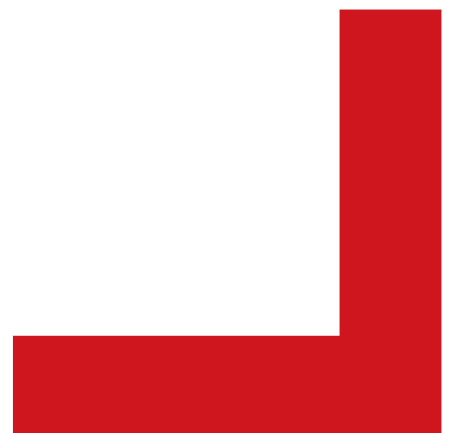# Hey CHROs, Are You Considering Delivering Organization Design Solutions for your Business?

Mark LaScola & Peter Turgoose

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Introduction

The adage, "re-inventing sliced bread" conjures up all kinds of images and musings. It applies perfectly to the build or buy decisions facing CHRO's when it comes to providing organization design solutions across their company. CHROs must make two significant build or buy decisions:

1. **Decide whether to use external resources (consultants) or internal resources.**
2. **If internal, decide whether to build your own organization design solution or buy one.**

Of course, an answer to each question above sets up other questions that need to be answered and solved. But before we address those questions and potential resolutions, let's take a step back.

Being Clear on What Organization Design Is and Is Not

Organization design is a complex business solution involving the complete re-design, implementation and governance of an operating model that fits with an intended business direction and strategy. It goes well beyond people in jobs and their reporting relationships. Unfortunately, for the uninformed, the latter is what is often mistaken for organization design.

An **operating model is required** in any business to bring the business model to life. To modernize or change an operating model holistically, not piecemeal, requires an organization design solution. An operating model consists of all technical and social elements of a business from its strategy through culture including:

1.   Business strategy and its differentiation,
2.   product and service offerings,
3.   the customer experience,
4.   organizational values, behaviors and culture
5.   end-to-end value creating work and decisions,
6.   bounding of work and decisions,
7.   core roles and jobs,
8.   glue and governance mechanisms,
9.   management roles and mechanisms,
10.   technology and digitalization,
11.   standard HR processes along the employee life cycle.

Organization design incorporates over 50 years of documented, empirical science and proven best practices from behavioral- and neurosciences, industrial engineering, human factors, and business alike. Having emerged in the 60s and 70s, organization design is maturing into a recognizable and highly sought-after management intervention particularly in the last 10 years. The importance of this point will become even more apparent as you read in "Build or Buy Decision 2."

Differentiating organization design solutions from other management interventions such as agile, digital transformations, de-layering, restructuring, and strategic design, etc.

It is quite common to confuse various HR and management interventions such as technology innovations, digital transformation, Agile, restructuring, management level reductions, span of control optimization and organization chart changes with organization design. While these interventions impact parts of an operating model, these interventions are not organization design themselves and quite often end up fragmenting or sub-optimizing an operating model.

Case in point, most large consulting firms in their approach to "organization design" start with management roles, shape, and spans of control. This is not an organization redesign. It's merely a restructuring and de-layering – nothing more. Equally, consider the many technology companies who offer digital transformations. The authors contend there is no such thing as a digital transformation – only operating model transformation driven by the likes of digitalization, customer centricity, etc. You might want to think twice about having a technology company redesign your operating model.

While many boutique organization design firms and individual practitioners focus on parts of organization design such as strategic design, prototyping concepts, or game playing as a method to stimulate conceptual thinking, most stumble their way through the critical pathing of key decisions and steps unknowingly or knowingly missing entire chunks of design work. Much less even consider what it takes to govern a new operating model once it's in place. Taking the time to complete the set-up, design, implementation, and governance of a new operating model is key as well as bringing key stakeholders with you all along the way.

Build or Buy Decision 1: Use internal or external resources (consultants) to deliver.

As stated earlier, organization design is a complex business solution and a skill set not easily learned. If a CHRO decides to use internal resources to deliver organization design solutions, the next questions they must address is:

Do we have the skill and competence in-house to deliver organization design solutions?

