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CREATING AGILE ORGANIZATIONS

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3 Organization Design Guidelines

LeSS Meetup 23-03-2023 Nieuwegein

Cesario Ramos
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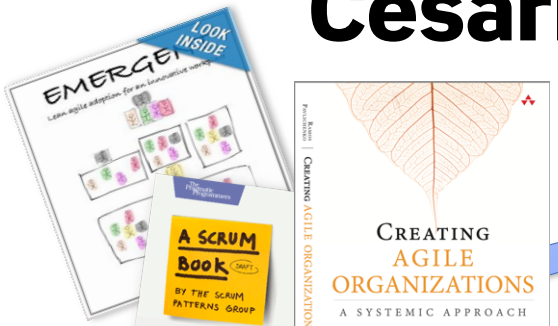
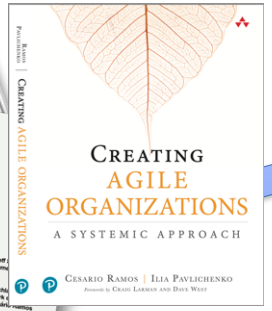
AgiliX COT

CERTIFIED LeSS TRAINER

Professional Scrum Trainer
Scrum.org

Cesario Ramos - Qualifications





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CTO

Malvern Panalytical
a spectris company

Meet Sara, the Product Director

NO WIN WITH CURRENT SETUP

Too much dependencies slowing us down

Hard To Align The Teams

Too much low value items worked on

...

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I believe I need the...

- Capability of high speed efficient delivery of new functionality.
- Capability to quickly learn about my market needs and adapt my development plan accordingly.
- Capability allocate my teams to work on the most important product functionality.

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Kim, the Agile Coach

Okay, but which efficiency do you mean?

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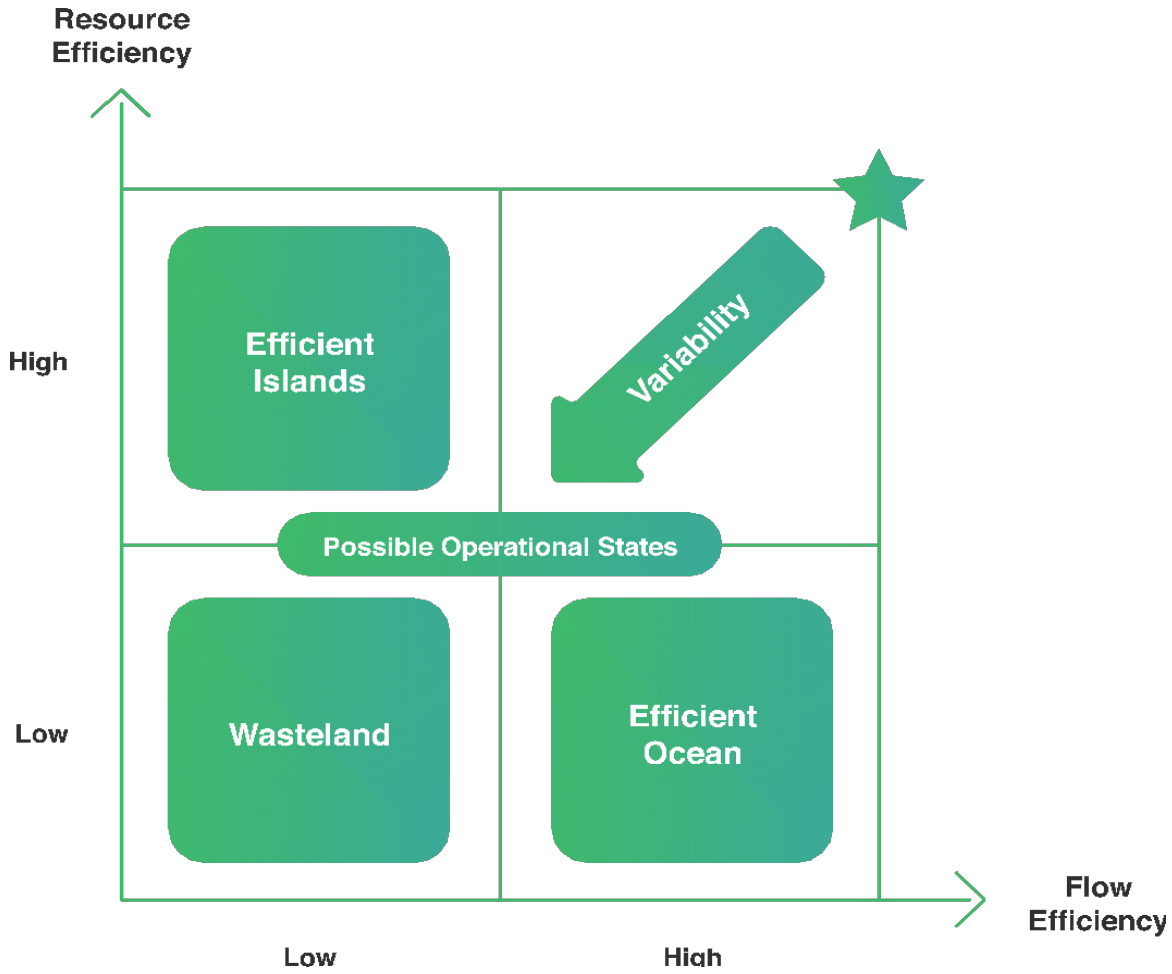
Resource Efficiency
High
Low
Efficient Islands
Variability
Possible Operational States
Wasteland
Efficient Ocean
Low
High
Flow Efficiency

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Adaptability is NOT only about speed...

I'll draw it for you :)

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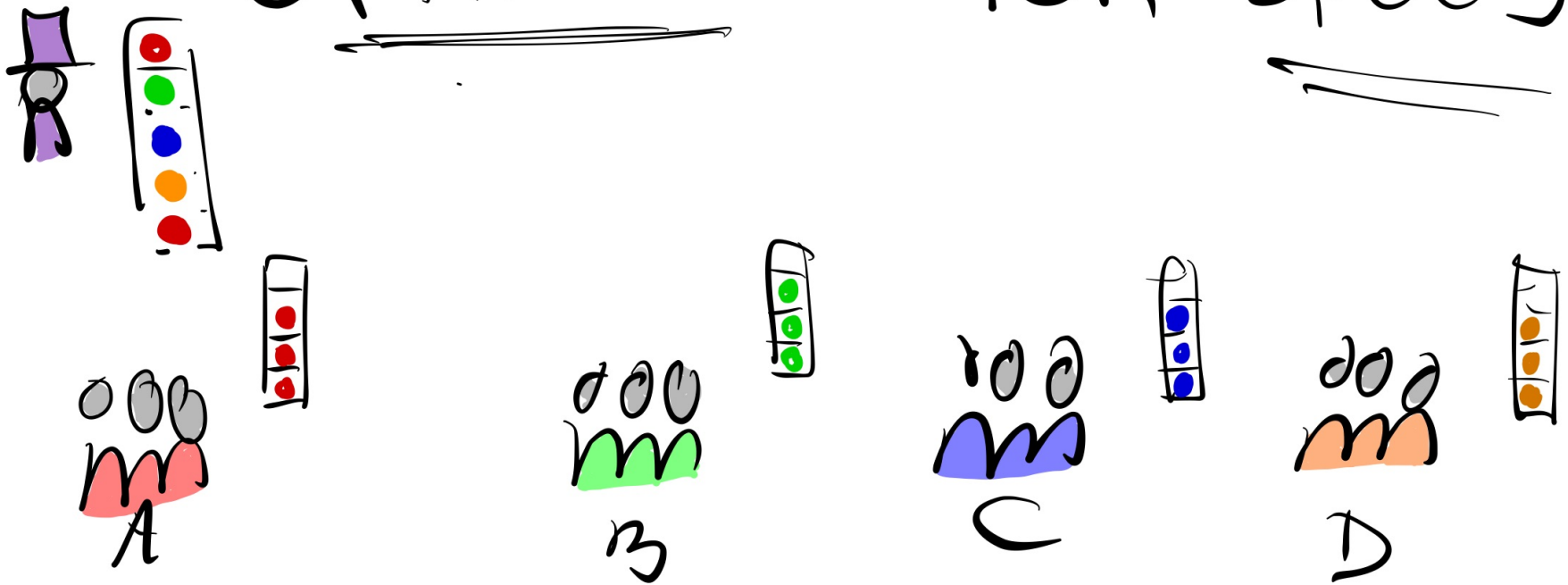
OPTIMISING FOR SPEED



