

ODF's Advisory Board – Community Broadcast (08.16.18)

Todd C: [00:00](#)

I'm Todd Christian, one of the board of directors for the Organization Design Forum, and we have five members of our advisory board joining us today. We call these our "luminaries in the field" that we have access to. They give us advice, they conduct these wonderful conversations, and you'll often see them presenting at the Organization Design Forum conference in the spring each year. So we're going to do something a little bit differently today than we have done in the past. We're going to actually do more of a speed dating format where we're going to have three quick conversations about some timely topics in the field of organizational design. And, so as each member is asked a question the first time, please introduce yourselves.

So, our first question is about digital design. Stu, you had talked a little bit about seeing a digital front end/back end design in a lot of platform models, right? We want every one of you to share what you are seeing, how is it working, and what advice would you have about getting this to work? And we're going to try and do this in about two or three minutes per person so we can rotate. But love for you, to get us started on this one, Stu . . .

Stu W: [01:16](#)

Well, I think I've talked about this before, and I noticed it before and we've noticed it even more so over the last two or three months. So, it's become an issue across industries and companies. We just labeled it front/back because it's very similar to the front/back issues and dynamics that we've had before. Real quick, the front/back is when you don't have a product structure frequently and then you organize around a customer, you put the P and I in the front and the back end, which is now the product structure has to have certain properties in order to provide solutions to the front end. They have to be able to reconfigure, and so on and so forth. when you move towards a front-end customer facing model and you've got a back end product structure or even a functional structure, then you have to put together solutions.

You have to tie together certain components. So there's a scale and scope issue in terms of organization design, the number of products. And the number of different kinds of different kinds of products. There's an integration around the degree of integration around components. There are revenue issues, so there's a number, and then there are processes. The whole set of different processes that you use around these front back models. So all of this leads towards what's happening right now. When you identify organizations, and particularly if you have a platform model, you can do what everybody seems to be doing now, which is essentially mapping out the customer journey, looking at all the touch points and figuring out what the NBN value system is, and here's where the crux of the problem is...

Generally, when you do that, particularly if you're a legacy company, if you're apple or Amazon or Google, it's not an issue because they've already designed themselves initially as they're more customer focused. But, if you're a company that is moving to a more digital strategy, what happens is that your front end starts getting organized around the customer, around all these touch points, and also the culture and the design of the front-end changes to one test and learn and adaption and agility and all of that, but the problem is that these touch points that are in the back end, cross many functions and these functions are organized in a top down hierarchy way where planning and metrics, all of that is organized

and they're not integrating generally across all of these end to end touch points. It requires a deliberate integration process that's actually more of a solid line and more important than the structure that exists. What happens is you have a back-end that has to reconfigure to ongoing customer experience improvement on the front-end and you just don't have the ability to do that because it's not designed.

So, the real issue now is when, and these are happening everywhere . . . when you start to move towards a digital front-end as a designer, you need to go in there and deliberately design, and it's a fairly significant design - it is just not putting together a team that's putting together different processes and different reward structures and all of that kind of stuff, the back end needs to be designed because these are generally functional silos. I can talk longer, but I'll just stop because I think you said maybe two or three minutes and that's probably it.

Todd C: [04:57](#)

Maybe just quickly, can you do a 20-second introduction?

Stu W: [05:12](#)

Oh, okay. Well, I'm Stu Winby and I've been doing this work all my life. I live in the Silicon Valley, grew up in the valley and I've worked with probably every kind of industry, mostly at the CEO level to senior level on some very large designs. I'm currently working with a number of companies like Google and Microsoft and other folks, as well as more traditional companies like Shell and others.

Todd C: [05:49](#)

Great. How about we jump all the way to the east coast? Amy, do you want to take a shot?

Amy K: [06:02](#)

Hi. Thank you. Todd. I'm a consultant based here in New York. I see lots of friends (here today), so thank you everyone for joining us. I love this topic and I just want to build on what Stu started and from a little different angle. One of the trends that we're seeing is many of our clients, particularly legacy traditional product and service companies, are looking to put in a chief digital officer. And in many ways, really, when these chief digital officers are successful, they really are about doing what Stu was alluding to, which is connecting the front, the middle and the back together. Really thinking of their role not as a function of oversight, but to really be an integrator to build the network across to create alignment.

