

The Living Organisation

Norman Chorn

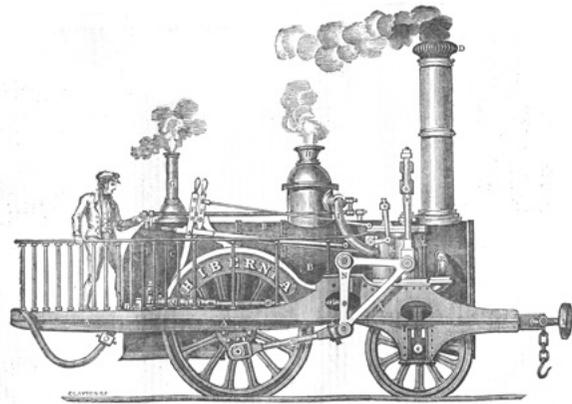
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The Mechanical Organisation

New waves of technology inspire new organisational structures. The 'machine' model has dominated in the past and produced significant benefits for organisations. In a rapidly changing marketplace it also has a major downside.



Benefits

- Standardisation
- Specialisation
- Goal alignment
- Hierarchy
- Planning & control
- Extrinsic rewards

Downside

- Adaptability
- Innovation
- Change
- New Technology

History has shown us any model or species that is incompatible with its environment, eventually fails and becomes extinct.

THE MACHINE MODEL

The "machine" model has dominated as the organising principle for organisations over the past two hundred years.

It suggests an organisation of independent parts linked together by a connecting control system.

In recent times, the only change is the level of automation and sophistication of the control system.

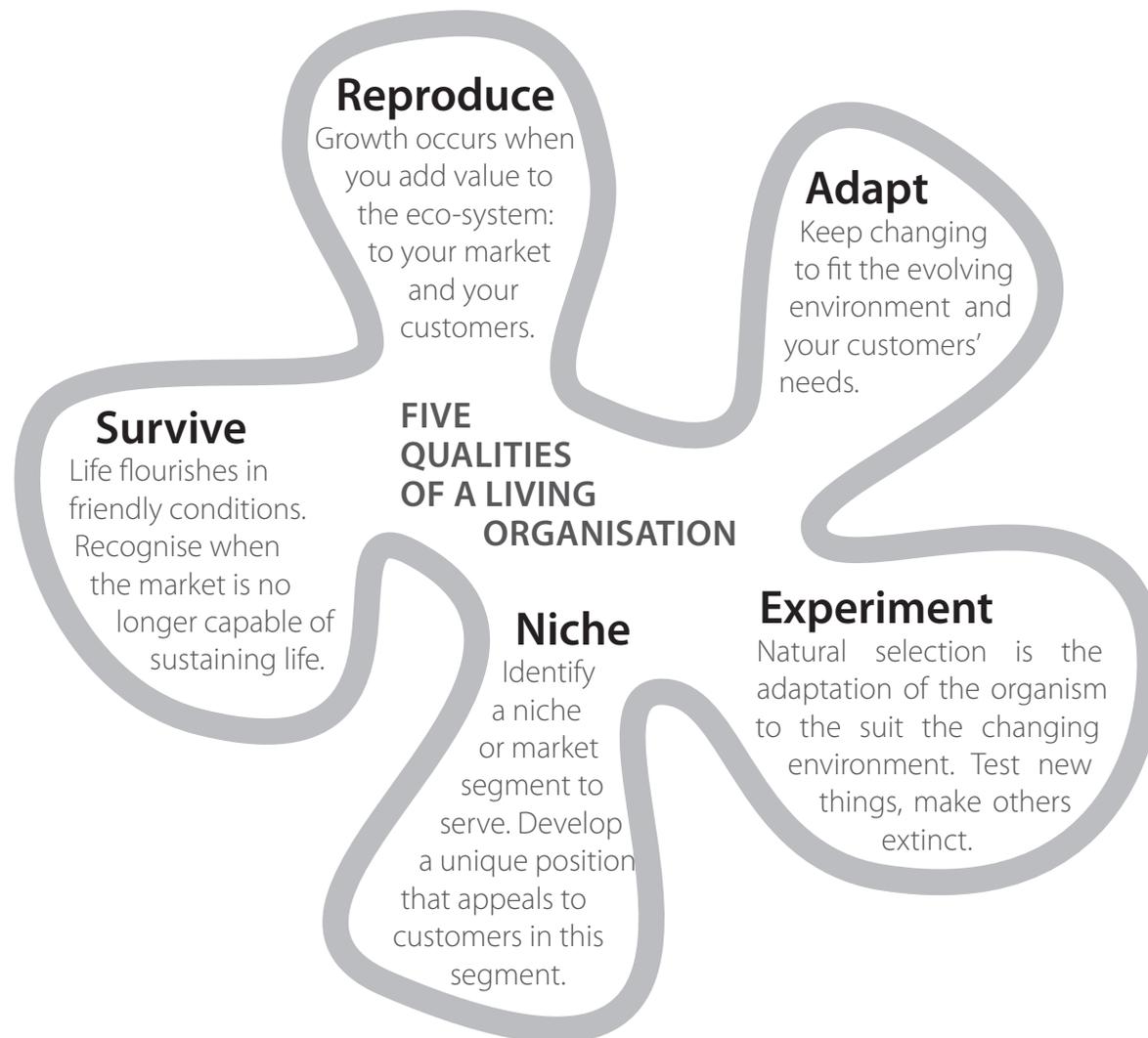
Our current information and communications technology is testing the limits of this model.

Will the machine model still be able to describe and define the new organisation form required for this wave of technology?

Or is there another model more adept at dealing with these challenges?

The Living Organisation

A new form of organisation is emerging - one that is better suited to the new technology and the uncertainty of the day. This organisation no longer has 'machine' as its dominant form of design. Instead it's based on biology - the study of life and living organisms - It's the 'living' organisation.



QUESTIONS FOR LEADERS

- Have you defined a higher purpose for your organisation - one that centres on adding value to your customers?
- Have you designed your organisation around the specific needs of your key customer groups?
- Do you have specific value propositions for each of these customer groups and segments?
- Is your organisation positioned in a way that produces competitive advantage in your key markets?
- Have you made the necessary trade-offs to make this positioning sustainable?
- Do you have the requisite diversity of opinion, capability and personnel in your leadership team and management?
- Do you encourage experimentation and allow for planned redundancy?
- Are you actively exploring new market opportunities while pursuing business as usual?
- Are you attuned to signs of market "exhaustion"?

Is Your Organisation Dying?

Living Organisations display five vital signs that indicate their health. The absence of these vital signs can produce dangerous symptoms that, if left unchecked, can lead the organisation down a path of demise. Is it time to breathe new life into your organisation?



1 Are we speaking and listening to our customers?



2 Is our organisational design logical?



3 Are we promoting change?



4 Are we developing future capabilities?



5 Is our culture learning and growing?

Some of these vital signs can be quite subtle and “off the radar” of many leadership teams.

The ailments brought upon by not following these practices can often be quite gradual and creeping.

In one period the organisation posts a great set of results. In the next, things begin falling apart.

This is common.

It reminds me of the slow and steady onset of type 2 diabetes that afflicted me some two years ago.

After enjoying a long period of sustained health, the slow and steady creep of my blood-sugar levels brought the need for radical adjustments to my lifestyle.

If I had not done so, I might have done irreparable damage to my major organs.

