes of the process or activity.
- The next group or rows are the skills required. Use your own set from the role descriptions.
- The third group is who the process or activity interfaces with; for example this might be other parts of the organization, customer groups or suppliers.

To complete the rows on the attributes, mark each activity with a ○ or ● to indicate the characteristic, or mark ◉ if in the middle of these two extremes. The row definitions are:

- Frequent or periodic: How often is this process or activity performed? Is it frequent, like a bank's bill payment process, which is carried out millions of times per day, or is it periodic, like a month-end report?
- Quick task or long task: How long does this process or activity take? Is it a quick task like answering a telephone call, or a long task like implementing a new IT system?
- Routine or specialist: To what extent is there a clearly defined way to do this process or activity? Is this a routine task for which there is a defined 'set of rules' or procedures; or is it a more specialized task that requires expertise and personal judgement?

To complete the skills rows, consider what skills are required and mark ● where the process or activity relies on that skill.
To complete the interfaces' rows, consider who the process or activity interfaces with. Judge the strength of the interface by considering its importance to the results, the time it takes and the amount of information that needs to be exchanged. Mark these as ○, ◉ or ● to show the strength of the interface.
When you have completed the process/activity characteristic charts for all the units and sub-units, use them to explore how activities can be combined into work groups. Grouping can be defined in many ways. Use judgement to see which fits best. Consider grouping activities by:

- Common skills.
- Common time cycles.
- Specialization of task.
- End-to-end processes.
- Like activities across all the processes. So if a similar activity occurs in two or three processes, they could be grouped.
- Who they interface with.

In practice, finding the right grouping of activities is an iterative process as different ideas are tested. Move between drafts of the groupings and the process/activity characteristics charts a number of times making choices and compromises as you go. Generally consider several ways to group the activities before you settle on the best solution for the situation. Keep amending and refining as necessary.
Once the work groups are decided on, the participants apply their judgement, information from the evidence base and knowledge of the current organization, learning from other organizations, and the sizing estimates in the design outline to estimate the size of each of the work groups.

Outputs

List of work groups with brief description of what they do and which unit or sub-unit they relate to.

Working papers from defining work groups:

- Process/activity characteristics charts.
- Any notes and insights from the workshop.

FIGURE 10.1 An example of a completed process/activity characteristics chart

Unit: Minor surgery											
Process/Activity / **Characteristics of process/activity**	Create/update patient record	Schedule appointments	Consultation	Schedule surgery and support	Pre-surgery check	Admit as in-patient	Surgery	In-patient recovery and monitoring	Discharge patient	Post op check-up	Invoice patient/insurer
Frequent ○ Periodic ●	○	○	●	◉	◉	●	●	●	●	●	○
Quick task ○ Long task ●	○	○	◉	◉	◉	◉	●	●	◉	◉	○
Routine ○ Specialist ●	○	○	●	○	◉	◉	●	●	●	●	○
Key skills needed:											
Administrative	●	●		●							●
Specialized clinical support (eg radiography, phlebotomy)			●		●					●	
Nursing (Ward management)						●		●			
Nursing (Theatre specialism)							●				
Surgery			●				●			●	
Anaesthesia and pain management							●				
Interfaces:											
Patients	○	○	●	◉	●	◉	●	●	◉	●	○
General practitioners	○								◉		
Insurance providers											◉

After the workshop, the design team formalize the documentation. They update the organization chart adding the work groups and their reporting lines to the structure chart and produce a role definition for each work group (see Table 8.2) to record:

- activities and responsibilities of the work group;
- accountabilities of the work group;
- competencies and skills needed in the work group;
- any important behaviours required in the work group if these are different from the whole organization or the level above.

They use the estimates of size and the information on competencies and skills from the workshop to add to the outline resourcing description and produce a resourcing description for the whole organization that contains:

- Estimates of the size of the organization; its units, sub-units and work groups.
- Skills, educational standards or training needed.
- Considerations and thoughts about how to resource the future organization. For example, will it be staffed from existing resources or will it recruit new people? What are the likely ratios of employed staff to agency staff or the mix of full-time to part-time?