And really when we're looking at designing that role for success, I see three things. One is the product or service organization which may be trying to add, you know, internet of things sensors into traditional products, whether it's the auto industry or running shoes or medical devices. There's the marketing organization which is our digital marketing customer engagement, all kinds of new CRM kinds of things which is creating new platforms, new systems that need to be tied together in with the product organization. And then, of course, you have the IT organization that is probably adding a layer or working with one of the cloud providers to bring in some kind of platform and set it on top of while they're still trying to put all their legacy systems together from acquisitions and past history. So, this chief digital officer can be a very powerful kind of mechanism to knit it all together and connect parts of the organization.

And what we're seeing, is that what's really, really important in this, is to find the right profile person for the integrative role. We often say the ideal profile is high credibility and low ego. And that's really important when you're trying to find someone at the center to build a network and to be a connector, an integrator, and to have them think about, "this is a project to get us to a next digital phase of integration rather than a job where I'm going to build a function at the center, have oversight and then start doing things." I think that's a really interesting and (kind of) new role in which we can bring all of our tools to.

Todd C: [08:53](#) Thanks Amy. How about you Naomi? Let's hop all the way across the pond

Naomi S: [09:23](#)

I'm based in London working at the moment on a bunch of government related business transformation projects and programs. And you can imagine that's quite fascinating as we had towards Brexit (or not). I think this is a pretty interesting question, this front-back, because most of the work I'm doing now is not within one organization. So, you have a customer journey that transcends both functions within a single organization, then transcends organizations altogether. And then you make a completely different set of challenges. I've met recently with a customer identified in one organization by one type of identifier, and under an another organization a different identifier. It's the same customer but you can't track the journey through the organization. There's a whole piece about all the digital platforms possible in order to take the customer along the journey.

There's then another whole sort of accountabilities piece. And I talked in an earlier conversation like this about accountabilities for a customer journey to go in the whole front-back route has to have people accountable for the whole journey even if they're not a part of the same organization. The idea of accountability across organizations or diffused accountability or distributed accountability, is another interesting challenge for that sort of front-back customer journey. So I think it would require quite a different way of thinking about organizations in relation to other organizations and, where the customer interest transcends the joint organizational interests. How do you get that sort of collaboration? A whole set of different skills.

Todd C: [11:52](#) And, next, Terri, all the way to Columbus, Ohio.

Terri H: [12:01](#)

I'm Terri Hill, and I've actually recently retired from over 30 plus years of experience in financial services and the insurance industry and working in different leadership roles. And what is interesting about this question for me is, as I think about having had the chance to run a portfolio that was on the front end and also having lived in (kind of) more back-end organizations, that as Naomi was just saying, the alignment and figuring out what is going to supersede. Having those really clear goals, is really helpful. Two tools that I think are interesting (just to throw those out) is polarity management and helping teams work through the advantages and disadvantages of both, and understanding when you're in that front-end trying to drive a whole bunch of change and really re-orient the organization. How do you understand that an organization and the back-end that's driven by efficiency and trying to, you know, trying to really drive margin also has advantages and disadvantages? So, the two teams, kind of polarized with each other, get more aligned around the advantages of both, and how to maximize that. And the other is just then driving into measurements. It's understanding that you're going to measure

the front-end piece really differently than you're going to measure the back-end piece and applying those measurements to each other. It doesn't work to try and drive a profitability goal to something you're just creating. And likewise, you know, sometimes those goals aren't rigorous enough for the back-end organization to really drive the efficiency needed cash to fund the future.

Todd C: 14:09 Excellent! Craig, you're the first person who ever mentioned the phrase front-end/back-end design to me.

Craig M: 14:16

I'm Craig McGee and I've been part of the Organization Design Forum since pretty much it's early days in the, in the nineties. And most of that time I have been running my own consulting firm focused on organization design. And when we think about the digital world, and when I saw the question (and first of all I agree with most of what people have said), I think the one build I would have is when I look at the organizations that are trying to become digital, they seem to have an overlap leg. You still have your traditional organization a front-back for sure, but there's also an overlay of a digital component that has to coexist.

