

FRONTIER

Continuous Participatory Reorganization

A 21st Century approach to organization
design for companies that want to execute
and adapt at scale

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Prologue

One day, the senior executives at a global consumer packaged goods corporation called Walker and Williamson, or “W&W”, noticed something was wrong. After enjoying decades dominating their industry, their growth was beginning to stall out. W&W’s product portfolio had splintered, leaving them without a strong business line to fuel profitability. Upstart brands were stealing market share, in spite of much smaller budgets, by leveraging new digital marketing tools. W&W employees were working harder than ever, yet the business couldn’t seem to unlock any additional reward for their extra effort. The view from the top of the company was cloudy and dim. No clear plan. No clear strategy. No clear direction. Activist investors called for a breakup. Corporate HQ was under siege.

Act 1: We need a Re-Org (6-9 Months)

Acting on their best instincts, the recommendations of close advisors and the board, and in line with corporate best practices, W&W’s leadership decides to pursue a broad reorganization initiative. A committee of approximately 12-18 people, including executive officers, Senior Vice Presidents, and several directors and managers, is asked to oversee the selection of an org design consulting partner and the development of a reorganization plan. After reviewing the capabilities of three widely respected org design firms, the committee selects a partner that knows W&W well, and has delivered multiple engagements before with positive feedback.

Over the next six months, the selected partner conducts dozens of stakeholder interviews; collects survey data to assess readiness for change; identifies organizational strengths, weaknesses, opportunities, and threats; researches innovative approaches being used by other leading organizations; runs work sessions with leadership teams to gather feedback and generate potential solutions; and finally delivers a thorough and rigorous recommendation for a new and improved organization design. This recommendation comes in the form of an approximately 100-page PowerPoint deck.

The recommendation is centered on a simple and compelling model called the “Growth Diamond”. The Growth Diamond model elegantly illustrates how the primary business units, functional groups, and

**The story and incidents described here are fictitious. No identification with actual people or organizations is intended or should be inferred. (Even if it does sound eerily familiar :-)*

geographic regions can be more effectively coordinated through a multi-tiered, matrixed leadership structure. The recommendation carefully outlines new reporting relationships, decision-rights, processes, key roles, and talent needs. It is supported by a detailed analysis of how operating costs will be reduced. These reductions will be driven by new process efficiencies and strategic reductions in the number of full time employees, especially at Corporate HQ and in mid-to-senior levels of management.

According to the plan, the Growth Diamond can unlock billions of dollars of value for the corporation within the next five to ten years. The Growth Diamond puts strategy back at the center of everyone's actions. It brings coherence to how the company goes to market. It shows them how they can use their size to their advantage, for once! All 300,000 people will be impacted by the top-to-bottom transformation.

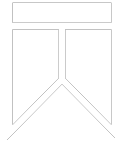
The Board, the C-suite, and the committee is excited about the recommendation and commits to move forward as quickly as possible. The corporate communications team begins the work of introducing the initiative to shareholders.

Act 2: How do we operationalize this? (1 year)

Led by a newly formed internal team, reporting directly to the C-Suite, the transformation initiative is set in motion. The original org design partner works together with another consulting partner with extensive experience in similar change management efforts inside similar corporations. Several million dollars in consulting fees and other expenses are allocated in the annual budget.

The full project team consists of 3-5 internal team members, 2-3 external org design consultants, and approximately 12-18 change management consultants. This team's mission is to figure out how to implement the Growth Diamond.

Over the next twelve months, this team conducts extensive stakeholder reviews, and collects detailed input on potential concerns and challenges. Their work is thorough, identifying needs across every function, region, and business unit. These specifications are analyzed, and integrated into a master implementation "playbook". Included in the playbook are thousands of detailed plans – process flows, new org charts, job descriptions, project charters, key performance indicators, and dozens of



reporting and planning document templates. The playbook goes through multiple rounds of reviews and revisions until consensus is reached. Functional teams each work to design their own accompanying playbook to address the specific considerations of legal, finance, compensation and benefits, and workforce planning. Each business unit adds a section on implementation plans to their annual strategic plan.

Approximately eighteen months after W&W's leadership decided that a change was needed, they now feel confident in the plan to bring the change to life. The Growth Diamond playbook is introduced to the full organization.