Preparing to appoint people to key positions

There will probably be some key positions that need to be filled sooner rather than later to make the future organization work. The design outline contains role definitions for key positions already identified. Review these now and add role definitions for any additional key positions you identify. With HR's input consider the scope of the roles and the availability of talent. If the scope of any role or availability of talent makes the role undoable or at odds with those around it, you may want to loop back and refine the organization chart, the unit, sub-unit or work group definitions and then revise the role definition for the key positions. In order to be able to recruit or appoint people to these key positions, you need to turn the role definitions into job descriptions. This involves defining the job size, job scope and grade. This is the domain of HR and the design team works with HR to link into their processes producing and maintaining job descriptions. Produce job descriptions for key positions.

Compiling and aligning the design blueprint

In creating the design blueprint, you have looked further at the Work and Structure quadrants and you have looked at the behaviours needed in units, sub-units, work groups and key roles. Now you bring together all the elements of the design option that you are working on. Design options have outputs from the previous stage subsumed. So a design option may contain

elements retained from the current organization as detailed in the change specification (updated where appropriate) plus outputs from elements generated in the design concept, design outline and design blueprint stages. Appendix 4 lists design outputs by level and compass segment. To unify the design blueprint, review the latest information on the elements and segments for which you have information, re-align the segments and adjust them as necessary to create a coherent whole. There will be some segments that you still have only a little information on even at this stage, this is fine. Include all the segments and elements, even if they have not been updated in creating the design blueprint, as they may now need adjusting to align with the additional definition in other segments. Once again, use Tool 8.3 to help you to align the design option. You now have a completed design blueprint.

Preparing for implementation

Taking stock of the change required

The next task is a gap analysis of the current organization and the design blueprint. Earlier, when taking stock of your change, you did a gap analysis comparing the organization's current state versus the envisioned future state, to produce the change specification. This activity is similar; however, it has a different focus. There, you were looking at possibilities and thinking about the extent and direction of change needed for an imagined future organization, now, with the knowledge gained and the design blueprint in place, you are examining what the actual change will be and establishing what tasks you need to accomplish it. Tool 10.3 shows how to do this.

TOOL 10.3 Defining the change required through implementation

Who to involve

Include all the programme team, the business user group and representatives of functional sections such as IT, HR and Risk. It is led by the programme leader.

Inputs

The inputs are the detailed evidence base and the optimal design blueprint.

Instructions

This is best run as a workshop. In the workshop identify what needs to be done across the organization as a whole and then within the different organization units, sub-units and work groups.

Starting at the top level of the organization chart, compare the current organization to the optimal design blueprint. Use a template similar to the gap analysis template shown in Table 6.2, but amend the rows to ask the questions below for each quadrant of the compass:

- What elements need changing?
- What new elements need to be built?
- What has to be retained?
- What has to be protected in the current organization?
- What tasks are needed to build, retain or protect these?
- Overall assessment of the amount of change required (none/low/medium/high/complete).
- How difficult is the change to make (not applicable/low/medium/high)?

By starting at the top level, you only need to look at the lower organization levels where relevant or different. For example, for the organization you are designing, the segments of the Enablers quadrant may only need to be specified at the organization level and not for lower level units and sub-units. When looking at the tasks needed, some may be organization-wide and some may be specific to particular parts of the organization. Appendix 4 shows the design outputs produced at the design concept, outline and blueprint stages for each Compass segment and in the right-hand column there are examples of tasks you may use in implementation. Use this as an aid to developing a task list.
Pay particular attention to what you need to protect and retain from the current organization. Organizational change can be destabilizing and there may be some areas that you want to ensure do not get harmed; for example, is there a particular group of people who you do not want to lose or a critical competency that is in short supply? Aim to be specific about the tasks needed to protect or retain these.

Outputs

- The gap analysis of the current organization versus the optimal design blueprint.
- A task list of what is needed to create the new organization.

Pacing and sequencing the design aspects of the change

With the knowledge of what needs to change and what tasks are still to be completed, next look at how to sequence the changes. A business unit group can be very helpful in this exercise as they have particularly relevant knowledge and experience to drawn on. Factors to consider in pacing the change include:

- Does the external environment impose any timescales? Information on this is often captured when you outline the brief. Examples

include timescales for meeting customer needs, regulatory frameworks or to deliver a capability before a competitor.

