

**DESIGNING ADAPTABLE  
ORGANISATIONS FOR  
TOMORROW'S CHALLENGES**  
**CASE NOTES COMPENDIUM**

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# 01

## INTRODUCTION

CRF's research report [\*Designing Adaptable Organisations for Tomorrow's Challenges\*](#) argues that organisation design can provide a competitive advantage to businesses and that it presents an opportunity for the HR function to add value.

Key findings of the research include the following:

- The context for organisations today is one of complexity, interconnectedness, disruption, and continuous change.
- To remain competitive in this context, businesses must build organisation design capability.
- Organisation design begins with the business strategy and should reflect its complexity.
- The fundamental design issue for organisations today is how to resolve a core tension: balancing the need for agility and responsiveness to customer needs, with achieving the benefits of operating at global scale.
- HR can play a more central role in building organisation design capability across the organisation, but we find that it is an underdeveloped capability for the function.

In this Case Notes Compendium, we draw together several examples of how businesses are responding to the challenges of organisation design in today's competitive, global, and technology-driven landscape.

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# 02

## AGILITY

Today's organisations have to master a core tension in their organisation design – to balance agility and scale. *Agility* refers to the ability to sense and respond rapidly to changes in the competitive environment, including the ability to rapidly reallocate resources and to make decisions quickly as circumstances change. Agility includes both enterprise agility and market agility. *Enterprise agility* is the ability to rapidly redeploy resources at the broader organisational level. *Market agility* is the ability of local business units to rapidly adapt to local needs.

### ENTERPRISE AGILITY AT AVANADE

**Avanade** is a global IT consulting services organisation with 30,000 employees across 20 countries. The organisation has been designed explicitly to facilitate agile use of resources and to operate with flexibility and pace. Avanade recently eliminated job titles and grades that denote hierarchy and position for its top 250 leaders. "It's removed some unnecessary constraints to our organisation design, given us greater flexibility in how we deploy people across the business, and removed unnecessary bureaucracy," said Caroline Fanning, Executive, Human Resources Europe. This has also meant removing salary grades and replacing them with individual job-based pricing determined by the complexity and contribution of individual roles. Removing grades gives the organisation greater flexibility to manage senior people as an enterprise resource. But it can also mean that individuals have less clearly defined career paths, and the potential for promotion by moving grades has also been removed. "Career progression now might mean an increase in complexity or impact rather than specific geographic responsibility or moving up a grade," said Fanning.

#agility  
#enterpriseagility  
#organisationdesign

### MARKET AGILITY AT UNILEVER

**Unilever**, in common with other global FMCG businesses, is seeing significant disruption in its local markets. The benefits of scale, once a source of competitive advantage, are being eroded as local markets fragment, in terms of both customers and competitors. Large global organisations used to be able to use their scale to do things once globally – innovation, for example – and then roll out the same thing in every market. Now competition – and innovation – is increasingly driven by small niche players in local markets. The challenge for players like Unilever is to manage scale and responsiveness at the same time. It typically means more innovation at the local level, while maintaining strong connections between global and local marketing teams. "The days of making one Dove that would sell everywhere have gone," said Ashish Lall, Talent & Organisation Director, Europe. The organisation model is changing. In the past Unilever was a combination of many country-based, separate and autonomous companies. In those days shifting to a global category model meant innovation was managed in a global innovation hub within the central marketing function. Marketers who reported into their local country teams would be responsible for local deployment. Now the goal is to bring innovation back into the countries, drawing on the centre if it makes sense to do so. Local teams can launch local innovations without having to demonstrate a benefit for other countries. The controls on such investments have been relaxed. In the past, countries were responsible for deployment, innovation was regional and global, and there was a handshake between country and region/global. Now, geographic silos have been broken down and all marketers report to the global president. Technology is a key enabler of the new relationships. The business has built digitally-enabled brand communities to

#agility  
#marketagility  
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connect people who work on the same brand globally, allowing them to share experiences and insights. "It's about building two-way connections, joining the dots across different geographies. This allows innovation to happen both at global level – where we can achieve scale – and at a local level where we can respond faster," said Lall. "Connecting in this way means formal reporting lines are less important." Underpinning this is a talent and change programme, which aims to boost the marketing capability and change the mindsets of people in local markets so they see themselves as brand owners.