Act 3: The Roll Out (3-4 years)

In the first quarter after the playbook is introduced to the company, HR leaders, executives and senior managers begin the difficult process of letting go of thousands of employees. Long-tenured employees, respected managers, and many others leave the company. This takes a toll on employee morale, leaving team members feeling uncertain about their future with the company. Teams become more entrenched in their silos and focused on protecting their turf. The near-term negative effects on the workforce begin to overshadow the longer-term positive potential of the transformation. Being awarded a "Growth Diamond" becomes a common euphemism for getting fired.

Over the next four years, a small army of trusted and experienced change management consultants work with an internal Change Center of Excellence (CoE) and hundreds of change leads across the company to carefully begin transitioning from the old model to the new one. Every function, region, and business unit assigns teams to study the playbook and design transition plans for their specific team or group, mapping out month-by-month how and when they will adopt various aspects of the new model.

At this moment, the people responsible for implementing the changes are far removed from the leaders who chose the change in the first place. Additionally, more than two years have passed, and the specific pressures that drove the need for change at W&W no longer feel as relevant.

Twelve to eighteen months into the roll-out phase – and approximately three years since the start – W&W begins to see some of the positive results of the transformation. Operating expenses have been reduced,

primarily as a result of the lay-offs and a downsizing of corporate headquarters. A few struggling business lines have been shut down. New organizational structures have enabled the company to successfully launch products in a new regional market faster than ever before. Outside investors are generally supportive, and the company's stock price has started to level off, halting 14 straight quarters of decline.

Over the next several years, leaders with direct knowledge of the original vision for the new model and managers with explicit accountability for implementing the new model, continue to do their best to implement the changes and playbook recommendations within their groups. Other teams and leaders with less of a direct connection to the initiative don't give it much attention, and mostly keep doing "whatever works" for them.

Meanwhile, several key executives and champions of the original program have left the company, taking with them the insights they had about how the challenges that W&W faced could be solved with fresh ideas about the organization's design and operating model.

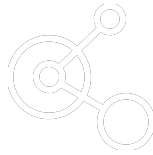
Approximately four and a half years since members of W&W's leadership first identified the need for a broad organizational transformation, most employees are hardly aware of the initiative. The once celebrated Growth Diamond – and its promise – is relegated to a footnote in the annual letter. Only a fraction of the benefits that were originally promised are realized.

Epilogue

Meanwhile, over the same time period, several key events have transformed the company's market and competitive landscape.

The next two largest companies in the industry announced a surprise merger, consolidating the marketing and distribution resources supporting many of the most popular competitive products in each of W&W's core categories.

An international socio-political crisis led to trade sanctions against a country that is the 5th largest market for the company. While they are still able to sell their products in the country, W&W has incurred tens of millions of dollars in additional operating and legal expenses, and an unexpected 30% drop off in sales.



New online and mobile-enabled shopping services have disrupted traditional shopping habits. Moments that have traditionally played a key role in driving purchases for W&W, like waiting in the checkout line at the grocery store or stopping by the mini-mart on the way home from work, are disappearing from the consumer journey. Industry experts estimate that this is already contributing to a 5% drop in sales across all brands in the category, and that sales will drop precipitously as adoption of mobile services goes mainstream.

A primary ingredient that is used in many of the company's most popular products is identified in a new scientific study as a major contributor to global climate change. The study strongly recommends a reduction in the growth and production of this ingredient. Stories in the media use the company's product as a stand-in for the ingredient, and a significant portion of the public comes to believe that purchasing W&W's product contributes to global warming. Within one year, the company is forced to reformulate all products containing this ingredient and promote the new recipe.

Finally, an infamous celebrity, mostly known for several incidents of sexist and racist public outbursts, posts a random series of Twitter messages going on about how much he loves the company's most popular product. The Twitter messages go viral. Within 24 hours, an internet-initiated boycott is organized. Young people stop purchasing the product, because people who purchase it are seen as supportive of the celebrity and his offensive behavior. Sales of the product drop by 50% year over year for the same quarter.

It's 5 years later. Something is wrong again. It's time for another re-org.

