HR

www.hrmagazine.co.uk

[CONTENTS]

August 2011

37 NICE WORK?
Engagement: lipservice, tired cliché or profitable business imperative?

58 FIZZY POP
Learning from Take That. It could be magic

32 GLITTERING
Images of a night to remember: our 2011 HR Excellence Awards on 27 June

42 FIL IT UP
How wonderful the world is without HR, says Parcel2Go boss

Get the foundation right

HR transformation will continue to be a priority, but with all due respect to Dave Ulrich, the three-box model is tricky, while outside-in thinking is as old as Hammurabi. Here's the last word on designing an effective HR function – until Mark LaScola gets another idea...

If you have been following Dave Ulrich's advice for redesigning the HR function over the past decade, you probably find yourself asking: 'Are we there yet?'

You started with a three-box model organised around artificial outcomes, but a few things weren't right. Then you had to figure out where implementation fits into it – so a fourth and/or a fifth box was added. Next, you had to weather power struggles, based on which box took precedence. But aren't all three equal? Well, they are and they aren't. Let's not forget about building personal fulfilment into the experience. Now you must consider customer, business context and relationships with stakeholders – or, 'outside-in thinking' as proposed by Ulrich – a 'new' prerequisite for building HR credibility. Are we there yet?

Brief history of organisation design

Having redesigned enabling functions such as IT, finance and HR for 20 years, it troubles me that the importance of 'outside-in' thinking and putting customers at the centre is presented as something new, when it is an essential part of the redesign process itself. Organisation design (OD) is not new. Nor is designing an enabling function for maximum effectiveness and efficiency, or outside-in thinking.

Hammurabi, king of Babylon (d 1750BC), used rules for designing organisations, establishing the principle that a manager was responsible for workers – separating the act of thinking [being responsible] from the act of doing [following orders]. Frederick Taylor, in the 1900s, put into place 'Taylorism', where management thinks, while labour carries out the plan (http://tinyurl.com/5sfdrw6).

The late 1950s and early 1960s saw an explosion of work on organisation design and organisational psychology, including Douglas McGregor's *The Human Side of the Enterprise* (1960), Rensis Likert's *New Patterns of Management* (1970) and Chris Argyris's 'Understanding Human Behavior in Organizations' in Mason Haire's *Modern Organization Theory: A symposium* (1959). Most notably, organisation design as a solution, coupled with a

> ## Let's not forget about building personal fulfilment and joy into the work experience

step-by-step, collaborative methodology, goes back to the work of Fred Emery and Eric Trist in the late 1950s, who were pioneers in the field of organisational development (OD) and specifically in the development of theory around participative work design structures such as self-managing teams. Emery promoted a method to conduct organisation design work based on joint optimisation and collaborative change, called the 'participative design workshop'. This demands you start with outside-in thinking.

Inherent flaws in the three-box model

Earlier this year, in *WorldAtWork* (Q1, 2011), On The Mark published an article, 'A critical review of the three-box model for HR organisation design', a critique of the three-box model, detailing its design flaws and what should be done to correct them. One of the key points is that 'outside-in' thinking is a prerequisite to design. Flaws include:

1. **Primary gravitational pull or power choice is not made in the three-box model.** Inherent in the three-box model is a focus on: low cost; deep expertise; and the customer. A design choice cannot serve three gravitational pulls at once. Nowhere does Ulrich mention the criticality of deciding which trumps the other two. This causes a host of errors that show up during implementation, eg power struggles between the three boxes. In the three-box model – or in any design – you cannot have the three boxes all being of equal power. A choice must be made as to which box is the strategic emphasis of the design.

2. **HR outcomes that the three boxes are built on are artificial.** Ulrich says he wanted to "define the roles of HR as outcomes more than

activities" (*Creelman Research*, 2009 Volume 2.6). He is correct, in that HR thinks in terms of activity. But the outcomes defined – admin efficiency, strategy execution, managing change and talent improvement – are not outcomes a customer would ask from HR: a poetic example of traditional inside-out thinking.