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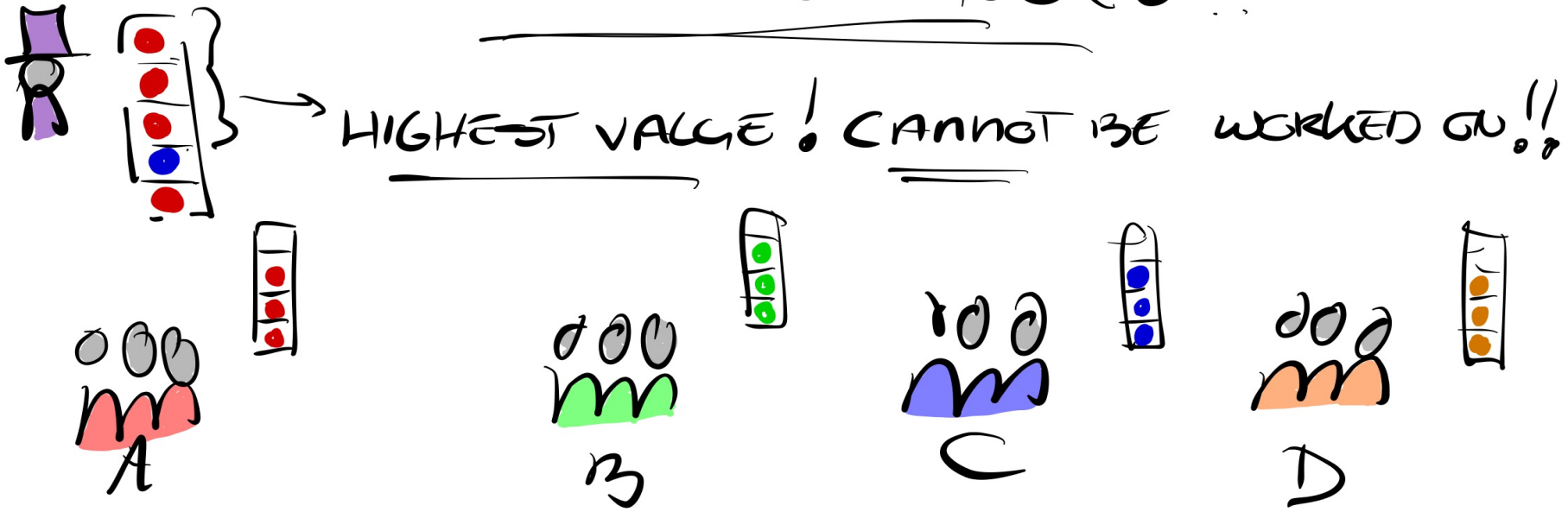
BOTTLENECKS WHEN MARKET CHANGES!!



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… one more thing

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Adaptability Requires

- Low cost adaptation of teams to pick up highest value work.
  - Learning costs, and the cost of teams stopping existing work and starting new work.
  - Costs of repeating & overhead activities such as coordination, deployment, testing

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GREAT!

So, how do we get those capabilities?

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Design To Evolve Capabilities

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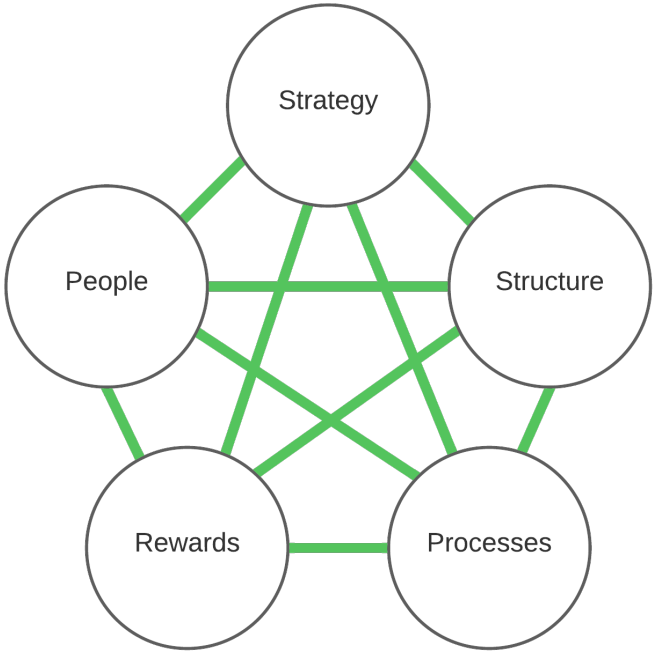
Organizational Design

1. Different strategies lead to different structures.
2. Organizational design is much more than just structure.
3. All elements are interdependent and complement each other.



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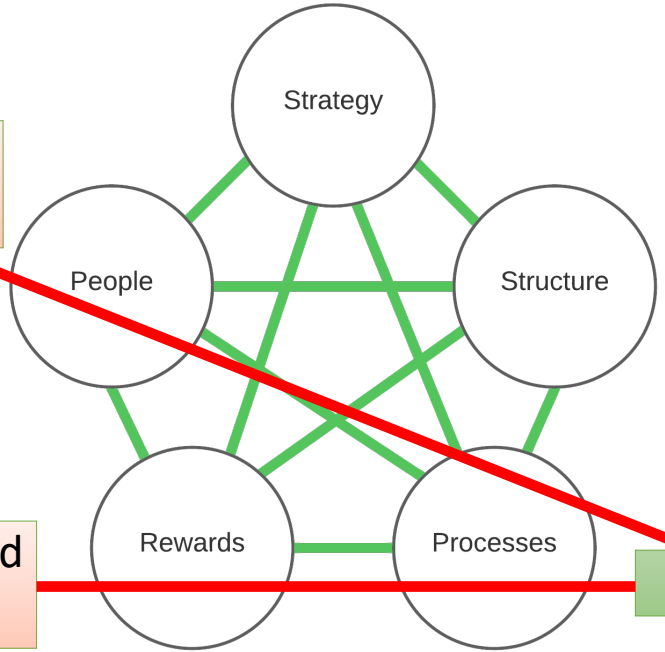
Unaligned

Product Innovation
Adaptability
Time To Market



Developing single-skill specialists

Matrix structure (functions and “projects”)

Job-based payment based on position or title

Scrum

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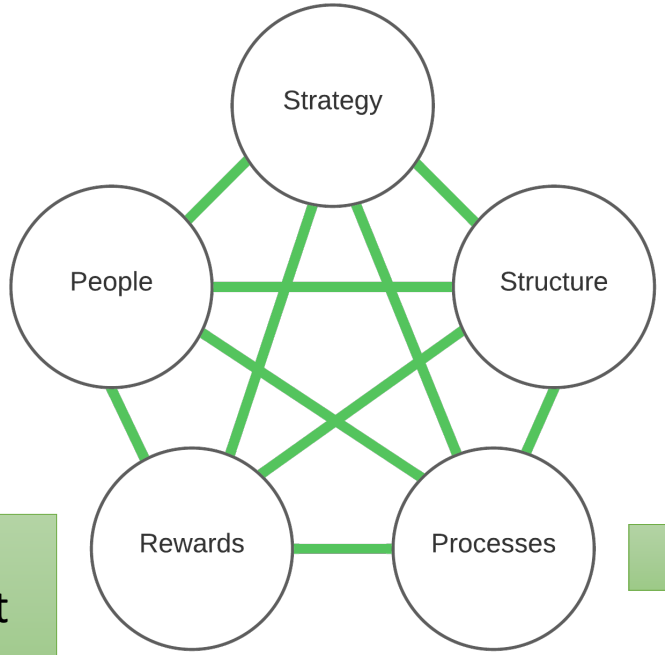
Aligned

Product Innovation
Adaptability
Time To Market

People able and willing to learn new skills regularly



Product Group with Shared Services

Tied to broad learning, product revenue, releases

Scrum

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Okay, that makes sense.

So, which framework should we use?