Organization design is the practice of coordinating people and effort in service of a broad organizational goal or set of goals.

Typically, this entails addressing skills and capabilities; attracting, retaining, and developing employees; compensation and incentive systems; processes and relationships between roles; and structure, usually inclusive of reporting, decision authority, and career progression and compensation decisions.

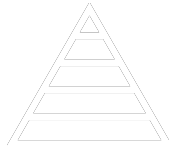
All of these elements of how an organization operates remain as relevant as ever. The traditional approach to addressing them, however, is fundamentally flawed and unfit for today's world.

The traditional approach to OD often goes a lot like the story of W&W. This approach begins with the premise that OD is a rational, ordered process – that it is possible to predict, design, and execute an optimal organization design before the changing market and environment make the new design outdated. This approach worked well when it was developed in the mid 20th century. Companies that excelled in this area could unlock massive competitive advantage. The idea of the “matrixed” organization, which allowed teams and divisions to be connected and coordinated horizontally across functions and regions, was a true innovation at the time it was introduced. This approach enabled corporations to create consistent products and services and reliably deliver value to customers at a global scale.

The traditional approach was optimal for creating consistency, reliability, and scale. Unfortunately, this approach is not optimal for creating organizational agility. The same approach to OD that helped organizations succeed in the 20th century now hinders their ability to adapt and remain competitive.

As every business has witnessed in recent years, the pace of change, driven in large part by advances in digital technology, has increased significantly. This is such a widely recognized phenomenon that it's become cliché to even mention it. Yet, while everyone has accepted that the world around them has changed, few companies have accepted that the way they organize needs to change, too.

In this new environment, companies can no longer expect to stay competitive based solely on their ability to execute reliably and consistently at scale. In fact, for many younger, more digitally-savvy organizations, the ability to execute reliably and consistently at scale is automatic, enabled by technology. The ability to execute at scale is now



the cost of entry. Today's organizational advantage doesn't come from being able to execute at scale, it comes from being able to *adapt* at scale.

To unlock this ability, organizations must rethink their approach to organization design and shift their mindset: from the belief that the optimal organization can be designed by a single role or group at a single moment in time to the belief that the optimal organization is a continuously redesigned response to changes, challenges, and opportunities as they emerge.

Continuous Participatory Reorganization

Continuous Participatory Reorganization is a 21st century approach to OD that provides organizations with the ability to quickly sense and adapt to change. This approach harnesses technology, and new abilities to communicate and coordinate across massive networks of people and teams. It fosters more creative, collaborative, and innovative cultures. And it enables organizations to match their internal pace of change to the external pace of change in the world around them.

Adopting this approach isn't easy, as it requires organizations to question some of their most deeply held beliefs about how they operate. Fortunately, this shift doesn't have to be binary – it's not all or nothing. Any organization can begin to unlock the benefits of Continuous Participatory Reorganization and build its capacity for responsiveness by putting the following six key principles into practice.

1. Define teams by purpose, not politics

OD choices influence how power is distributed, or not, throughout the organization. During a re-org initiative, these choices intentionally give certain roles and teams authority in service of the organization's broader strategic goals. Certain leaders, functions, and groups are put in positions to oversee and guide others' actions.

Over time, however, these well-intentioned choices evolve into entrenched political dynamics that are at odds with what's best for the organization. As the broader strategy and vision fades from memory, people begin to focus on outcomes that impact them more directly. Individuals and teams consolidate power to benefit their own status and scope of responsibility.

This leads to many common organizational dysfunctions. Your ability to get things done depends more on "who you know" than on your capacity or the value of what you're trying to accomplish. Teams go out of their way to avoid risk, and pursue actions that are least likely to cause tension with other groups. Teams are delayed for weeks or months while they seek a "green light" from leaders far removed from the problems to be solved. Individuals waste time navigating a gauntlet of private negotiations to gain "buy-in" from the right people before plans are shared more widely. Ideas and initiatives are watered-down to the point of ineffectiveness as teams seek alignment.

Reporting relationships, authority and oversight, career progression and development, and the strategic application of resources all end up being coordinated through a power structure that's better aligned with the interests of those who've played the game successfully than it is with the company's collective goals.