3. **The three-box model fragments work into pieces that are significantly dependent upon each other** – yet the dependencies are not reflected in the design concept. Alternatively, if HR were to truly think in terms of 'outside-in' from the customer's perspective, they would think end-to-end, in streams of activities and outcomes that produce real value for the business – then place organisational boundaries and organise people around whole work

that produces genuine value for the customer. This last flaw sinks the viability of the three boxes model.
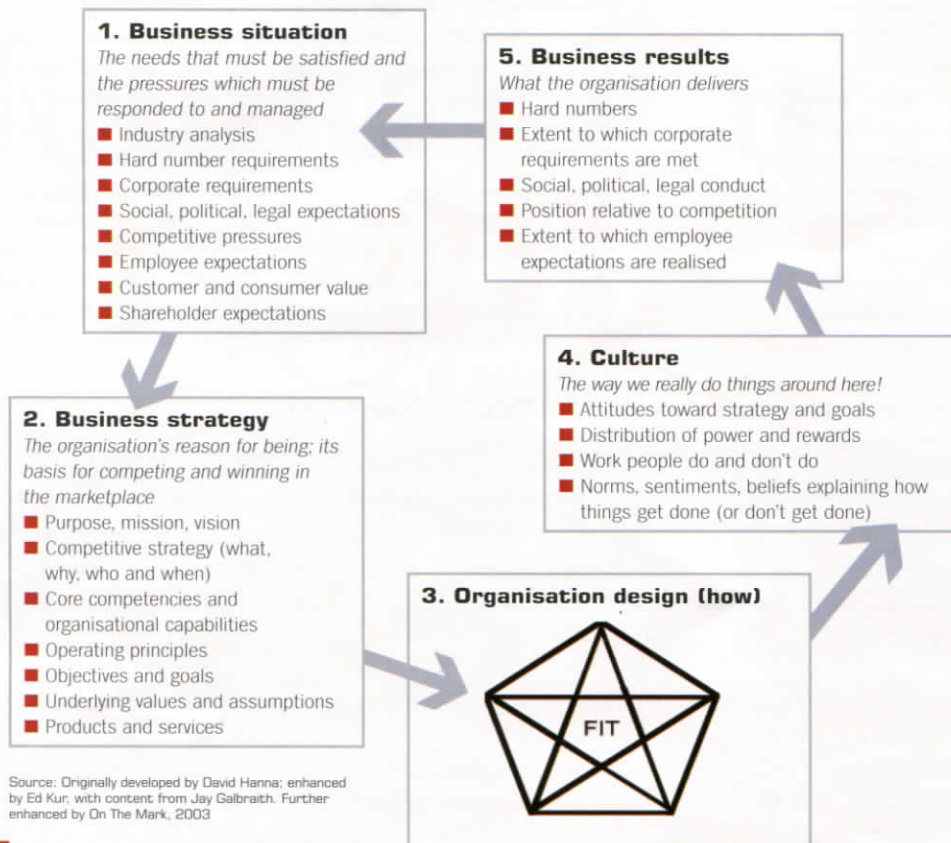
Start with outside-in thinking

Most HR redesigns are flawed in their concept design and implementation, exposing how little HR professionals know about OD. This undermines any credibility HR has with the business, as it is looking to HR to help support change, organisation design and transformation. But planning and implementing OD is done poorly at best by most businesses. A prerequisite to robust OD work is a set of 14 to 20 strategic, directional, scope-of-work decisions that *must* be made by a set of sponsors prior to choosing boxes – avoiding at all costs having the HR functional lead making these decisions in a vacuum. This 'foundation'

Critical foundational decisions for organisation design (OD)