## AGILITY AND DIGITAL CAPABILITY AT L'ORÉAL

**L'Oréal** recently piloted a new organisation design for Marketing in the UK, which it is about to roll out to other countries. The objectives underpinning the new design are to increase agility and specialisation, and to build digital marketing capability in the brand teams. Under the old model, marketers were generalists. As digital marketing, social media and e-commerce have become increasingly important channels, it became necessary to build more specialisation. L'Oréal has restructured the team to place greater emphasis on specialisation. Previously, generalist marketers would co-ordinate all marketing activities across a category (make-up, for example). Now, specialists in areas including online and social brand marketing support brand leaders across a wider range of categories. L'Oréal has also introduced 'Tribes' – networks of experts – to drive learning and share insights. This has also led to the creation of new specialist career paths within the function. Whereas previously the way to progress was to become a brand general manager, now there are digital- and social-specialist paths. Since it launched the new organisation, L'Oréal has increased its market share, which, according to Vanessa Palmer, HR Director for UK Consumer Products Division, can be at least partially attributed to the organisation change: "It used to be that we would have one generalist working on each brand. Now we have a team of specialists coming together, each contributing their expertise. Having that focus leads to better quality campaigns."

#agility  
#digitalcapability  
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## FOSTERING AN ENTERPRISE MINDSET AT AVANADE

**Avanade's** shift towards a more agile organisation design is underpinned by a number of organisational elements designed to create a more enterprise-wide mindset.

- The balance of incentives for senior leaders has shifted from country to enterprise performance. "Whereas historically the split may have been 60% local country, 20% region and 20% global, now we are saying that the senior team should be in this together, so now the balance would be more like 70% based on global revenue and profit and 30% personal objectives. This helps incentivise collaboration," said Fanning.
- Personal objectives target both in-year performance (revenue and profit) and measures related to growing the business. "Executives have different personal metrics depending on what's going on in their business. They might have targets around growing an incubator business or rotating talent. It sends a strong message that the organisation expects senior leaders to both run their business successfully, but also invest in building new capabilities, and develop talent."

Cross-enterprise collaboration is encouraged. "We talk a lot about solving problems for Avanade first: solving at a global as well as a local level," said Fanning.

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# 03

## THE ROLE OF THE CENTRE

What roles does the centre play in resolving organisational tension between agility and scale? Central functions can act as the connective tissue that builds leverage across an organisation.

### STRATEGIC DECENTRALISATION AT IMPERIAL BRANDS

#centralfunctions  
#organisationdesign

**Imperial Brands'** perspective on the shifting role of the centre illustrates the dilemmas and trade-offs of a centre-led versus decentralised approach. Imperial Brands has grown through acquisition into a loose federation of independent entities. A process of global standardisation several years ago led to corporate activities being consolidated, with common processes, centralised decision-making, and investment in head office infrastructure. The challenge today is to maintain the framework and consistency that has been achieved by adopting global policies and processes, while devolving more decision-making and accountability to the local markets. "We are adapting the model to find the right balance between agility and standardisation," said Tim Walker-Jones, Group Reward and Capability Director. "We would never have achieved the gains we did without centralising. Now it's about increasing local responsiveness by pushing some authority back into the markets. We need to do this while maintaining process standardisation. The challenge is to make each move result in a step change in performance – holding on to what has been achieved while pushing for improvement."

# 04

## ORGANISING TO DEVELOP DIGITAL CAPABILITY

One of the biggest strategic challenges established businesses face is how to adapt to the digital economy. Designing for digital raises questions such as whether to centralise or devolve digital capability, whether to hire a Chief Digital Officer and what his or her primary focus should be, what forums should be used to debate and agree digital strategy, and how to measure success.

