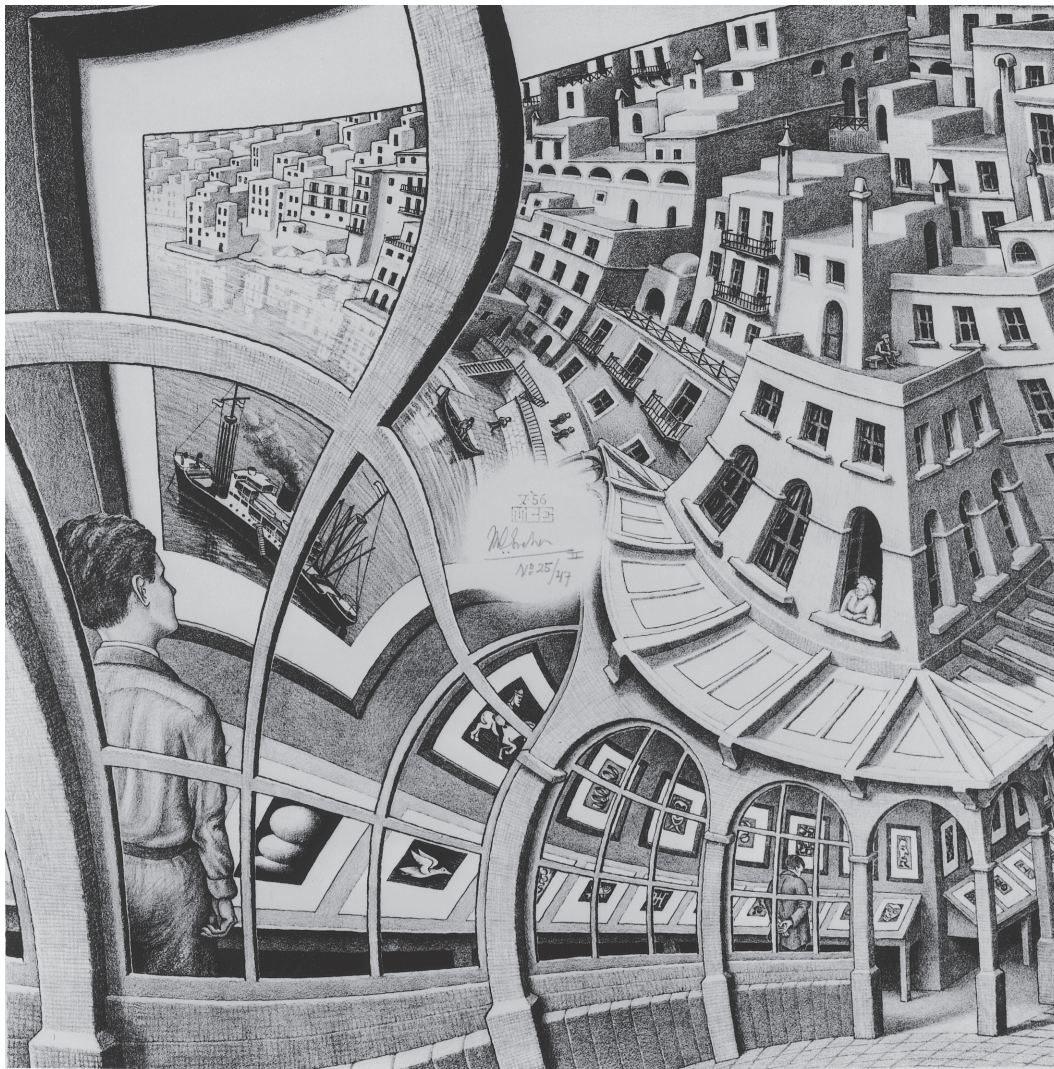

The Palace

Perspectives on Organisation Design

V Garrow, S Varney
Based on 'The Palace' by David Stephenson



THE PALACE

PERSPECTIVES ON ORGANISATION DESIGN

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Sovereign House

Church Street

Brighton BN1 1UJ

UK

Tel. +44 (0) 1273 763400

Fax +44 (0) 1273 763401

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About the Authors

Dr Valerie Garrow

Valerie is a Principal Associate Fellow at IES and leads the OD theme for the IES HR Network. She is also an independent OD consultant and researcher with over 17 years' experience in organisational change. She has a Masters degree in Organisational Behaviour and a PhD which examined the impact of mergers and acquisitions on the psychological contract. Valerie has written extensively on organisation development and large-scale change and her recent research has focused on social movement as a means to effect rapid change. She is currently leading projects for government departments in the UK and Singapore.



Dr Sharon Varney

Sharon is an OD specialist at organisational consulting and research practice, space for learning. She thrives on creating clarity in messy and ambiguous change situations. She works at a strategic level, helping to create more effective organisations, and operates at a very human level, helping people manage personal change and transition. Sharon developed her expertise working as a senior manager in large, global organisations. Now she employs her cross-sector expertise to support senior leaders and HR directors within private, public and not-for-profit organisations. Sharon holds a doctorate from Henley Business School on organisational change leadership and is a regular speaker on OD for the CIPD.



David Stephenson

David is People and OD Director for Bright Horizons Family Solutions, market leaders in childcare and early years education and thought leaders in wellbeing. The business has been voted Top 10 Great Place to Work UK the past two years and in the top 20 in Europe. He has 20 years successful track record facilitating change and driving increased value in a wide variety of sectors in organisations such as Telefonica O2, Royal Navy, Arthur Andersen, British Telecom, Volvo, BUPA, St Gobain and the Financial Services Authority. He is also a much in demand speaker.



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1 Introduction

This is the third in our series of reports on developing organisations. The first *Fish or Bird: perspectives on OD* looked at current UK practice in organisation development (OD) as it has developed from its US roots as a post-war movement to combat workplace alienation. Our second report, *Learning to swim, learning to fly: a career in OD*, went on to consider whether OD practitioners are born or made and how people can build their own skills in OD.

This third report examines organisation design. When organisations grapple with a challenging and changing economic and social environment, it is sometimes evident that some re-modelling, or even a fresh start, is needed to sweep away old structures and clear out obsolete processes and procedures. The success rate, however, is reportedly low and the standard models suggest that re-design work needs to include, not only structure and processes, but also a range of cultural and behavioural factors.

This report uses the story of an old palace to consider the challenges of design in a complex and highly connected world, where organisations are expected to be agile and innovative, work globally in a seamless way, and continually ‘engage’ talented employees through an attractive employer brand. It explores the move from ‘organisation’ to ‘organising’ and the delicate balance between designing to innovate while managing risk. It is said that organisations evolve in response to the type of problems they have to solve and, as such, are the product of both design and self-organisation. It is this curious mix of planning and emergence that this report seeks to examine.

Organisation development and organisation design are often confused, and the two are certainly closely related. Adding to that confusion, some people use the term OD to refer to organisation design, or even organisational dynamics, rather than organisation development. So, to be clear, when we use the term OD, we are referring to organisation development. We understand OD as seeking to enhance the effectiveness of organisations in ways which are consistent with both

humanistic values and business needs. We see organisation design as a type of organisation development work which includes an explicit focus on structures and/or processes. We will use the abbreviation ODS when we are referring to organisation design.

Defining our terms

OD = organisation development

Enhances the effectiveness of organisations in ways which are consistent with both humanistic values and business needs.

ODS = organisation design

OD work which includes an explicit focus on structures and/or processes.

In common with our earlier OD report, *Fish or Bird: perspectives on OD*, this report brings together multiple perspectives on organisation design. It has been compiled from a sweep of the literature, advice from practitioners and case studies.

Although it is not a 'how to...' guide, key threads from each perspective discussed in this report are brought together in a final practical chapter, where we pose a number of questions to promote what we hope will be some useful conversations.

We expect that our report will stimulate discussion and further inquiry among HR, OD and ODS professionals, and that it will also interest managers who are considering the need for an organisation re-design.

2 The Palace: a Story of Organisation

Once upon a time not that long ago and not that far away, there was a large palace...

The palace was ancient and large, having been built up over very many years, and experienced numerous modifications over its long history. Often those changes only served to make some walls in the palace incredibly broad and strong. Over the years some of the fittings and décor had become ever more intricate and ornate, with thick layers of paint built up, which in many places entirely concealed the masonry.

Inside the palace on many different levels and floors were numerous rooms, so many in fact that when counts or audits took place there was a different total each time... there were also many passages and towers... and even a few dungeons here and there... whilst some parts of the palace were strictly no go areas!

Often there were so many different passageways that it was easy to get lost especially for those who hadn't been living there so very long... and it took an age to get from one part of the palace to another. On occasions one might open a door to find the entrance bricked up or go down a long passage to find it was a dead end. Many found it difficult to navigate along the corridors and one new resident, when asking and being shown the way, said it 'felt like the blind leading the blind'. Consequently, over time, a number of secret passageways were created called 'short cuts' to save time, but these were not always widely known or consistently followed.

Some parts of the palace had gatekeepers or even guards at their entrance and the folks inside even had different standards, banners and tunics or wore different hats for different occasions.

Because it was such a large palace, different factions emerged, with barons being in charge of different sectors or wings of the palace and at times the inhabitants were more focussed on settling their scores with other barons than watching out for their common enemies outside the walls.

Over the years various rules evolved and, in turn, required an army of scribes to maintain this thing, which some called 'a bureaucracy'. Some inhabitants learnt that the best or quickest way to get real news was to go to the market or the local inn and listen to the gossip.

Sometimes when walls did fall into disrepair the inhabitants didn't always help or work together to re-build them or maintain them. Consequently the enemy could easily infiltrate and find any weak spots.

Another problem was that in many places the palace had been built on shifting sands and so despite the thick walls giving some impression of strength, there was subsidence... and the whole palace wasn't really very safe at all... the winds of change would blow in and the sands and foundations would literally shift.

In some places the walls were impregnable, with only small slits to see out from within. If and when people did look out from the battlements they might have seen their enemies camped outside often in Bedouin-like tents of various sizes and styles. If they'd been brave enough to sneak out one night to take a look they might have been surprised how spacious and comfortable these tents actually were on the inside, despite seeming fairly simple from the outside. They carried all they needed with them and so could quickly and easily pack up and move, either from oasis to oasis, or wherever the resources or trade was... and they could easily ride out a sandstorm or move to the lee of a slope or dune. Some wise men even called them 'fit for purpose'.

At dusk people from different tents would gather around fires and recount stories and share information, and so spread learning throughout their tribe.

Some in the palace realised they needed to re-build and attempts were made over the years to renovate or even pull down parts of the palace or try coping with fewer, wider, less cluttered passageways.

Sometimes the King would make a proclamation that fewer people should live in the palace so that there would be more room for the remainder and more resources available.

However, most of the barons didn't want their ranks thinned out, but after pressure some did sell off some slaves and there were even some volunteers, who became refugees in other lands, taking their craft and knowledge with

them. Nevertheless few of the barons really did have any appetite or enthusiasm to redecorate, let alone drive any major re-build.

Inevitably major re-builds were difficult to manage to time and budget, needed a lot of equipment to do it safely, and usually caused quite a bit of disruption or damage to other parts of the palace. Even when parts of the palace were dismantled, there was a tendency for people to gather up the loose rubble or material and start re-building again elsewhere, and in time a few shanty towns even appeared.

Occasionally the King or treasurer sent out some patrols or overseers to look for heads to cut, or slaves to sell, and some of the barons held back from revealing all their retinues so that they wouldn't be counted in the census.

There was some success though, especially by some of the barons who actually talked and engaged with their people, and one year some 30 million shekels were saved for the King's treasury by having 900 fewer mouths to feed.

Having fewer mouths to feed did help to some degree, especially as there were now less goods coming in from the various trading posts... however at the same time there were also now fewer troops to go out on forays or to plunder from the enemy... and also fewer farmers to plant and nurture the crops for the remaining inhabitants... so this became a dilemma that some called 'catch 22'.

Some of the barons in the palace eventually agreed to meet in one of the banquet halls and hold a regular council where they could share intelligence on the enemy and plot tactics together and share resources. This collaborative ploy worked very well for a while and led to some successful raids on enemy lands and resources, and in turn also kept some of the trading routes open that were under threat. And so it was that the decreed 'commercial council' was born. Unfortunately even this fell into disrepute after bickering between the barons.

A parchment scroll called 'Group Architecture Touchstone Document' was conjured at great expense by some wizards called McKinsey, decreeing how the barons should work together and share both information and resources across the palace and the fiefdoms and lands beyond. For a while the scroll was read and used, but it didn't take long for it to start gathering dust in the archive library room.

Overall though, (and coming towards the end of this saga)... most people came to realise that modernisation was required, but felt just a little too comfortable with the status quo in the palace to initiate it themselves and hoped and prayed they would live happily ever after.

Epilogue

Three wise men went to see the King and each gave him a piece of advice:

The first wise man was also the treasurer and he said to the King, 'I have added up the cost of all these renovations and re-building works and attempts over the many years and the aggregate cost is too much even to count, so my advice is to sort the palace out once and for all, even if it does cost you some rubies and gold and disruption in the short term. I can feel the winds of change getting stronger and any major work will only get more difficult with time.'