Decision focus	Key activity	Key decisions
STRATEGIC	Business situation and context	1. What does the business need to do to win in the marketplace? What do HR consumers and customers want from us?
	Business strategy and HR strategy	2. What business are we in? Who do we serve? What will we offer? What will we not do?
	Power source or gravitational pull	3. Are we about customer, product [expertise] or low cost? You cannot have all three with the same power.
	Performance assumptions over time	4. What are the performance assumptions in the new design, one, three and five years out?
	Values/social attributes	5. What are the values and/or social attributes required to deliver on our strategy?
	Functional priorities	6. What are HR functional priorities?
	Set design criteria	7. What are the decision criteria and key principles that will guide design choices and determine trade-offs?
SCOPE-OF-WORK	Product and service description	8. What products and/or services do we offer today? What should we be offering tomorrow?
	The customer experience	9. What is the consumer's and customer's experience today in HR? What should it be tomorrow, thinking end-to-end?
	Customer demand	10. What is the demand for our products and services today? What will the demand be like tomorrow?
	Key structure features	11. What are the key structure features sponsors want in the new design?
	Miscellaneous	12. What are the locations, facilities, functions, roles etc that are in scope? What is out of scope?
ACCELERATING READINESS	Assess impact of potential change	13. Based on what we know today, how big and how deep is the required change to the new design? What are the impacts – and where?
	Stakeholders	14. Who are the key stakeholders we need to get on board to make this change successful?
	Approach options	15. What are the options for moving forward? How do we want to go about this work? Methodology? Impose vs collaborate?
	Integrated change/project plan	16. What is the integrated change/project plan? What are resource requirements? What is the core methodology we will use to add project discipline to the effort? Approve and resource?
	Sponsor team	17. Who are the members of the sponsor team? Do we have enough business representation?
	Move forward or not?	18. Are we head and heart committed to moving forward? Are we aligned in what is to be done and how? Do we know what is expected of sponsors?

Content © On The Mark, 2011.

Organisational performance model

1. Business situation
The needs that must be satisfied and the pressures which must be responded to and managed
- Industry analysis
- Hard number requirements
- Corporate requirements
- Social, political, legal expectations
- Competitive pressures
- Employee expectations
- Customer and consumer value
- Shareholder expectations

5. Business results
What the organisation delivers
- Hard numbers
- Extent to which corporate requirements are met
- Social, political, legal conduct
- Position relative to competition
- Extent to which employee expectations are realised

4. Culture
The way we really do things around here!
- Attitudes toward strategy and goals
- Distribution of power and rewards
- Work people do and don't do
- Norms, sentiments, beliefs explaining how things get done (or don't get done)

2. Business strategy
The organisation's reason for being; its basis for competing and winning in the marketplace
- Purpose, mission, vision
- Competitive strategy (what, why, who and when)
- Core competencies and organisational capabilities
- Operating principles
- Objectives and goals
- Underlying values and assumptions
- Products and services

3. Organisation design (how)

FIT

Source: Originally developed by David Hanna; enhanced by Ed Kur, with content from Jay Galbraith. Further enhanced by On The Mark, 2003

> In the **three-box model,** *you cannot* **have the three boxes all** *being of* **equal** *power.* **A choice must** be made which box is the **strategic emphasis** of the design

work requires a significant investment of time, effort and deliberation – one of the reasons this work is often skipped and the HR lead jumps straight into wire diagrams and org charts.

Once foundation work is complete, concept structure decisions can be made, such as identification of the main structure boundaries and location of work within them. Whether it is three boxes or two or 10, decisions must be based on the advantages and disadvantages of each choice with what fits best with the design criteria and strategic intent – and nothing else.

The organisational performance model shown above represents this nicely. You will notice that understanding the business context, including consumers and customers, is all part of the upfront design work as a prerequisite to design choices, not an afterthought. Ironically, this model was developed by David Hanna in the 1980s, a colleague of Ulrich today, which again underscores that outside-in thinking is not new.

Designing HR – the final word...

It is clear that HR transformation will continue to be a priority in business. This does not mean the entire field of organisation design has to be reinvented. I cannot tell you why Ulrich has rediscovered outside-in thinking, 10

years after putting forth a viable three-box model. The work of understanding business context as a prerequisite for good design should be a standard, in-place process for both the business and HR. It should be completed annually as part of any planning, budgeting and prioritisation process. And, *if* a change in strategy is identified, the design and operating model needs to be reviewed to ensure it is fit for purpose – the process of OD kicks in.

So, 'are we there yet, HR?' Not quite, but here's my final word (for the moment). If you plan on redesigning your HR function, adopt and put into practice a proven, robust organisation redesign process. This will require you to take a disciplined approach to finding the right solution. Doing so will take into account business context, value for the customer, quality of work life, real outcomes, along with other practical design decisions – while not getting caught up in a recycled idea masquerading as the latest innovation in HR transformation. You will arrive at your destination more effectively – I guarantee it. **HR**

Mark LaScola is founder and managing principal at learning experience companies On The Mark and On The Mark UK