Monitor the vital signs in your own organisation and take early precautions to ensure that you maintain its health.

The Importance of Design

Many people regard the design of their organisation as less important than the clarity of their strategy or the positive attitude of their staff. They could be mistaken. Research shows that poor design accounts for 50% of strategy failure! Good organisation design is the deliberate alignment of your organisation to the market and your strategy.

OWNERSHIP IS THERE

CLEAR OWNERSHIP OF EACH CUSTOMER

SEGMENT? **AXIS** HAVE YOU DEFINED THE

DOMINANT AXIS AROUND WHICH YOU ARE ORGANISED?

REAL NEEDS DO YOUR MARKET SEGMENTS DEFINE THE

REAL NEEDS OF YOUR CUSTOMERS? **MULTI-CULTURAL**

ARE YOU CREATING A MULTI-CULTURAL ORGANISATION?

ACCOUNTABILITY IS THERE CLEAR ACCOUNTABILITY

FOR EACH VALUE PROPOSITION? **CHANGING** IS YOUR

ORGANISATION CHANGING AS QUICKLY AS THE MARKET?

OUTCOMES DO YOUR CUSTOMER VALUE

PROPOSITIONS DELIVER OUTCOMES

FOR EACH SEGMENT?

The organisation is your vehicle for implementing strategy in the market.

It is the way you configure and allocate resources to the priorities you perceive.

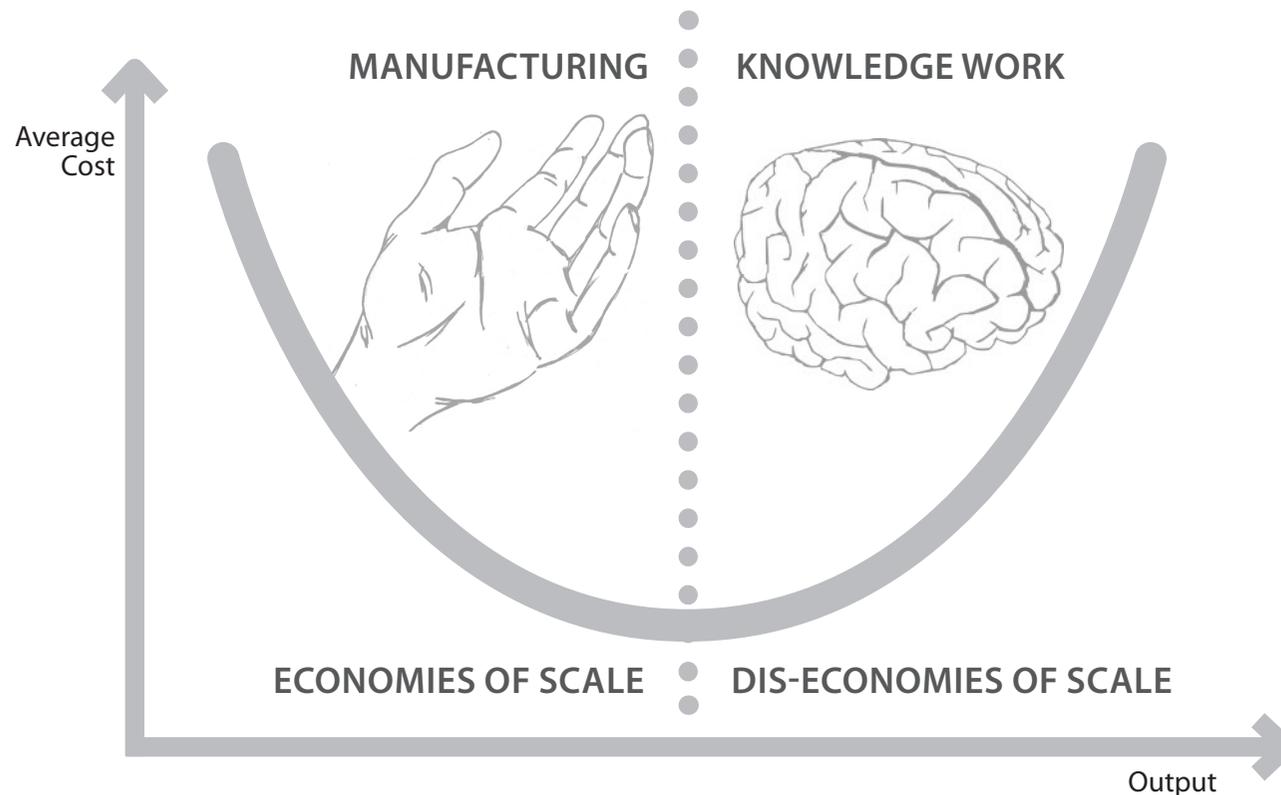
It responds to both changes in the market and your strategic intent.

In that sense, it can be seen as a live network of relationships, communication and material flows.

Ensuring the optimal design of this network is closely related to achieving strategic and operational success.

Economy of Scale is a Myth!

Shared services are being introduced into organisations at an increasing rate. They are based on the assumption of economies of scale through centralisation and standardisation. But the evidence suggests that these benefits do not necessarily follow...



The Problem

1. Economy of scale has only a limited impact on people working in a knowledge-based service organisation.
2. Standardised services only rarely meet the needs of different customer requirements.

What works

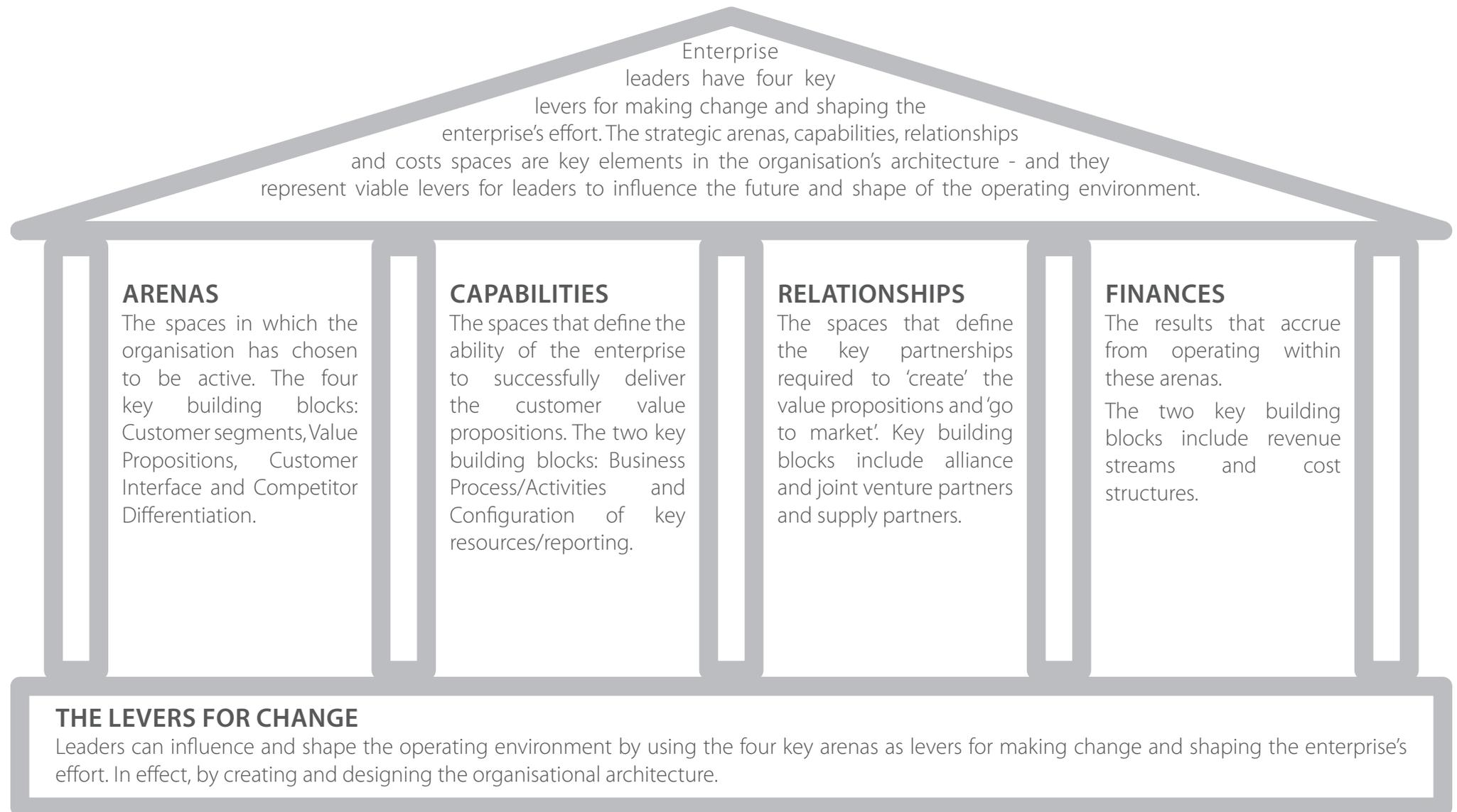
It's not the volume of transactions that produce savings, it's the elimination of waste through improved flow.