The second wise man was also the medicine man and court jester, and he said to the King, 'The treasurer may be wise and perhaps right, but also remember that this palace that you love is really only bricks and mortar and it is people that trade goods and people that fight your battles for you and what makes the most difference are the hearts and minds of your subjects within these walls.'

The third wise man, who was also the General of the Army said to the King, 'In my experience fighting many battles I have found that my warriors always fight harder when they know they are led well and are fighting for a good cause and in the heat of the battle when my single clear banner is unfurled high I know that my men will rally around.'

David Stephenson

3 Organisation Design

Because it was such a large palace, different factions emerged, with barons being in charge of different sectors or wings of the palace and at times the inhabitants were more focussed on settling their scores with other barons than watching out for their common enemies camped outside the walls.

The story of the Palace probably strikes a chord in many different types of organisations today. Alfred Chandler¹ famously argued that structure should follow strategy but many organisations struggle with a structural and cultural legacy that dictates the strategic options available. Easily recognised organisational problems are:

- structures and processes become increasingly complex after years of change
- people forget why some structures and processes are in place
- shortcuts become the norm to bypass bureaucracy but lack consistency
- different parts of the organisation develop their own power bases
- internal politics become more important than market focus
- managers protect their own budgets and staff
- the organisation doesn't work together to tackle external threats
- competitors are more agile
- talented people start to leave to join the opposition

¹ Chandler A (1969), *Strategy and Structure: Chapters in the History of the American Industrial Enterprise*, MIT Press, 1969; reprint 1990.

- change is piecemeal, not tackling the underlying problems
- people 'self-organise' to negate the impact of change.

Jack Welch, former CEO of General Electric, advocated being big but thinking small, to encourage a reduction in bureaucracy and increase flexibility and innovation. Organisations are constantly trying to balance the need to reduce operating costs against the quest to increase quality, promote agility in the face of ongoing change, yet attract, retain and engage talented people. For many organisations today, work is not limited in space and time to the workplace, which gives scope for a fundamental re-think of how roles and responsibilities can best be organised.

There have been many evolutionary trends in organisations over several years. Some of these are shown below in Table 3.1.

Table 3.1

Traditional	Emergent
Hierarchies	Flatter, networked
Job descriptions	Fluid roles & responsibilities
Centralised control	Self-organisation
Structure	Process
Strong culture	Diversity of thought
Co-location	Virtual
Fixed hours	Flexible hours
Departments	Communities of practice
Stability	Edge of chaos
Top down	Bottom up

While these social and evolutionary processes have brought about gradual change, Hock², founder of VISA, argued for a radical new concept of organisation design:

Although their size has greatly increased, there has been virtually no new idea of organization since the concepts of corporation, nation-state, and university emerged a few centuries ago... believing that with ever more reductionist scientific knowledge, more efficiency, more hierarchical command and control, we could pull a lever at one place and get a precise result at another, and know with certainty

² http://www.myrgan.com/Inc/Literature_files/The%20Chaordic%20Organization.pdf

which lever to pull for which result; never mind that human beings must be made to perform like cogs and wheels in the process.

3.1 Why re-design?

The story of the palace highlights the dangers of piecemeal change approaches that do not tackle underlying weaknesses or support a clear vision.

When Hock was designing VISA he realised:

All the "re's" now so popular – reorganizing, reengineering, reinventing – were the wrong "re's," for they imply yet another version of that which is. It was necessary to reconceive in the most fundamental sense, the concept of bank, money, and credit card – even beyond that to the essential elements of each and how they might change in a microelectronic environment.

Sometimes that task may seem too great and the opposition too powerful. Research by Roffey Park³ suggests that nearly a fifth of managers report that organisational structure does not support the delivery of strategy and over 25 per cent believe it inhibits working across functions.

Organisations tend to 're-design' when:

- They are outgrowing their current form, perhaps through merger or acquisition, globalisation, diversification, moving from a small start up to an established business, or responding to increasing complexity in the industry or customer base.
- The organisation itself has become too complex and inflexible, as in the case of the palace, so that it is unable to function effectively.
- There is a requirement for new service delivery models, particularly in the public sector.
- A major shift in the external environment, such as recession, loss of key customers, new industry regulation or industry convergence, means cutting costs and/or reducing headcount.
- Poor internal performance requires a change of direction to boost productivity and efficiency, improve decision making and clarify roles and accountabilities.

³ Roffey Park Institute (2013), *Management Agenda*.

- The organisation needs to prepare for future challenges, perhaps new technology, outsourcing, competing more effectively for talent, new competitors entering the market or the need for greater innovation.

It is not a decision to be taken lightly, however. According to a McKinsey survey in 2010⁴ of over 2,500 executives, nearly 2000 had been through a re-design within the past five years, yet only eight per cent said their efforts added value, were completed on time and fully met their business objectives. For those who were successful, the key success factors seemed to be:

- accelerating the pace – six months or less to complete the re-design
- focus on changing mindsets
- focus on how the new model will work, not just how it will look
- clear communication
- ensure support systems reflect the change.

These conclusions point to a high level of employee engagement requiring a concomitant OD (organisation development) plan for ‘changing mindsets’ as well as a practical vision of how the new model will work.

3.2 What is a re-design?

According to Huber and Glick⁵, organisation re-design is:

The set of managerial actions intentionally used to alter organisational technologies, processes and structures. (p11)

Redesign implies a complete ‘re-think’ about the organisation as a whole, or a large part of it, but within the context of the whole. It is not simply another change programme or a case of ‘tinkering’ around the edges and each design should respond to the unique set of challenges faced by the organisation.

Most ODS models take a holistic perspective of ‘hard’ issues such as structure, strategy, systems and processes, but pay equal attention to the ‘soft’ issues such as

⁴ Taking organizational redesigns from plan to practice: McKinsey Global Survey results (2010). Accessed at: http://www.mckinsey.com/insights/organization/taking_organizational_redesigns_from_plan_to_practice_mckinsey_global_survey_results on 30/07/2013.

⁵ Huber G P and Glick W H (1996), (eds) *Organisational Change and Redesign: Ideas and Insights for Improving Performance*, OUP, New York.

purpose, leadership style, culture, climate, relationships and engagement. For sources of different models please see the resource list at the end of this report.

Design is generally thought of as both 'art and science', requiring insight into what makes the organisation tick, an understanding of the business model and the alignment of 'hard' and 'soft' elements. The McKinsey survey shows that the more successful organisations tend to set detailed goals, particularly on timing, and base their designs on a clear business rationale.

But organisations are evolving systems that do not always operate in a predictable way; there are many other influences such as politics, vested interest and individual personalities. Consider the barons in the palace. Organisational culture can work against structural and system changes that may seem perfectly rational.

Linda Holbeche⁶ suggests that organisation design is more about creating an overall context for high performance, in which systems, processes and objectives mesh with employees' motivations and values. She argues,

While flexibility can be designed into systems, processes and structures to some extent, it is people who make these elements work... Organisation design today is placing greater emphasis than in the past on designing an organisation that people actually want to work in and where the styles of management are appropriate to a high performance culture. (p97)

3.3 Terms of reference for organisation re-design

Setting clear TORs provides a useful roadmap and, while change is invariably emergent and unpredictable, most practitioners agree that it is helpful to start out with a map, a methodology and strong project management expertise.

Early discussions with senior sponsors should include:

- **Where we are now:** a clear statement of the organisational challenges, strategic priorities and future goals, financial targets, new and current markets, competitive advantages to be exploited/protected.
- **Where we have come from:** evaluations of other change initiatives undertaken and their outcome, evidence of structures or systems that have impeded high performance and a view on the organisation's readiness for change.

⁶ Holbeche L (2005), *The High Performance Organisation*, Elsevier Butterworth-Heinemann, Oxford.

- **Where we want to be:** a statement of strategic intent, a compelling vision of what will be different post re-design in terms of quality, customer satisfaction, speed, flexibility, innovation and an assessment of future capability requirements.
- **Business case:** a clear imperative for a design exercise rather than some other form of change, outlining the proposed benefits with a cost-benefit analysis and a statement of success criteria which can be used to measure progress and evaluate success such as cost efficiency, faster product to market, developing strategic alliances, etc.
- **Impact assessment:** a statement of the likely impact on service delivery or production during transition, on staffing numbers and morale and infrastructure requirements including updates to technology.
- **Risk assessment:** a proposed governance structure to assign accountability for risks graded according to likelihood of occurrence (during and post change), potential severity of impact and strategies/responsibilities to minimise risk.
- **Values and culture:** principles or values that will inform the design and the design process such as diversity, fairness and equal opportunity, collaboration, innovation, learning or customer centeredness. How these sit with organisational culture and whether culture/behaviour change is required to achieve desired outcomes.
- **A business and systems analysis of the tools and capabilities required:** these might include project and change management, evaluation methodology, communication tools.
- **A budget:** an estimate of restructuring costs, contingency fund and proposed timelines during which it will be required.
- **A design team:** allocation of clear roles, responsibilities and accountabilities, an assessment of how much is done in house and whether consultants will be involved (if the latter, how will learning from the consultants be transferred to the internal team and how will they work together?).
- **A stakeholder analysis and engagement strategy:** identifying the political structures in the organisation and how the exercise of power might stymie a re-design. It should also consider how stakeholders, including employees and trade unions, will be involved in the design process (eg as co-designers or customers), who needs to be consulted before decisions are made, who will sign off decisions and the early involvement of both those who will have to implement the decisions and those who might block change.

- **Communication strategy:** how the message will be 'framed' for the different stakeholders and a detailed process by which employees, stakeholders and customers will be kept up to date with progress, celebrate successes, provide feedback, have questions answered.
- **A road map to transition:** with timescales, milestones and deliverables at each stage, according to the chosen methodology.
- **Change management strategy:** a clear OD support strategy, with forums for reviewing progress and clear feedback channels. Resources to support hot spots, where there are implementation difficulties, and to support training and development needs.
- **Evaluation:** before embarking on change, a clear statement of what success will look like and what metrics can be used to evaluate the process, progress towards the stated success criteria and outcomes. The evaluation should also assess emergent change, unanticipated benefits and issues that will inevitably occur in complex system change.

3.4 OD and ODS as two sides of a coin

Organisations are human systems to achieve goals ranging from the creation of wealth to the delivery of public services. Unfortunately people have not always enjoyed working in them and they have often proved to be environments that are detrimental to health and wellbeing. The humanistic values of OD (organisation development) are not necessarily embraced by ODS (organisation design) although we see the two working well together in co-design approaches. Mohrman⁷ reminds us that OD and ODS already have a rich combined tradition in, for example, the design of sociotechnical systems, reflective practice and design causality.

She suggests, however, that organisation design science has emerged in response to the difficulty human beings have in designing and implementing organisations that can handle complexity in today's world and argues that OD must:

... do a better job of understanding and crafting the processes through which organisations determine purposes; provide voice and opportunity; assemble,

⁷ Mohrman S (2007), 'Having relevance and impact: the benefits of integrating the perspectives of design science and organisational development', *Journal of Applied Behavioural Science*, Vol. 43, No. 1, 12.

organise and use resources; and in general yield solutions that address the formidable challenges that face our small planet and its inhabitants. (p14)

Most research points to the fact that re-structuring alone is rarely successful. Constant rounds of de-centralisation and re-centralisation, flattening and re-introducing of hierarchy, testify to the felt-need to do something, but it tends to lead to change fatigue rather than the winning of hearts and minds. To see this, we only have to look at the impact of the major changes in the NHS in the way services are commissioned and provided. This major re-design has been criticised for following hard on the heels of so many previous re-organisations which have received scant evaluation:

There have been '15 major reorganisations in the NHS in 30 years' and 'few were properly studied'⁸. 'There is little evidence to support the case for yet more structural change'; where there have been evaluations, the evidence is mixed or absent⁹.

OD support is a vital element of ODS, from facilitating the multiple perspectives in the design process, building capability and capacity, providing change management and embedding new behaviours, to evaluation and learning. A key question is where responsibility for these two activities should sit. A white paper from the Centre for Performance-led HR¹⁰ proposes that,

The two areas of ODS and OD need to be merged into one strategic capability, which HR should group into one structure or centre of excellence.

They argue that there has been a 'systemic failure of HR people to grasp the opportunity to become involved in wider organisation design work' and this should be remedied through strong partnerships with the leadership team and exploiting HR's unique cross-functional perspective.

Our earlier report *Fish or bird: perspectives on OD* reflected a similar debate on the uneasy relationship of HR and OD. Designing or re-designing an organisation is surely one of the activities that would benefit most from a strong alliance between the two, creating an environment in which people learn, develop and deliver high performance.

⁸ Goldacre B (2011), *Evidence supporting your NHS reforms? What evidence Mr Lansley?* Accessed at: <http://www.guardian.co.uk/commentisfree/2011/feb/05/lansley-use-word-evidence> on 06.06.13.

⁹ Walshe K (2010), 'Re-organisation of the NHS in England', *BMJ* 2010; 341:c3843.