If the answer is 'no' then skill development is in the future cards. At OTM, we have trained and developed over 5,000 internal change agents in organization design. It is our experience that the level of competence and confidence required to successfully deliver organization design solutions 90% of the time will not be met over the course of a three-day workshop.

Organization design skill development must entail knowledge gain, application, practice, feedback, and support over time. This is the power of the 10/20/70 model of development used by OTM. The "10" is classroom and online training, "20" is coaching and mentoring and "70" is real time application. If you choose to use internal resources to deliver organization design solutions then consider:

1. **Go way beyond classroom development.** Development must be a combination of classroom/online "training" coupled with coaching, mentoring, virtual and real-time observation of work coupled with support for the individual/team to gain the skills and confidence needed to achieve tangible and sustained results.

2. **Use real projects or relevant case studies** as the learning vehicles in which to learn. Allow the development of your people to parallel real projects.

3. **Separately train and develop those you expect to "do" organization design** from those who need to know about it and support it. Consider separating novice HR practitioners from experienced HR practitioners as well. Organization design requires real world experience – not just imagined work scenarios devoid of firsthand experience.

4. **Expect newly developed staff to deliver org design services almost immediately** following the training intervention to promote real-world experience.

5. **Conduct a pre-training practical needs assessment focused on foundational skills** across contracting, influencing, facilitation and consulting skills. The assessment must be given to all staff who will be responsible for the delivery of organization design. If there are deficits in any of these foundational skills, up-skill them in these areas first. There is ample evidence showing that internal projects fail because of poor contracting and poor stakeholder management – rarely is it technical skills that fall short.

If you choose to use skilled and competent internal resource(s), then the next question that needs answering is:

Do I build a center of practice or Center of Expertise (COE)?

This is much different than having one internal person deliver organization design solutions every now and then. This is about setting up an internal practice or COE of which most of the business will come to for its organization design needs. This is a big investment and one where most CHRO's demonstrate their understanding or lack thereof about Organization Design. One cannot just insert a new service offering akin to a COE. It must be intentionally designed into the HR operating model – not just from the reporting relationship, but from the lateral, end-to-end service delivery perspective. The below issues must be solved when adding organization design as a center of practice or COE:

1. **Gain unwavering support from business leaders to build and utilize an internal organization design practice.** One of our global customers flirted with the idea of building an internal organization design practice. Doing so would have required a $5m investment over a two-year period. That may seem steep, but the investment would save the company over $300m from being spent on various consulting firms around the world which was a conservative estimate. The local and regional businesses could not support the centralized approach to organization design and thus, killed the effort.

2. **Align the role of HR Leadership** to best support the role of the organization designer as a "free radical." CHRO's must get out of the way of the organization designers and let them go wherever they need to go. Internal organization designers cannot be over-burdened worrying about who-reports-to-who or departmental boundaries or colliding with egos around power and control challenges. They must be able and willing to "follow the work" no matter where it goes or whomever it impacts with the unconditional support from the CHRO as well as courage, compassion, genuineness, and authenticity.

3. **Adjust the HR operating model** to accommodate the new organization design service offering. Work with all the parts of HR and how each part will work with the organization design services. Issues may include a) how will needs be identified and requested? b) how will work and decisions move through HR function? c) who faces off to the customer?, d) which group owns which decisions? and e) how will each part of HR work together with the organization design practice and vice versa?

4. **Calibrate the organization design roles/jobs involved and adjust for capacity** in delivering end-to-end organization design services. An organization design project cannot be added to the top of an HR business partner's day job. One organization redesign project could easily eat up the entire capacity of an HR BP.

5. **Communicate clear expectations and set in place the appropriate support mechanisms for the COE to deliver organization design services almost immediately** following or coinciding with the training and development interventions. This point is repeated here and above deliberately.

6. Bolster the retention strategy of newly up-skilled organization design practitioners as they become highly sought after in the marketplace.

If the CHRO decides to use an external resource to deliver organization design solutions, then an entirely different set of questions must be answered.

Does the consultant have the level of experience and expertise needed to deliver organization design solutions in our company?

Can they demonstrate that expertise?