In this context, economy of flow means:

- The process matches the requirements of the customer and is able to absorb the customers' demand for variety
- The number of hand overs and resultant integration is reduced to limit the overall complexity in the system
- The requirement for rework and duplication is reduced to lower the total cost to the organisation.

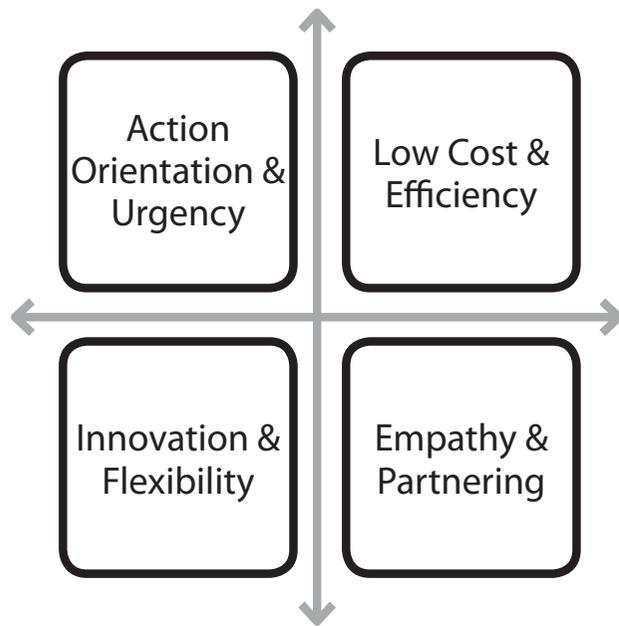
The role of organisation architecture

Organisation Architecture is the natural domain of leadership. It's the way that leaders can design the future of their organisation and shape the operating environment.



It's a question of focus not balance

Effective organisations are not necessarily well balanced. The evidence suggests that FOCUS is a more common characteristic. And focus is IMBALANCE. In order for an organisation to develop competitive advantage, it has to pursue elements of focus in its resource allocation - and this is, in effect, an imbalance.



The four generic sources of competitive advantage within organisations

Pathways to advantage

The diagram shows the four generic sources of competitive advantage within organisations. Each pathway makes specific demands upon the resource configuration of the organisation.

For example, an organisation adopting a speed and action orientation requires a flat organisation with decentralised decisions and high degrees of empowerment. A 'lowest cost supplier' requires a more highly structured design with strong controls and process rules. The customer franchise and intimacy platform requires a premium on team work, shared values and collaborative decision-making. And, an organisation competing on innovation and new product development will have a fluid, network-style organisation with high levels of individual accountability and performance.

These resource configurations can be mixed. However, they represent trade-offs and compromises. For example, the speed posture is significantly different to the customer intimacy posture - and they are not easily combined in the same part of the organisation.

This becomes an imbalance of one set of factors over another. Hence, focus resembles an imbalance in the organisation.

A portfolio of focuses

How do you achieve coverage of different focuses across the organisation? For example, how do you pursue customer intimacy in one market segment and speed to market in another?

The answer is NOT to try and achieve a balance in all parts of the organisation. By simultaneously pursuing all four pathways in a particular part of the organisation, you are likely to achieve a "stuck-in-the-middle" position - and so fail to become good at any one thing. It is a "jack of all trades" solution.

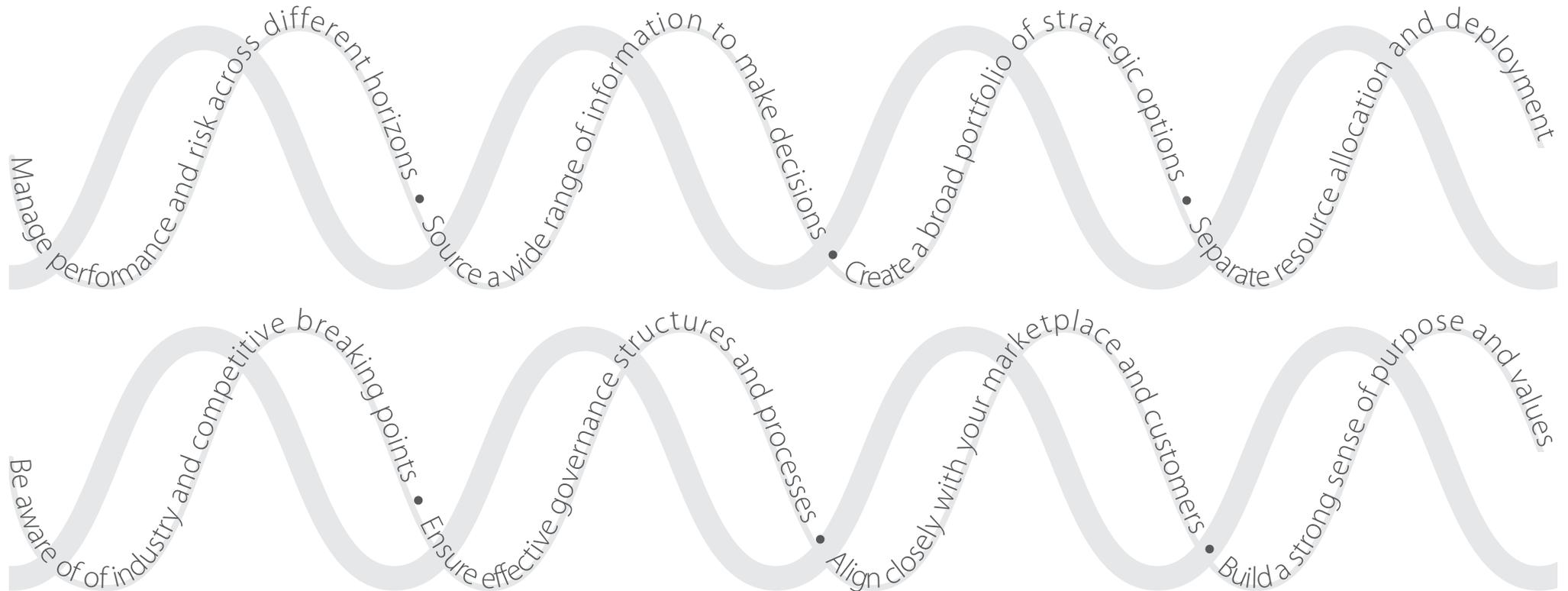
Instead, follow a few key organisation design guidelines to pursue multiple focuses:

- 1** Recognise that one size doesn't fit all
- 2** Manage the organisation as a portfolio
- 3** Ensure that the strategic agenda of a business unit matches its market

A truly competitive organisation will allow business units to pursue pathways to competitive advantage that are related to the needs of their different markets. And they will accommodate the necessary differences in style and culture across the organisation that facilitates this diversity.