¹⁰ Marsh C et al (2009), *Integrated Organisation Design: The New Strategic Priority for HR Directors*, White Paper, Centre for Performance-led HR.

4 Models, Metaphors and Language

There were also many passages and towers... and even a few dungeons here and there... whilst some parts of the palace were strictly no go areas.

Whatever an organisation design may look like on paper, it is the way people interpret and make sense of their working life that determines success. Models, metaphors and story-telling all help us to understand organisations in new ways and provide a useful starting point to consider what we mean by 'design'. They also help us to surface our assumptions and stimulate discussion with other stakeholders.

4.1 Ways of seeing

Bolman and Deal¹¹ frame organisations in four ways, which each have implications for establishing design principles:

- **Machines:** rational systems, structural alignment, role/task differentiation, co-ordination and integration mechanisms.
- **Families:** relationships, psychological contract, motivation, interpersonal dynamics, human resources.
- **Jungles:** politics, power and conflict, self-interest, scarce resources, diversity (both creative and divisive).
- **Theatres:** symbols, co-creation, culture, interpretation, meaning.

¹¹ Bolman L and Deal T (2003), *Reframing Organizations: Artistry, Choice, and Leadership*, Jossey-Bass, edition 3, San Francisco.

These different perspectives help free ODS from what is sometimes known as the 'law of the instrument', illustrated by Maslow's observation that if all you have is a hammer, everything looks like a nail. Each perspective changes the focus of our attention and therefore the outcomes we will achieve.

Morgan's¹² seminal work *Images of Organisations*, also encourages 'the art of reading and understanding organisations' from new perspectives. Much of our ODS language, inherited from scientific management approaches, reveals that we still tend to think of organisations as machines – oiling the wheels, levers for change, re-engineering, hard-wiring, efficiency, moving up a gear etc. Morgan offered new metaphors: organisms, brains, cultures, psychic prisons, flux and transformation and even instruments of domination. Metaphors-in-use shape the way people make sense of organisational life and, as such, are a powerful tool for leaders planning change. Change communications, for example, use different kinds of imagery such as: horticultural (pruning, cutting back, new growth), military (rallying the troops, retrenching) or medical (health, recovery, taking the medicine).

The impact of language and conversation in organisations has started to become more apparent in the study of discourse. Metaphors are both a way of making meaning and a tool for creative thinking in organisations, surfacing deeply held assumptions and providing the conversational tools for a new socially constructed reality. (See Chapter 7 on the power of 'framing' messages for different stakeholders.)

Organisation structures themselves often inhibit conversations through organisation charts and reporting lines that dictate who is allowed to speak directly to whom in the hierarchy. These hierarchical layers over time acquire deeply embedded characteristics that Barry Oshry¹³ describes as the Dance of Blind Reflex. His simple view of organisations as tops, middles and bottoms (and customers) offers profound insights for designing better vertically integrated organisations.

¹² Morgan G (1986), *Images of Organisations*, Sage: Thousand Oaks.

¹³ Oshry B (2007), *Seeing Systems: Unlocking the mysteries of organisational life*, Berrett-Koehler.

4.2 Tops, middles and bottoms

Improving vertical communication is often a key focus of a re-design. Recent research by Roffey Park¹⁴ shows that around a quarter of managers rate upward communication as poor, with a further 30 per cent describing it only as adequate. The same number blame the organisation's structure for difficulties in vertical working. Flexible organisations require fast, open communication from top to bottom and vice versa so that tops are fully versed on customer and staff feedback.

Oshry provides us with a simple but powerful way of looking at organisations, where, the 'Dance of blind reflex' is characterised by various types of 'system blindness'. One of these is 'relational blindness', where all the players are co-creators of the dance. The Bottoms, for example, can choose to hand over all responsibility, while the Tops can choose to take it. A typical scenario is:

- **The Tops** are burdened, become territorial and fall into turf battles in an environment of complexity and accountability.
- **The Middles** become alienated, torn and competitive but because they are not a cohesive group they lack support.
- **The Bottoms**, meanwhile, are oppressed but stick together in an environment of 'shared vulnerability'.

In this environment relationships break down and issues become personal. Oshry recommends that the only way out is to focus on the quality of the relationships. By disrupting the 'dance', he argues that:

- **The Tops** can become 'developers', thereby strengthening the whole system by informing, involving, challenging and coaching.
- **The Middles** become 'integrators' who connect the system and coordinate different parts by being knowledgeable.
- **The Bottoms** become empowered as 'fixers' who solve problems for customers and are engaged with the organisation.

Organisation designs that simply re-draw the reporting lines are unlikely to achieve this depth of relational change. New structures require new relationships, which are considered further in Chapter 5.

¹⁴ Roffey Park Institute (2013), *Management Agenda*.

4.3 Fractals and the distribution of power

Complexity science has also provided metaphors and models of new organisational forms such as fractals, where the design and properties of the whole are replicated in each element in the system, such as a snowflake.

Christine Lloyd¹⁵ believes that this changes our perspectives on vertical relations and the distribution of power,

Within a fractal design the notion of hierarchy becomes more a concept of 'co-dependency' of similar elements at different scales rather than the traditional concept of vertical power relationships. If using a fractal/nested approach to ODS, co-dependency is designed into all levels of the system. The macro is dependent on the micro and vice-versa so there is no real concept of power being vested in one place. Power is distributed. This approach can be used to help design organisations more as a set of distributed functions, rather than a concentration power in one place. (p27)

For both Oshry and Lloyd, these metaphors help us to see the whole organisational system and how members' behaviours are interrelated and co-dependent. As people self-organise into deeply embedded routines, the challenge is to understand and sometimes to break those established patterns.

4.4 The edge of chaos

Many organisations will feel that they have operated at the 'edge of chaos' for some time now and this has been a powerful image denoting a point where the future becomes unpredictable and organisations begin to feel unstable. It is, however, reported to be a very fertile area where creativity and innovation flourish as people self-organise to produce new solutions to the challenges they face.

Wheatley¹⁶ suggests that it is important here to build networks, enhance communication, work collectively and allow direction to emerge with just enough process to avoid risk and chaos.

¹⁵ Lloyd C (2011), 'Developing organisations: evolution & revolution', *E-organisations and people*, Vol. 18, No. 4 Winter Amed.

¹⁶ Wheatley M (2006), *Leadership and the New Science: discovering order in a chaotic world*, Berrett-Koehler.

A common theme of all of these complexity metaphors is connectivity: juxtaposing people from different backgrounds and disciplines; opening up new networks; and encouraging productive relationship and innovation. We re-visit complexity in Chapter 6, but in the next chapter we turn firstly to the employer-employee relationship.

5 Productive Relationships and Meaningful Work

Remember that this palace that you love is really only bricks and mortar... it is people that fight your battles for you and what makes the most difference are the hearts and minds of your subjects within these walls.

Facilitating productive relationships is key to organisation design and the speed with which people access and share information has become a critical competence in the knowledge economy. Communication problems are often a symptom of poor or obsolete design, usually compounded by cultural issues. But while people can navigate around structural barriers when determined to do so (finding secret passageways around the palace or going to the market place or local inns for information), organisational politics, culture and poor morale can severely inhibit knowledge sharing and organisational learning.

An important element of ODS must therefore be to consider the kind of organisation and the types of roles that will foster productive relationships and inspire employee engagement.

5.1 An inspiring vision

In our Palace, the 'wizards called McKinsey' had tried to engage the barons with a scroll detailing how they 'should work together and share both information and resources across the palace and the fiefdoms and lands beyond'. For a while this scroll was read and used, but 'it didn't take long for it to start gathering dust in the archive library room'. While the barons knew that modernisation was required, they were too comfortable to want to change and the palace walls were 'incredibly broad and strong'.

The following example of a new joint venture benefited from space and time for up-front creative thinking and shows how a new entity was able to break away from its parents' big oil company culture.

The case study of joint venture organisation, Infineum¹⁷ (a joint venture between Shell and ExxonMobil), is an interesting example of painting a vivid picture of what a new organisation would be like to work in. In the design stage of the new venture, the top team set out their vision to build a different organisation from either parent in a hypothetical 'Benchmarking Report' which purported to describe organisational life three years down the line.

Presented as a consultant's report, it painted a picture of life at Infineum, based on the core values of:

- customer-driven and market focused
- integrity and openness
- respect for the individual
- shared commitment to success.

It described in some detail: organisational structure; accountabilities and decision processes; work location and physical appearance; the employee/company work relationship; the multicultural environment; employee morale/attitudes; career concept and personal/professional development; life-work balance; recognition and rewards; quality and customer service; relationships with shareholders; and the senior leadership team. The hypothetical report blended the rationale for its flat, team-based structure, with its open, informal culture, down to the physical location and dress code.

Such a detailed vision of the future provides a benchmark for the organisation to monitor its own progress and also creates a strong psychological contract against which employees can monitor their own expectations.

5.2 From psychological contract to EVP

The psychological contract as a concept, came into its own during the restructuring and delayering of the 80s and 90s and has been a key mechanism for exploring employee-employer relationships. More recently, interest in branding has seen the shift from the implicit psychological contract to a more explicit employee value proposition (EVP).

¹⁷ Garrow V and Martin M (2012), 'Organisational culture and cultural integration' in Francis, Holbeche and Reddington (Eds) *People and Organisational Development*, CIPD.

It is relevant to ODS because the EVP often draws on a good organisation design to attract talent. For example, flatter organisations appeal to people who are keen to take early responsibility, while hierarchies are attractive to those who are looking for a good vertical career ladder. Network and project structures are a draw for people who like to work in diverse teams, with opportunities to innovate and learn new skills.

Research reported in Harvard Business Review¹⁸ suggest that Baby Boomers and Generation Ys are together redefining what constitutes a great place to work, which has 'significant practical implications for how employers should design work environments to attract and keep talent'.

Companies whose employment offers align best with the shared values of Boomers and Gen Ys will enjoy a major talent advantage. If we were designing a workplace from scratch today, or consulting to a big employer, we would insist on five crucial elements.

The crucial elements they identify are:

- **Modularity:** 'chunking' of tasks to allow maximum autonomy and control over time while working on sophisticated projects.
- **Flexibility:** trust and clear goal setting so that people are held accountable for results rather than presenteeism.
- **Opportunities to give back:** corporate social responsibility and volunteering programmes.
- **Progressive policies:** eco-friendly environments and spaces that encourage exchange of ideas.
- **Intergenerational mentoring:** connecting the workforce and sharing knowledge.

Research by the Corporate Leadership Council (CLC)¹⁹ suggests that the benefits of having an EVP are:

- increased attractiveness and the ability to attract candidates from a wider labour market

¹⁸ Hewlett S A, Sherbin L and Sumberg K (2009), 'How Gen Y & Boomers will reshape your agenda', *Harvard Business Review*. Jul-Aug; 87(7-8): 71-6, 153.

¹⁹ Summary accessed at <http://qa.performancesolutions.nc.gov/EVP/EmploymentValuePropositionB.pdf>

- greater employee commitment
- compensation savings
- better performance
- higher retention.

While Jackson Samuel²⁰, found an attractive EVP led to an increase of 66 per cent shareholder return over five years.

It is well worth considering prior to an ODS exercise what the post re-design EVP will be, what kind of work will be on offer and who it might appeal to.

5.3 Meaningful work

The importance of job characteristics on motivation has long been known. Warr's vitamin model²¹ identified several job design characteristics that contributed to employee wellbeing:

- opportunity for control
- opportunity for skill use
- externally generated goals
- variety
- environmental clarity
- reward
- physical security
- opportunity for social contact
- valued social position.

Recent research carried out by IES²² for the European Foundation for the Improvement of Living and Working Conditions (Eurofound) has looked at

²⁰ Uren L (2011), 'What talent wants: the journey to talent segmentation', *Strategic HR Review*, Vol. 10, No. 6, 31–37.

²¹ Warr P (1987), *Work, Unemployment, and Mental Health*, Clarendon Press, Oxford.

²² Tamkin P (2013), 'Innovating work' in *IES Perspectives on the HR Year Ahead 2013*, Report no 499.

innovations in business and work practices to improve performance and well-being.

One food manufacturer in Spain, for example, had created an open plan office with three kinds of spaces: neighbourhoods for each department serving as a home space; added-value spaces which include rooms for creative work; and flexible space for informal meetings. This special design was complemented with new ways of working to encourage flexibility, such as the provision of laptops, blackberries and home broadband as well as a concierge service for personal support.

Other examples show that work organisation solutions are unique to each organisation but often involve flexibility in where and how work is done, better internal communication, new ways of organising the physical space and new guiding principles such as LEAN, which focuses on activities that deliver most customer value. Common advice was that some form of learning and development is required to accompany and support work re-design in order to: understand new methodologies; build collaboration and leadership particularly for self-directed teams; encourage creativity and align behaviours to the vision.

Work organisation contributes to a high performance culture by providing a line of sight from employees to both the customer and the organisation's strategic goals, which makes work more meaningful.

