Organization Design Workshop
Feb 5-8, 2008
Exercise Sheets
(yellow sheets in binder)
Diagnostic Feedback Format

Key elements – What changes and capabilities are implied? What new value will be delivered to customers?

Talent gaps? Strengths and weaknesses of current talent management/human capital model?

What is currently rewarded and how? Gaps given new strategy and capability requirements

What work processes are critical to strategy? How does this fit with current strengths, weaknesses - what is the gap?

What core units are needed to achieve focus on strategic deliverables? What lateral structures? Where is the gap?

Current strengths and weaknesses? How do the management processes need to change to achieve focus on strategy?

Report on all elements in relation to strategy!!

Strategy

Work Processes
Structure

Management Processes

Rewards

People
### VRIO Outcomes and Effect on Competitive Advantage

<table>
<thead>
<tr>
<th>Valuable</th>
<th>Rare</th>
<th>Costly to Imitate</th>
<th>Org. Leverage</th>
<th>Competitive Consequences</th>
<th>Performance Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>Competitive Disadvantage</td>
<td>Below Average Returns</td>
</tr>
<tr>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
<td>Competitive Parity</td>
<td>Average Returns</td>
</tr>
<tr>
<td>YES</td>
<td>YES</td>
<td>NO</td>
<td>YES</td>
<td>Temporary Competitive Advantage</td>
<td>Above Average Returns</td>
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<tr>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>Sustainable Advantage</td>
<td>Above Average Returns</td>
</tr>
</tbody>
</table>

### Valuable
1. Does this resource or capability provide a clear benefit for the customer or your organization?
2. Are customers willing to pay or bargain for what this resource or capability can provide?

### Rare
1. Is your organization one of the few who own or have control over this resource/capability?
2. Is this resource relatively rare or unique among your competitors?

### Difficult or Costly to Imitate:
1. Does replicating this resource/capability require significant capital investment?
2. Does replicating this resource/capability require significant time investment?
3. Is it difficult to tell (from the outside) just how this resource/capability is used in the organization?
4. Does the efficient use of this resource or operation of this capability require significant amounts of learning?

### Offers Possibilities for Organization Leverage?
1. Does the organization focus attention and invest in this resource/capability?
2. Does the organization recognize the importance of this resource/capability?
**VRIO STRATEGY EXERCISE**

1. What are the current major resources and capabilities important to your business success? List 3-4 on the first column.

2. For each one, rate the four areas of the VRIO Model as follows: 1 = Not at all; 2 = Yes, Somewhat; or 3 = Yes, Definitely.

3. For each determine whether it is a …(CHECK ONE)
   - D = Competitive Disadvantage; P = Competitive Parity; or
   - A = Competitive Advantage and, if it’s an Advantage is it …T = Temporary -or- S = Sustainable

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
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<tbody>
<tr>
<td>CURRENT KEY RESOURCES AND CAPABILITIES:</td>
<td>VALUE</td>
<td>RARE</td>
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</tbody>
</table>
4. What, if any, **new resources and capabilities will be important (valuable)** given your strategic direction?
   What can your organization do to increase their uniqueness?
   What can your organization do to increase the difficulty of cost of replicating them?

<table>
<thead>
<tr>
<th>NEW RESOURCES AND CAPABILITIES REQUIRED</th>
<th>ACTIONS TO INCREASE UNIQUENESS</th>
<th>ACTIONS TO INCREASE DIFFICULTY OR COST OF IMITATION</th>
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Strategy Learning and Integration Exercise

1. Quickly work through or respond to the following activities:
   - Review your Strategy pre-work questions.
   - How does your organization view strategy? ____________________________
     - Does it view strategy as a plan, position, pattern or perspective? ______________
   - What is the most enduring label for your strategy? ____________________________
     - Provide a short word or phrase, in keeping with your organization’s view of strategy
       that describes how it intends to achieve its mission and objectives.
       Potential words or phrases could be:
       [ ] Growth
       [ ] Harvest
       [ ] Prepare to exit
       [ ] Defend
       [ ] Low cost
       [ ] Other: ____________________________

   - Based on your sense about how the business environment is changing, do any of the
     elements of strategy need to be adjusted to better respond to future environmental
     demands?