Eight Traits of Resilient Organisations

Most definitions of resilience focus on the ability to get back up after being knocked down. At the corporate level this is usually too late and too costly. Instead Resilient Organisations have the ability to change before it is forced upon them. How resilient is your organisational DNA?



Resilient organisations appear to have four forms of energy that underpin the traits described above:

- 1** Emotional energy that governs the recognition of and response to stimuli
- 2** Intellectual energy that drives the generation and development of strategic options
- 3** Physical energy that shapes the focus and application of effort
- 4** Spiritual energy that assists in generating commitment and purpose.

These energy forms can be developed via a series of specific processes and deliberate effort by management.

Winning and keeping customers

It's difficult to win and keep your customers in changing and uncertain conditions. We consider the problem and outline three specific approaches to address it.

It is clear that external conditions are changing rapidly and your customers face a stream of potential new suppliers and product / service offerings.

However, despite this continuous change in the market, the basic drivers of customer satisfaction (and their underlying needs) remain relatively robust.

If we can be sure that we understand the real customer drivers - what the customers really need - and then deliver the appropriate value propositions to them, we can achieve greater success in winning and keeping them as customers.

In essence, this means taking a very different look at your customers, how you position yourself in the market, and how you achieve competitive advantage.

It's not an overnight fix, but one that may be worthwhile as you seek success in these changing and uncertain times.

QUESTIONS FOR LEADERS

- How do you segment your customer base?
- Are you using simple demographic criteria because its easier to classify customers?
- Do you have clear value propositions for each customer segment?
- Are these propositions based on the product or service being provided, or do they emphasise the problem you solve or value you add to the customer?
- Are your pathways to competitive advantage clear for the different segments of your market?
- Do you position your business explicitly within these segments and signal this to both customers and staff?

- 1** Identify the real drivers of customer needs by using behavioural segmentation instead of the traditional demographic approach
- 2** Develop clear value propositions that deliver against these real needs
- 3** Position the business clearly by making the required trade-offs to achieve competitive advantage. Then signal this position to the market.

Our research shows that we should be doing three things to win and keep our customers...

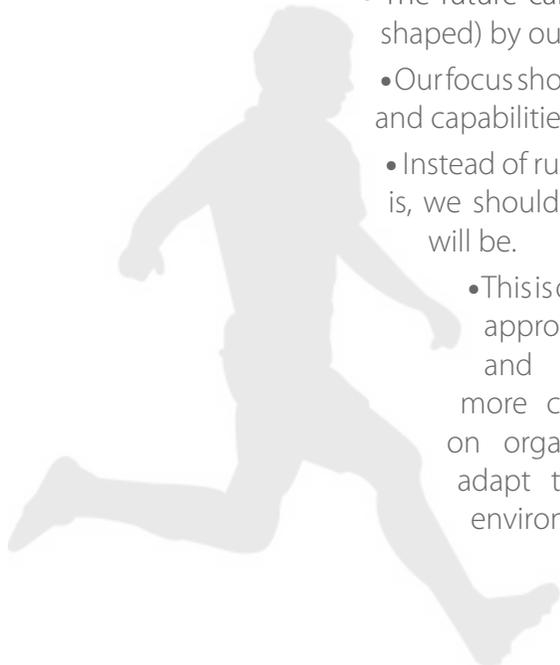
There's no future in predicting the future

Conventional planning no longer works. Setting strategy for the future involves accepting and practicing seven key principles. The future can't be predicted - and it can be influenced by your actions.

YOUR FUTURE STRATEGY

- Conventional planning approaches - with their emphasis on assumptions and pre-determined objectives - no longer work.
- Don't attempt to predict the future. Recognise alternative futures are possible and should be accommodated.
- We are likely to need the assistance of those outside the power elite in order to envisage a range of alternative futures.
 - The future can be influenced (and even shaped) by our purposeful behaviours.
 - Our focus should be on building positions and capabilities for the alternative futures.
 - Instead of running to where the football is, we should run to where the football will be.
 - This is different to the conventional approach for developing business and corporate strategy. And, more consistent with our views on organisations that learn and adapt to a constantly changing environment.

- 1 The future is yet to be created**
- 2 The future can be influenced by our purposeful behaviour**
- 3 No monarchy has fomented its own overthrow**
- 4 Embrace the uncertainty in the situation**
- 5 Recognise that alternative futures are possible**
- 6 Develop the capabilities needed for the alternative futures**
- 7 It is better to be vaguely right than precisely wrong**



Release your strategic intuition

Strategic Intuition is powerful combination of rational thinking and creative imagination. It can be released by following a process that recognises the differences between Strategy and Planning.

Intuition, Experts and Strategy

Intuition is a flash of insight where the solution to a difficult problem just comes to you.

Expert Intuition is making a snap decision based on a familiar situation, eg a paramedic.

Strategic Intuition is avoiding making a decision in an unfamiliar situation, eg a CEO plotting the future.

Planning is NOT Strategy

Planning is where we set objectives and take actions to achieve a goal. We assume the situation is relatively stable, and we can set the objectives before entering the situation.