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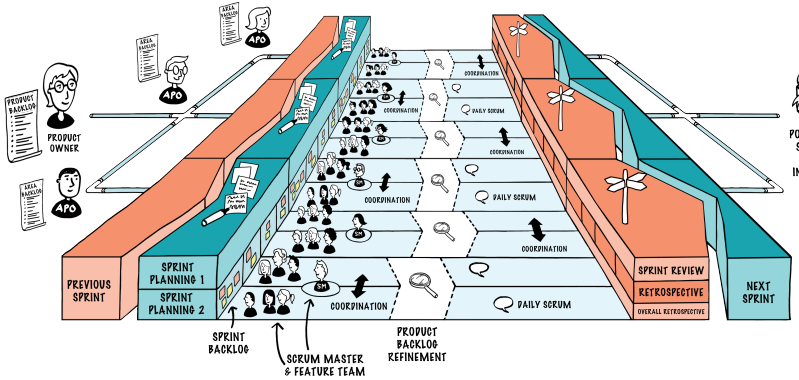
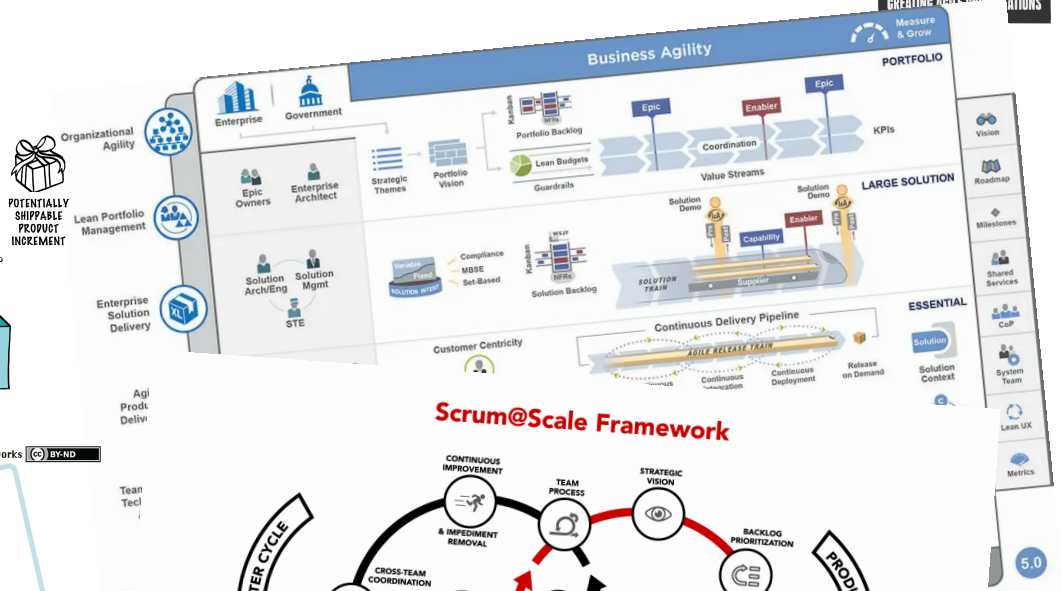
Benefits / Drawbacks





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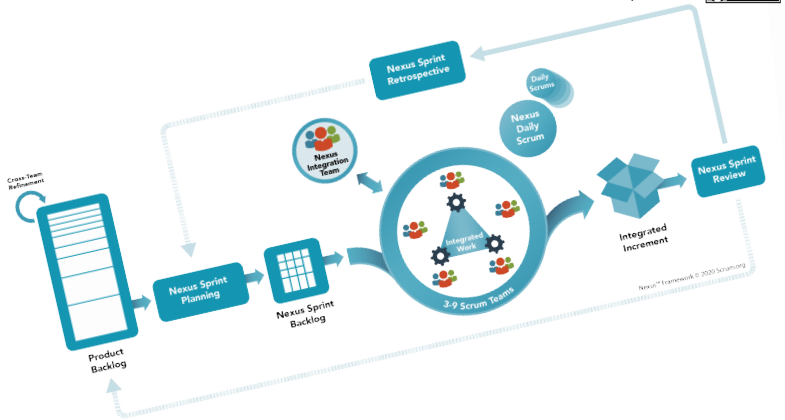

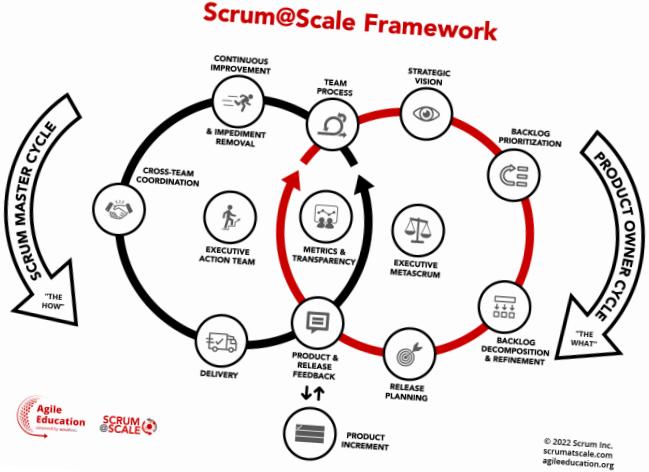

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Another option is to ditch your framework and grow your own.

Tailored and feeling of Ownership

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Okay, lets build our own, but I want to play it safe!

So, where to start?

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Systems Thinking Principles To Consider...

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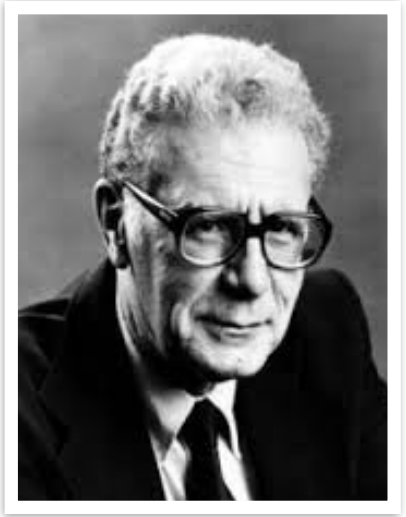
Systems Thinking Principles To Consider...

- The performance of a system depends on how the parts interact.
- The system cannot be divided into separate parts.
- If you optimize a system, you will sub-optimize one or more of its parts.
- If you optimise one or more of its parts, you will sub-optimise the system.



Prof Ackoff.

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Systemic Approach

Start with determining the larger whole and then improve the whole by improving the interaction of its parts.

Therefore, first define the whole product with all its teams, systems and functions, and then improve their interactions.

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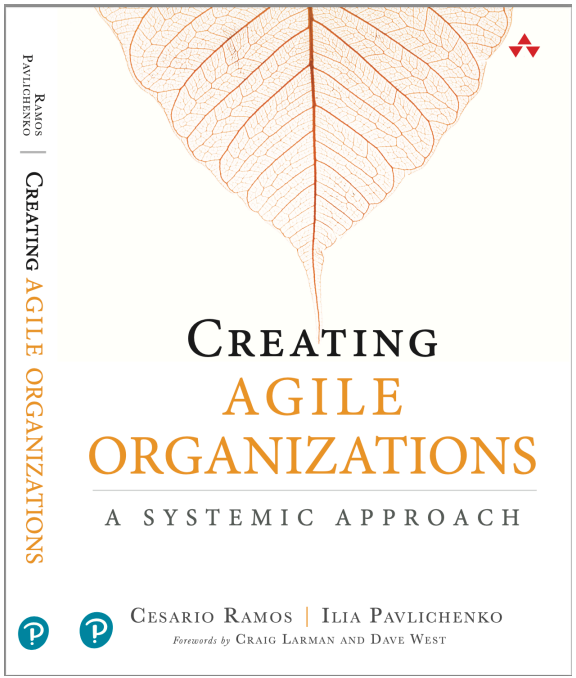
Systemic Approach



- **Define The Product**
- **Redesign into semi-independent Product Group**
- **Improve the interactions of the parts.**

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Product Group Example

Senior Manager: Sara

Product Backlog

Board - 1
Product Owner

Banking Experts

Products | Process | Technologies | Support

Five Feature Teams:

BA / SA / Dev's / QA / Intergration

Essential Parts: shared functions

Web Sales / Customer Support

Banking Functions (Legal, Operations, Security)

Essential Parts: shared function

Cross-functional teams.