5.4 Skill fit

According to the recent work by IES, it is important, when considering a proposed design, to consider whether the organisation already has the necessary people to fill the new roles; the necessary succession planning to ensure that the roles can be filled in the future; and whether there are likely to be sufficient people with capability in the external market to allow these roles to be filled in the future.

As roles become larger and more flexible it is important that people feel they are equipped to handle the demands of the role, particularly if supervision spans are broader. For example skills might be shifting from technical supervision to more strategic leadership. Warr's vitamin model (see above) reminds us that some vitamins can be harmful when taken in excess, so that while autonomy is beneficial in small doses, too much unsupported 'stretch' can lead to stress and risk. A proposed organisation design that does not fit the current skill profile must therefore factor in appropriate recruitment or development. Teamworking, for example, often required a good deal of nurturing when it was introduced as a new way of working in organisations. Project working, change management, alliance working and commissioning (in the public sector) require similar levels of support and culture change.

6 Restructuring in a Complex World

Even when parts of the palace were dismantled there was a tendency for people to gather up the loose rubble or material and start re-building again elsewhere, and in time a few shanty towns even appeared.

A world of seemingly ever increasing complexity has for some time led to calls for more flexible and agile organisations that are able to adapt to and navigate uncertainties in the global financial climate. Delaying, the buzzword in the 90s, aimed to flatten structures and push responsibility down to the level, closest to the customer to ensure greater responsiveness. They tried it in the Palace with the result that although there were fewer mouths to feed, there were also ‘fewer troops to go out on forays or to plunder from the enemy... and also fewer farmers to plant and nurture the crops for the remaining inhabitants’.

Global connectivity opens up new markets but means we can no longer distance ourselves from problems elsewhere in the world. The speed of technological innovation enables new ways of working but means keeping abreast of new ways of doing business driven by customer demand and brand marketing. Bad news travels fast these days and corporate reputations are in constant danger.

A 2009 global survey of economic conditions by McKinsey found that nearly half of the companies surveyed had restructured in response to the global economic turmoil, but that only 41 per cent of those said that doing so had been ‘very’ or ‘extremely’ effective in helping their companies weather the crisis.

As the public sector in the UK continues to undertake significant, perhaps unprecedented levels of restructuring, there is a great deal hanging on the successful outcomes of those endeavours.

6.1 Complicatedness

According to McKinsey²³, who coined the phrase ‘unproductive complexity’ to describe unnecessary complication in organisations, vertically oriented organisation structures, ‘retrofitted with ad hoc and matrix overlays’ tend to make professional work more inefficient because professionals share knowledge and collaborate with colleagues horizontally. They recommend simplifying the structure with the creation of networks and marketplaces for knowledge and talent.

Christine Lloyd²⁴ gives an example of how a market place might work:

In one organisation I worked with, an individual could design 20% of their role themselves each year by volunteering to be a member of specific projects and teams. This was done in an annual ‘fair’ where they would sign up for interesting projects to develop skills or extend their knowledge. (p27)

Further suggestions from McKinsey for simplification are to reduce regional organisational layers and to group activities around non-geographic criteria such as growth goals.

It is time to reframe our understanding of ‘structure’ and refocus our restructuring efforts in order to take account of the inevitable complexity of organisational life.

6.2 Complex behaviour

But why is organisational life inevitably complex? There is a level of complex behaviour that has little to do with the nature of the work, or the systems and processes that surround it. It arises simply from the everyday interactions of people working together and is due, at least in part, to the nature of relationships; the connections and interdependencies between people and personalities.

In a human system, ‘connectivity’ and ‘interdependence’ means that a decision or action by any individual (group, organisation, institution, or human system) may affect related individuals and systems. That effect will not have equal or uniform impact, and will vary with the ‘state’ of each related individual and system, at the

²³ Brian L and Joyce C (2005), ‘The 21st-century organization’, *McKinsey Quarterly*, No. 3.

²⁴ Lloyd C (2011), ‘Organisation development in a complex world’, *e-Organisations & People*, Vol. 18, No. 4.

*time. The 'state' of an individual or a system will include its history and its constitution, which in turn will include its organisation and structure.*²⁵

Importantly, in a complex system, the size and nature of the effort does not directly relate to the size or nature of the effect, which depends more on the internal state of the individual, or the system. As a result, large change efforts can fail and, what is perhaps less well understood, small changes can accumulate and produce much larger, often unintended, effects. The global financial crisis is a prime example of that phenomenon. With restructuring, risks arise from both those scenarios.

6.3 Reframing structure

McKinsey's well-known 7S framework positions 'structure' as one of seven interconnected facets of organisational effectiveness. Similarly, the Burke-Litwin model²⁶ highlights it as one of 12 interrelated variables impacting organisational performance and change. Restructuring then is not just an issue of cost management; even if that is the primary driver. Models such as these help us to recognise that structure change can impact on other key aspects of organisational performance and effectiveness.

But what if it was more complex than that? What if it was *much* more complex?

²⁵ Mitleton-Kelly E (2003), 'Ten principles of complexity & enabling infrastructures', in: Mitleton-Kelly E (Eds) *Complex Systems and Evolutionary Perspectives of Organisations: the application of complexity theory to organisations*, Elsevier, Oxford.

²⁶ Burke W W and Litwin G H (1992), 'A causal model of organizational performance and change', *Journal of Management*, Vol. 18, No. 3: 523–545.



Source: Used with kind permission from Delta 7 Change Ltd

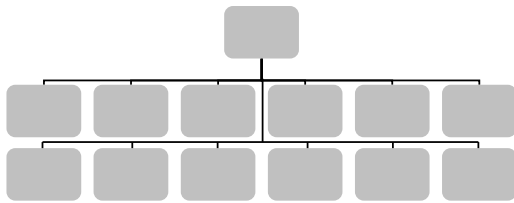
Looking behind the organisation chart, we might understand structure rather differently. The underlying organisation structure does not simply include the formal and explicit connections that can be depicted by an organogram; even though they might be important. It includes a multitude of other connections and interdependencies, which are often less formal and less visible, but which might be equally or *even more important* to the effective functioning of the organisation and its performance.

But are organisations really like that? The figures below, taken from our current research on organisational change, highlight the contrast between the formal organogram and a depiction of informal structure by way of a social network diagram which highlights how people connect when they are seeking to influence change.

Some of the people represented by the boxes in Figure 6.1 are also represented in Figure 6.2 by the highly connected red 'nodes'; but not all. Conversely some of the people who play a vital role in connecting the network in Figure 6.2 do not appear on the top-level organisation chart. Without them, however, the network is less densely connected, which might impact the flow of communication and influence.

Figure 6.1

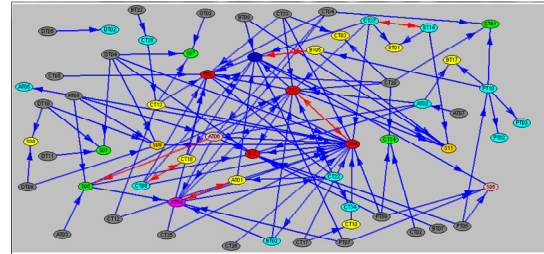
Formal structure



- Simple - few people, clear connections
- Highlights roles with authority
- Stable, until changed
- Centrally designed and planned

Figure 6.2

Informal structure



- Complex - many people, many connections
- Highlights people with influence
- Dynamic and continually evolving
- Decentralised and emergent

Even Figure 6.2, though it highlights a more complex web of connections, is still a gross simplification of the totality of connections and interdependencies that make up the underlying structure of organisation. It says nothing about the quality of the relationships between people. Nor does it reflect the continually evolving nature of the informal structure as people join, leave, change roles, share personal stories on a course, fight for resources or simply fall out. This look behind the formal organisation chart helps to reveal something of the informal nature of organisation; encouraging us to reframe our understanding of 'structure' as being both formal (planned) and informal (emergent).

Although the informal structure is emergent in its totality, it includes the deliberate actions of individuals to make connections and build relationships and alliances which they believe are important.

6.4 Refocusing restructuring

So, if we understand organisation structure as including *both* formal *and* informal interdependencies, then we might need to think quite differently about restructuring.

In changing the formal structure to reduce headcount, for example, we might be able to predict the impact on direct costs and to achieve those cost savings. What we cannot predict, however, is how those changes to the formal structure might impact on the informal structure. Nor can we predict the consequences in relation

to other organisational dynamics (such as those highlighted by McKinsey's 7S or the Burke-Litwin model) which collectively impact organisational effectiveness. So what can we do?

6.5 Pay attention to transition

One important thing we can do is to pay attention to transition. According to Bill Bridges²⁷, 'it isn't the changes that do you in, it's the transitions'. Transition is a psychological process whereby people let go of the old and pass through what Bridges calls the neutral zone 'when the critical psychological realignments and repatternings take place' (p5), before new beginnings can take hold.

With our reframed understanding of structure, we realise that real restructuring is not the formal change to the new structure itself; it is what happens in that neutral zone, as new alignments and patterns are created in the informal structure.

Importantly the process of transition is likely to take place *after* the formal change. When organisations restructure, we usually find that a great deal of effort is put in up front; in planning, designing, communicating and managing the vital HR processes to support the move to a new structure. But how much management attention is paid to then supporting transition, once that new structure is in place? How much focus do we place on recognising endings and the emotional losses that people can and do feel when familiar ways of working change, when colleagues leave, or when teams break up? Or do we prefer not to acknowledge those feelings and just focus on the positives? How much do we support people through the difficult neutral zone – which requires us to metaphorically let go of one trapeze (the old ways of working) and take a leap of faith towards the, as yet untried, trapeze of the new ways of working? How well do we support people in developing new identities and relationships within the new formal structure? Is there really the same amount of effort paid to transition? If this is left to line managers, how well-equipped do we think they might be to do this kind of work?

The important point here is that those of us involved in restructuring need to care just as much about transition as we do about making the change to the new structure. (See also the risks involved in transition in Chapter 9.) Without it, we might well achieve the direct cost savings we were looking for, only to find that indirect costs rise as people find ways to create an informal structure that looks

²⁷ Bridges B (2003), *Managing Transitions: Making the Most of Change*. Nicholas Brealey Publishing, edition 2, London.

and feels more like the old structure and ways of working. Emergence has become an important concept in both strategy and design.

7 From ‘Organisation’ to ‘Organising’

Outside the Palace the enemies carried all they needed with them and so could quickly and easily pack up and move, either from oasis to oasis or wherever the resources or trade was... and they could easily ride out a sandstorm or move to the lee of a slope or dune.

7.1 The ‘craft’ of organising

Well-established organisations have struggled to be agile and adaptable. The more stable and formal the structures and the stronger the culture, the longer things take to change. Meanwhile multiple new forms of organisation have emerged in response to new technologies such as social media, deregulation and access to global markets. Alliances and partnerships, opensourcing, outsourcing, supply-chaining, for example, have led to complex networks of interconnections and cross-boundary relationships.

In many cases, the aim of a re-design is to mobilise talent and knowledge by connecting teams and individuals (often globally and virtually). The emphasis seems to have shifted to be more about ‘organising’ rather than ‘organisation’ and Marshall Ganz²⁸, widely credited for his work in mobilising support for the Obama campaign, describes it as a ‘craft’ that must be learned:

The craft of organizing – and leadership – is based on intuitive elements, such as storytelling, strategizing, relationship building – but effective organisers are distinguished by having learned the ‘craft’ of turning these elements into a successful organisation or movement.

²⁸ A conversation with Marshall Ganz. Accessed at:
<https://www.youtube.com/watch?v=LhCoz5hMhTI>

Ganz is interested in developing collective capacity and the transformation of individual interests into common concerns leading to social movement. But much of his thinking could translate equally well to organisational settings. For example he describes three things that create purposeful collective action:

- **Leadership:** Ganz describes leadership as the practices that enable others to achieve purpose in the face of uncertainty and the creation of 'collective capacity'.
- **Building community:** a bounded stable entity capable of exercising agency.
- **Power:** a community that can use its resources purposefully to create the capacity it needs to achieve its purposes.

He describes several enablers of organising:

- **Shared values,** experienced and communicated emotionally (often through narrative) and are the sources of motivation for action.
- **Shared interests,** based on relational understanding (often through one on one meetings) leading to a commitment to work together.
- **Shared structure,** which creates the space through which interaction and creativity can occur and decisions can be made, involving shared norms and clear roles and responsibilities.
- **Shared strategy,** which turns 'what you have into what you need to get what you want' and permits 'learning in real time from new information to pursue a clear goal and objective'.
- **Shared action,** the ability to mobilise and deploy resources including time, effort and energy.

While organisations have sought ways to become more flexible, structure remains a key design element. Ganz believes that 'organisation occurs through structure'. Indeed Jo Freeman in *The Tyranny of Structurelessness*²⁹ suggests that if structure is not visible, it is invisible and hides dominant patterns that are better surfaced and acknowledged.