Like take Walmart, you know, it's still a retail store, brick and mortar and that type of thing where you go in by your stuff, check out and go about, and now we're overlaying walmart.com where you can order online, you can schedule a pickup, schedule delivery. There's an overlay that those two types of organizations need to decode. Some of the processes are going to be very similar, like your whole supply chain is going to be similar for both of those functions. But then when you look at the order fulfillment processes, actually having somebody pick up an order vs. having an order delivered, those are different processes that have to coexist. And I think part of it is the maturity of the leadership team. And Amy, I like your bifurcation about high credibility and low ego. And I think those are very descriptive of the types of leaders that we need at these types of organizations that have many coexisting types of functions. And that's my two cents worth.

Todd C: [16:33](#)

Excellent. Well, we'll pivot here a little bit to the next question, certainly related. So Naomi, you asked a great question when we were getting ready for this session today about what's the difference between agile organization design and organization design? What do we think it is? What makes it different or not? Love to hear your initial thoughts if you could get us started.

Naomi S: [16:58](#)

I'm laughing because I got into big spat about this last week, which was why it was top of mind because the way I think about organization design is as a continuous process. And years ago, Peter Drucker developed an activity which I use a lot called, Planned Abandonment, which is a quarterly activity when you work as an executive team to say, if we were setting up our organization today how would we set it up differently? What would the design be? What can we learn from that activity that will help us redesign our organization today and into the future? And you know, doing that continuously every quarter. Now that isn't a new concept. And my frustration with words like agile (or what have you) is they are useful labels in the moment, which in a sense (with no pejorative intention implied) stop people from thinking, about what they're actually there for. So we could say we have lean organization

design or TQM organizational design or business process organization design or whatever, and they are all of the moment sort of “sellable” consulting labels. So, my thinking on this, is that if you're really all doing continuous organization design and keeping an eye all the time on how to adjust and change aspects of your organization, either at the suite level or transformation level, you all being agile. You're constantly responding to the environment and you don't need a special word in front of the words “organization design” that will single it out for consultants to pounce on and charge lots of cash for. However, I'm still waiting so I'm very happy to be challenged because it might be heretical.

Craig M: [19:22](#)

You know, Naomi, I, I agree with you around the languaging and we often use those types of terms as a matter of convenience or because those are the sexy buzzy words that we use. I also agree with you that org design really is continual, we're always adapting. We're always sensing the environment, always making necessary changes to that and from that standpoint, I think we are continuing to be agile now. I think when you think about some of the stuff that Stu does around the decision accelerator and some of his iterative type of design, it is more similar than what we see normally in agile software development where you continually make improvements, add functionality and so forth. Stu will probably talk more about this, but you know when you do a decision accelerator, you design a functionality for the organization, you go out and implement that, you design another functionality and you continue to build the capability of the organization. I think from that standpoint, there are some parallels between some of the adaptive organization design processes that we have now in the agile software development processes.

Todd C:

Terri H: 21:03

I don't know that I have a lot to add on this one. I mean, I like what everybody's saying and Naomi, you're getting a little love in the chat room here on folks are agreeing with a lot of what you said. I think I'm gonna pass on this one.

Amy K: [20:48](#)

This is a really interesting topic and has been falling on our plate a lot too. And I think there's a huge confusion out there among our clients and business leaders between agile teams and agile as a methodology and what I would call organizational agility. They're kind of getting confused together. What I try to help people understand that, and that's the way I think about agile teams.

Agile has been around for 20 years, for software development, in product development, and is being adopted even for hard good products, and certainly in customer service, operations areas. Even in HR, there are organizations that are trying to look at processes that are customer facing - like performance management as a “why not have agile teams that are continually improving”, that have responsibility for this great customer feedback. And thinking about these processes that we continually improve. I think the discipline, and you know, it's a lot of new language and very exciting and all of that. And I agree with some folks in the chat room. It's kind of reinvention of stuff that many of us worked with in self-managed teams back in the 1990's. But what I love, it's brought a discipline back to teams because I do think that, you know, for the last 20 years a lot of organizations have been throwing five people

together and calling it a team and not having all of the infrastructure and support that really we need to make the team effective.