   _______________________________________________________________________
   _______________________________________________________________________
   _______________________________________________________________________

   - In what ways, if any, do these elements need to change to respond to likely future demands?

<table>
<thead>
<tr>
<th>Element of Strategy</th>
<th>In what ways, if any, do these elements need to change to respond to likely future demands?</th>
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<tbody>
<tr>
<td>Breadth</td>
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<tr>
<td>Aggressiveness</td>
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<td>Differentiation</td>
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<td>Orchestration</td>
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<td>Economic Logic</td>
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2. Think more carefully about this next activity. It will be an important “touchstone” for the rest
   of the workshop.

   - What must my organization be able to do effectively to deliver on this strategic intent? What are
     the “design criteria” – what should the organization be able to accomplish in terms of observable/
     measurable operating features and/or outcomes?

   _______________________________________________________________________
   _______________________________________________________________________
   _______________________________________________________________________
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   - Does the strategy require any new capabilities? What are they?

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   _______________________________________________________________________
Identity Exercise

3. How do people inside your organization talk about its unique culture, values, and personality?
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4. How do people outside your organization describe its reputation, personality, and brand?
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5. Which of the following best describes the strategic heartbeat of your unit/program/function?
   - We are a market- or customer-driven organization
   - We are a production capability-driven organization…in other words, we say “Since we can, we should…”
   - We are a technology-driven organization…in other words, we say “If we build it, they will come…”
   - We are driven by a belief that bigger is better
   - We are revenue driven organization

6. My choice for our identity is:
_______________________________________________________________________________
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7. The reasons for my choice are:
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_______________________________________________________________________________
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Work Process and Structure Worksheet (use pre-workbook as input)

1. Current Core Processes
   a) Do they track to current core units? _____________________________________________
   ________________________________________________________________________________
   ________________________________________________________________________________
   ________________________________________________________________________________
   ________________________________________________________________________________
   ________________________________________________________________________________

2. What lateral structures are present?
   a) How well do they work? __________________________________________________________
   ________________________________________________________________________________
   ________________________________________________________________________________
   ________________________________________________________________________________
   ________________________________________________________________________________
   b) What additional structures are required? _____________________________________________
   ________________________________________________________________________________
   ________________________________________________________________________________
   ________________________________________________________________________________
   ________________________________________________________________________________

3. What shared structures are present?
   a) How well do they work? __________________________________________________________
   ________________________________________________________________________________
   ________________________________________________________________________________
   ________________________________________________________________________________
   ________________________________________________________________________________
   b) What additional shared structures are required? ________________________________
   ________________________________________________________________________________
   ________________________________________________________________________________
   ________________________________________________________________________________
   ________________________________________________________________________________
   c) How does/should each link to the different units of the organization? ____________
   ________________________________________________________________________________
   ________________________________________________________________________________
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Management Processes Worksheet

1. Communication:
   a) How would you currently describe the communication norms? __________________________
   ________________________________________________________________________________
   ________________________________________________________________________________
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   b) In what areas does communication not occur/fall through the cracks? ______________________
   ________________________________________________________________________________
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   c) What new communication channels/content need to be purposefully designed? ______________
   ________________________________________________________________________________
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2. Decision making:
   a) What kinds of decisions are currently not working well (ambiguity about authority, different conflicting decisions made in different places, the right information not brought to bear)
   ________________________________________________________________________________
   ________________________________________________________________________________
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   ________________________________________________________________________________
### Management Processes Worksheet (continued)

2. **Decision making (continued)**
   - b) List the major parties to the key decisions down the left hand side
   - c) List 3-4 key decisions across the top of the grid
   - d) Identify which parties need input, decision authority, recommendation authority

<table>
<thead>
<tr>
<th>(b) Parties to Decision</th>
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</table>

(d) KEY: D=Decision Authority; R=Recommend; I=Input; N=Need to Know; U=Uninvolved