### BUILDING A DIGITAL ORGANISATION

#digitalcapability  
#organisationdesign

- **Rolls-Royce** has recently appointed a CDO to co-ordinate digital strategy across the group, identify opportunities for developing solutions that would work across multiple businesses and develop group-wide solutions either internally or in partnership with external organisations. Each business unit retains a digital team that's responsible for framing digital issues on behalf of their individual business and customers. The company has also set up a digital board, made up of key senior stakeholders in the digital strategy, including the CEO, the heads of each business, the Chief Digital Officer, Chief Technology Officer, Chief People Officer and head of strategy. The purpose of the digital board is to build consensus around the digital strategy, to enhance digital collaboration across the group, and to be a forum for making decisions with an enterprise-wide impact. The board also oversees a central digital fund, which is funded by each of the businesses. For JJ Thakkar, HR Director – Strategic Marketing, these organisational changes have brought focus and clarity to the role of digital in the business strategy, and better co-ordination across the businesses: "Previously, digital meant different things depending on who you spoke to. Now we are much more clear that digital is all about solving customer problems through data and analytics. Having a central digital funding model also means we can take more of an enterprise view of digital investments and we can be more flexible in how we allocate capital."
- A key element of **Hilton's** digital strategy is to build a more direct relationship with customers through digital channels, in particular through the Hilton Honors loyalty programme. This has meant investments in technology, digital marketing and AI. Hilton has recently appointed a Chief Customer Officer, who, as well as having responsibility for the brands and the loyalty programme, is also responsible for technology group-wide, with the Chief Technology Officer as a direct report. Ben Bengougam, Senior Vice-President Human Resources EMEA, said: "This is an organisation change of some substance, both in symbolic and meaningful ways. It's designed to elevate the role of technology in delivering the best possible brand experience for our customers."
- **Thomson Reuters** has recently appointed a Chief Digital Officer. According to Mark Sandham, SVP and Chief Operating Officer, Human Resources, this is not primarily a technology-driven role: its remit is to take a customer-first, outside-in perspective. "The purpose of appointing the CDO was to think about how the organisation needs to be rewired from the perspective of our customers and the experience they have as users of our products."
- Once digital as a capability has been established, the role of the CDO tends to evolve. For example, **The Economist Group** has had a CDO in post for several years, with a team of employees and contractors who support the businesses in implementing their digital strategies and developing digital products. The team runs projects on behalf of business units, but ownership for digital strategy and product definition also sits within the business. Catherine Hearn, Group HR Director, said: "As we have matured, we have moved quite successfully from 'what does digital mean?' to digital being integrated into everything we do." Digital is now not so much a separate business, but more a skillset that runs through all products and services.

# 05

## THE SHIFT FROM PRODUCT-TO SOLUTIONS-DRIVEN BUSINESS MODELS

In the B2B economy, we are seeing a business-model shift away from selling standalone products towards integrated solutions and services delivered as a package to meet specific customer needs. There are several organisation design challenges when moving towards a solutions-driven business model, such as how to organise the platform or solution and identifying and building the new capabilities needed for success.

### CHANGING THE BUSINESS MODEL

#businessmodel  
#organisationdesign

- As **Rolls-Royce's** business model shifts from products to integrated systems and services, the organisational implications are wide-ranging.
  - New technical skills: the company has to build out from its core expertise in engineering to build capability in digital technologies and data analytics.
  - New business model: shifting from selling products to selling services such as 'power by the hour' means new business models and different capabilities required of sales and general management in particular.
  - New operating models: the internal configuration of the organisation shifts towards a more centred approach to technology and developing digital capability; work increasingly has to be done through networks and partnerships with other organisations.
  - New behaviours: collaboration, agile ways of working.
- Over the past 30 years **Tate & Lyle** has evolved from a sugar refining business to an ingredients business. In the next stage of evolution, the Speciality Food Ingredients business – one of two divisions at group level – is moving from a product- to a solutions-driven business model.

A key objective of the organisation design is to build in greater market responsiveness. The design had to make the customer experience more seamless, and this meant designing from the perspective of what the customer would see. Whereas previously a customer may have dealt with a number of different Tate & Lyle employees, under the new model there had to be only one key point of contact. This meant integrating some acquisitions more closely in the interests of a seamless customer experience.

The new design also required the business to develop core capability in solutions selling. It has invested in up-skilling the sales force, and has introduced a new competency framework and recruitment processes for sales. According to Sarah Hamilton-Hanna, VP Human Resources, collaboration is an essential skill for the new operating model to work. "We knew collaboration would be key to making the model work, so we started working on this before the reorganisation took place. We made changes to the leadership team, bringing in new people with the right combination of technical, commercial and collaborative skills, before we moved to the new model."

# 06

## GROWING THE NEW VERSUS OPTIMISING THE CORE

As they grow, organisations must resolve the tension between the pursuit of new business opportunities and the optimisation of existing core businesses. This raises a number of design questions, such as where to house innovation-focused units, how to coordinate and enable innovation, and how to connect new products and services with the firm's core business.

