Understanding the impact of organization transformation in the public sector

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The Luxembourg government, via its Prime Minister Xavier Bettel, has clearly expressed its willingness "to do more with less"[1]. This speech was the first milestone of a long process to reorganize the public service, structure, and system in which Luxembourg seems to be engaged.

Usually when the time comes to transform a public organization, we know the stakes going in; a change this big could be the stroke that defines our legacy as leaders of this sector. Indeed, public organization leaders should certainly align their organization with political decisions, but this should be done quite carefully.

In fact, done well, organization transformation can make significant improvements to performance because it enhances the alignment of the organization with public strategy. It can improve speed to service and customer/citizen experience and it can go a long way towards containing costs. However, public organization leaders should not forget that organization transformation is a complex undertaking with no guarantees. Before we embark on a similar project, let's reflect on research from Deloitte[2] that was conducted during 130 organization design projects from their global client base in businesses and the public sector.

1 During the Prime Minister's statement about the status of the State at the Chamber of Deputies on 2 April 2014
2 T. Page, A. Massey & al., Realizing the impact of organization design, Deloitte Global, 2013

In our experience, when an organization wants to transform itself, only a few leaders really nail down the purpose of such a project:

- Fewer than 20 percent of these projects exceeded the original case of change that was used to justify them in the first place

- Most organization design projects proceed to the design phase with very limited analytical work having been done. The analytics that do take place are often based on incomplete or very high-level data sets

- Most design projects do not go far enough in addressing real organizational or structural issues

- In more than 60 percent of cases, these important projects are left up to middle management to design and implement. There is too little sponsorship, oversight, or involvement from senior executives

- Often, leaders embark on organization design projects in search of benefits they can't achieve through organization design alone—or even at all

So how are we to succeed on this tough journey when the odds are stacked against us? Using these three simple steps is key:

Decide: is organization design the right solution for your public strategy and engagements?

Design: the right future organization is not based on structures alone

Deliver: achieve the planned benefits and value through thorough implementation

To a significant degree, the way projects turn out is up to us as leaders. Case after real-world case shows that the outcome of organization transformation hinges on a sponsor who has the energy to drive necessary decisions, the profile and personal characteristics to build commitment in the organization, and the stamina to stay the course. Here in Luxembourg, this type of leadership seems to be present, as well as the willingness to move the public organizations to a different level.

But any leader should be aware that carrying out an organization transformation is not a stand-alone project. Having a strong team of independent advisers assisting the transformation throughout the journey and sharing optimal design options seen in other organizations enable the project to avoid implementation pitfalls and help the process to be carried out within tight timelines. Indeed, when you work within the organization, it is sometimes hard to see the wood for the trees and it is important to have external points of view to ensure that the aims of the project aren't founded on political games or power. The success lies in the laser focus required when considering the ten key principles in those three crucial stages of the organization transformation program—decide, design, and deliver.

Cutting costs in back-office or support areas may increase the administrative burden on front-office staff and downgrade the citizen and customer experience

Decide
Is organization design the right solution for your public strategy and engagement?

Sometimes, changing an organization's design can be the wrong approach to address current performance or public engagement issues. It is vital to be very clear on the reasons for undertaking a redesign. Can you clearly articulate how each planned change will relate to the way in which your organization creates value?

The majority of organization transformation initiatives start out with the best of intentions, but few live up to expectations. What they do provide is disruption, as people and positions shuffle for very little gain in real value. Such restructuring efforts can undermine faith in the wisdom of an organization's leadership, which actually erodes value and team coherence. Public organization leaders should consider the first three of our ten principles before deciding whether to conduct an organization transformation project.

1. Need to unpack the intent behind redesigning your organization

A variety of internal and external influences can trigger organization transformation initiatives. An executive may just perceive that something is amiss, or the market or regulatory environment may present an unmistakable imperative for change. It is essential to identify and express the true purpose and intent of the change in the context of the organization's wider strategy. Only this perspective can position the design change in a way that supports broader business goals. Is organization design the root cause of the symptoms you wish to address? Or might alternative interventions achieve a similar result with less cost or risk? For example, if the goal is to reduce public cost, other actions such as asset optimization, a facility relocation, or renegotiation of agreements with third-party suppliers might be an easier, faster, and less disruptive course of action.