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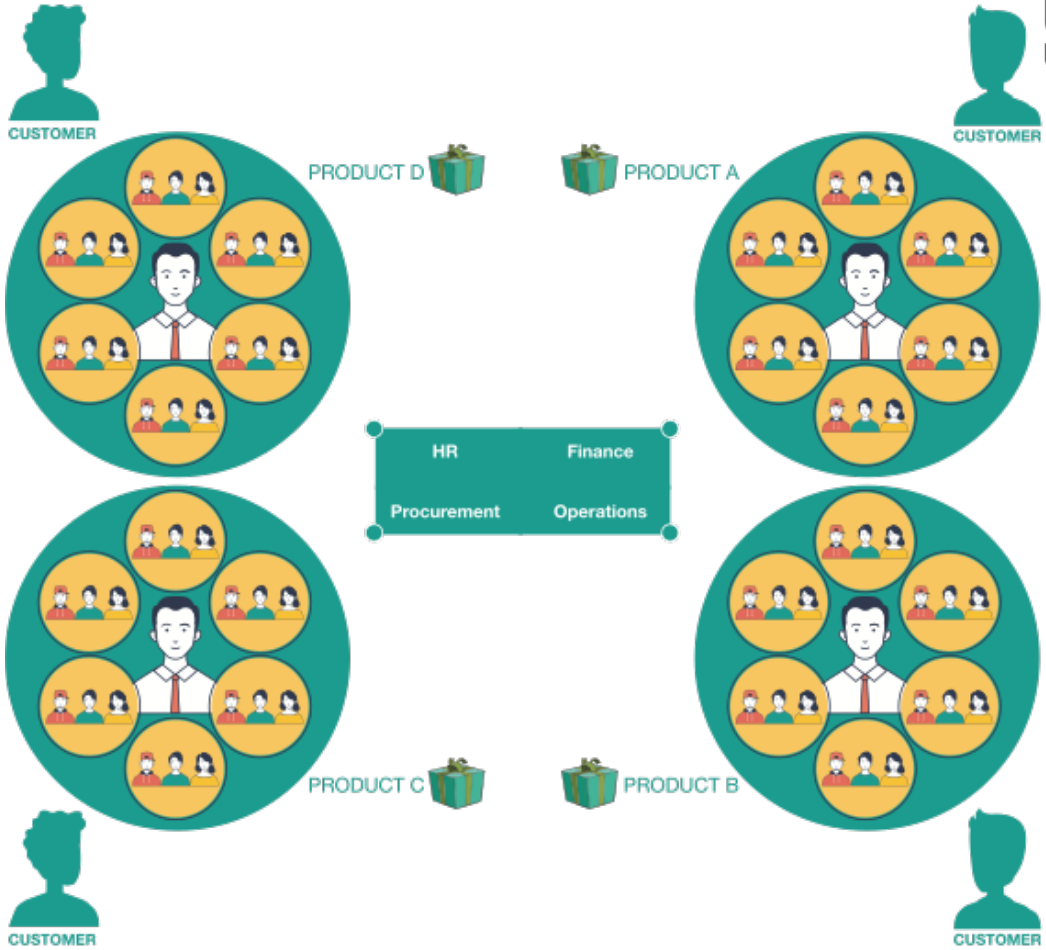
Prototype of Agile Organization Structure

Semi-independent Product Groups



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This looks complicated, Please explain how this lowers my risks?

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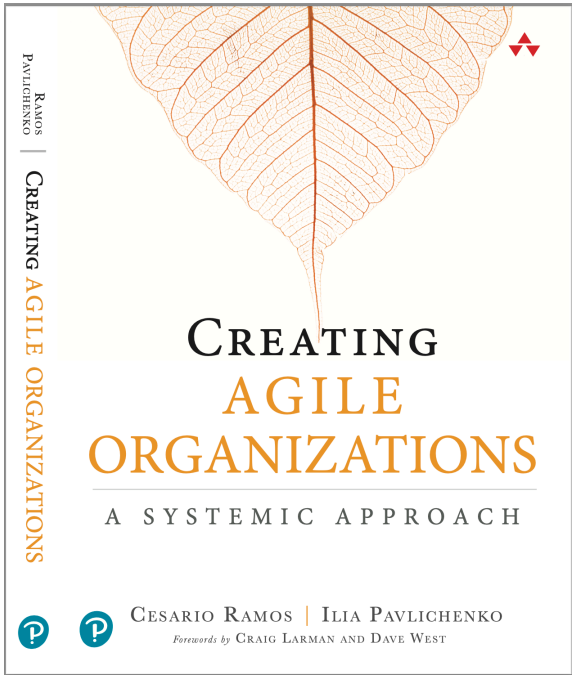
3 Critical Guidelines

- **Organise in Product Group**
- **Decouple Unit Functions**
- **Contain Reciprocal Task Interdependencies.**



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GUIDELINE 1:
Organise into Product Groups

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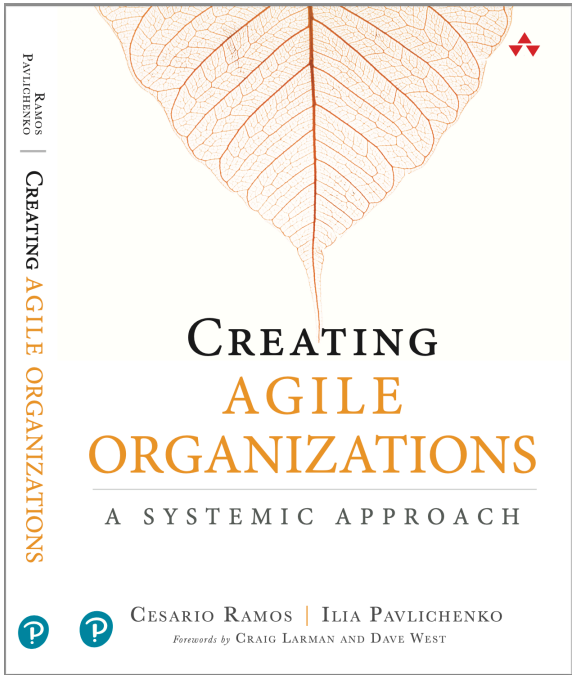
Prefer Defining the Product Group from the Outside In

Defining The Product

Step 1 Identify organizational elements that are needed to create and sustain the product.

Step 2 Identify the revenue streams. If there is no clear revenue stream then probably you are still looking too narrowly.



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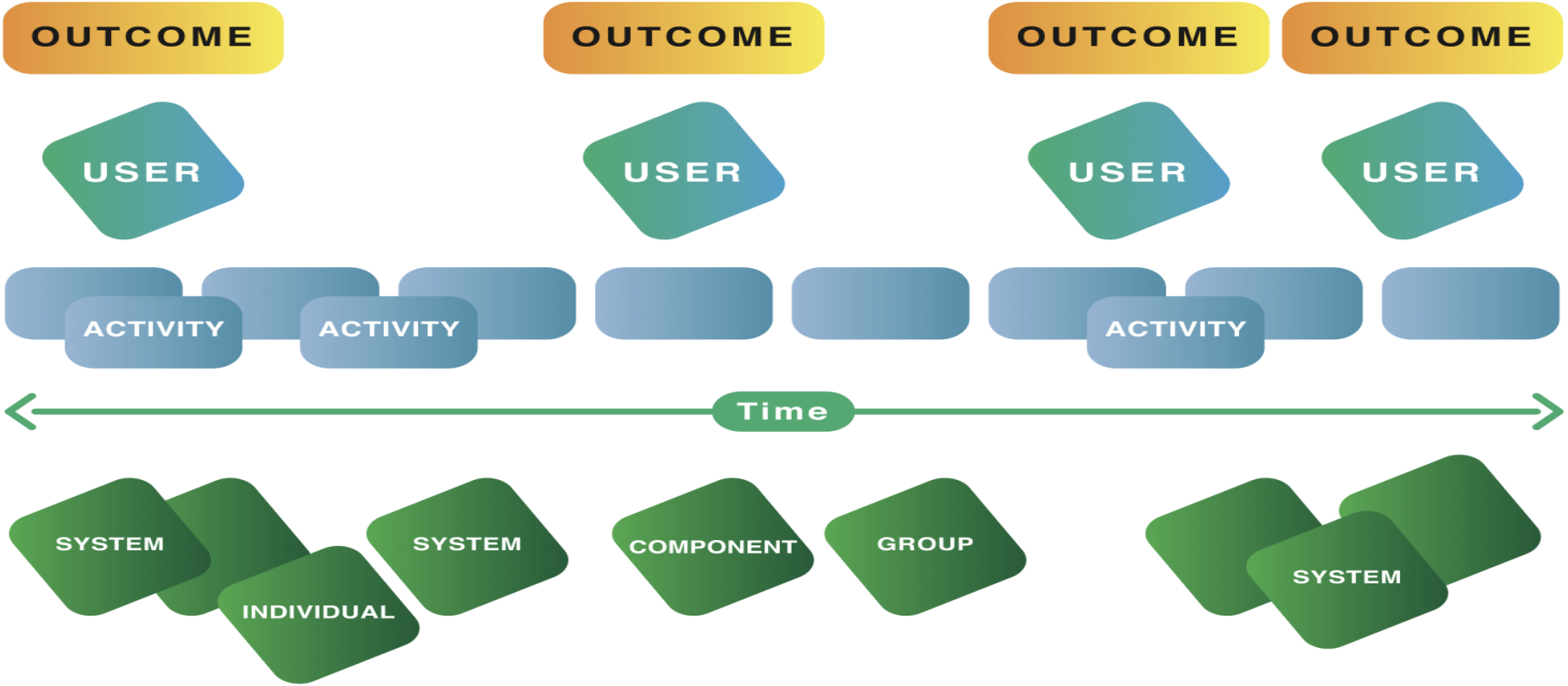