Complexity theory again offers some interesting insights into the patterns of self-organisation. We often talk about driving behaviour and performance but there is now more interest in 'attractors' (the 'pull' rather than the 'push'). What

²⁹ Freeman J (1970), *The Tyranny of Structurelessness*. Accessed at <http://struggle.ws/pdfs/tyranny.pdf> on 8/5/13

encourages people to self-organise in ways that promote organisational goals? As in nature it may be to avoid danger or seek reward. Or it may be that the values and goals of the organisation align with personal aspirations. The quest for employee engagement requires a deeper understanding of these 'attractors' as they relate to different segments of the workforce and an understanding of how they work with structure to shape organisational behaviour to balance freedom and control.

7.2 Organisational forms at the edge of chaos

Chaordic ('on the knife's edge between chaos and order'), is a term coined by the founder of VISA, Dee W Hock³⁰, which he describes as:

... any self-organizing, adaptive, nonlinear complex system, whether physical, biological, or social, the behavior of which exhibits characteristics of both order and chaos or loosely translated to business terminology, cooperation and competition.

Hock turned to self-organisation as a principle for design, focussing on the 'nature' rather than the 'structure' of the organisation, to create 'a non-stock, for profit, membership corporation' with 23,000 members:

It was beyond the power of reason to design an organization to deal with such complexity and beyond the reach of imagination to perceive all the conditions it would encounter. It gradually became apparent that such an organization would have to be based on biological concepts and methods. It would have to evolve - in effect to invent and organize itself.

The resulting organisation is described as 'so transparent that its ultimate customers, most of its affiliates, and some of its members do not know how it exists or functions'. We re-visit VISA in the next chapter as we consider the difficulties in managing risk in fluid contexts.

7.3 Tents and bazaars

Linux, the open source operating system, provides a great example of connecting talent and organising knowledge without formal structure as individuals self-organised around a mutual interest. The code, written in the early 90s by a Finnish student, was released free of charge to a newsgroup on the internet. It grew

³⁰ http://www.myrgan.com/Inc/Literature_files/The%20Chaordic%20Organization.pdf

without formal organisation or central authority to a project involving over 40,000 volunteers and became a leading operating system.

Kuwabara described Linux as a 'bazaar at the edge of chaos'³¹ and there are clear parallels with the tents outside the palace. Linux had:

... no project teams with prescribed tasks and responsibilities... it has been left to each person to decide what to work on at the moment... a group of part-time volunteers scattered across the Internet with no binding responsibilities, bound only by common interest.

Some of the principles that are identified with the Linux success story are:

- **feedback:** treating customers as 'co-developers' and listening regularly to feedback
- **flexibility:** being prepared to change approach in response to feedback
- **peer review:** being open to scrutiny by many professional minds, which overcomes obstacles.

As Ganz suggests, shared interests are a strong *attractor*. Coupled with shared values, they become even more powerful.

7.4 Values

Christine Lloyd³² suggests that strong alignment and communication of intent and values reduce the need for central leadership.

With a strong alignment of intention, the need to expend energy on control and conformance is minimised. Investment in shared vision and values is not just a 'nice thing to do' but radically reduces the need for control, redundant communication and corrective measures. (p26)

In other words, when an organisation has a clear intent, and all the members of the system are aligned in pursuit of that intent, guided by values, there is less need for rules, procedures and controls. This enables the organisation to adapt and evolve organically and reduces the need for major change programmes and disruption.

³¹ Kuwabara K (2000), 'Linux: a bazaar at the edge of chaos', *First Monday*, Vol. 5, No. 3, March 2000.

³² Lloyd C (2011), 'Organisation development in a complex world', *e-Organisations & People*, Vol. 18, No. 4.

7.5 Social movement and mobilisation

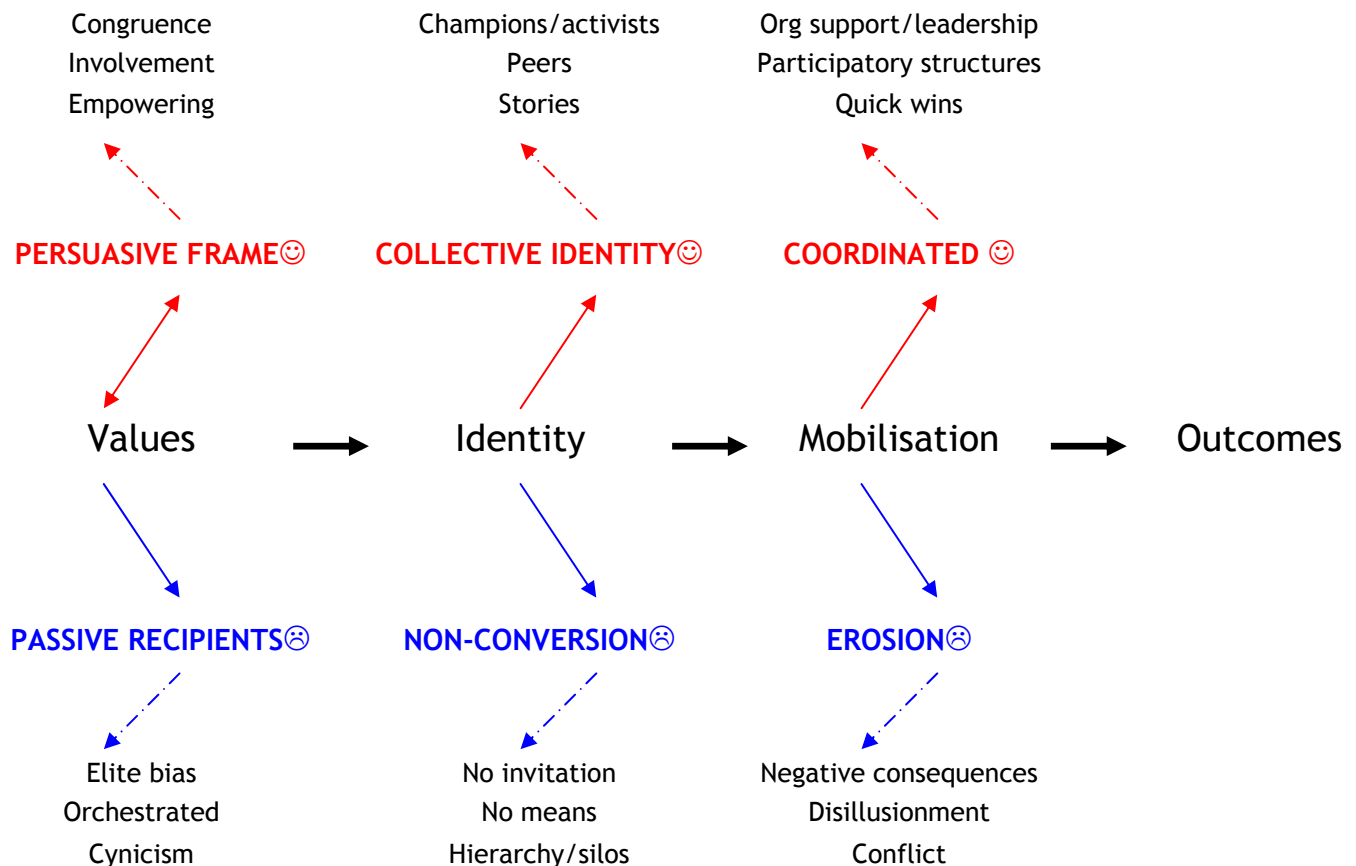
We have learned a lot about the importance of a dual approach to design and self-organisation from social movement theory.

Social movements occur when people are inspired to act on deeply held values and beliefs and join others to fight for a cause. They often emerge in response to injustice, for example the civil rights movement or more recently, the Arab Spring or the anti-Capitalist protest camps, and can lead to significant shifts in social attitudes to a range of issues such as smoking, diversity and the environment.

The model below, developed by Garrow and Cox (2010)³³ from a literature review, illustrates some of the key stages of translating a social movement into action, including the pitfalls in the lower half of the diagram and the enablers in the upper half. The four central building blocks of social movement are:

1. Values: 'framing' a persuasive message that resonates with individuals' values and experiences.
2. Identity: building a collective identity where individuals begin to feel part of something bigger.
3. Mobilisation: co-ordinating action through leadership, sound organisation and providing clear ways to participate.
4. Outcomes: demonstrating improvements from quick wins to longer-term beneficial change.

³³ Garrow V, Cox A and Higgins T (2010), *Large Scale Change: NHS Mobilisation*, NHS Institute for Innovation and Improvement.

Figure 7.1: The process of mobilisation for change - from values to outcomes

Source: Garrow and Cox (2010)

There are, of course, many pitfalls along the way. Cynicism is one of the biggest hurdles and change is too often seen as being orchestrated from the top for uninspiring reasons such as shareholder value or management fads. Any initial interest is often not converted into action through lack of ownership and engagement. Mobilisation requires solid organisation as well as passion and it is this delicate balance of leadership and groundswell that is difficult to achieve. Finally, as President Obama found after a first successful election victory, sustainable outcomes and evidence of change are vital if disillusionment is not to set in, leading to deeper cynicism or schisms and in-fighting.

It is unsurprising, therefore, that Ganz encourages us to learn the 'craft' of organising. We have experienced the dangers of getting it wrong too often over the past decade and our next chapter turns to the thorny issue of risk.

7.6 Working with evolving systems

When we change our thinking from 'organisation' to 'organising', it highlights that organisations are not complete historical objects, but are evolving in the living present. The organisation we experience in workplaces is continuously being formed by the interplay of what everyone in those workplaces, and others closely interconnected with them, are doing and not doing³⁴.

This view of organisations as complex, evolving systems raises some important questions for organisation design and would-be designers:

- **To what extent can we 'design' meaningful ways of organisation for evolving systems?** Any formal design, however good, can only be based on historical information. That means that it must always lag behind the current state of that organisation, and other organisations in its competitive landscape. The longer the design and its implementation take, the more we risk that our organisation and its competitors will have evolved, so that we are no longer tackling the most pressing issues.
- **What part does a formal 'design' play in the ongoing process of organising?** If the organisation we experience in the workplace results from what everyone is and is not doing, then any formal design only provides part of the picture, as we saw in the illustration on page 27. Professor Ralph Stacey, an expert on complexity in organisations, suggests that the organisation we experience in the workplace results from complex responsive processes of 'gesture' and 'response'. In Stacey's terms, the formally designed elements of organisation might be considered as gestures that we make, but the realised organisation design is the totality of gestures and responses. That realised design will be more complex and unpredictable.

The implications of working with evolving organisational systems for ODS include:

- **Experiment ('with' not 'on' people):** treat recipients of formal design as 'co-developers' and involve them much earlier in creating the realised design. This is not an easy option. Uncertainty tends not to be comfortable for people, and this means sharing the real uncertainty, when many people expect top managers and organisational designers to have answers for everything from the

³⁴ Stacey R (2007), *Strategic Management and Organisational Dynamics*, Pearson Education, edition 5, Harlow, Essex.

outset. Yet, this is an area where OD consultants who are skilled in process consulting can add major value.

- **Listen, pay attention, adjust:** counter-intuitively, trying ever harder to stay 'on plan' in implementing organisation design, can result in becoming further 'off plan'. The reason is that the organisational system is evolving, so sticking rigidly to a predetermined plan can result in surprising, unintended, and sometimes unwanted consequences. Instead, ODS needs to pay great attention to listening and learning from weak signals, and adjusting in order to maintain (or challenge) direction in an evolving landscape.

8 Design and Risk

In many places the palace had been built on shifting sands and so despite the thick walls giving some impression of strength, there was subsidence and the whole palace wasn't really very safe at all... the winds of change would blow in and the sands and foundations would literally shift.

According to interviews conducted by McKinsey with 300 executives in 17 major global companies, fewer than half of the respondents believed that their organisation's structure created clear accountabilities.³⁵

Risk provides a challenge for innovative organisation design as it has traditionally been managed through centralised control, multiple management layers and vigilant supervision. In efficient bureaucracies it was much easier to point to the person who should take the blame when things went wrong. Today it is often described as 'systemic' failure. In our palace some of the walls had become 'incredibly broad and thick' over time but this had only served to disconnect the various fiefdoms with some parts even becoming 'no go areas' and short cuts that were not consistently followed.

In the 1990s the move towards flatter organisational structures created broader spans of control for managers so that micro-management was no longer possible and it also meant fewer opportunities for coaching and support. It was a time for experimenting with organisational structures, business process re-engineering, decentralisation, outsourcing, matrix structures, lean systems. At the same time the shift to 'knowledge' work from manufacturing meant that output and its consequences was, in any case, less easy to patrol.

³⁵ Gibbs T, Heywood S, and Leigh W (2012), 'Organizing for an emerging world', *McKinsey Quarterly*, June 2012.

8.1 The bureaucracy/adhocracy swing

Margaret Wheatley³⁶ could be describing our palace as she reflects on the tendency to want to control and centralise:

Our organizations are strong complicated structures that are resistant to change, fearful of the future and we have built them that way deliberately. We built them that way to hold back the forces that seem to threaten their very existence. We are afraid of what would happen if we lose our grip.