So that's all really good. But to me that's not organization design and it's not about organizational agility. Organizational agility is really about, honestly, at the top of the organization. The work of leadership to make choices about where resources, management, time and attention investments are made. Organizational agility is really about portfolio management decisions, big bets rather than lots of small incremental improvements. It's about the hard work that we need, actually, leaders to do more of as strategies and organizations become more complex. And so, you know, organizational agility, I think it's the business that we're all in, which is how do you think about the team of teams, the constructs in which those teams can thrive. What is the work those teams should be doing? Because you don't want that strategy set down on the ground. And so it's not an either or, but it's a both/and. They are very separate sort of lenses of analysis and I think it's gotten confused when people say, let's design an agile organization. Sure. If you're one product in one place, one business model, you have a simple organization, you can basically be a big team, a big agile team. But if you're trying to do more than one thing in multiple places and multiple products and services lines and your multi-dimensional, then you need to think about organization. And team is not going to get you there.

Stu W: [25:02](#)

My feeling is that if you look at a product life cycle or a solution life cycle, if you look at a P&L and the properties of the life cycle, have the same properties. What you see is on the front end of the life cycle, you can optimize, you have to have a lot of innovation, a lot of trial and error, a lot of learning by failure, you know, so the design of the front end is, is totally contrary to the design of the middle of the S-curve, but it's totally different. You can't, you don't optimize to innovate or to be flexible. But when you finally arrive at a solution, you moved from a product to a process focus and you optimize.

And that's generally the most of the life cycle and the legacy of the organization until your S-curve starts commoditizing and your margins are shrinking and you got to figure out what are you going to do next in order to kind of blaze your product or grow and make other products. So, the whole point of all of this is that every organization, more so today, even more so tomorrow, less so in the past, they have to have both capabilities. I think Amy kind of alluded to that, there's no way that you can just be an optimized organization. They have variations in product extensions of what you're doing right now and you have to have a capability, an organizational capability to be able to plan for tomorrow and to be able to innovate. What's happening as a result of that, most executives realize now is that the top part of the company, the strategic design of the company, is now changing to accommodate this so-called ambidextrous changing to accommodate both optimization and adaption.

On one hand you have these P&L structures which are optimized. You don't want to have a lot of agile. You want lean, repeatable, redesign processes that are, are predictable, and reduce a lot of waste. On the other hand, you want an incubator that has a portfolio, and out of that incubator will come one or two projects that are going to be huge, that will account for 10 percent of your net profit the next 18 to 36 months and you want to be able to have a go to market capability that's much different than any of the other. So, if you look at the go to market capability and you look at the incubator and you look at the optimized P&Ls, they're all three very distinct organizations. They're designed differently. They have different purposes. You hire different people, you have different metrics and all of that. Companies are realizing that the next issue they're struggling with right now is where we are right now? What parts of the organization are designed for innovation or agility or adaption? And then what parts are designed

for optimization and that's where the, that's where the Tension is right now because all the problems that are occurring or what all of you said – you've got this love affair with agile change, so everybody has to be agile. Well that's not true. So there's a lot of confusion going on about where to use agility and where to use those types of methods and processes and when not to use them. And I think that's part of the role that we have as designers, is that we have to help leaders understand how you customize your design and how you very methodically figure it out based on their business strategy, what the organization design is by using these different types of processes and tools.

Todd C: [29:21](#)

Okay. Our last question, there was actually a comment on here about sociotechnical systems that actually came up earlier this week in conversation with the advisory board. We were talking about how are we working with leaders to keep the human component alive in organizational design? Speed is happening, talking about agile and as soon as we have helped an organization, a bridge to one design, they're moving onto the next thing. So, I'd love to hear from Naomi. You had actually commented in a blog about this topic. Maybe you could get us started?

Naomi S: [30:00](#)

Sure. So I wrote a blog on this a couple of weeks ago because I think it's a really interesting topic and I was suggesting in the blog that the leaders have to do three things. They explain why organization design, why are we doing it and then help people sort of make sense of the whole thing and then help people tell stories of how it's going. And I think that leaders often start with saying why. Often, in ways that people don't really understand. It's not really good enough to say, "because we need to beat our competitors or because we need to be number one in the marketplace", that's not explicable to front line person in a day to day. Why? So I think there's a whole thing about how to frame the "why of doing an organization design" in a way that is accessible to the general population of the workforce and I took a couple of ideas from Simon Sinek's "Start with the Why" book, but then the whole sense-making piece comes in. Often we hear that people don't like change or they don't like ambiguous situations and all the rest of it, but I think they don't like it because they often don't know why it is happening. Sometimes I use an analogy of - if you're just thinking about your own personal life, if you were going to move house, you would expect to have a conversation with your family or your partner or whoever about why you wanted to move and how you are going to, the pros and cons of the move. You wouldn't expect your partner to come home one day and suddenly announce we're going to move to Chicago from Washington. No argument. Which is often the sort of statement that comes across. Leaders often are not giving sufficient input to people to learn and reflect on it and make sense of it collectively.