When power is determined by the position a role holds in a static org chart and the role filler's political talents, organizations will resist change. Leaders and teams will try to maintain their position, making it harder to adapt to new challenges and opportunities.

To enable organizational agility, authority should be determined by what is strategically best for the organization's goals at any given time, not by who has done the best job of consolidating power and influence. Structures and processes should be defined by the strategic goals they serve, and the relationships between those goals. Leaders and teams should be known by the missions they serve. What is the purpose of a

team's work together? How do we hope the outcomes of their work will help the organization to achieve its larger goals? If a team's decision authority is subordinate to another team's, it should be because the purpose of their work is subordinate to the purpose of the other team's work. If current reporting relationships are getting in the way of the team's work, they should be questioned and changed, as needed. And when circumstances call for you to adapt your strategy, then your structures, processes, and the teams they govern should adapt as well.

2. Separate roles from the people who fill them

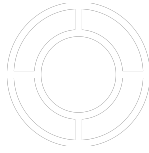
In most organizations, roles are synonymous with the people who fill them. Responsibilities, expectations, and working relationships are implicitly tied to titles that signify seniority and general area of expertise, and little else.

In reality, most team members play many roles across several different teams at a time, and responsibilities are sometimes shared by multiple people. Titles fail to capture what we expect from each other and fail to express our true ability to contribute to broader organizational goals. In a complex organization, accomplishing goals without collaborating across functions, divisions, or geographies is rare. The speed at which new opportunities emerge and expectations shift is much faster than than a healthy pace of change for titles, levels of seniority, or reporting relationships.

By defining roles independently of the people who hold those responsibilities, we make it easier for roles to change. We can evaluate how a role is or isn't suited to our mission more objectively. Both those who hold a role and the teammates that depend on them can collaboratively add to and edit the role to reflect their shared understanding without needing authority over a person's position in the organization.

Rather than having all their work hidden behind a simple title, team members can see the broad range of roles they hold. All responsibilities become explicit and transparent.

When team members leave a team, the knowledge about what they were responsible for stays. And when new team members join, the expectations for the roles they're taking on are clear and explicit.



When a mission requires certain skills that the current team is lacking, the missing skills can be described so that we know what skills to look for in recruiting or reallocating team members. Additionally, when a team member takes on a role that is currently outside their main skill set, the fact that they are covering for a missing skillset is made explicit and therefore is more likely to be addressed, if necessary.

3. The people who do the work decide how it gets done

While initial org designs, including detailed processes and workflows, may be well informed and good in theory, they often fail to serve team needs as circumstances change. In the best case scenario, traditional organization designers work together with different teams and representatives of all the various perspectives to develop their model. This collaborative approach does make the org design choices stronger and more effective. But, with any organization of significant scale, it is impossible for any centralized group of org designers – no matter how talented or collaborative – to predict every possible variation that will be needed to execute the organization's vision.

Once the new org design moves from the PowerPoint page into the real world, teams inevitably discover things about the structures, processes, and other organizational systems that are either getting in their way or that could be changed to help them be more effective. But when org design choices are owned by a centralized group or when changes to structure and process need to be approved by senior leaders, updates to the system tend to be poorly informed and slow.

Recognizing the bureaucratic and political challenges of making changes to the organizational model, many teams choose to do nothing. They either make do with the current system and perform below their potential; or they go rogue and deliberately undermine or ignore established rules, hoping that the positive results of their work shield them from any retribution. In either case, the org design choices that are meant to enable teams end up getting in their way. And innovative, valuable new ideas about how to improve the organization are either not realized in time to make a difference or never realized at all.

In a responsive organization, teams make proactive changes to how they organize and execute their work. When teams get stuck, they identify what's getting in their way and propose solutions to other teams, leaders,

and relevant stakeholders. When teams notice an opportunity for improvement, they take action and share what they learn so that others can benefit. In this way, the design of the organization improves continuously. Decisions about how best to organize in service of the company's goals are based on what works, rather than on the well-intentioned hypotheses of a small group of experts.