Bureaucracy has, for some time, seemed unfashionable and out of step with new social realities. In his famous attack on bureaucracy in the Pentagon in 2001, US Defense Secretary, Donald Rumsfeld described a 'gridlock' similar to that found in our Palace,

In this building, despite the era of scarce resources, attacks by mounting threats, money disappears into duplicate duties, bloated bureaucracy, not because of greed but gridlock... With brutal consistency it stifles free thought and crushes new ideas.³⁷

A 2003 article in the Harvard Business Review³⁸ showed that successful companies that sustained marketplace advantage over time, implement structures that:

- eliminate bureaucracy
- simplify the environment, making it easy to work in
- promote cooperation and exchange of ideas and information
- put the best talent where the action is
- establish systems for the seamless sharing of knowledge.

Wheatley (op cit) believes that we confuse control with order:

In our desire to control our organizations, we have detached ourselves from the forces that create order in the universe. All these years we have confused control with order. So what if we reframed the search? What if we stop looking for control

³⁶ Accessed 19.4.13 at <http://www.margaretwheatley.com/articles/Wheatley-Chaos-and-Complexity.pdf>

³⁷ Accessed 3.4.13 at <http://transcripts.cnn.com/TRANSCRIPTS/0109/10/fen.02.html>

³⁸ Nohria, Joyce and Robertson (2003), 'What really works', *Harvard Business Review*, July.

and begin the search for order, which we can see everywhere around us in living dynamic systems?

Adhocracy was the proposed dynamic antidote to bureaucracy and described by Waterman³⁹ as any form of organisation that cuts across normal bureaucratic lines to capture opportunities, solve problems, and get results. Adhocracy thrives on diversity, is highly organic with little formalisation and fluid roles, often working through specialised teams. While adhocracies provide creative environments, however, the lack of formal systems exposes them to risk.

Recently, bureaucracy has once again been eloquently defended for putting in place safeguards, good governance and accountability. Former Cabinet Secretary, Gus O'Donnell, made a provocative and passionate plea in 'In Defence of Bureaucracy' on Radio 4, arguing that an efficient bureaucracy isn't only a symptom of a mature democracy but a fundamental prerequisite. Even the boundaryless proponents (see below) do not advocate the abolition of vertical boundaries but rather encourage 'healthy hierarchies'.

Going back to VISA, however, the chaordic design has proved a resilient alternative to what Hock saw as the concentration of power and wealth at the top. Founded on principles of equity, with power and governance distributed to the maximum degree and fully capable of self-generation, VISA has continued to function in the most extreme situations.

VISA espoused no political, economic, social, or legal theory, thus transcending language, custom, politics, and culture to successfully connect institutions and peoples of every persuasion. It has gone through a number of wars and revolutions, the belligerents continuing to share common ownership and never ceasing reciprocal acceptance of cards, even though they were killing one another.

The system has also proved capable of self-regulation, which has failed spectacularly in other organisational designs:

... the core of the enterprise has no knowledge of or authority over a vast number of the constituent parts. No part knows the whole, the whole does not know all the parts and none has any need to. The entirety, like all chaords – including those you call body, brain, and biosphere – is largely self-regulating.

The organic metaphors used by Hock remind us that many of the internal and external boundaries in our palace are artificial and limiting structures. They can be

³⁹ Waterman R H Jr (1993), *Adhocracy: The Power to Change*, WW Norton.

places where things fall between the cracks, or they can be very fertile areas for innovation and learning.

8.2 Boundaries

The quest to become more agile, knowledge-rich, learning organisations has led to re-designs that breach both internal and external organisational boundaries.

The concept of 'boundarylessness' was credited for the success of General Electric in the early 1990s, and was based on the belief that the traditional boundaries between layers of management (*vertical* boundaries) and between functional areas (*horizontal* boundaries) were stifling the exchange of information and diversity of ideas among employees. Meanwhile *external* boundaries were preventing collaboration with customers and suppliers and *geographic* boundaries divided its international operations and foreign markets. Jack Welch believed that rigid hierarchical structures would prove uncompetitive in a new fast-moving, information-centric, customer-focused business environment.

Research has found that teams often get 'stuck' working at internal interfaces in organisations⁴⁰. Using techniques in sensemaking and dialogue can help teams move on from that 'stuckness', but this takes time and therefore adds cost.

According to the 'boundaryless' writers such as Ashkenas et al⁴¹ key organisation design success criteria during the 20th century have been size, role clarity, specialization, and control. As the business environment changed through technology and globalisation, they identify new success criteria based on speed, flexibility, integration and innovation.

Crossing functional working to bring together multi-disciplinary teams, for example, has become an important element in innovation, particularly in R&D teams. But secondments, external learning sets, leadership exchange groups, partnership projects, stretch assignments, volunteering schemes all offer new channels for the flow of knowledge and ideas.

Crossing external boundaries through 'clustering' talent is another means of stimulating innovation. Silicon Valley is the prime example of co-locating similar organisations that benefit from the cross-fertilisation of ideas and knowledge

⁴⁰ Bromley M (2011), 'Working at the interface - pausing to talk', *e-Organisations & People*, Vol. 18, No. 4: 10-16.

⁴¹ Ashkenas R, Ulrich D, Jich T and Herr S (1998), *The Boundaryless Organization*, Jossey-Bass, San Francisco.

sharing. But there are other examples, where symbiotic relationships between complementary industries are enabled through co-location. China has several long-term programmes to attract large talent clusters in order to strengthen local development, bringing together a mix of overseas and local talent with expertise ranging from science and technology to management and finance.

The ability to cross boundaries successfully, however, requires an organisation design that fosters and values collaboration and an organisational culture that is open to sharing and investing time in relationship building. We have already seen in Chapter 6 that restructuring can inadvertently disrupt informal clusters and communities of practice.

Meanwhile, crossing vertical boundaries has helped to push responsibility further down the hierarchy so that decisions can be made closer to the customer ensuring the organisation is more responsive, resolving customer issues speedily. There is an inevitable trade-off, however, between decreasing levels of supervision and risk and a requirement for clear guidelines and parameters.

There may also be a tendency to seize back control when the going gets tough. Christine Lloyd⁴² has experienced the need to adapt practices at the boundaries in such an environment.

During turbulent times, there are cries for simplicity and streamlining. My experience is that the opposite is often true and, that in times of turbulence and disruption, there is often the need to display courage to open up the organisation and expose it more directly to the volatility that is taking place, rather than to retreat into rationalisation and safety. This also has implications for the need to adapt the governance, risk and decision-making processes at the boundary as conditions become more volatile, as exemplified by the recent financial crisis. (p27)

8.3 Systemic failure

We have become used to hearing about ‘institutional failure’ where often no individual assumes the blame or people feel they have been made scapegoats. Inappropriate organisational cultures have featured strongly in the press over the past few years: BP’s ‘performance-driven culture’ for the 2009 Gulf of Mexico disaster; a ‘bonus culture’ for the 2008 credit crunch; a ‘culture of waste’ in MOD procurement during the 2010 strategic defence review; a ‘target culture’ in the

⁴² Lloyd C (2011), ‘Organisation development in a complex world’, *e-Organisations & People*, Vol. 18, No. 4.

NHS for the mid-Staffordshire scandal, and a 'claiming culture' in Westminster during the MPs expenses scandal. With the Press, the Police and the BBC joining the ranks of discredited institutions, we can conclude that many of our 'systems' now need urgent attention.

In his damning critique of Enron and McKinsey, Malcolm Gladwell⁴³ highlights the importance of the system over the individual,

They believe in stars, because they don't believe in systems... But companies work by different rules. They don't just create; they execute and compete and coordinate the efforts of many different people, and the organizations that are most successful at that task are the ones where the system is the star... They were there looking for people who had the talent to think outside the box. It never occurred to them that, if everyone had to think outside the box, maybe it was the box that needed fixing.

In particular he criticises Enron's 'open market' system for hiring, which he describes as 'McKinsey's assault on the very idea of a fixed organization'. Anyone could apply for any job that he or she wanted, and no manager was allowed to hold anyone back. Poaching was encouraged, leaving other areas of the business at risk.

Systems, then can fail because they are held in contempt by the superstars but if we return to Oshry's system blindness (see Chapter 4) we can see that that they can also become blind, locked into the 'dance of blind reflex' were 'tops', 'middles', 'bottoms' and customers perpetuate a state of inertia.

Jake Chapman⁴⁴ argues similarly that system failure occurs when an organisation is unable to deal with complexity through learning. Typically people cannot appreciate other people's perspectives or the bigger picture; people are promoted because they 'know best' and can't be challenged.

And within Whitehall there is a sense that people there know best – if only because to be a senior civil servant in Whitehall one has to outshine one's peers. Knowing best not only closes the door to learning, it also closes off the possibility of understanding other perspectives... Systemic learning requires people to be willing to work jointly with those who have other perspectives, but most importantly it requires those involved to reflect on the outcome of their actions and modify their behaviours, beliefs and interventions on the basis of that reflection.

⁴³ Gladwell M (2002), 'The Talent Myth', *The New Yorker*.

⁴⁴ <http://www.demos.co.uk/files/systemfailure2.pdf?1240939425>

Opportunities for learning and reflection, therefore, need to be at the heart of organisation design and its implementation.

8.4 Minimising risk during change

Risks are inevitably greater during periods of change as things slip between the organisational cracks and networks are disrupted. We indicated in Chapter 6 the importance of managing the transitions.

Some of those risks to the system can be identified before the transition begins. Christine Lloyd⁴⁵ suggests that:

Networks can be consciously designed to cope with situations where parts of the network may suddenly disappear (such as downsizing or de-merger)... The removal of certain key roles/activities/functions from an organisation may require the remaining parts of the network to be more densely connected or connected in a different way. When organisations go through periods of reduction there is a need for the remaining organisation to connect more strongly with itself. (p25)

Both Wheatley and Lloyd favour enabling self-organisation supported by strong connectivity. If space and time is allowed to support and encourage reflection, learning, openness and adaptability, those risks that emerge during the transition are identified through a process of evaluation, sense-making and problem solving.

While planning and project management approaches to ODS try to reduce complexity, they inevitably rely heavily on linear, cause and effect thinking. While we said at the start it is good to have a plan, perhaps it is more a compass indicating the direction of travel. Chapman (op cit) likens it to throwing a bird rather than a stone. In the realm of policy making, which we believe share many features of ODS, he recommends some 'combination of holistic and reductionist thinking'. He cites Schön who argues that as we lose the 'stable state' we must:

... become adept at learning. We must become able not only to transform our institutions, in response to changing situations and requirements; we must invent and develop institutions which are 'learning systems' that is to say, systems capable of bringing about their own continuing transformation. (p62)

⁴⁵ Lloyd C (2011), 'Organisation development in a complex world', *e-Organisations & People*, Vol. 18, No. 4.

8.5 Designing for efficiency or survival?

A further area of risk comes from the meta-strategy guiding organisation design. There may be trade-offs between designing for efficiency now (exploiting current capabilities) and designing for longer-term survival (exploring new possibilities).

Following a strategy of exploitation may help an organisation become more effective and efficient in the short term, but may be self-destructive in the long run⁴⁶ as conditions change. Professor Peter Allen's⁴⁷ work makes a strong argument for 'excess diversity' which encourages exploratory learning. His work shows that long-term survival is more likely for organisations that follow a learning strategy. However, enabling excess diversity and exploratory learning may sacrifice some short-term efficiency.

The obvious conclusion is that we need to design for both short-term efficiency and longer-term survival, yet this may not be straightforward. James March⁴⁵ points out that there are often 'complications in allocating resources between the two' strategies.

Our next chapter considers the physical space of an organisation. It remains relevant to risk as it influences how people share information, build relationships and their ability to see the bigger picture and pick up warning signs.

⁴⁶ March J G (1991), 'Exploration and exploitation in organizational learning', *Organization Science*, Vol. 2: 71-87.

⁴⁷ Allen P M, Strathern M and Baldwin J S (2006), 'Evolutionary drive: new understandings of change in socio-economic systems', *Emergence: Complexity & Organization*, Vol. 8, No. 2: 2-19.

9 Nomads, Settlers and Physical Space

Some parts of the palace had gatekeepers or even guards at their entrance and the folks inside even had different standards, banners and tunics or wore different hats for different occasions... If and when people did look out from the battlements they might have seen their enemies camped and often in Bedouin-like tents of various sizes and styles... they might have been surprised how spacious and comfortable these tents actually were on the inside, despite seeming fairly simple from the outside.

Although there has been a trend to virtual and mobile working, the physical office remains an important aspect of working life for many people and has an impact on relationships and knowledge sharing. The use and ownership of space can become an important component of organisation design from reducing the trappings of hierarchy to co-locating or connecting multi-disciplinary and project teams.

Open plan working and hotdesking are two important examples of ways organisations might seek to change the culture, make use of the space more productively and connect up the organisation in new ways.

9.1 Workplace designs

Office space has traditionally been a strong indicator of status – office size, carpets, parking space, executive dining area, proximity to senior leaders, etc. With a new emphasis on communication and teamworking, open plan working responded to the need for greater information sharing and transparency.