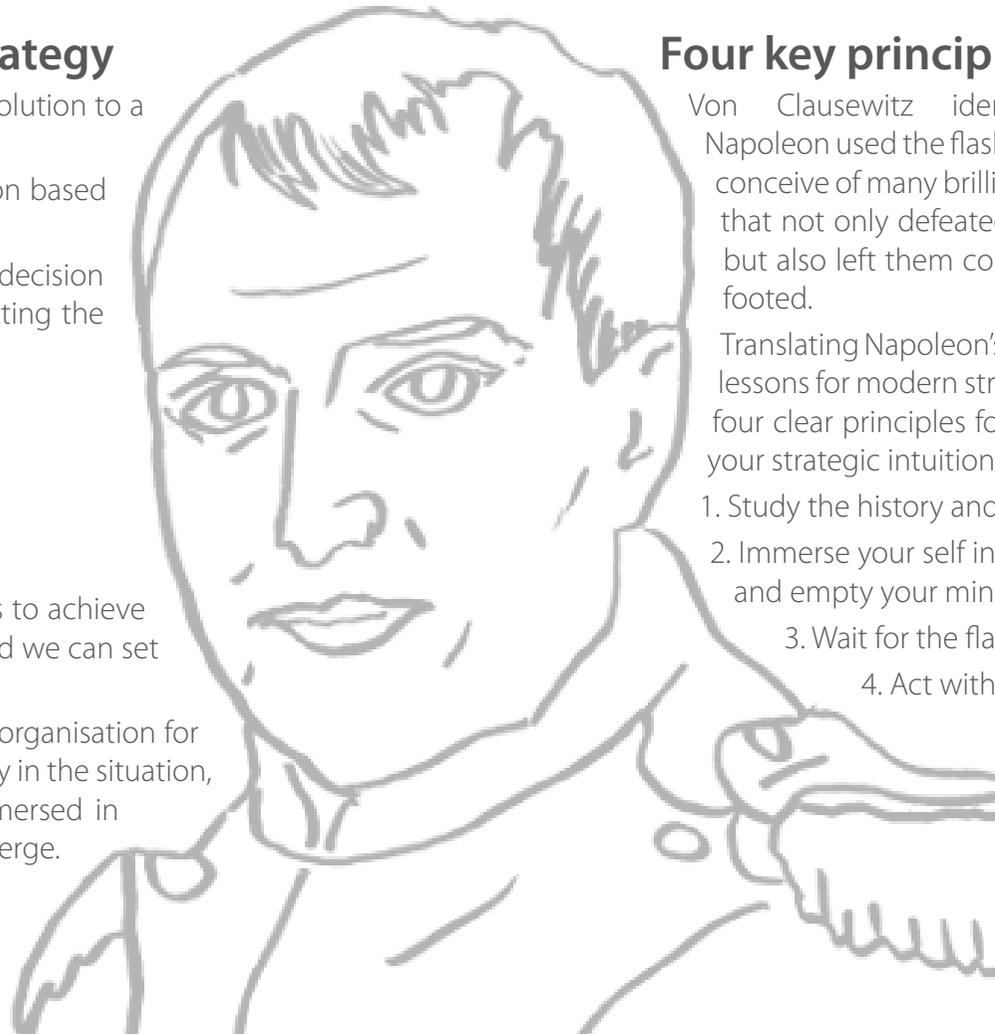
Strategy is where we seek to position and equip the organisation for the future. We recognise the uncertainty and instability in the situation, and allow the objectives to emerge as we are immersed in the situation. This is when strategic intuition will emerge.

Four key principles

Von Clausewitz identifies how Napoleon used the flash of insight to conceive of many brilliant initiatives that not only defeated the enemy, but also left them completely flat-footed.

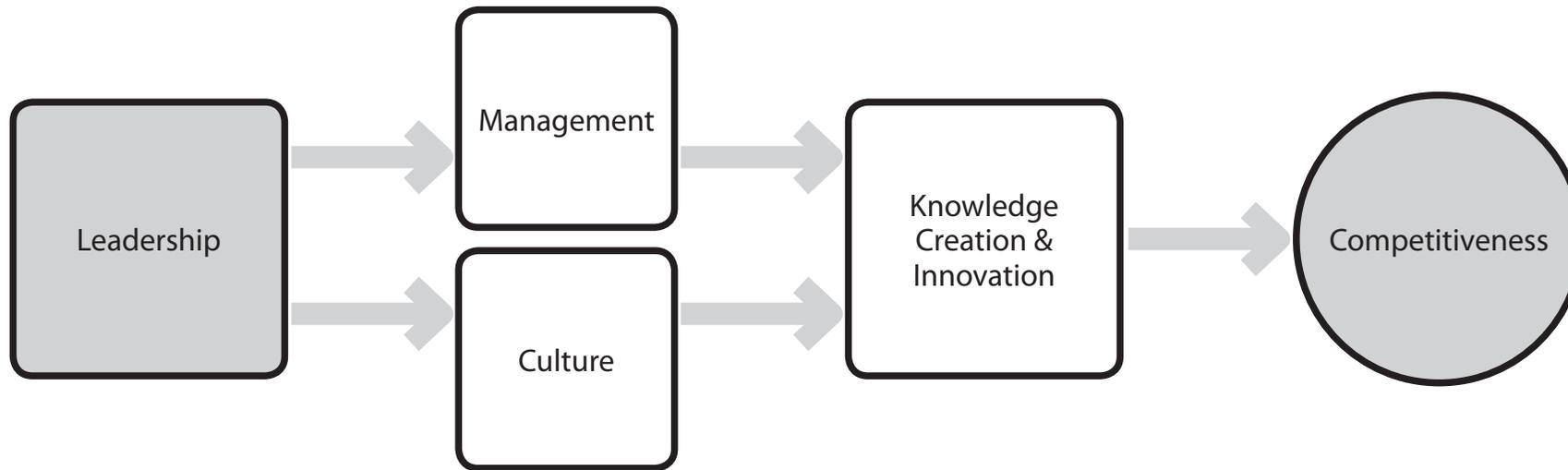
Translating Napoleon's exploits into lessons for modern strategy, we see four clear principles for developing your strategic intuition:

1. Study the history and theory
2. Immerse your self in the situation and empty your mind
3. Wait for the flash of insight
4. Act with conviction



Your organisation's Knowledge Quotient

The Knowledge Quotient (KQ) of an enterprise reflects the amount of effort put into developing enterprise-relevant knowledge and IP. A high KQ is shown associated with greater competitiveness.



How leaders can drive competitiveness

Research* has shown that leaders can drive competitiveness by creating an enterprise that focuses on knowledge creation and innovation.

How can this be done? The answer is to address the basic economic equation related to knowledge creation. In other words, enterprise KQ can be lifted by enhancing the economics of the knowledge creation process.

Like most economic issues, this is tackled by addressing the three key components of:

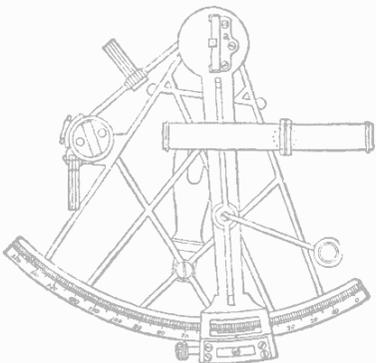
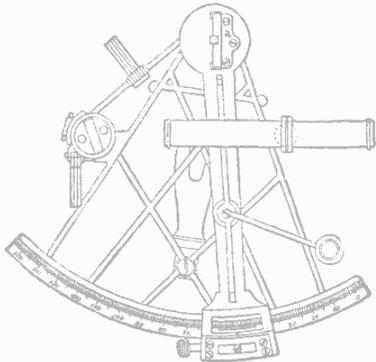
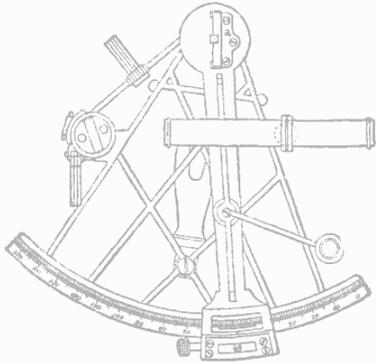
- 1** The supply & creation of enterprise-relevant knowledge
- 2** The demand & use of this enterprise knowledge
- 3** The efficiency of the market that promotes the creation and exchange of the enterprise knowledge.

** Leading Australia to more innovative, productive and fulfilling workplaces, Society of Knowledge Economics, 2009.*

How to Craft Strategy in Uncertain Times

Crafting strategy in uncertain times is like peering over the horizon to see what's coming. You need the help of a sextant to guide you through. And, to create one you need to overcome 3 limitations in the typical planning process.