Does the consultant team "fit" with our values and can we see ourselves partnering with them?

How does the potential consultant deliver its services…? And, is it consistent with our values?

Critical to note, not all consultants are created equal. How consultancies choose to approach and deliver organization design solutions will have big impacts and consequences on your organization and people in terms of their engagement, ease of implementation and sustainability of the changes. OTM previously has written an article on choosing the right consulting partner if you want to learn more.

Build or Buy Decision 2: Build your own organization design solution or buy one.

By now we know that **organization design** is a complex business solution incorporating over 50 years of documented, empirical science and proven best practices.
For those internal HR functions wanting to develop their own organization design solution, consider that at OTM, we conduct audits and reviews of internal organization design methodologies and solutions. Most solutions reviewed are deficient- focused on pulling together a handful of activities typically involving key principles or criteria, jobs and roles, reporting relationships and some change management with top-down communication. If it was only that easy?!

An effective organization design solution needs to incorporate all aspects of the operating model as mentioned previously. If a homegrown solution does not address all the elements of an operating model, it is incomplete. This incompleteness has significant negative consequences. The incompleteness distorts and perverts the new operating model to be half in the old model and half in the new model causing confusion, duplication, and disengagement.

Modernizing an operating model takes time and heavy lifting. Oh, and do not forget about all the change work that must be integrated along the way – as opposed to bolting on "change management" at the end.

Additionally, none of the "solutions" OTM has reviewed address "how" an organization design solution should be approached or delivered. All solutions reviewed unknowingly defaulted to assuming a traditional "doctor-patient" (tell) and/or expert (pair of hands/do) approach to delivering organization design services in the absence of an intentional delivery method. This is a glaring gap in most all internally developed organization design solutions. It serves as an illustration of the level of unconscious incompetence that exists.

It is key to remember there are various of ways of delivering an organization redesign. Internal organization design practitioners and COEs should take the time to consider which delivery role creates the best outcome for the business in question (expert, doctor/patient, process). It's very important to intentionally deliver the organization design solution consistent with the social attributes and values the business wants alive throughout the business once the modernized operating model is in place – commonly referred to as "Design Compatibility". (Cherns)

Building out a complete organization design solution takes time and we often find that internal HR functions wanting to develop an organization design solution quickly either have subject matter naiveté or intellectual arrogance.

Adopting a framework or model, grouping together a set of activities, and stamping an organization design title on it oversimplifies the solution. The solution entirely misses the nuance, decisions, trade-offs, critical pathing, stakeholder engagement, challenges, and risks associated with this work. Unfortunately, this is the default solution most of the time.

In closing, we have tried to give you an honest and candid view of what it takes to build and deliver effective and successful internal organization design solutions. Over the last 30 years, we have helped develop and stand up organization design centers of practice or COE's within and outside of HR, as well as trained thousands of internal organization design change agents with the 10/20/70 model of development. The substance for this article and what to do and not to do comes from our collective experience and discussion with our organization design and HR colleagues across the globe. We've seen more than our share of magical thinking by HR leaders in their attempts to build internal organization by investing in their people that never amounts to anything beyond… you got it, a tick in the box that the training occurred. The authors think it is about time to call that out, providing you and your internal organization design professionals a chance to be both effective and successful. Now Ms/ Mr CHRO, it is up to you.

About the Authors

Mark LaScola, is the founder and managing principal of ON THE MARK, the leading global boutique consultancy delivering collaborative Organization Design solutions. Over our 30 years in business, OTM has completed close to 450 redesigns around the globe across most industries. **Peter Turgoose** is OTM senior consultant working with OTM since 2009. Prior to working with OTM, Peter was an HRD for the Post Office and The Royal Mail. OTM has authored and owns the industry's most collaborative, comprehensive, integrated, and holistic organization design solution that is also available in OTM's Org Design App for IOS and Android. A big thank you to the numerous HR professionals and change agents who speak to us regularly about their internal organization design work. We want to hear from you and welcome your comments and feedback. You can connect with us at mlascola@on-the-mark.com or pturgoose@on-the-mark.com or go to www.on-the-mark.com.