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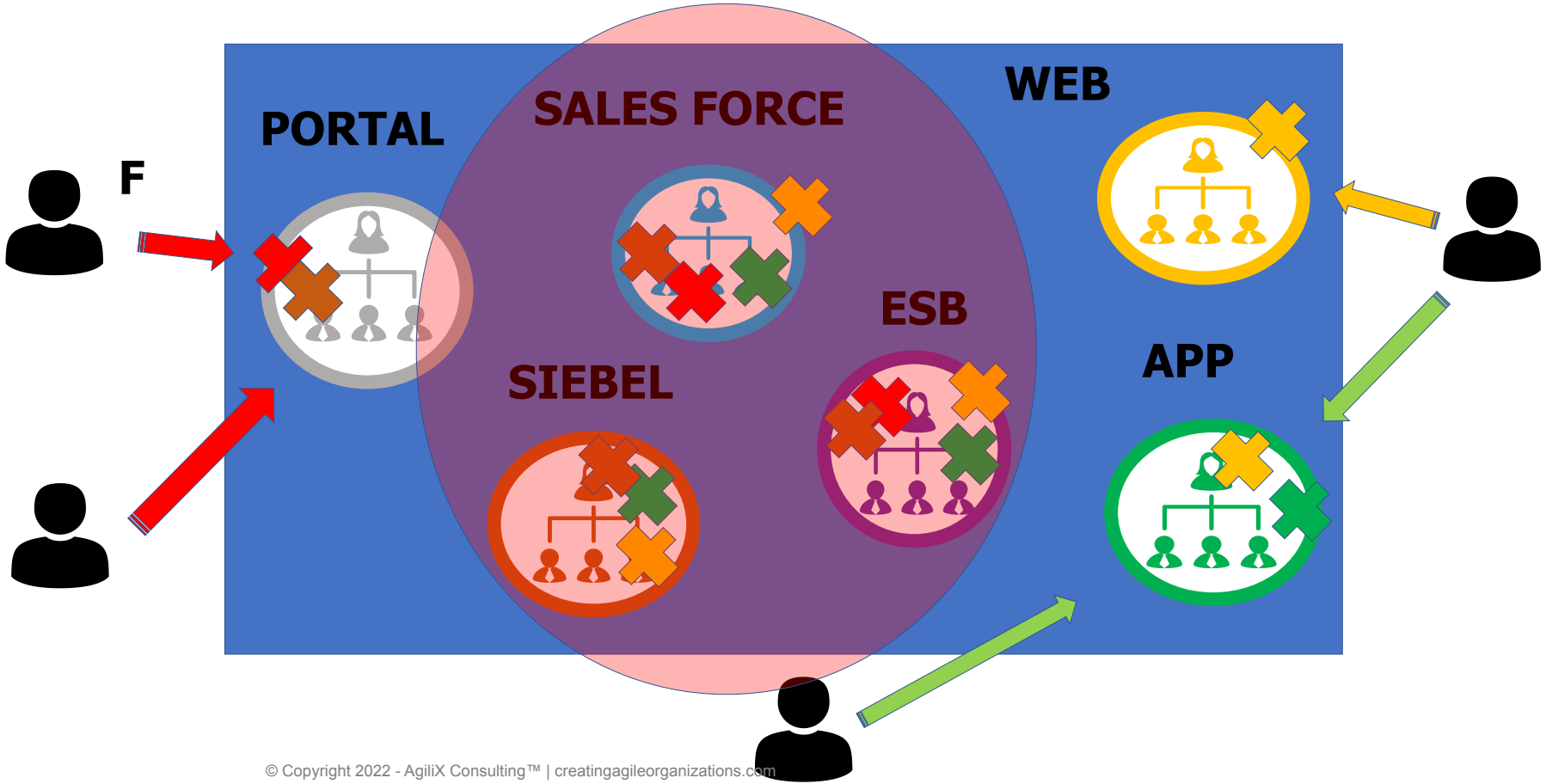
In Heat Map Example



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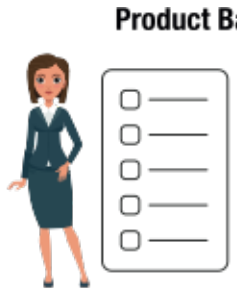
Product Group Example

Senior Manager: Sara



Product Backlog

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Web Sales / Customer Support

Banking Functions (Legal, Operations, Security)

Cross-functional teams.

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So many people...

can I organise into effective teams?

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GUIDELINE 2:
Contain Reciprocal Task Dependencies

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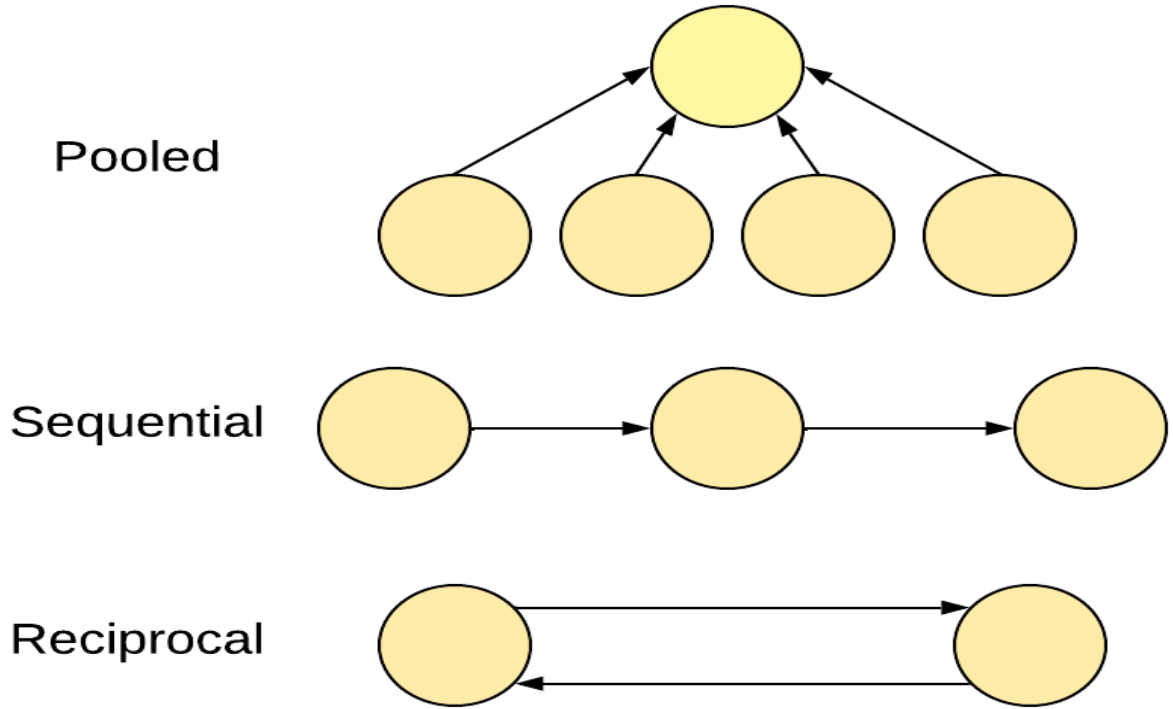
Task Interdependencies