And there was a very interesting piece of research that I found (it's all in the blog if anyone's interested) from Sally Maitlis about collective sense-making. She describes four methods of collective sense-making where it's guided; fragmented or just let go for people to make their own sense of it; restricted where leaders just give us sort of partial view and the people have to make sense of that restricted view, or minimal. The whole range of approaches to sensemaking that was quite helpful. And then the final bit of the blog talks about a very good TED Talk about the danger of a single story, and even though you might have a clear "why" and it's obvious that different paths, employee or customer segments, it's going to be interpreted in different ways. They'll start telling the story in a way that shares their perspective. And is rather like any story, each character has a different slant on the story. In a sense, you have to allow those different stories to emerge as they contribute to the overall story and I think it's all

within the grasp of leaders to become a much better sense-makers and storytellers around “why do organization design” and it is incumbent on them to do that. They can't let it slip.

Todd C: [34:17](#) Terri, I'd love to hear from you. I know you have some experience in this area over and over again.

Terri H: [34:26](#)

Yes. A few rounds at it, and actually my work in the last six months has been shifting from leading large organizations and change, to really working with individual leaders. It's been fascinating to me to notice, you know, how often people are lost, and Naomi's point about “the why” is so, so key. So really reinforcing it that is right on. And I love the sensemaking kind of approaches. One of the things that I feel like maybe in our zest as OD professionals, is that we get in into it, maybe jumping right in. The leader comes to us with an opportunity and we're just all in to go make that happen. And that front-end piece where we stop with the leader one on one and really get clear about what the why is, as Naomi's saying, but also like the pace, what's dictating the pace of this change?

Is it an external factor that you just have to run really quickly or is it something we can take a little bit more time and do more of the work than we like to do. I think that sometimes what we do is we design these really interactive approaches for organizations and for leaders to get involved and then find they get sabotaged often by the leader who like wasn't actually really clear in the beginning about what they wanted, how much decision making they were willing to grant. Recently I had a client conversation with a leader who's got portfolio businesses all independently running and wanting to move them to more of an operating company model. And we actually spent some time on his leadership style. What really were, “Oh yeah, I love having teams and working together”, but when looking at his past, a lot of it had been on his own initiative, his own setting the goals and going, so how is he going to make that shift to really allowing the team to participate? And if the pace would allow that, what kind of a decision-making model did he really want to have? And, getting clear about that, when was he going to step in? Because my own experience has been so many of these initiatives get lost and get defaulted by a leader who then steps in with a heavy hand after the team has already done so much work, feeling so empowered. So how do we not forget that they're human beings who are really working hard to try and deliver for that leader, and that leader in his own style can't stop him or herself, from sabotaging the very effort that they set out to do. Taking that step in the beginning, in that contracting phase with your leader, and helping them get really clear is, I think, a real key step.

Craig M: [37:21](#)

Well, I'm kind of going back to some of the early days working with you and Nationwide, Todd, and also Claudia. One of the nice pieces of work that we did initially, we had a sponsor and, Terri, much to your point, being clear with the sponsor around what they're trying to accomplish, et Cetera, et Cetera, but the sponsor is also part of a leadership team and I think we also have to recognize that often that leadership team may or may not be in full alignment. And so part of what we need to pay attention to is creating that alignment and continuing to keep that alignment among that leadership team. And to Naomi's point also about “sensemaking is just not for the leader”. I think it's for all people in the organization helping to understand “the why” and to accept “the why”.

And again, Todd, the work that we did with in that early stage, there was a lot of work that was done around explaining to people what the shift in the marketplace was, what the strategy was, what we're trying to accomplish. And I think a lot of the large group engagement methods can be really helpful there, but I think it's really important to just not work with the leaders, but helping leaders work with large groups in the organization to understand “the why” and the progress of the project.