A sextant is an instrument used to measure the angle between any two visible objects. They were used by seafaring navigators to record the angle between a star in the sky and the horizon. This was then plotted on a chart to determine the course ahead. What sort of sextant are you using today?



1. SINGLE-MINDED PURSUIT OF OBJECTIVES

Most business plans set a few, prioritised, objectives and then allocate resources to achieve these via a series of action plans. Focus is important to avoid distraction. The downside of focus is being single-minded. This can drive out learning and adaptation. This can lead to 'trying harder' when 'doing different' would be better. And, this can halt progress.

2. TRYING TO PREDICT THE FUTURE

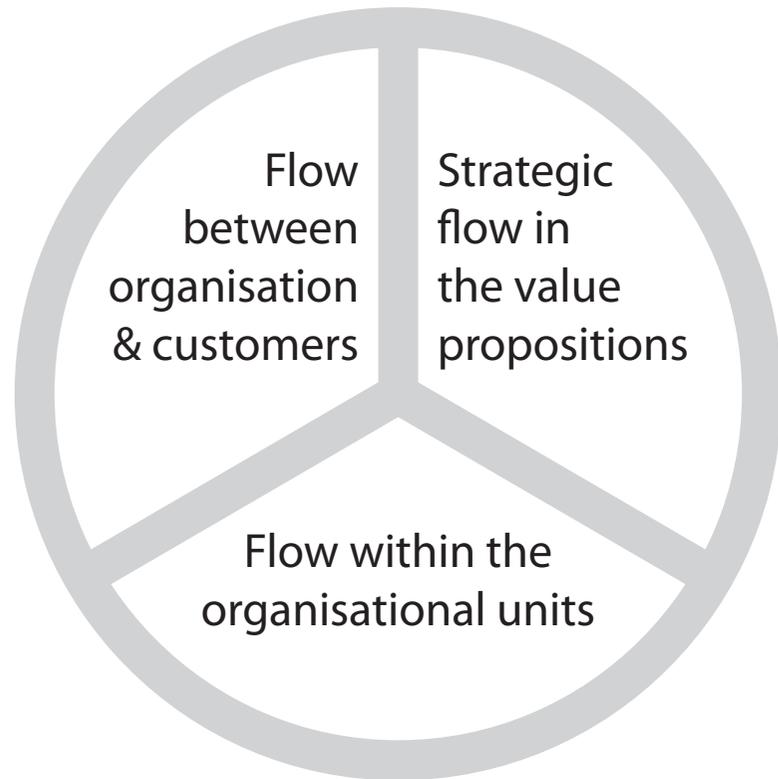
Conventional business planning relies on making a series of assumptions at the beginning of the process. These assumptions, such as market growth, exchange rates and the state of the political environment, then provide the context for the setting of objectives and action plans. Once these assumptions are proved wrong, the validity of the plan becomes questionable. Making these assumptions is like attempting to predict the future and as a result the plan fails.

3. CONFUSING "PLANNING" WITH "STRATEGY"

Many organisations speak of the need for developing their strategy, and then proceed to use a planning process instead. Planning is an event-driven process where we set an initial objective, and then pursue it via a program of actions. The objective is determined at the outset of the process. In contrast, strategy is an ongoing, iterative process where the emphasis is on learning and adaptation. While the broad intent is clear from the outset, detailed objectives are not set at the outset - because, by definition, we don't know what issues will be encountered along the way.

Competitive advantage and strategic flow

Pursuing strategic objectives often results in us trying to undertake conflicting goals. But often, these goals can be reframed and successfully achieved.



Strategic flow

Some commentators have concluded that the two goals of customer focus and operational efficiency represent conflicting priorities within an organisation.

The challenge is to focus on the enablers of both customer focus and operational efficiency.

Often, customer focus is viewed as an external orientation in the culture, while operational efficiency is seen as internal.

This often forces leaders into making difficult choices in setting up and managing their enterprises.

By recognising that flow is a key enabler of both customer focus and operational efficiency, we can explore the opportunity for building an organisation that produces good operational efficiency while displaying high customer focus across multiple customer groups.

The result is a customer-winning organisation that is designed to win and keep customers, and is still cost competitive.

Three enablers

The enablers that build a customer-winning organisation are related to flow in the processes and value propositions delivered by an organisation.

These are:

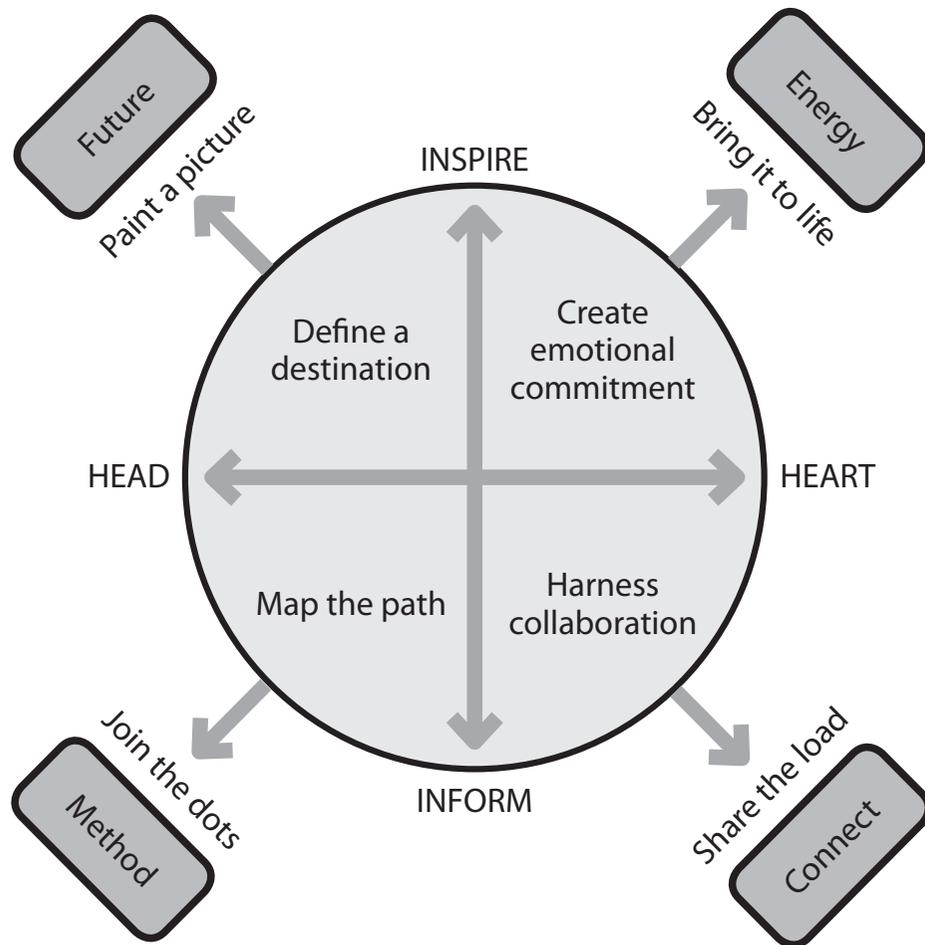
- The flow between the organisation and its key customer groups
- The strategic flow in the key value propositions - and their propensity to develop competitive advantage
- The flow within the key organisational units

It's possible to deliver several value propositions across different customer groups and still achieve operational efficiency.