2. Understand where value is created and how to enhance it within your organization

This principle contains many others. The point here is to underline the fact that before starting any organization transformation, it is important to understand which part of the organization contributes most to the attainment of our public objectives and strategy. Which processes are critical? Where do our critical talents lie? Too often, people see organization transformation as the way to fix many problems. But the complexity of the remedy may be greater than they imagine, and the value it unlocks may be smaller. So, be realistic about goals and unintended consequences. For example, cutting costs in back-office or support areas may increase the administrative burden on front-office staff and downgrade the citizen and customer experience, which ultimately destroys value.

3. Have a clearly articulated public strategy and understand exactly what the current policies are that you want to deliver

Too many political strategies try to accommodate everyone, leading to vague statements and rosy promises. An effective organization transformation needs a clear strategy that helps to guide specific decisions. Leaders must be clear on the public service missions they desire, so organization transformation can align processes, structures, and roles with their strategy. Qualitative or intuitive justifications for change can feel powerful, but they aren't enough. A fact-based approach will illustrate any misalignment between the current and desired organizational state and lends substance to the case for change. Organizations should avoid focusing so much on long-term public strategic ambitions that they risk making near-term implementation more difficult. It is often easier to focus on interim states that are easier to understand and achieve—and, where possible, to build a degree of flexibility that helps the organization deal with uncertainty.

Design
The right future organization is not based on structures alone

If organization transformation is the answer, then there is a right and wrong way to approach it. The scope of an intervention should extend to elements beyond the organizational structure itself. Public leaders and organization leaders should also reflect on the ways in which changes in one part of an organization can affect the overall system. Being clear on how significant the change will be and how decisions will be made can significantly speed up project delivery.

Reorganizations are complex undertakings, and all the more so because of how rapidly competitive dynamics can change. Suppliers, employees, citizens, and customers are becoming more global and like to compare services between countries. Disruptive technologies, multi-generational talent, and heightened new policies are introducing new challenges. Social media and the dynamics of multi-generational talent are changing the ways in which public organizations should communicate, both internally and externally. Amid all this change, leaders are finding their own organizations hard to navigate. To deal with these complexities and steer clear of common pitfalls, executives planning to undertake organization redesign in order to pursue political aims and commitments should consider the next set of principles from our list.

4. Have clear ambitions and be prepared to go far

Once an organization's leaders understand the underpinning political strategic imperatives of pursuing reorganization, they should consider the amount of change they are comfortable introducing. This depends in part on the documented core capabilities that support the change. How ambitious can the future vision be? Which areas need immediate intervention, and what changes can be postponed? In the end, design change is about managed disruption—driving for ambitious change in areas that promise disproportional returns, while saving energy in other areas that can benefit from

more time and deliberation. Every organization answers these questions differently, especially in the public sector where policies are not always clear. One organization might begin with radical shifts to new service delivery models in back-office or support functions; another might start at the source with core operational or front-service functions. New organizational forms are being introduced on a regular basis, but that doesn't mean the newest and shiniest thing is the right one for you. Whether these new organizational models or more traditional frameworks are appropriate for your public engagement mission boils down to your strategy and how ambitious you are in your goals.

5. Have a clear scope, approach, tools, and pace for your project

Organizational transformation is about more than just structure charts. Getting from the status quo to the desired end state requires a deliberate, carefully sequenced design plan, and that starts with crystal clarity on scope. The senior leadership team of the public organization should have open discussions about breadth (some functions or all functions?) and depth (how far down to design?). For example, some organizations prefer analytics, benchmarking, and peer practices, while others want an inside-out view that builds on internal consultation and consensus. Similarly, some public organizations prefer a highly automated design experience with interactive visualization tools, while others look for simple one-on-one advice. Regardless of the methods and approaches selected, a carefully designed plan that integrates milestones, dependencies, and broader transformation objectives is essential. Finally, the speed of the project creates a trade-off; going too fast can mean too little engagement and challenges downstream. Going too slow risks too much disruption.

In this perceptive, Luxembourg—due to its central location in the middle of Europe—can easily look beyond its borders to find alternative and innovative solutions.

6. Know if your design is the right one

Traditional public organization transformation approaches are heavily process-based with common steps:

- Establish design principles (look at the regulations and policy aims)

- Define future capabilities (understand political needs and objectives)

- Identify gaps between current and future model

- Explore new structures and reporting-line scenarios

- Transition workforce

But how do you know you have it right? This is where art meets science. Combining analytical methods with visualization tools can point more precisely to the places where change needs to occur—a new role, an enhanced capability, or a revised set of decision rights, for example. Using visualization tools to represent quantitative data, such as operational, financial, HR, or market metrics, can increase the likelihood of making the right structural choices. In the end, a good organization structure can't guarantee improved performance. But in the words of Peter Drucker, "The wrong structure is a guarantee of non-performance." It pays to get it right.