In 1962, a British architectural student, Frank Duffy, was tasked with sketching an office layout. He found a new open office workplace design that had become popular in Germany (Burolandschaft) as a reaction to Nazism. It was a design he described as organic and he admired the layout that ‘was based upon an intensive

study of patterns of communication – between different parts of the organisation, different individuals’.⁴⁸

Open plan working has offered mixed blessings but, as Becker and Simms⁴⁹ note, ‘it is like using “meat” to describe everything from hot dogs to filet mignon’. They argue that successful open plan design requires a clear understanding of the nature of the work, employee involvement in the design and OD support to embed cultural change.

Hirst⁵⁰ has investigated the sociology of space in hotdesking. Her subject organisation was a ‘conceived space where the enduring sets of relations sought through its architectural design involve both universal mobility and high levels of interaction’. She found that the design inadvertently produced ‘an emergent sociospatial structure distinguishing settlers and mobile workers’:

Therefore, in the new ‘hierarchy’ created by the split between settlers and mobile workers, those who complied with the official policy of mobility appeared to be disadvantaged, both practically (through ‘faffing about’) and emotionally (through the periodic tension arising from the competition for space).

Different physical organisation designs do bring about changes, some of them unanticipated and, as Duffy concluded, the design is easy, it is what you do with it that is more difficult.

9.2 Better... together

In 2010 IES undertook a case study of the Health and Safety Executive’s (HSE) move from a split HQ to a single site in Bootle⁵¹. *Better... Together* is the story of a small internal team who championed the people and cultural aspects of change during and after the relocation. The move to a single headquarters provided an opportunity to consider the organisation’s identity. Redgrave Court in Bootle was still itself relatively new with staff having relocated in 2006 from various local offices. There was still a tendency for Directorates to work in silos in the new

⁴⁸ From an article accessed at <http://www.bbc.co.uk/news/magazine-21878739>

⁴⁹ Becker F and Sims W (2001), *Offices That Work: Balancing Cost, Flexibility, and Communication*, Cornell University.

⁵⁰ Hirst A (2011), ‘Settlers, vagrants and mutual indifference: unintended consequences of hot-desking’, *Journal of Organizational Change Management*, Vol. 24, No. 6: 767-788.

⁵¹ Garrow V (2010), *Better... Together*, IES.

building and little sense of collaboration or taking full advantage of being part of a diverse organisation.

A key part of *Better... Together*, therefore, was to use the physical space of the Bootle premises to support a more integrated culture. Redgrave Court, offers a large central space known as 'the street', whose appearance was somewhat stark but with the potential to become a central meeting place for social and business needs. The Estates Management Team was a key partner in making the surroundings more attractive and conducive to sharing and networking. Following staff suggestions, clusters of sofas and tables are now situated down the length of this area and are regularly used along with the adjacent coffee area, 'the Deli', for both formal and informal meetings. In 2009 a 'street' mural was commissioned to celebrate HSE's role in creating safer, healthier workplaces and the 'street' is now regularly used for social, charitable and business events.

Yahoo would clearly agree with this approach. A memo to staff banning them from home working, argues:

Some of the best decisions and insights come from hallway and cafeteria discussions, meeting new people, and impromptu team meetings... We need to be one Yahoo!, and that starts with physically being together.⁵²

Google's CFO also has sympathy for the office according to the same article. 'There is something magical about sharing meals,' Pichette explained. 'There is something magical about spending the time together, about noodling on ideas.'

It also seems that Gen Y, while enjoying flexibility also like the workplace. In a survey in Harvard Business Review⁵³ 48 per cent say having a network of friends at work is very important.

Working in teams is a top motivator for Gen Y employees. They love to connect with others and enjoy working in offices that are open and conducive to socializing and they want people, even bosses, to be readily accessible... the desire to work remotely is tempered by Ys' and Boomers' love of teamwork and community (p4).

So in spite of all the technological changes, does our 'palace' still have a role to play in today's organisational designs? A space to bring people together is important but as we heard in our story, the tents could also be very comfortable

⁵² Accessed 22.4.13 at <http://www.bbc.co.uk/news/magazine-21588760>

⁵³ Hewlett S A, Sherbin L and Sumberg K (2009), 'How Gen Y & Boomers will reshape your agenda', *Harvard Business Review*.

inside. McKinsey⁵⁴ describe virtual headquarters in similar terms to the Bedouin tents:

So we see a growing number of companies creating a global 'virtual headquarters,' in which vision-setting and coordinating activities and centers of excellence are placed in different areas around the world: global procurement may be located in a geography quite different from that of, say, global talent. Thus companies can move headquarters activities closer to high-priority markets without having to shut up the home headquarters.

Ultimately it may come down to: management capability in understanding the needs of a virtual workforce, clarity in setting objectives and how to manage performance; 'connectivity' – the ability of the organisation to connect and share information; geographic reach and spread and whether skills are available locally; organisational culture; and employee profile. The use of space, however, should not be overlooked in the ODS process.

⁵⁴ Gibbs, T Heywood, S and Weiss L (2012), 'Organising for an emerging world'. *McKinsey Quarterly*, June.

10 Managing a Re-design

Inevitably major re-builds were difficult to manage to time and budget, needed a lot of equipment to do it safely, and usually caused quite a bit of disruption or damage to other parts of the palace.

10.1 Approaches

There is no shortage of consultancy and online support in project and change management. However, it is also important to choose a methodology and toolkit that are culturally acceptable for the organisation and resonate with organisational values and for which there is adequate internal capability. In practice this probably involves a combination of planning and emergence, top-down and co-design.

10.1.1 Managing the project

It is undoubtedly useful in any form of change initiative to have a map or at least a direction of travel. Project management methodologies allow for a planned, staged, approach with identified milestones and deliverables and built-in review points.

One example is the 'OPTIMAL' design approach⁵⁵ which stands for:

- Outline the brief.
 - Pull together the programme.
 - Take stock of the change required.
-

⁵⁵ Cichocki P and Irwin C (2011), *Organization Design: A guide to building effective organisations*, Kogan Page.

- Identify the assessment criteria.
- Map the design options.
- Assess the alternatives.
- Lay out the way forward.

This overview of project milestones of course disguises a multitude of decisions to be made about framing the content (the tasks involved) and balancing those tasks with a suitable process and underlying principles (how the design will be achieved).

10.1.2 Learning from the design sciences

Over recent years there has been a lot of interest in 'Design Science', which takes learning from other fields of design and applies it to ODS and OD. Bevan et al⁵⁶ pull together four stages of 'thinking like a designer':

1. **Reflection, analysis, diagnosis and description:** looking back, knowledge harvesting – establishing and codifying what we know.
2. **Imagination and visualisation:** looking forward, hypothesis formulation, imagining what may be possible.
3. **Modelling, planning and prototyping:** knowledge exploitation – through prototyping and testing coming up with something that might work.
4. **Action and implementing:** intervention – building and testing (p140).

Experience-based design (EBD) has been particularly influential in re-designing services such as care-pathways and is based on co-design in partnership with staff and customers/users/patients⁵⁷. A key part of the methodology is to capture the experience and feelings of patients and staff through stories, leading to service improvements.

⁵⁶ Bevan H, Robert G, Bate P, Maher L and Wells J (2007), 'Using a design approach to assist large-scale organisational change: 10 High Impact Changes to improve the National Health Service in England', *Journal of Applied Behavioral Science*, Vol. 43, No. 1: 135.

⁵⁷ NHS Institute for Innovation and Improvement (2009), *The EBD Approach: experience based design*, ISBN 978-1-906535-83-4.

Co-design is about getting the right people, setting up the right structures, the right events and being organised. In this respect it is the same as many improvement or redesign initiatives. (p35)

Galbraith⁵⁸ also believes the future of ODS is to build customer centric organisations:

The paradox here is that good ODS will simplify and grease the skids of customer-facing processes, but will also make the organisation more complex by introducing the customer-focused groups, networks and relationships underpinning social capital. This is the future of organisational design.

10.1.3 Applying a positive lens

Appreciative Inquiry (AI) offers an additional process lens to ODS and Avital et al⁵⁹ argue that the combination of ‘a positive lens on organising with the transformative power of design thinking opens new horizons and uncovers previously overlooked possibilities for creating organisational and social well-being’. The four Ds of AI (Discover, Dream, Design and Destiny) offer a structured method for collaborative inquiry into discovering the best in organisations, dreaming what might be possible if the organisation were always at its very best, designing ways of delivering the dream and moving to implementation.

10.1.4 Mapping the territory

At the content end of the spectrum is the scientific approach, which will appeal to teams that like certainty and clarity. Elliot Jaques⁶⁰, the Canadian psychoanalyst has been influential in advocating the ‘requisite organisation’ – a scientific, whole system approach to:

- matching employee capability to job complexity
- appropriately spacing employees’ capability with that of their managers to improve leadership and communication

⁵⁸ Galbraith J R (2005), *Designing the Customer-Centric Organisation: A guide to strategy, structure and process*, Jossey-Bass, San Fransisco.

⁵⁹ Avital M, Boland R J and Cooperrider D L (eds) (2008), *Advances in Appreciative Inquiry Volume 2: Designing Information and Organizations with a Positive Lens*, Elsevier Science: Oxford. (Preface accessed 20.06.13 at http://www.avital.net/DC/AAI_vol2_intro.pdf)

⁶⁰ A link to Elliot Jaques website can be found in our resources section.

- ensuring the right number of organisational layers
- explicitly defining managerial authority and accountability
- explicitly defining managerial leadership processes
- explicitly defining cross-functional working relationships
- matching compensation to job complexity.

At the process end of the spectrum there are new social technologies such as 'Holacracy'⁶¹, described as 'a living system for evolving organisational structure', which 'radically changes how an organization is structured, how decisions are made, and how power is distributed'. Holacracy claims to replace the top-down predict-and-control paradigm and transform:

- **Culture:** Moves beyond 'all about the people' to 'all about the purpose'.
- **Structure:** Gets the benefits of an organic structure without artificial hierarchy.
- **Decision-making:** Gives everyone a voice, in a rapid, purpose-driven process.
- **Discipline:** Gets deep business discipline without compromising values.
- **Purpose:** Helps the organisation wake-up and pursue its own calling in life.

10.1.5 Testing the design

Learning from the design sciences suggests an important stage in the process is testing or prototyping. Ashridge⁶² recommend nine practical tests for an organisation design which include four 'fit' tests:

- *The market advantage test:* allocates sufficient management attention to the operating priorities and intended sources of advantage in each product-market.
- *The parenting advantage test:* allocates sufficient attention to the intended sources of added-value and strategic initiatives of the corporate parent, if relevant.
- *The people test:* adequately reflects the motivations, strengths and weaknesses of the available people.

⁶¹ www.holacracy.org

⁶² Goold M and Campbell A (2002), 'Nine Tests of Organisation Design', *The Ashridge Journal*, Summer.

- *The feasibility test*: takes account of the constraints that may make the proposal unworkable.

To these essential outputs they add a further five advanced set of tests relating to how well the design: protects specialist cultures from the dominant culture; overcomes difficult links in coordination (ie the trade-off between specialisation and coordination); ensures appropriate unit responsibility; ensures the hierarchy adds value and responsibility is otherwise devolved; and the organisation is flexible enough to adapt. Inevitably there are trade-offs but the tests provide an opportunity to raise the issues and surface the debate.

PWC⁶³ argue that every design should be evaluated against a set of key organisational principles and suggest 10 that they claim apply to any work, decision structure at any level, no matter what the design:

- enable strategy
- leverage people
- contain cost
- operate within constraints
- eliminate difficult links
- protect critical specialists
- optimise hierarchy
- clarify decision rights and responsibilities
- strengthen accountability
- improve innovation and flexibility.

Once the design has passed its tests and is deemed to meet the established criteria and principles, it is ready to move into a transition phase.

10.1.6 Transition - making a design a reality

It is important to remember that organisation re-design is a change process. When it comes to making a new design a reality, therefore, in addition to the mechanics

⁶³ PWC (2009), 'Key principles of organization design: diagnosing issues in a company's structure', *Point of View*.

of implementation, it is helpful to think about engaging employees and supporting psychological processes of transition⁶⁴.

Transition in ODS, therefore, can be helpfully thought of as implementation plus change.