- What else is going on in the organization that may influence the timing? Examples include other change programmes, customer demand and operational peaks that need to be avoided.
- What constraints or limitations are there? For example, availability of finance for the change; risk management; appetite for change; change readiness; or availability of suitable skills to make the change happen. Why, when and how do these affect implementation?

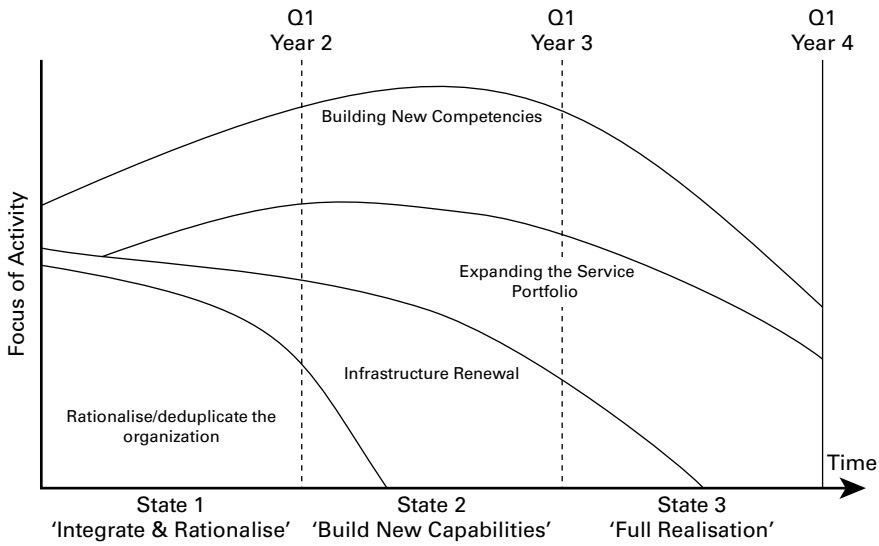
As you consider the sequence, use the Compass to help you decide the order in which to do things and to decide which changes you can make before others and which need to be done in parallel. One example of the impact of operating mechanisms driving the sequencing of changes to an organization structure was when the building products group, Wolseley wanted to create a new unified head office structure. Before they could make the organizational changes they had to complete the construction of a new head office building.

As you think through the sequence, focus on the outcomes to deliver the strategic intent and implement the target capabilities. Delivering the target capabilities requires changes across a range of Compass segments and you will need to make progress across them in parallel. Changing one quadrant alone is not effective. Sequencing needs to keep the new organization aligned and make sufficient progress on enough segments for the levers of change to be effective. Think about a crew rowing a boat: they need sufficient strength to row in a consistent direction; they all need to be rowing in the same direction with both sides in balance to make progress. However, not all individual crew members need to be rowing at the same strength.

Often, changes in one quadrant need a supporting change in another quadrant to make them stick. The Compass helps align each phase of the emerging implementation plan and ensures you take a holistic view of the change. Examples are new work processes with people in place assigned the responsibility for that work; or in a new structure, people with new responsibilities may require refreshed incentives and rewards implemented in parallel. In our experience, for an effective organization change, designers need to look to change at least two quadrants in parallel, sometimes three. Trying to do all four at once can often be too hard to do. Because it is not always possible or desirable to implement target capabilities in one tranche, we give you some additional guidance on how to manage this in Chapter 14, 'How to assess the level of capability maturity of an organization over time'.

The team documents its advice on the pacing and sequencing of the changes. Detailed planning is the domain of the implementation team. Figure 10.2 shows an extract from a pack documenting a portfolio of change. This wave diagram showed the thrust of effort over time. It summarized the much more detailed analysis.

FIGURE 10.2 Wave diagram to summarize a change portfolio



Advising on the implementation approach

There are a number of possible ways to implement. The route to choose depends on what has been learnt in the design phase, how large is the change required, as well as how adaptive and emergent an implementation is required. The implementation approach usually comes down to a choice of:

- Establishing a portfolio of programmes to carry out the change. In very complex, large-scale changes, once the design is done the extent and timing of the change means that a number of programmes are required to effect the change. This allows the creation of different ownership for different parts of the change; for example an HR programme for culture change; an IT programme for supporting technology infrastructure installation; and organizational units running their own programmes supporting their own timescales.
- Establishing a new programme for implementation. This is common when the organization does not know ahead of the design phase how far-reaching the programme will be and the resulting design requires new skills and approaches.
- Following the design phase of a programme with an implementation phase. A new set of workstreams are defined to move the programme forward, generally with additional people brought in to deliver the changes. This is the most frequent route and the one assumed in this book.