### DIFFERENTIAL ORGANISATION DESIGN AT ARM

Over the past year the technology company **Arm** has transformed its largest business unit in order to sustain its high growth rate in the longer term. A market-leading semiconductor IP business that has seen remarkable growth in the past 15 years, particularly through its success in the smartphone market, Arm is adapting its historic success formula to newer markets such as Machine Learning, Automotive and the Internet of Things. In order to achieve this, the company's semiconductor IP business unit has pivoted from being product line focused to market focused. Core engineering capabilities have been centralised to drive scale, efficiency and rapid development of new capabilities across market segments. The central engineering team serves a set of lines of business that each focus on developing solutions for a given market segment. The new structure and operating model are reinforced by leadership, culture and reward mechanisms that drive customer centricity as well as collaboration across the enterprise.

#agility  
#ambidextrousorganisation  
#innovation  
#organisationdesign  
#scale

For Arm, continued innovation is an imperative. Because of Arm's expectation that innovation happens everywhere within the business, new ideas are typically able to flourish within the existing organisational construct. But where an innovation involves a fundamentally new market offering, business model or ecosystem, a different approach can be needed. In the past two years Arm has been building a second business unit focused on a new business model and capabilities. The new BU operates with a high level of independence so that it has the 'oxygen' to grow alongside the incumbent business and the agility to shape and respond to new markets. Importantly however, the BU also benefits from Arm's scale, drawing on a set of enterprise-wide enabling functions. This tension between autonomy and shared capability is actively managed through a combination of structure, governance and reward, as well as a culture that places strong emphasis on trust and empowerment on the one hand, and Arm-wide value on the other.

### BALANCING THE EXISTING AND THE NEW

The following case notes illustrate the different approaches organisations are taking to balancing their existing and new businesses.

#innovation  
#organisationdesign

- **Imperial Brands** operates in a business – tobacco – that has historically been highly profitable with high barriers to entry. But with its core market declining, Imperial is looking to diversify. The company has invested in the e-vapour market, and has established a separate company – Fontem Ventures – to develop next-generation products. Imperial faces a number of choices in determining the most



appropriate expansion strategy for growing a highly innovative business rapidly within a more stable parent company.

- Is the rapid expansion of the next-generation products business best served by building on the strengths and existing infrastructure of the core business, or could the existing organisation design and associated mindsets work to the detriment of the new business?
- How should it build capabilities in e-commerce, digital marketing, data security and privacy, which have not been required to the same extent in the core business? "We have very rapidly had to build a deep understanding of the digital space and scale up in that area," said Tim Walker-Jones, Group Reward & Capability Director.
- How should it integrate traditional and digital sales channels to create a seamless customer experience?
- Which capabilities in the core business should the new venture tap into, enabling rapid scaling of the business, and which should be kept in a stand-alone organisation?

Imperial is currently running the next-generation products business as a separate entity, but it is exploring whether an alternative organisation design might better facilitate rapid expansion by tapping into the core business's strengths in areas such as retail management.

- Consolidating the technology organisation, previously embedded in the business units, has allowed **Thomson Reuters** to launch a variety of initiatives aimed at fostering innovation, and bringing focus to building new capabilities. This would have been much harder to achieve at scale under the old model. The company now offers both the space and seed capital to develop new ideas and technology. "Having a central technology function enables us to drive capabilities and innovation at scale," said Mark Sandham.
  - Specialist teams work on cross-company initiatives in areas including artificial intelligence and security, developing a consistent enterprise perspective and streamlining activities.
  - Thomson Reuters has built a network of global innovation labs, working closely with academic institutions and customers to develop new technology capabilities that address customer needs.
  - It built an incubator in Switzerland, partnering with local start-ups to get cutting edge projects off the ground.
  - It is also building greater agility within the technology organisation, for example, setting up project teams as 'skunk works' to resolve specific customer issues.
  - The company has set up a catalyst fund to encourage employees to submit ideas, driving internal innovation.
- **Hilton** has led the hospitality industry in innovating around technology and customer experience. A recent development has been to establish innovation hubs within each brand. It has done this by creating both dedicated office space and digital spaces to share and test ideas and encourage innovation.

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