TRANSITION = IMPLEMENTATION + CHANGE

This provides a reminder of the 'hard' and 'soft' aspects of successful transition, since both are important. Table 10.1 gives some examples:

Table 10.1: 'Hard' and 'soft' aspects of transition

'Hard'	'Soft'
Communications plan - when/how to engage with all stakeholders	Ongoing communication and engagement
HR tools and processes eg job role profiles, recruitment/severance plans	Coaching and mentoring
Skills training	Supporting personal and psychological aspects of change and transition
Risk management plan	Managing 'survivor syndrome'
Monitoring and feedback mechanisms	

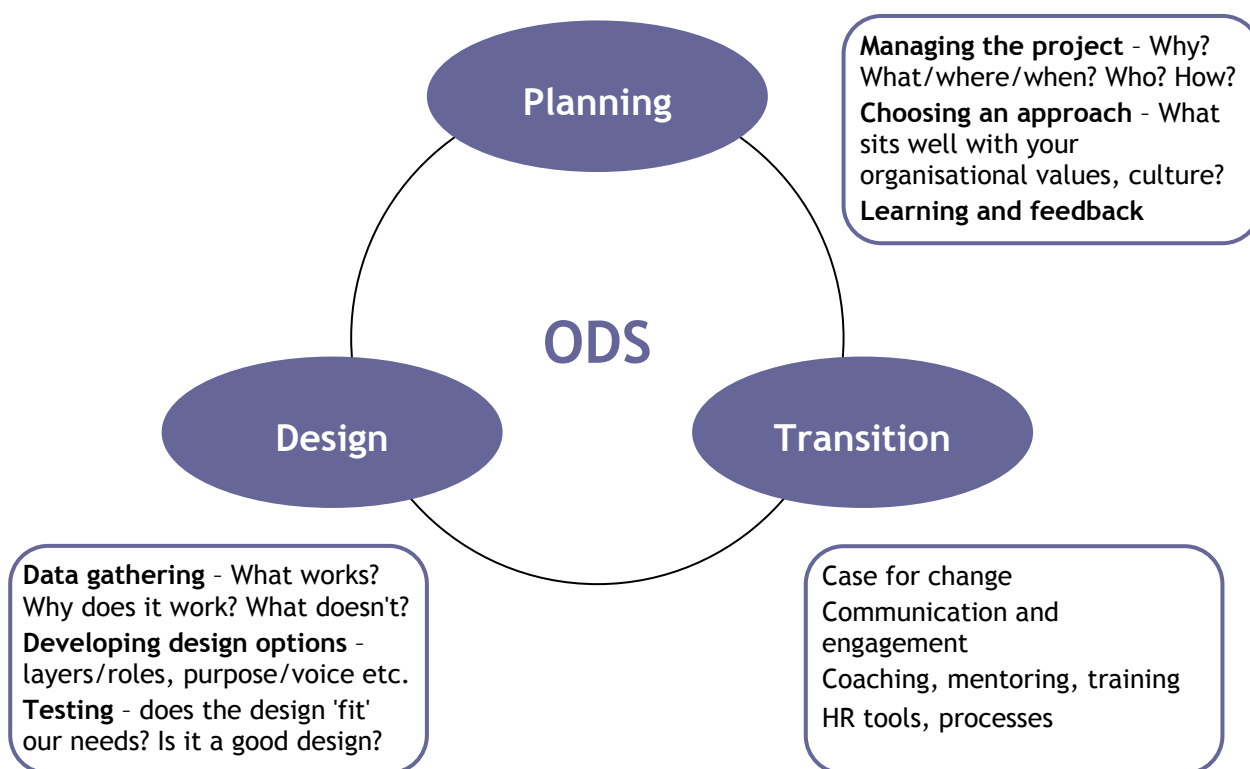
10.1.7 Bringing it together

In practice, there are three main components of organisation design: planning; design and transition. We believe they work as a three-legged stool. By that, we mean that we need to pay attention to all three if we are to have a solid and stable re-design process.

⁶⁴ Bridges B (2003), *Managing Transitions: Making the Most of Change*, Nicholas Brealey Publishing, edition 2, London.

Figure 10.1 illustrates the three-legged stool of ODS and highlights key issues and questions raised in earlier sections in this chapter.

Figure 10.1: Planning, design and transition - the three-legged stool of ODS



It can be helpful to think of planning, design and transition as three sequential phases of ODS. Yet, in practice, they are intertwined.

While 'planning' is often frontloaded in an ODS timeline, learning from 'design' and 'transition' may provide vital feedback to help us refine our plans. Due to the complexity of ODS, we find it more helpful to think of planning as a dynamic process which is informed by practical learning⁶⁵. While it is important to accept that plans may change, we believe that planning remains an important component of ODS. Without it, it is all too easy to dive into the 'what' of design without working through fundamental questions of 'why' and 'how'. We also find it useful to make sure we have practical mechanisms in place to help us learn during a re-design process.

⁶⁵ Varney S (2013), *A Complexity Perspective on Organisational Change: Making sense of emerging patterns in self-organising systems*, Unpublished doctoral thesis, Henley Business School, University of Reading.

‘Transition’ can sometimes feel like an afterthought in ODS projects. As we argued earlier (Chapter 6), we need to take transition seriously. We believe that the earlier we pay attention to transition, the better. No matter how good your on-paper design, it is the ‘realised design’ that occurs from what everybody is and is not doing that enhances (or not) the effectiveness of an organisation.

Within this framework, we have only touched on a few of the choices available when deciding how to approach ODS. In addition to these are the many tools and techniques available to support the various approaches. In the Resources section at the end we have included a link to a comprehensive toolkit that should prove useful in choosing a suitable set of tools and techniques. Our next chapter summarises some of the thinking we have introduced in this report and suggests related conversations that will also help you on the way.

11 Summary: Some Useful Conversations

While we have pointed to some tools and techniques, as we said at the start, this report has not been a 'how to' of ODS. Rather it has tried to set the stage with some thinking that might influence how you approach a re-design. How do you see the world, the future of work and organisations? Where have our institutions gone wrong recently and how has such high profile institutional failure been allowed to happen? How can we balance the need to manage risk and demonstrate accountability with the autonomy and freedom required to innovate without the need to fear failure?

When we come to implementation, it is easy to think of people as figures on a spreadsheet who stay put when moved into a different cell and to assume that all decision making is logical. We need to take into account new social and generational aspirations, the influence of power and politics and the need for transparency and fairness. If we think of organisations as living systems, we have to take into account that most systems change through evolution or a step change in the environment, not constant tinkering by the creator. We have therefore tried to stimulate thinking about the power of metaphors, relationships, politics and complex, self-organising behaviour.

Drawing on each of the report sections, here are some suggestions about the conversations that might prove useful as you work through an organisation design:

Chapter 3: Designing, re-designing or something else?

- Do we have a clear business case for a re-design?
- Have we investigated and eliminated all other possible solutions?
- Do we have some clear terms of reference?

- How can we build in OD support for behaviour and culture change where required?

Chapter 4: Models, metaphors and language

- What are our current metaphors in use?
- Do we see our organisation as a machine, a family, a jungle or a theatre?
- Do we have a metaphor to describe the new organisation?
- How might our language impact the way change is received/made sense of?

Chapter 5: Productive relationships

- How will relationships change?
- Will re-structuring damage important informal knowledge-sharing networks?
- Will job re-design be experienced as meaningful to staff and result in higher engagement?
- Where are the hotspots likely to be?

Chapter 6: Dealing with complexity

- What can we learn from complex adaptive systems?
- Are we reducing unproductive complexity in the new design?
- How will we reconcile design with self-organising, emergent change?
- How can we interrupt patterns of behaviour to avoid people 'rebuilding the palace from the rubble'?

Chapter 7: From 'organisation' to 'organising'

- How can we transform individual interests into common concerns?
- What are the 'pull' factors that will encourage current/new ways of working?
- How can we involve customers as co-developers?
- What values do we hold, what interests do we share?
- How can we experiment and involve recipients as co-developers?
- Are we committed to listen, learn and adjust as we go along? Do we need any processes to help us do this better?

Section 8: Design and risk

- Have we adequately evaluated the risks of the new design?
- Is there sufficient accountability in the system?
- Is sufficient management attention given to key priorities?
- Will the organisation be reliant on stars or systems?
- Under what circumstances might 'systemic failure' occur?
- How can we balance innovation and manage risk?
- How can we balance exploitation and exploration? What trade-offs are we willing to make to short-term efficiency in service of longer-term survival?

Chapter 9: Nomads, settlers and physical space

- What impact does our physical space have on culture and behaviour?
- How might we use the space differently to support greater connectivity and cultural change?
- What are our beliefs about the benefits of virtual working?
- What needs do our employees have?

Section 10: Managing a re-design

- What will be our approach to managing design?
- What approach would be culturally acceptable and sit well with our values?
- Do we have sufficient internal capability?
- If not how will consultants work with internal people?
- Have we involved the right people in the right way – customers, staff, stakeholders?
- Have we paid sufficient attention to Planning, the Design and the Transition?
- What tools do we have access to?

Resources

Websites

- www.naomistanford.com
- www.changinglikeariver.blogspot.co.uk
- http://www.jaygalbraith.com/index.php?option=com_content&view=article&id=32&Itemid=167
- <http://isites.harvard.edu/icb/icb.do?keyword=k2139&pageid=icb.page60814>
- www.holacracy.org
- <http://www.requisite.org/roii-library/our-library.html#articles>
- <http://www.powerandsystems.com/resources-a-thought-starters/articles.html>
- <http://www.cipd.co.uk/cipd-hr-profession/hr-profession-map/professional-areas/organisation-design.aspx>

Articles

- Special Issue on OD and Design Sciences (2007), *Journal of Applied Behavioural Science*, 43, <http://jab.sagepub.com>
- www.mckinseyquarterly.com various articles (including):
 - The adaptable corporation, 2006
 - The role of networks in organisational change, 2007
 - The 21st-century organization, 2007
 - Better strategy through organizational design, 2007
 - Organizing for an emerging world, 2012

- <http://www.margaretwheatley.com/articles/largescalechange.html>
- <http://iwsp.human.cornell.edu/publications-464.php>

Video

- <http://www.youtube.com/watch?v=LhCoz5hMhTI>: A conversation with Marshall Ganz.

Books

- Cichocki P and Irwin C (2011), *Organization Design: A guide to building effective organisations*, Kogan Page.
- McMillan E (2002), 'Considering organisation structure and design from a complexity paradigm perspective', in Frizzelle G and Richards H (eds), *Tackling Industrial Complexity: the ideas that make a difference*, Cambridge, UK: Institute of Manufacturing, University of Cambridge, pp. 123-136.
- Morgan G (1996), *Images of Organization*, Sage Publications.

Useful Tools

- For ideas on useful tools, documentation and processes the Department of Public Service & Administration, South Africa has a comprehensive Organisational Design Toolkit (accessed 20/06/13 <http://www.info.gov.za/view/DownloadFileAction?id=127072>). Tools are grouped under various stages of ODS:

Problem Identification	Business excellence model Burke-Litwin model Root cause analysis Brainstorming Pareto analysis Cost of poor service delivery Fault tree analysis SWOT 7S model Dependencies map
Strategic context and performance analysis	Determine critical success factors Value driver analysis Business focus matrix Service drivers review Benchmarking SWOT analysis of the critical success factors Critical success factor/key performance factor vs behaviour analysis Stakeholder requirement analysis Gap analysis
Case for change	Success indicator definition Structure questionnaire Design principles
Determining capacity requirement	Backward process analysis and engineering (SIPOC) Customer requirements analysis Process health check criteria Business process maps Quick structured map Process analysis and optimisation Dependencies map Process requirements matrix External requirements analysis Risk analysis Service capacity planning Organisational capability analysis Behaviour enabler identification Behaviour/structure analysis framework Structure constraints review Maturity analysis Structure assessment questionnaire

Organisational architecture	Structure gap map
	Structure selection matrix
	Governance structure requirements matrix
	Benchmarking
	Behaviour/structure analysis framework
	Culture Print
	Industry best practices
	Organisational charts
	Structure assessment questions
Role design	Staffing norms table
	Full-time equivalent calculation
	Single-column process chart
	Management span of control: diagnostic grid
	Group size effect chart
	Job description templates
	Position impact analysis
	RACI analysis
	Work synthesis
	Work process analysis
Business case planning	Business case template
	Cost of poor service
	Cost-benefit analysis
	Activity-based costing
	Costing tool
Implementation planning	Implementation options
	Stakeholder influence analysis
	Force field analysis
	Dependency analysis template
	Impact analysis
	Risk analysis
	Costing tool
	Implementation plan
	Burke-Litwin model
Implementation	Implementation plan
	Structure issues log
	Progress report
Monitoring and evaluating	M&E framework
	Monitoring and evaluation planning template
	Monitoring and evaluation report template

Change management

- Change strategy checklist
- External requirements identification
- Real-time strategic change (RTSC) methodology
- Framework for consultation
- Framework for selling case to key decision makers
- Checklist - obtaining approval from Executing Authority
- Leadership/sponsorship alignment
- Communication planning matrix
- Force field analysis

Project management

- Implementation schedule
- Review checklists
- Progress report templates
- Impact analysis

The Palace

Perspectives on Organisation Design

V Garrow, S Varney

Based on 'The Palace' by David Stephenson

When organisations grapple with a challenging and changing economic and social environment, it is sometimes evident that some re-modelling, or even a fresh start, is needed to sweep away old structures and clear out obsolete processes and procedures. Against a backdrop of systemic failures and loss of trust in some of our best respected institutions, Organisation Design is high on the agenda.

This report uses the story of an old palace to consider the challenges of design in a complex and highly connected world, where organisations are expected to be agile and innovative, work globally in a seamless way, and continually 'engage' talented employees through an attractive employer brand. It explores the move from 'organisation' to 'organising' and the delicate balance between designing to innovate while managing risk.

**Institute for
Employment Studies**

Sovereign House
Church Street
Brighton BN11UJ

Tel: +44 (0) 1273 763400

Fax: +44 (0) 1273 763401

www.employment-studies.co.uk

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