- Closing down the programme and embedding the change as business as usual. Sometimes the team can just hand over the design to business units, operational units and functional areas to implement over time. Typically used where there is a small amount of change required.

All the leaders involved in the design phase of the programme should work with the programme leader to prepare advice for the steering committee on a suitable implementation approach.

Transitioning from design to implementation

Learning from the design phase

At the end of the design phase there is often a review of the programme. This is led by the programme manager and involves all of the programme team including consultants, change managers, HR, Finance, risk and any other specialists. In the review the execution of the programme against the programme plan is examined to learn lessons for the future and to inform subsequent programmes. If you focus on improving future quality rather than performance assessment and create an open environment you will get a richer and fuller assessment. Whether run as workshops, dialogues or interviews, the review seeks to explore:

- How well is the programme performing against its goals and objectives?
- Has anything happened within any workstream or overall to make the programme team deviate from the planned approach? What and why?
- How closely is it running to its plan and to its budget? Where there are variations, why did these happen?
- Are there any improvements to make on the fit between workstreams?
- From a design point of view, what tools and techniques, and design exercises worked well, worked poorly, or could be improved?
- Are there any recommendations for future enhancement or modification of these?
- What advice do you want to pass on to the future training of design teams?
- What has been learned about leading organization design in the organization?
- What overall lessons can be learned for future programmes?

The findings are documented in an end of design phase programme review. This can be used by future design programmes when they are pulling together their programme.

Collating the design documentation

The information gathered during the design will be a valuable resource for many different groups of people during implementation. A good programme office should ensure that documents from every step of the OPTIMAL Way have been kept and are available, but it is still good practice to cross-check now that these are complete and accessible before moving forward. It helps to segregate the working papers and discarded design options from the documentation relating to the chosen optimal design blueprint. Include, for instance, interview notes, outputs from workshops, draft design documents and ideas considered and dismissed. This all forms an archive of the rationale, learning and thinking behind the design work. Appendix 3 provides a list of the outputs from the OPTIMAL Way.

Transitioning the design team

It is desirable that as many of the people as possible from the design team during the design phase continue through into implementation. In our experience, it is common for about 60–90 per cent of the team to carry on. Some, though, will not; for example, external consultants, contactors and people seconded from within the organization. For the external people, ensure their knowledge is captured and documented before they leave. Internal people will have acquired scarce, in-demand organization design skills and a good feel for the future of the organization. Usually they are people the organization wants to retain so their transition from the design team needs to be carefully handled. Some people working full-time on the design team will need a new role or may return to their previous role if it still exists. It is worth paying attention to making their transfer run as smoothly as possible as they will be ambassadors for the new design and their enthusiasm counts. Although this may sound obvious, we have seen examples when the obvious has been overlooked and excellent people have been needlessly lost to their organization.

Before the design team disbands, hold a final meeting of all design team members, both full-time and part-time, to review the team's achievements. This is a chance to celebrate, acknowledge what has been accomplished, identify what has gone well and reflect on what the team members have learned and can take away from their experience. For all team members it will help anchor the programme as a success for them. For those remaining with the programme, it marks the end of a phase; they can adjust their thinking and shift their focus from design to implementation.

OPTIMAL programme considerations

At this transition point the programme manager needs to draw on all of the other specialist expertise across the programme to look at implementation as a whole, not just the design aspects. This includes:

- Change management: how to prepare stakeholders for the implementation; the communications messages to all the organization, customer and suppliers and how to deliver these; preparing to overcome any resistance to change; the organization development needs; and the coaching and mentoring of key people.
- HR: where resources in the new organization will come from; how the HR policies and procedures will be applied to build the new organization; what learning and development will be needed and how this will be delivered; how talent management can contribute to getting the right people in the new positions; creating the performance standards for the new roles; and how staff and union consultation will be handled.
- Finance: financial modelling of the new organization; estimating the ongoing running costs; producing the business case for the new organization; and assessing the likely cost of implementation.
- Risk: the risks on the business and on customers during the implementation; the impact of these; and any mitigating actions that the organization needs to be prepared for; projecting the intended and unintended consequences of the new organization and considering whether the organization is prepared for them.