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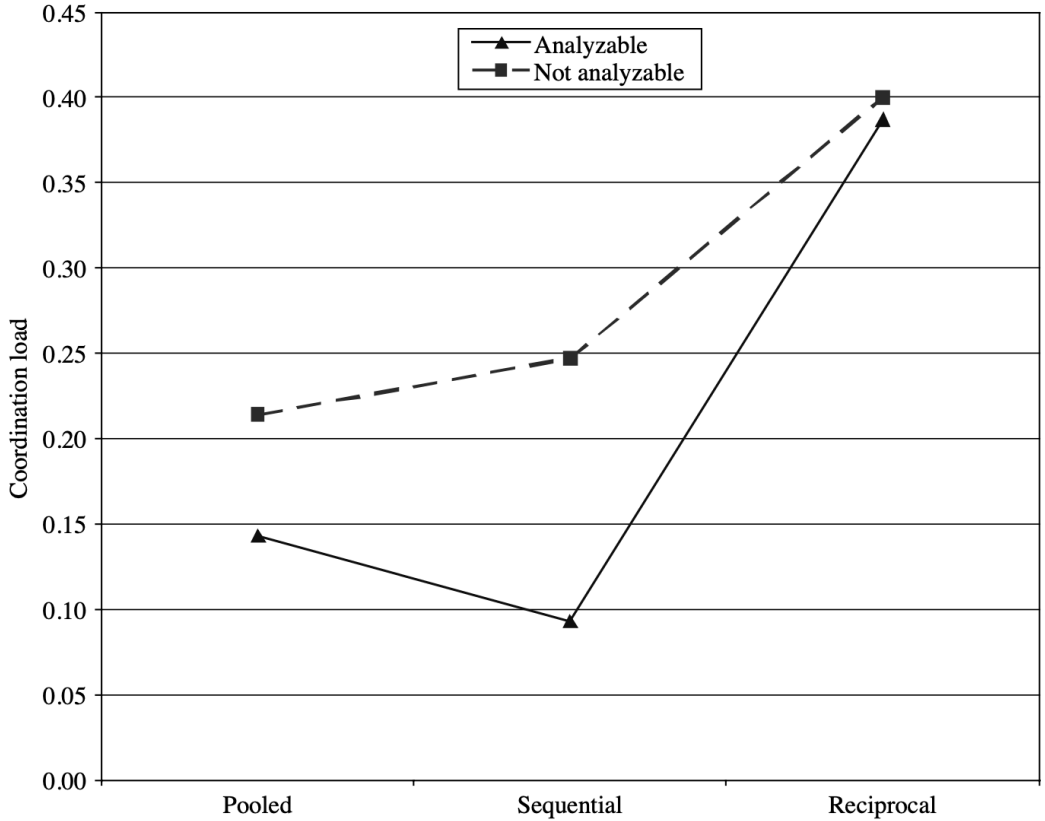
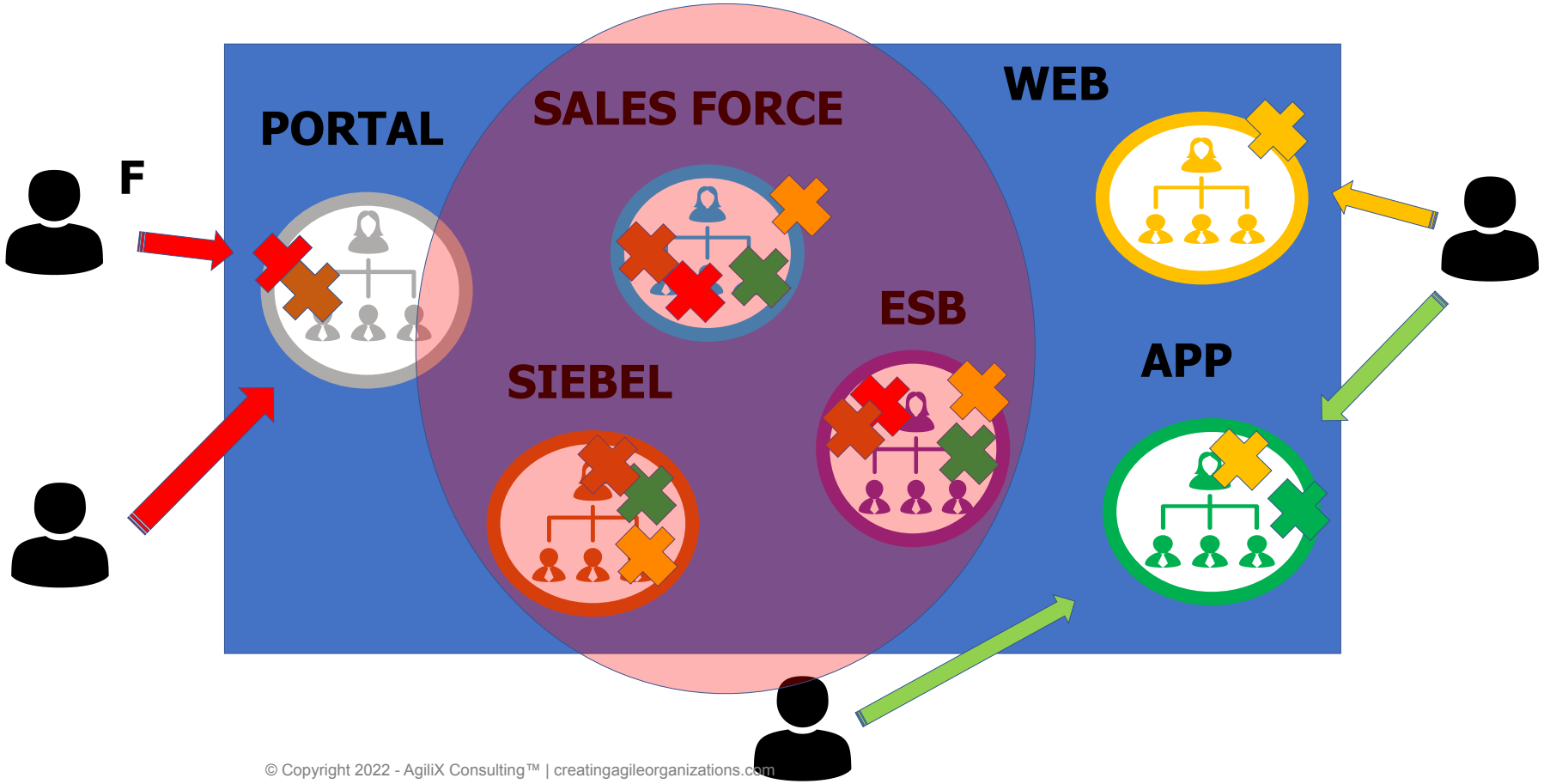


”contain reciprocal interdependencies within the same formal unit.”
Nicolay Worren - Organization Design

Feature Heat Map To Identify Steps



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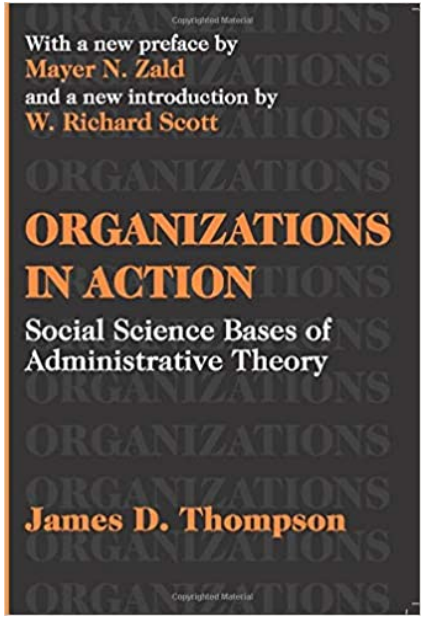
Design Recommendation

The basic units are formed to handle reciprocal interdependence, if any. If there is none, then the basic units are shaped according to sequential interdependence, if any.

(Thompson, James D. Organizations in Action)



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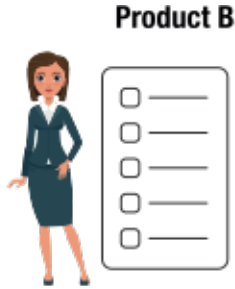
Product Group Example

Senior Manager: Sara



Product Backlog

Board - 1
Product Owner

Banking Experts

Products | Process | Technologies | Support

Five Feature Teams:

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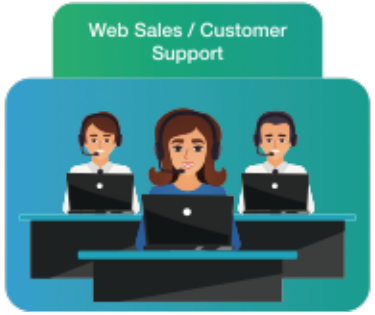

Essential Parts: shared function (sequential / pooled dependency)

Contain Reciprocal Dependencies

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Good, but..

still poor adaptability at the product group level...

Why?

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GUIDELINE 3:
Decouple Unit Functions

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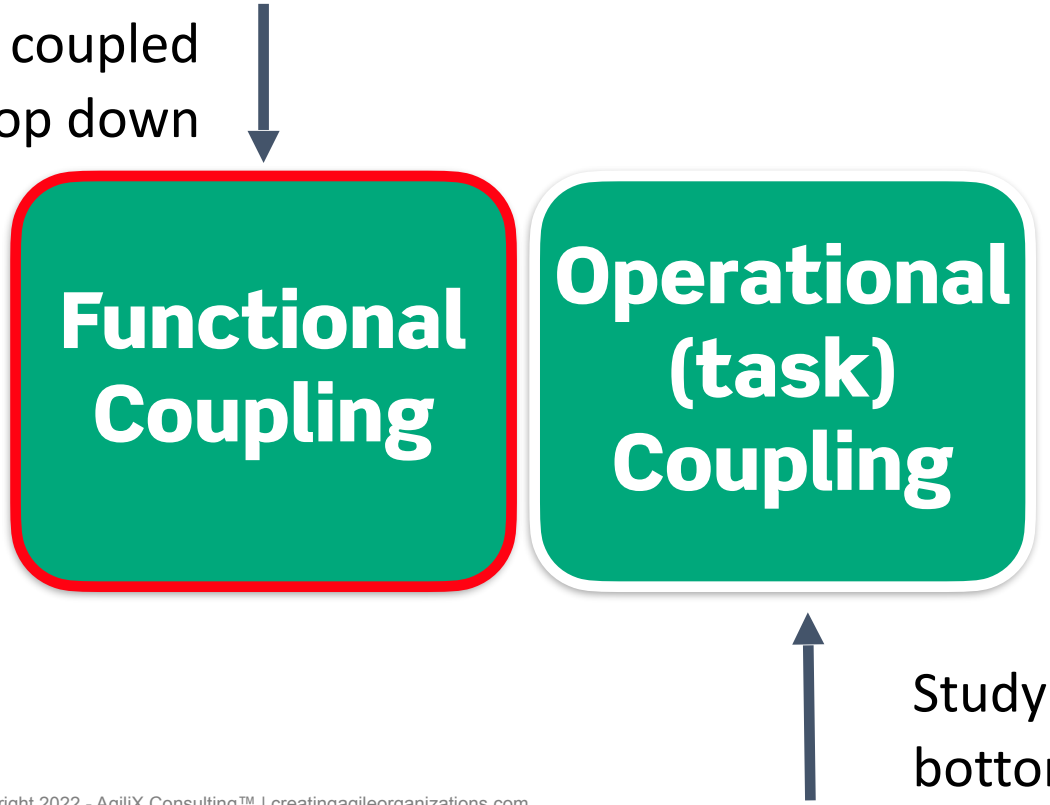
Coupling Perspectives