4. Default to trying

If it's impossible to predict the perfect solution to the organizational challenges you face, then it's also counterproductive to wait until you have 100% confidence in your choices before you act. Yet, this is the normal way of doing things inside most companies. Proposed changes to the established org design model go through a daunting approval process. And while it's understandable that decisions with the potential to impact multiple teams and interdependent processes would warrant extra scrutiny, the additional bureaucratic hurdles often prevent necessary change instead of enabling it.

The traditional approach has proven successful in driving efficiency and predictability. By controlling and limiting actions that go outside of established processes, organizations made it more likely that everyone was doing things the "right" way. But, what happens when the "right" way is unknown? One of the essential ingredients in adaptivity is variation, i.e. trying different things. If you want to make an organization more adaptive, you need to make this kind of experimentation easier.

This requires an organization to change the threshold for what level of agreement is necessary – or even helpful – before action is taken. Rather than believing "we are most effective when all stakeholders agree on what to do", adaptive organizations believe "we are most effective when we empower people to take action without broader agreement." Organizational adaptivity is enabled by making it safe to take action, not when everyone agrees it's the best thing to do, but when no one has evidence that trying it will cause harm.

This means that when emerging challenges and opportunities create situations that require collaboration across established team boundaries, people are able to do what they think will be most effective. A team member in one geographic region can work with a counterpart in another region; Marketing can work with Sales; An Assistant Director

can work with a Senior VP; people can work together, as needed, without waiting for consensus.

When you default to trusting your colleagues' instincts, the decisions about who's allowed to work with each other will enable collaboration rather than limit it.

5. Open up the playbook

Too often the rules that govern the structures, processes, domains, roles and expectations within organizations are unknown and inaccessible to the people they supposedly govern. This doesn't happen out of malicious intent (or, at least rarely happens due to malicious intent). In fact, usually a huge amount of time and effort goes into documenting those structures, processes, domains, roles and expectations in excruciating detail. Consultants and project leaders spend months – years even – carefully crafting meticulous PowerPoint documents outlining every element, only to then watch those PowerPoint files get buried on virtual desktops or collect dust on office shelves.

This lack of transparency and easy access to the rules of the organization contributes to the politics discussed earlier. Those who know the rules have an unfair advantage that helps them gain power and influence. The knowledge about how to get things done becomes folklore. More tenured people rely on an oral tradition to share wisdom with new teammates, telling stories of great achievement and famous failures. Teams who want to follow the rules, and could help to spread and validate a new organization design, have to find a leader with access who can tell them what the rules are before they take action. And, more often, teams that would prefer not to follow the rules have an easy excuse to ignore the new organization design and just keep doing things as they always have.

Fortunately, today's technology has made it exponentially easier than ever before for many people, across a large distributed network to share access to information. It is now possible for an organization's governance, all the rules about all the structures, processes, domains, roles, and expectations, to be written down in a place that every member of the organization can access at any time from any place in the world. Additionally, it is also possible for every team member to interact with these rules, to provide feedback, to search for rules that are relevant to

their work, and to propose and make edits to the rules based on what is working and what isn't.

In order to enable this kind of participation and utility organizations can get started by embracing technology that already exists. Cloud-based file storage can provide shared file access, with controls for who can access which documents. Cloud-based software like Microsoft Office 365 and Google Drive allow many users to collaborate and co-edit a single document simultaneously. And new web-based software, specifically designed for self-managing organizations, can even facilitate and document organization design governance.

By writing it down in a place that everyone can access, you enable everyone to help make it better.

6. Commit to a cadence of frequent, iterative change

Traditional OD initiatives have earned a dismal reputation inside most large organizations. They are seen as mostly ineffective and reliably painful. Like sharing critical feedback with a co-worker, the longer you put it off the more painful it gets. As the weeks go by, you have more and more to share; you begin to feel resentment; and you forget the details of what you observed. When you finally get around to sharing your feedback, it's vague, watered down, and either overly negative or overly positive – both of which diminish the learning opportunity for your teammate.

When major OD initiatives inside large organizations happen infrequently – once every 5 years, 3 years, or even 2 years – they are set up to fail. They are bound to be more painful, and more wrong. They are more painful because the changes that are required are more disruptive to the teams and individuals whose roles, power, and influence is affected. They are more wrong because the OD decisions are further removed from the challenges and opportunities that necessitated the changes.