The programme manager will collate all of this expertise with the design team's outputs and prepare to take it for approval. The key people to get approval and sign-off from at the end of this step are the programme sponsor and steering committee. In very large changes you may also need executive or board-level approval. The presentation to them should be a summary of all of this expertise; this end of design phase steering committee pack will include:

- an overview of the optimal organization design;
- the business case for the new organization including the estimated ongoing running costs;
- a view of how the implementation will be done and the timescale for implementation;
- an estimate of the costs of the implementation;
- a view of the nature and scale of the risks the organization will face during implementation.

At this stage the programme needs a firm commitment from the steering committee for their agreement to progress to implementation. Implementation typically takes longer, costs more and carries more risk than the

design phase. The organization will devote substantial resources and significant disruption will be incurred from this stage onwards. The steering committee should feel confident that as they take decisions on it, the high-level design has been thoroughly thought through. Their ongoing support and leadership will be a key determinant to the success of the programme going forward.

Conclusion

On completion of this step the design phase of your programme is concluded. All of the steps of the OPTIMAL Organization Design Approach have been carried out and the optimal design for the organization to deliver its strategic intent and target capabilities is agreed. The design blueprint is developed and ready for implementation; the knowledge that has been accumulated by following the approach is available to those that will implement the design; and you should have been given a firm commitment from the steering committee to go ahead. The outputs produced are:

- the design blueprint (detailed in Appendix 4);
- gap analysis of current organization versus the optimal design blueprint;
- task list of what is needed to create the new organization;
- advice on pacing and sequencing of changes;
- advice on implementation approach;
- end of design phase programme review;
- end of design phase steering committee pack.

Working papers from defining work groups:

- process/activity characteristics charts;
- any notes and insights from the workshop.

In this step you have learned how to develop the chosen design outline into a design blueprint and how to prepare for implementation. The high-level design is complete, implementation and realization lie ahead.

Taking the OPTIMAL Way forward

Though pleas'd to see the dolphins play, I mind my compass and my way. **MATTHEW GREEN (1737)**

We have shown you the OPTIMAL Way to create a high-level organization design. We have given you a Compass to guide you and a map for you to follow step by step. You have the tools to take others with you on your own design journeys to:

- Outline the brief: shaping a design brief so that everyone has a shared view of what is needed.
- Pull together the programme: putting the leadership and team in place, clarifying what is required and how to achieve it; enabling high-level design work to be defined and planned.
- Take stock of the change required: establishing an evidence base for the current state, defining the desired future state and setting out the change required.
- Identify the assessment criteria: identifying the design principles, criteria and an evaluation scheme to select between design options.
- Map the design options: designing concepts at first, then designing selected outlines.
- Assess the alternatives: narrowing down the design concepts first, then choosing an optimal design from the design outlines.
- Lay out the way forward: finalizing the optimal design to produce a design blueprint and preparing to implement it.

If you follow the OPTIMAL Way, you will be able do this with interventions that engage a wide range of people, to seek input and enable dialogues to share the development of ideas. Checkpoints with the steering committee and close linkages with HR throughout will help the design programme keep on track to deliver the desired strategic intent and target capabilities. The OPTIMAL Way allows you to integrate with your existing programme

and change management approaches throughout the design work. This will allow you to move forward to implementation with confidence, having followed an approach tailored to each organization design challenge you face.

We have assumed throughout this part of the book that you are taking a leadership role in carrying out an organization design, but at different times, designers assist organizations in many different ways. You may guide others as a:

- Catalyst: advising with a vision of what the effective organization might be like.
- Instructor: providing knowledge and/or skills.
- Partner: working with clients to co-create organizations and learn together.
- Contractor: acting as an experienced pair of hands to get the work done.
- Facilitator: managing processes, allowing conflicting points of view to surface and be heard.
- Counsellor: acting as a sounding board for the client.
- Supporter: giving practical advice, assistance and support throughout a programme.
- Challenger: diagnosing limitations to growth, challenging preconceptions, creating alternative insights.
- Specialist: providing detailed advice on aspects of design work.

Whatever path you find yourself on, we hope the Compass and the OPTIMAL Way will be your design guide; that organization design is no longer filled with mystery and intrigue but mastery and intent.

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