Stu W: [39:12](#)

The last couple of years at the World Economic Forum in Davos, they basically said that the critical leadership capability of the future is what they've labeled as contextual competence. It gets back to what Naomi was saying, and that is the ability of the leader and the leadership team to add sensemaking capability, to have foresight/insight to be able to anticipate where things are going. If you look at technology and you look at the technology migration plan, where it's going to head in the future, and then you look at customer migration plans and where they cross. Generally, there's going to be a new business model or a new opportunity. And that could be two years, three years, four years, five years out. So what we do when we work with executives? We build an organizational capability, for the executive team, we call it RCA, it's called Recognition, Choice and Alignment.

Recognition is, basically, they need to have very strong recognition skills and there's a bunch of tools for that, but it's the ability for them to see where things are going, understand the environment, make sense out of it.

And then once they make sense out of that, and there's a process for doing that, it leaves the choice - because choices are the critical issue here (choice is another way the allocation of resources). Because generally what happens is they talk about it and don't do much about it or they give it to somebody who can't do anything about it. We can talk for hours on this. I can tell you just how this is state voted many times, but the choice is a very important thing. It's probably the most critical factor. What kind of resources are you going to allocate? E.g. Why don't you give four people \$100k and put them in a greenhouse for three months and have them come out with a business model.

And then the third issue is alignment, which is the organization design issue. Because, generally if you allocate and give it venture capital money, or startup money, then you have to start putting resources against that. So if they have a message recognition, choice and alignment, it allows them to be able to be in front of the eight ball and anticipate what they need to do. Because most of the time it's getting behind the market that kills you and you have to, you, you want to offer some strategy, not what we call a defensive strategy. If you have a defensive strategy, there's a whole different kind of plan you need to have.

The last thing I just want to mention is that if you look at Apple, what their strategy is, and again this kinda goes to what Naomi was saying, their strategy is essentially storytelling around sensemaking. I mean, and they have learned this throughout the years, they bring their executives and they design (very meticulously) storytelling. I'm associated with sensemaking processes and that's what gets their leaders - it builds collaboration, it builds stories, it builds relationships - it's just, it's a great process.

Todd C: [42:45](#)

Excellent. Thanks.

Amy K: [42:48](#)

I would completely underscore, you know, both Naomi & Stu's emphasis on the role of leadership and how important that is, particularly complex strategies and helping people understand beyond the business. And then the other part of the process. I mean, the good news about our field is that organization design is still very much a human activity and I know there are people out there trying to make software turned into an algorithm. So our work is essentially helping people make good decisions. And when people say, you know, what sort of design, what do you do in organizations? We're designing conversations. I just want to take another, a little different angle. One of the things that we're seeing is a huge amount of stress on what I would call (sort of) middle layer of management, particularly in global companies. There's always been global companies, but usually they were connected around the top and then you had countries that were pretty discreet or product groups . . . And now we're asking people in front-back organizations, in three and four-dimensional models to work with colleagues across organizational boundaries, cultural boundaries, time-zones, language boundaries. And these are folks who don't have necessarily the strategic view, they are trying to just get work done maybe in their agile teams working with colleagues that may or may not have ever met face to face.

What we see, is that what's fundamentally changed in organizations is the pace of decision making, right? Technology's allowed us to get information faster and make decisions faster. But as humans we haven't evolved our information processing abilities. I think where a lot more work and attention need be paid is, how do we enable and support sort of senior/middle level managers more who are really getting the work done, leading it, have to work together. To have the skills, the mindsets, the resilience, the energy to truly work globally. I see a level of stress that, you know, I'm not sure it's sustainable in the long run and I wonder how and what our role is in that?

Todd C: [45:28](#)

Great! I really appreciate that you all made time for this. We get really positive feedback from getting to hear these conversations and we try and do it, as you guys know, two or three times a year. We will get another one of these on the calendar sometime and I'd encourage anyone to submit some questions or topics for us for a conversation. I really, again, want to thank you, Amy, Naomi, Craig, Stu and Terri for making time and a great to see you all here. I hope everybody has a great rest of your day.