If you're the captain of a ship sailing across the Pacific Ocean, do you steer continuously or steer once every 10,000 kilometers? If you have a car, do you wait until it breaks down on the highway before you take it in for a tune-up? If you run Facebook, Amazon Web Services, or Google Search, do you update your platform once a year, or as frequently as your software allows?

In every organization today, team members notice things all the time that have the potential to impact their work. Team members notice new user and customer needs; new competitive threats; external market trends; and internal opportunities for improvement. The channels for turning what people are learning into intentional updates to the organization design are either barely accessible or nonexistent.

Often, when people familiar with traditional OD hear 'continuous reorganization' they imagine the same painful exercise, only more frequently. It's easy to see why this might sound like an awful solution to the challenge of creating a more adaptive organization. Many organizations are currently slipping down this slope unintentionally. Reorgs are happening more often than ever, but the approach remains the same.

Continuous Participatory Reorganization calls for a fundamental shift in the responsiveness of an organization's design to the organization's environment. Updates happen on a regular and frequent cadence, once a week or once a month instead of once every few years. Teams make edits to their structures, roles, and processes as frequently as new data can emerge and new experiments can be tested. Broad organization-wide changes bubble up from validated experiments and emerging needs expressed by those closest to customers and the problems to be solved.

By adopting and sticking to a more frequent OD cadence, the pain and difficulty of OD adjustments is greatly reduced. Changes are more likely to address real needs because they are responding more quickly to challenges and opportunities as they emerge. Teams have a greater appetite for risk and a willingness to try new and innovative ideas because they know that they will have a chance to adjust course before any negative consequences multiply. And larger, long-term transformations happen through a series of smaller, incremental, and easier to metabolize adjustments.

Unfortunately, W&W's story is all too familiar. Every day similar stories are unfolding at organizations all over the world – inside Fortune 500 corporations, inside global non-profit organizations, inside privately held brands, and even inside companies that have been lauded as 21st century leaders for their innovative ways of working.

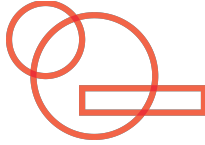
The leaders of these organizations mean well. And leaders who choose the same approach as their predecessors have chosen for the past 50+ years are rarely questioned. As the saying goes, “No one ever got fired for hiring McKinsey.” But this blind allegiance to an obsolete method undermines the principles of Continuous Participatory Reorganization and perpetuates the cycle of organizational fragility.

Organization design is a systems problem. It requires that we consider how many interdependent components interact with each other, and then to describe an

optimal way of enabling those interactions to create a desired outcome. But traditional approaches to OD make the mistake of treating this as a theoretical exercise. Practitioners describe elegant solutions on paper that fail to account for the complexity of human beings and the pace of change in the world around us. Organizations are not theoretical systems; they are living systems. Living people – with their own ideas, creativity, and individual goals – observe and respond to the environment around them, shaping the organizations they work inside of, whether or not the organization wants them to.

Becoming an adaptive organization isn't a matter of whether or not Continuous Participatory Reorganization is right for your organization, or even whether or not it is possible. The truth is that many organizations will continue to find utility in some aspects of more traditional OD solutions. And many organizations can create a lot of value by beginning to adopt just some aspects of Continuous Participatory Reorganization. The choice between Continuous Participatory Reorganization and a more traditional approach to OD is not binary. You can use both approaches as you begin your transformation. But, if you want the ability to truly execute and adapt at scale, you must embrace the idea that the perfect answers to your OD questions are unknown. The only way to unlock your organization's potential is to develop your capacity to sense and respond to the challenges and opportunities you face – continuously and with the full participation of everyone who shares your mission.

ABOUT US



August is an organization development consultancy that builds high-performing teams for the world's most meaningful missions.

August was founded with the belief that today's most valuable work depends on teams of people who work well together. We believe that every organization already has the potential to make an exponential impact in the world as long as it creates a culture where teams flourish. August helps organizations unlock this potential by working with leaders to transform their organizations into purpose-driven open learning networks, able to adapt and thrive in the face of constant change.

We welcome the opportunity to speak with you and your team. Please email us at team@aug.co.