Rather than viewing these objectives as opposing mindsets and focuses within an organisation, we can address their common enablers - the achievement of strategic flow through the organisation.

Competing on Thought Leadership?

Thought leadership is when the sheer power of your ideas shape the direction of an industry or market. Thought leadership is how to capture, package and deliver your ideas with impact.



Thought Leadership identifies four broad areas in which leadership works.
Diagram : © Thought Leaders

WHY THOUGHT LEADERSHIP?

In the knowledge economy, leadership relies on shaping ideas to move individuals and the organisation forward. It involves context creation and setting the strategic direction. This is Thought Leadership.

FOUR AREAS OF LEADERSHIP

1 Future : Leadership begins with a focus on the future. Defining a destination is not always straightforward in changing and uncertain conditions. Accordingly, Thought Leadership focuses on creating a range of alternative futures for the organisation.

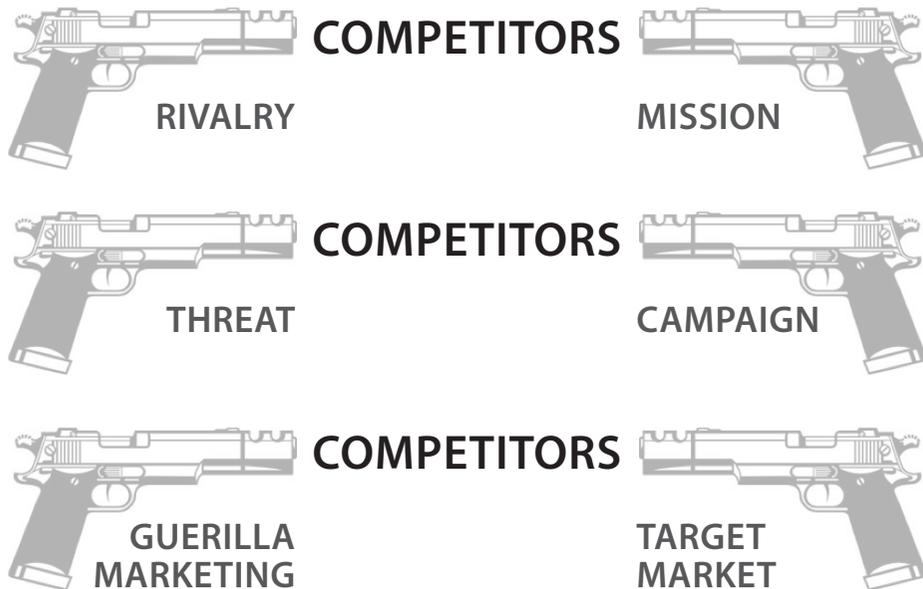
2 Energy : The next stage is to generate sufficient energy and excitement within the organisation so that people engage and commit to the strategy and course of action.

3 Connect : The management of talent is vital in today's knowledge intensive markets to build support and collaboration through the organisation. Creating opportunities for talented individuals to build their own Thought Leadership is becoming an important process for attracting and retaining talented people.

4 Method : Finally, leadership is also responsible for joining the dots and mapping the path forward. This is achieved through establishing appropriate performance management and putting hard measures on the (often) soft variables. Improved decision-making is an outcome of this process as well.

Strategy as Love

The traditional model for strategy is derived from military thinking. It promotes attacking our competitors and targeting our customers to win. What new insights would be available if we used a different frame? Strategy as 'love' provides a new way to look at your organization's strategy.

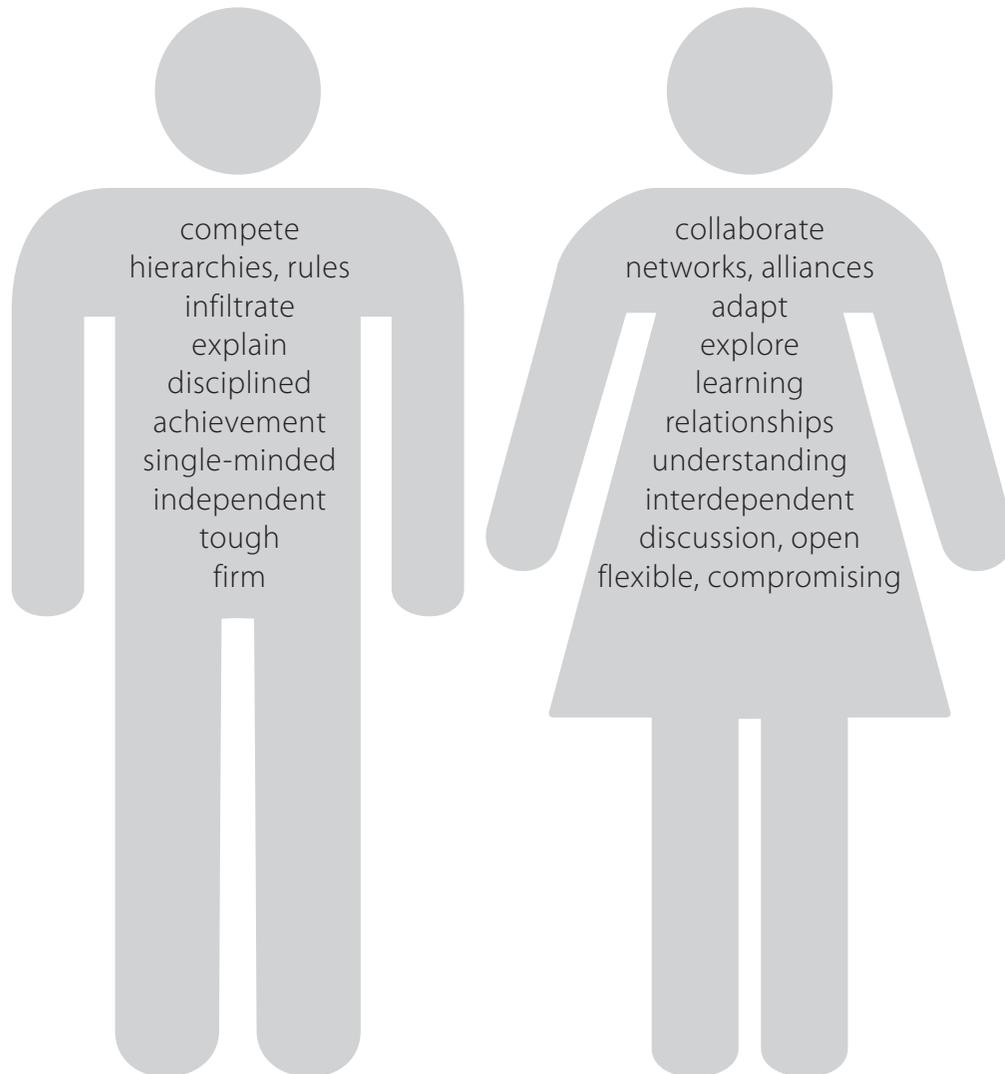


Strategy as war is not a very effective way to manage a business. Wars create devastation. And this focus puts our competitors at the centre of our thinking. This approach is less than ideal because it promotes sameness - keeping up with and mirroring our competitors.

An alternative is to use your customers as the driving force. Start by deeply understanding the customer's requirements and how you can add value to the customer in the most effective way. This changes completely the way you plan and make decisions. You are now focused on LOVING the customer instead of making WAR on the competition. It differentiates you from your competitors and helps you avoid being a mere commodity.