Design low coupled units top down



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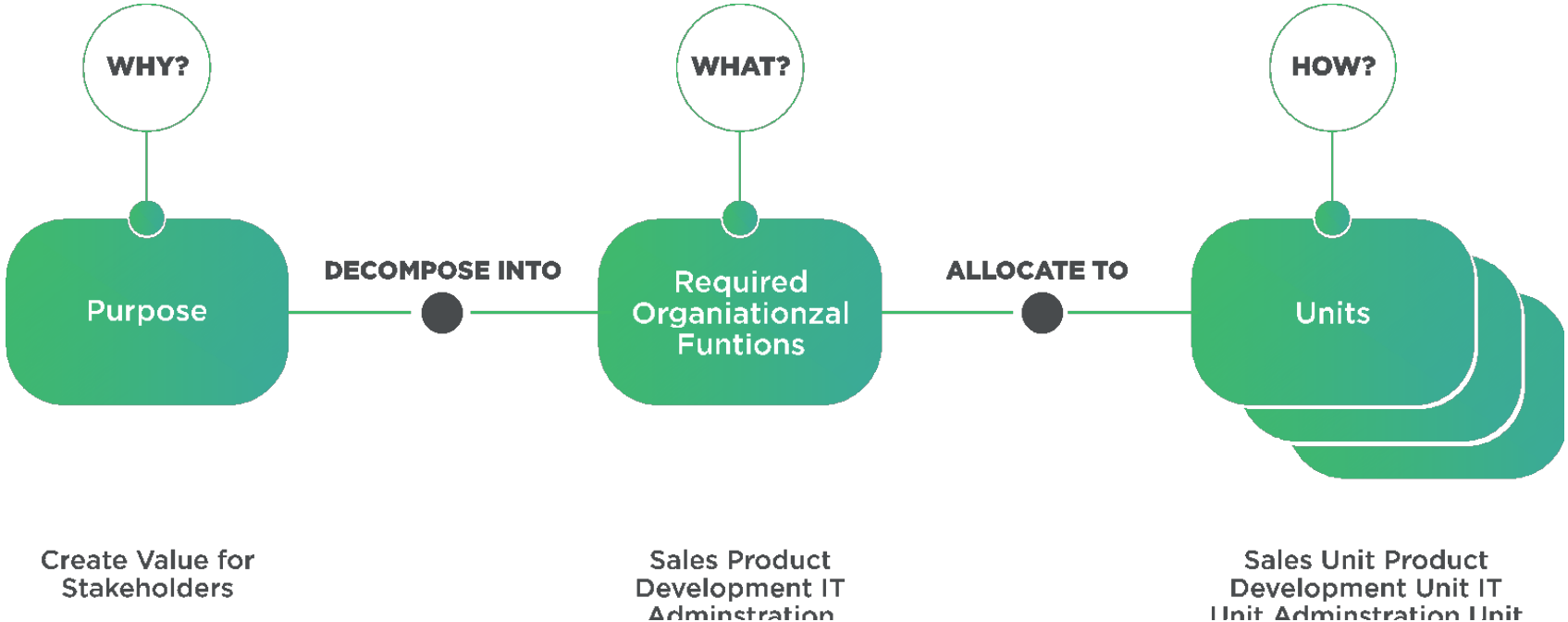
Functional decomposition of organizational units.



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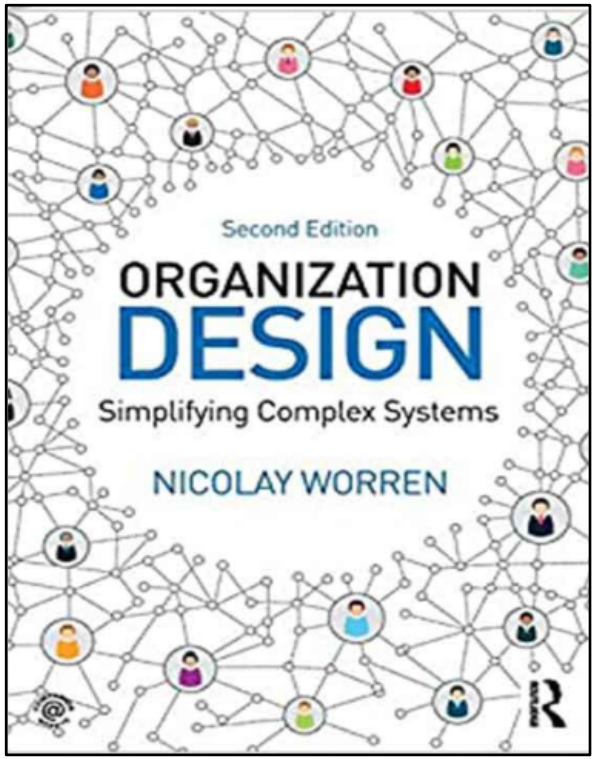
“Coupling between unit functions is associated with an increased coordination costs, goal conflicts, ineffective or dysfunctional government, loss of productivity, and, most importantly, **lower ability to respond to change**. “

—Organization Design, N Worren



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Design Matrix

Functions	Design Parameters: Product development unit	Sales unit	Claims handling unit	Investment unit
Develop attractive products	R			
Maximize income		R		
Settle claims			R	
Maximize return on invested capital				R

- Units can achieve functional requirements independently
- Still, the units can be coupled operationally (by task).

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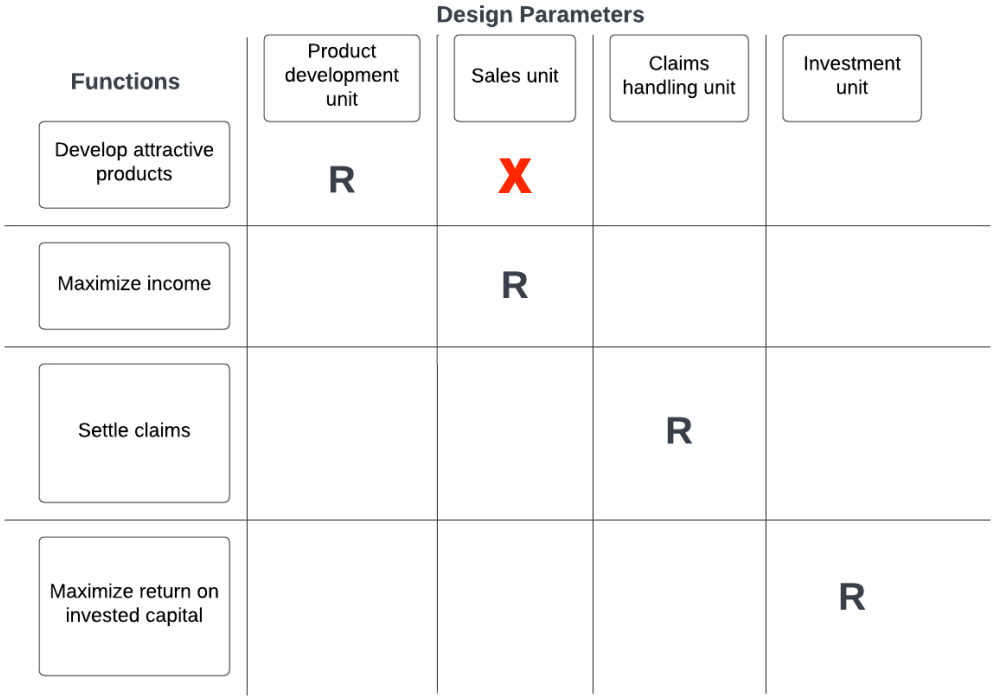
Design Matrix



BUT: Sales does

- Identify New Prospects
- Develop proposal
- Set price

RESULT: Overloading development, conflict of goals, coordination, meetings etc.