3. **Direction Setting:**
   - a) Where is there lack of alignment of goals and objectives? _______________________________________________________________________
      _______________________________________________________________________
      _______________________________________________________________________
      _______________________________________________________________________
      _______________________________________________________________________

   - b) What kind of planning, review, and alignment processes are required? ________________
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   - c) What process would you recommend? ___________________________________________
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      _______________________________________________________________________
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   - d) [Blank]
Aligning Rewards with Strategy and Design – Fundamental Questions

[Note: These analyses can be carried out at the level of the whole corporation, the business unit, a sub-system in the organization. To the extent that the answer to this question is different across different sub-systems, a differentiated pay system is called for.]

I. Base/Incentive Balance:

To what extent are the following conditions in place?

\(1 = \text{Not much}; \ 2 = \text{Somewhat}; \ 3 = \text{A great deal}\)

- Increasing performance demands
- Wage competition
- Low inflation
- Annuity cannot be offset
- Significant amounts of incentive are possible
- Rapid change — uncertainty or cycles
- Strategic focus — targeted performance
- Individual and/or group performance

Total Score: 

(Higher score points to greater efficacy/appropriateness of incentive pay)
II. What are the key performance areas to successfully implement strategy? Define 3 Key Performance Areas. For each, consider the interdependencies in the system and at what level value is delivered to the customer. To the extent that key performance areas depend on collective behavior, individually oriented compensation systems will need to be supplemented by team/unit/business systems to optimize performance motivation.

1. ______________________________________________________________________  
   ______________________________________________________________________  
   ______________________________________________________________________

2. ______________________________________________________________________  
   ______________________________________________________________________  
   ______________________________________________________________________

3. ______________________________________________________________________  
   ______________________________________________________________________  
   ______________________________________________________________________

II. For each key performance area listed, to what extent does this performance rely on:

Key Performance Area
1:____________________________________________________

Rank from 1 to 4:
1 being the most appropriate level to measure value to customer, 4 being the least

<table>
<thead>
<tr>
<th>Rank</th>
<th>Key Performance Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>_____</td>
<td>Individual Contribution</td>
</tr>
<tr>
<td>_____</td>
<td>Team Contribution</td>
</tr>
<tr>
<td>_____</td>
<td>Business Unit Contribution</td>
</tr>
<tr>
<td>_____</td>
<td>Company-Wide (Multiple Unit) Contribution</td>
</tr>
</tbody>
</table>

(over)
II. For each key performance area listed, to what extent does this performance rely on:

Key Performance Area 2:

Rank from 1 to 4:
1 being the most appropriate level to measure value to customer, 4 being the least

Key Performance Area 3:

Rank from 1 to 4:
1 being the most appropriate level to measure value to customer, 4 being the least
III. Competency versus Job-Based Pay:

To what extent are the following conditions prevalent in your organization?

(1 = Not much; 2 = Somewhat; 3 = A great deal)

- Dynamic Environment
- Teams
- Interdependency
- Flat Organizations
- Small Staff
- Flexibility
- Employment Security
- Self Management
- Knowledge/Skill Work
- Compete on Knowledge

Total Score: ____________________________

(Higher Score points to greater efficacy/appropriateness of person-based pay)

IV. To what extent is there large differentiation in performance between similar units (individuals, teams, regions, business units, etc…). In what areas?

(If there are large differences this argues for greater differentiation in pay)

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Elements of a Human Capital Model

1. **Mix of skills and knowledge required by/valuable to the organization in executing its strategy into the future**
   - Technical/Managerial/Market and Business Development
   - Broad—Deep
   - Individual—Team
   - Execution—Innovation

2. **Social capital required by the organization in executing its strategy into the future**
   - Internal Relationships—functional, cross functional, cross business
   - External Relationships—to external knowledge, of the customer, of competition

3. **Organizing model that grows and utilizes human and social capital and that optimizes the benefit the firm derives from its human capital through time:**
   - Organization design
   - Work design
   - Design of “jobs” and “assignments”

The designs of the organization and of work are driven by strategy, but they create the context in which:

- People use and develop skills, or not
- Contribute to the organization, or not
- Develop relationships and belonging, or not
- Accomplish their goals and pursue their interests, or not
- Are motivated, or not

There is a profound interdependence between the design of the organization and of work and the human capital of the firm.
The interface of organization and work design and human capital occurs through three elements of the HC model:

4. **Competency Model** - Provides “labels” for the various knowledge and skills and criteria to judge that employee has learned to do something valuable to the company.