Is good leadership a feminine thing?

Conditions have changed. What previously worked is often less effective. Many organisations are dominated by the “masculine” values (Carl Jung’s definition) that emphasise competition, independence and discipline. These are still valuable! And, we can achieve fresh results when we balance masculine and feminine values.



SHARE YOUR VISION WIDELY

Creating the future is not simply an exchange of data. Include what’s on your mind, your emotions and feelings in your message.

ENGAGE YOUR PEOPLE

Leadership is not a spectator sport. Show an active interest what your team is doing and make yourself available to give them ongoing guidance and encouragement.

ARGUE STRONGLY WITH YOUR COLLEAGUES

Arguments are an opportunity for leaders to express their opinions, to stand up for what they believe in and to achieve real consensus. Compel your team to put their assumptions on the table and share their true feelings.

KNOW WHEN TO FOLLOW

The important counterpoint to leadership is followership. Without followers, there can be no leadership. Knowing when to follow is an important attribute of a successful leader. It’s okay not to know the answer.

Both the masculine and feminine sides of the coin are valid. When masculine values are complemented by a feminine approach it enables us to deal with a wider range of uncertainty, complexity and change.

Be an Incomplete Leader

Good news! You don't need to know all the answers! And, to be a good leader it's better if you' don't! Be incomplete. It's time to focus on your strengths and find others who can make up for your limitations.



Command and control organisations rely on the leader to know the answers.



Collaborative leaders cultivate and co-ordinate actions with others.

In Praise of the Incomplete Leader is the collaborative work of a group of authors that includes Peter Senge (the Learning Organisation) and Deborah Ancona (HBR July 2007).

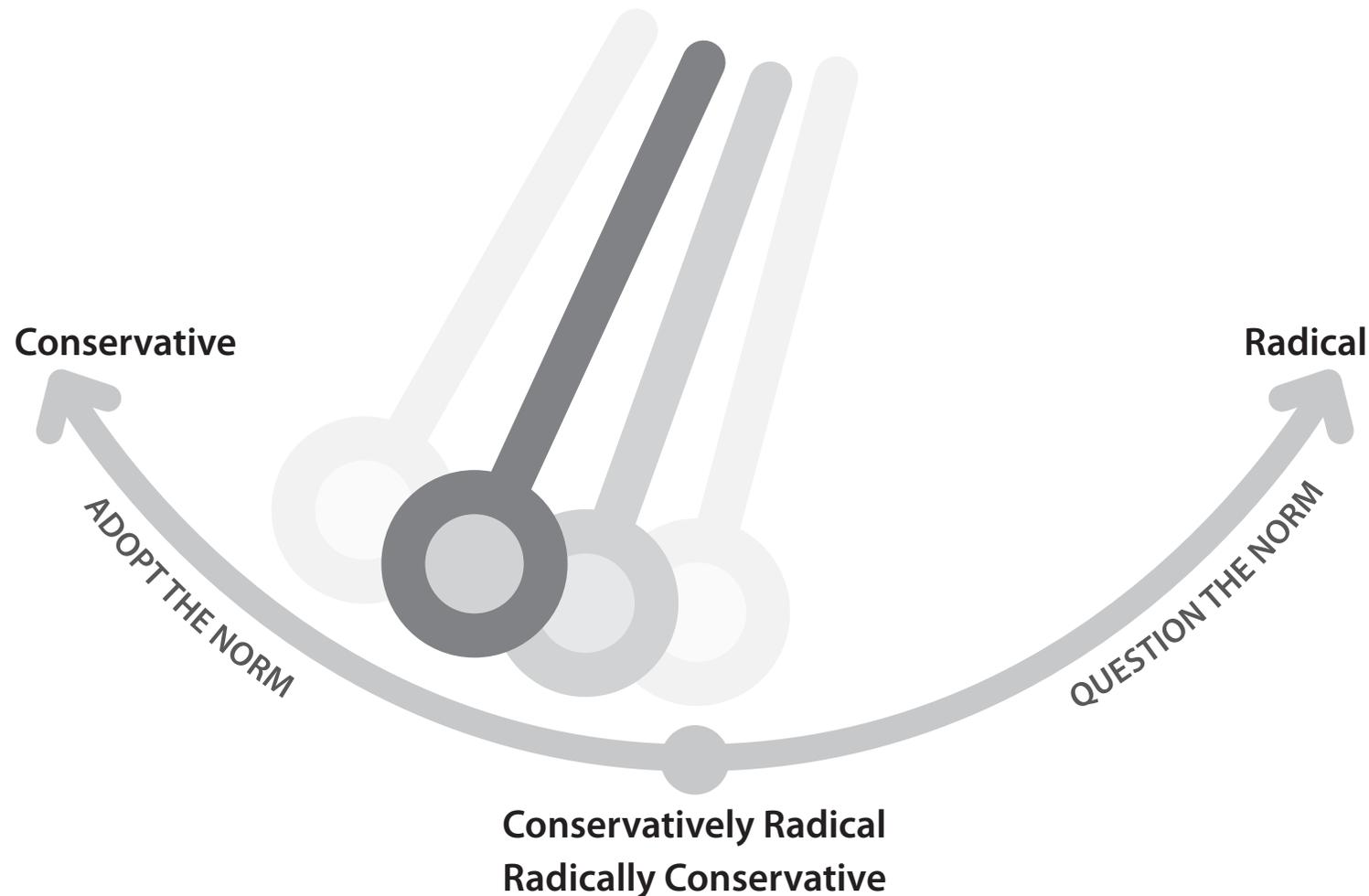
They suggest it's time to stop visualizing the complete leader as a person at the top who has all the answers. It's time to acknowledge your strengths. And, it's time to include others to cover your weaknesses.

Here's four leadership capabilities to develop:

- Sensemaking : understand the context in which you are operating and create a roadmap to follow.
- Relating : build relationships and a community of collaborators.
- Visioning : Create a compelling picture of the future.
- Inventing : Develop new ways to achieve the vision. Execution is a vital skill worth practising.

Challenging the norm

Economists refer to the process of continuous change and turbulence as the “new normal”. Adaptation and innovation is required simply to stand still, let alone to grow and thrive. Being innovative means we have to question and challenge conventional and established processes.



To be always challenging convention can be as dangerous as refusing to change and always following convention.

To adopt existing norms and approaches is a short-cut that saves us time and energy. Very useful!

However, these norms block out information that could suggest their is a better alternative.

Generally, conservative people tend to ignore outlier data too long and don't question the norm.

Similarly, more radical thinkers tend to overplay the value of the outlier data and question too much.

Both approaches are dangerous - too little change is as bad as too much change.

The key is to judge where your innovation and challenging the norm is best applied.

Norman Chorn

My starting point is always to understand the issues and challenges facing the organisation and its leadership, and then to develop an approach to move forward. I then work to balance the current needs and capabilities of the organisation with the challenges and opportunities it faces in the future.

CONSULTING

Organisation development and strategy practitioner working in Australia, UK, New Zealand and South Africa for both profit and not-for-profit organisations.

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SPECIALIST SKILLS

To develop future strategy and align organisations with their current and future environments • Proprietary techniques and approaches to improve organisational performance

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BA (Economics) from the University of Cape Town, Postgrad Diploma in Management, MBA, and PhD from the University of Witwatersrand.



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His book *Strategic Alignment* has received wide acclaim in the management and business press and the 2nd edition has just been published.

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