A solution using ‘specification’

Describe the areas of responsibility in more detail to isolate specific area’s.

	Product Developent Unit	Sales Unit
Identify new prospects		R
Develop Proposal Plan	R	
Set Price	R	R

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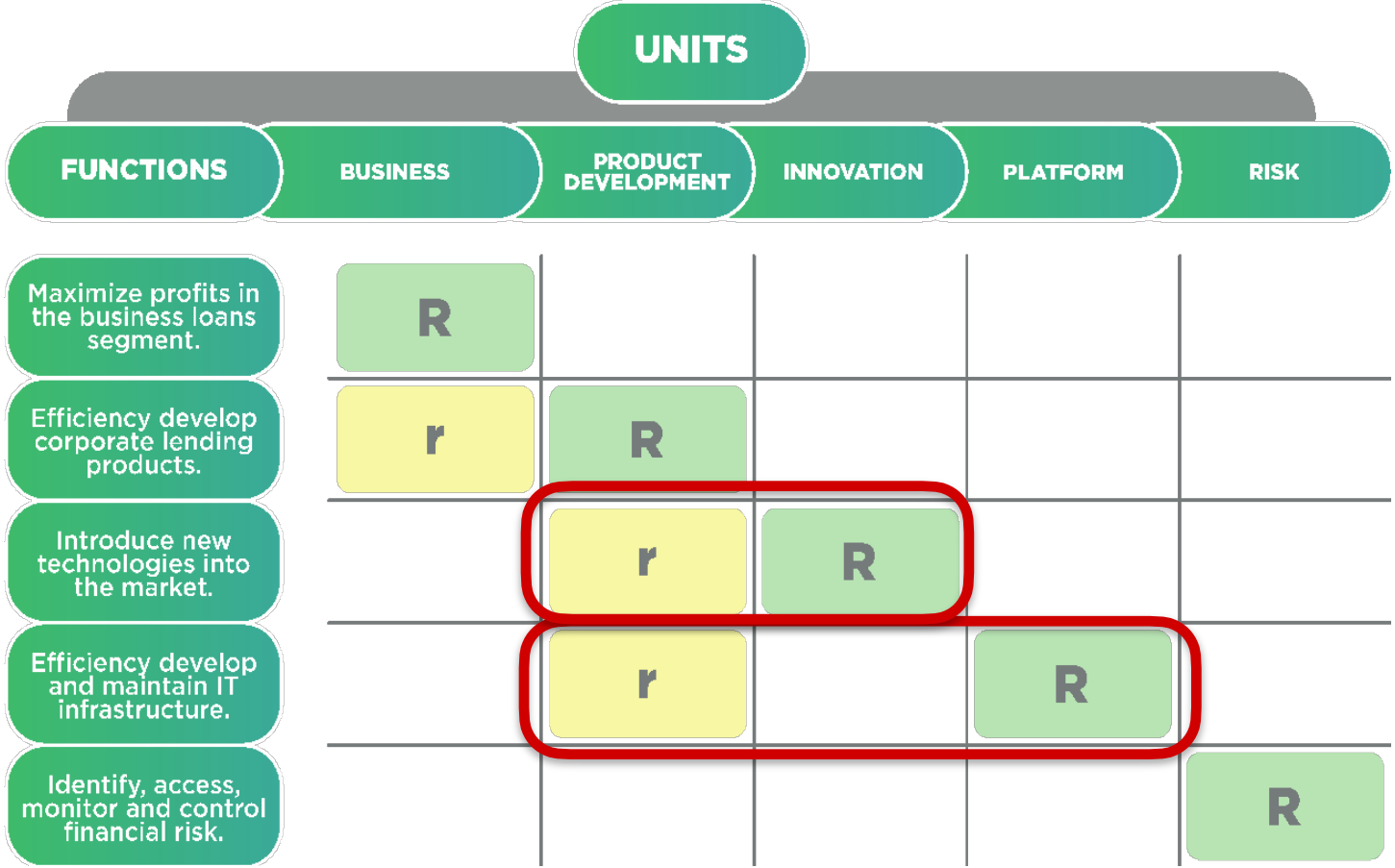

- The business unit is responsible for maximizing profits.
- The Development group is responsible for efficient product development.

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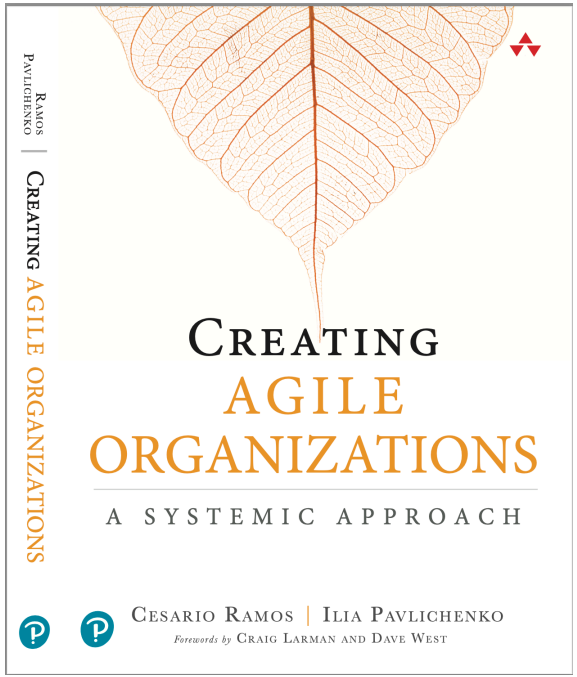
Ways to resolve the coupling

In general, there are three ways to resolve the coupling:

1. **Restructure and transfer responsibilities** between units or to a separate unit.
2. **Merge units** so that they share measures of success or customer outcomes.
3. **Redefine functional goals** to remove overlapping and conflicts between units.



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Essential Parts: shared function (sequential / pooled dependency)

Cross-functional teams.

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Summary 3 Guidelines

- Define Your Product starting with the users to identify all product parts.
- Contain Reciprocal Dependencies within the Product Group so that you can then improve the interactions of the parts.
- Decoupling Unit Functions to reduce organizational complexity.

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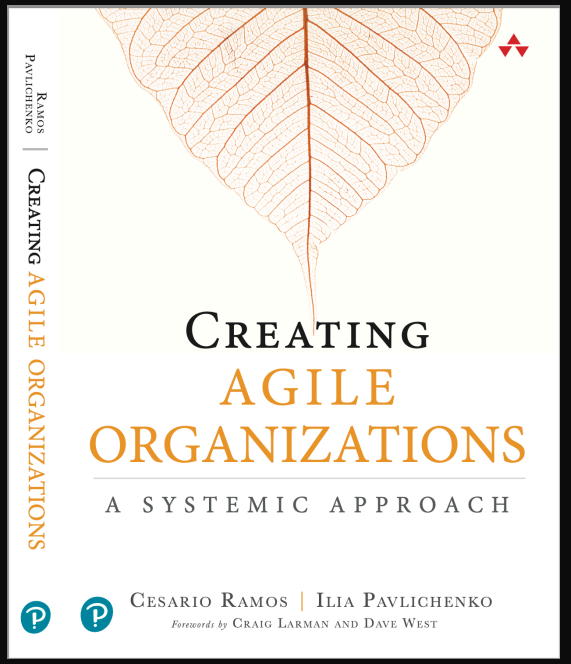
CHAPTER 4:
12 Agile Organization Design Guidelines

You can download cards here.



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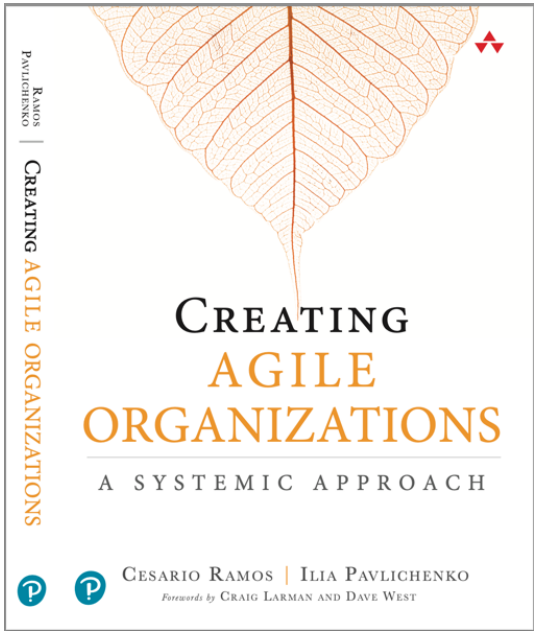

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2 day Designing Agile Organizations Course

3 day Creating Agile Organizations Workshop

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