5. **Career Models** - that describe various paths for the movement and advancement of people through the organization to simultaneously develop and apply human capital and to address employee motivations.

6. **Deployment Processes** - Decisions about the movement of people through sequences of experiences and accountabilities to:
   - enables the conduct and management of key work processes
   - increases strategically important competencies and the value of employee contributions to performance
   - creates the right mix of human capital
   - motivates and involves employees

7. **Principles and systems for acquiring, developing, maintaining and retaining, continually evolving, and motivating the mix of human and social capital that provides a competitive advantage:**
   - Buy/Make mix; “Temporary”/core mix; segmentation, turnover model
   - Career development systems—recruitment and selection; deployment; vertical and lateral movement; retraining, models of value
   - Human Capital development systems/Social Capital development systems
   - Competitive/Motivating Employment “Exchange”
     - Job content—
       - Opportunities for growth and development
       - Meaningful work—making a difference
     - Compensation, benefits
     - Rewards for performance
   - Performance management model that addresses development of strategic competencies and contribution to performance of organization—at the individual, team, unit and/or firm level.
   - Employment brand that includes:
     - Knowledge “contract”
     - Work-life philosophy
     - Involvement/stakeholder philosophy
Charter Worksheet

- Business Unit Goals: ________________________________________________________________
  ________________________________________________________________
  ________________________________________________________________

- Team Mission: (Products of Services, including Support to Other Teams) ______________________
  ________________________________________________________________
  ________________________________________________________________

- Team Goals: (Parameters of Products of Services) _________________________________________
  ________________________________________________________________
  ________________________________________________________________

- Stakeholders:
  - Customers: ______________________________________________________________________
  - Managers: _______________________________________________________________________
  - Co-Performers: ___________________________________________________________________

- Resources: _________________________________________________________________________
  ________________________________________________________________
  ________________________________________________________________

- Decision Authority: __________________________________________________________________
  ________________________________________________________________
  ________________________________________________________________

- Requirements for Integration with Other Groups: _______________________________________
  ________________________________________________________________
  ________________________________________________________________

- Communication Responsibilities: ______________________________________________________
  ________________________________________________________________
  ________________________________________________________________

- Escalation Paths: ___________________________________________________________________
  ________________________________________________________________
  ________________________________________________________________

- Review Processes: ___________________________________________________________________
  ________________________________________________________________
Designing Around the Customer - Discussion Questions

<table>
<thead>
<tr>
<th>PRODUCT-CENTRIC</th>
<th>CUSTOMER-CENTRIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>❖ Best product for customer</td>
<td>❖ Best solution for customer</td>
</tr>
<tr>
<td>❖ New products</td>
<td>❖ Bundles of products, services, support, education and consulting</td>
</tr>
<tr>
<td>❖ Product profit centers</td>
<td>❖ Customer profit centers</td>
</tr>
<tr>
<td>❖ New product process</td>
<td>❖ Customer relationship management processes and integration/solutions</td>
</tr>
<tr>
<td>❖ Technical capabilities</td>
<td>❖ Customer value and satisfaction</td>
</tr>
<tr>
<td>❖ Technical depth valued</td>
<td>❖ Breadth and customer knowledge valued</td>
</tr>
</tbody>
</table>

To what extent is your organization current product or customer focused?

____________________________________________________________________________
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In what ways is it designed around the customer?

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What demands, if any, from the environment suggest that you will need to become more customer-centric?

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Where are the opportunities to do so, and what structural changes, if any, would help?

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