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Deliver
Achieve the planned benefits and value through thorough implementation

Perhaps the most difficult part of an organization design job is implementation and this is particularly true in the public sector where the stakeholder is the citizen. The steps you carry from paper into real life will affect the ways in which people work every day. They will realign the personal connections people value with public service values. This is hard enough when everyone is on the same page, but getting people motivated to change—or even just getting their attention—can make it even harder if the values carried by the new policies are not meeting citizens' expectations. Implementation is a journey, not an event. It takes deliberate management.

Working through the "decide" and "design" stages of an organization change requires significant effort, but the real heavy lifting comes when it's time to deliver the promised benefits. Organizations are made of flesh-and-blood people who have different ideas, various incentives to align, and varying reserves of the time and attention it takes to engage with a new design and understand what it means. To make the process work as well in practice as it does in theory, start with more of our checklist principles.

7. Prepare your organization for potential shifts and disruptions

Changing the public organization can be a significant disruption. Accountabilities change, people move or leave, and new capabilities emerge. The effectiveness of a public organizational change can lie in how well you prepare everyone for the transition. Act early to help people understand the impact; if you give people and teams enough time at the beginning to prepare the organization for change, it can smooth any subsequent implementation issues.

8. Learn from past attempts to implement organizational change

Public organizations are better at initiating change than they are at executing it. A common phenomenon is that enthusiasm swells upon the announcement of an organizational restructuring and then drops when excitement turns into work.

If Luxembourg wants to change and move forward in its new policies, leaders should avoid making benefits unclear for three reasons:

- Good design teams can think creatively and break out of established paradigms, but this skill seldom translates into execution. In other words, great designers are rarely great builders, and vice versa. Leaders should ask for support and not think that they can do it all by themselves. They should also believe in the capabilities of the entire organization, but follow up at each stage to ensure alignment with the designed vision.

- Competing priorities and all the moving parts that go into daily business simply get in the way of elegant designs and ultimately derail them. Maintaining the integrity of a design through the execution phase requires vigilance—are all those daily, heat-of-the-moment decisions aligned with the master plan? Executives like the designing part, but they often delegate implementation to lower levels, and that makes it harder to preserve a grand vision. Therefore, leaders should really stay on board and pursue the change until the very end.

- Just as design means much more than structure, capability building means much more than switching employee reporting lines. Designing an organization with new capabilities is where initiatives like these ultimately create value. Leaders should continuously ask for information and put questions to the project lead to ensure that the political aims are preserved.

9. Balance collective accountability, maintain momentum and the integrity of the design

Getting to the point of making a decision on a public organizational change is the last step in the job, but it is a critical juncture. It is important to keep energy and commitment levels high while approvals are pending, design teams morph into implementation teams, and external advisers disappear. This is another way in which advanced planning can help organizations avoid common pitfalls and enjoy all the planned benefits of the change.

Finally
The most critical factor in organizational change is leadership

When political choices are made and announced, organizational change projects should have a clear champion with the power to act. A wealth of experience underscores this correlation between the leadership's commitment to the proposed change and the achievement of planned outcomes and benefits. This takes us to the last of the ten critical principles.

10. Have leaders with the capability, energy, and stamina to lead the design and embed results

At the executive level, public leaders sponsor and drive organizational change. At the program level, other leaders facilitate the design and bring it into reality. At both levels, organization transformation requires deep commitment and intense participation. It is only when words become actions that citizens and civilians really take proposals seriously. This isn't only because leaders are the ones with authority; they are also the ones with sufficient public strategic insight and emotional intelligence to bring the population around to the goal and vision. When citizens, staff, and stakeholders embark on the journey from the old to the new, it is easier when they feel they have someone to follow.

These undertakings can be long and challenging. They demand significant energy from key people and can test longstanding relationships. Leading an organization through the process of becoming something else takes capability, stamina, and a willingness to stay the course.

What we can learn is that organizational transformation really is a conversation of the political vision with itself. What are you trying to achieve? What stands in the way? How can you get from here to there? In the same way that people can't improve without honest self-awareness and a plan, nor can organizations. Creating and implementing a new design can be a significant organizational accelerator in complex business environments, but merely committing to change is no guarantee. It takes precision and careful emphasis on all three phases—decide, design, and deliver. Thinking about the principles at each phase—and acting as a result—can save time and effort, and it is the only way to link the effort you're expending with the results you want.

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