

Macro Structure: Strategic Impact of Work--Work Categorization

Tool Description: Strategic Impact of work has two key tools 1. Work Categorization, and 2. Placement and Governance of Work. Categorizing work is determining how work impacts or enables the strategy of the organization. This is done through assessing the strategic impact of work processes and activities. The body may be a useful metaphor to understand the task at hand. A runner has many muscles and skills. However, not all the runner's muscles contribute in the same way to the runner's mission. What muscle groups are "mission critical" to the runner? We would suggest that the leg muscles contribute in different ways than the muscles in the hand.

The human body certainly comes in a variety of shapes and sizes. Beyond genetic determinants, we build and shape our bodies to meet the needs of the activities we choose to perform. Dancers attempt to create great "line" in their form, while many football players attempt to create great "bulk." A well-developed body in one activity usually means that body is not best suited for another activity. Down hill racers need leg muscles that swimmers would find cumbersome. The point is that the utility of any particular muscle or even skill is relative to the activity that person finds herself engaged in. There is no goodness or badness about body types, the muscle type or skills. The important question is what activity or skill does the body need to excel at? Certainly all muscles are important, but their relative impact is different. Organizations who compete in different ways must focus on different activities.

This discussion can be transferred to your organization's activities. There is no goodness or badness to activities and skills. There are varying degrees of impact these activities and skills have on strategy, a value offering and a mission. Your organization wants to improve the shape it is in. That "shape" is best evaluated based on strategy, mission and value offerings.

Uses: Categorizing assists in the organizing, grouping, structuring and resourcing of work. The very act of organizing and structuring differentiates one kind of work from another. It may be viewed as functional in nature, routine, core, optional, non-optional, etc. Assumptions around the impact and utility of one type of work over another drive organization design.

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Steps:

1. Review the organization's mission, strategies, value offering(s) and values.
2. Identify all the work activities or processes of the ideal organization.
3. Categorize each activity as Competitive, Competitive Enabling, Necessary Work and Compliance Work.
4. Analyze how the work could be grouped, located and resourced.

1. Review the Organization's Mission, Strategies, Value Offering(s) and Values. These key Strategy and Guidance elements are the "touchstones" for categorizing work. Often, functions become the strategic imperatives. That is, work is treated according to its functional parentage rather than its impact on the Strategy and Guidance of the organization.

2. Identify All the Work Activities or Processes of the Ideal Organization. Capture the work of the ideal organization and place it on cards that can be moved around on a wall. The term "ideal" is used because the work activities should correspond to the work that is needed to deliver the strategy, mission, and value offering(s), not necessarily the current work activities.

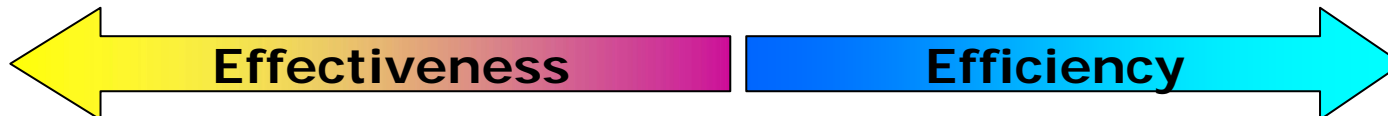
3. Categorize each Activity as Competitive, Competitive Enabling, Necessary Work and Compliance Work. The categorization of work is not about how important work is. Nearly all work is important. Almost all work is necessary to keep the doors open. However, competitive work is different from other work because it delivers the strategy. It is what makes the value offering(s) happen. For example, diagnosing and treating patients is competitive work at a Hospital. Competitive enabling work is directly consumed by the competitive work. Competitive enabling work supports the competitive work or is consumed by it. The development and training of those who identify and deliver treatment to patients would be competitive enabling work at a hospital. Necessary work is work that must be done, but is not part of the strategy nor enables it. Payroll in most organizations is necessary work. Having the best payroll process in the world would not improve the business. However, if it is not done right it would have a negative effect on your business. Compliance work would stop if allowed.

The table on the following page summarizes through questions the differences between competitive, competitive enabling, necessary work and compliance work.

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One approach is to place each work activity on a piece of paper (i.e., Post-its). Replicate the grid on a large wall and with a team, place the activities in one of the four columns.

Competitive Work Activities (Greatest Return)	Competitive Enabling Work Activities	Necessary Work Activities	Compliance (No Return)
<p>Does this work <i>directly</i> make our strategy happen?</p> <p>Does it <i>directly</i> impact the value offering(s)?</p> <p>Will it create sustainable differentiation?</p> <p>If we were forced to give up control of work, would this be the last thing we would give up?</p>	<p>Do the outputs of this work contribute <i>directly and substantially</i> to enabling Competitive work to be done in the desired way?</p> <p>Does the company consider this an enabler because of its values / beliefs <i>and</i> do we believe that we can achieve marketplace advantage by doing it right?</p>	<p>Is it essential to the business, but not to gaining market share?</p> <p>Is it only a potential <i>disadvantage</i>?</p> <p>Could we afford to be "at par" with our competitors?</p>	<p>Do we do this because we don't want to get into trouble with law, regulation or company policy?</p> <p>If allowed, would we stop doing this work?</p>



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Analyze How the Work Could be Grouped, Located and Resourced. After the work has been categorized begin to logically group the work. The following principles are intended to guide the grouping, placement and resourcing of the work.

- The organization, grouping & locating of work should be structured around Competitive Work
- Competitive Work should be fully dedicated to the value offering
- Competitive Enabling Work should be grouped with the Competitive Work it supports, unless competitive business reasons indicate otherwise
- Use technology to neutralize tradeoffs in limited resources and capabilities
- A process should be common for the whole organization if specialized competencies carry the greatest competitive leverage
- Unless practical business reasons indicate otherwise, avoid structuring Necessary and Compliance work with Competitive and Competitive Enabling work because doing so distracts from strategic work. Compliance work of like kind should be grouped and in one location, unless business reasons indicate otherwise
- The grouping and locating of Necessary/Compliance work should be driven by variance control and cost control
- A non-headquarters location can do work for the whole organization
- Competitive work activities should never be outsourced

(continued on the next page)

Macro Structure: Strategic Impact of Work--Work Categorization

Sourcing Grid: Outsourcing competitive work places you at risk. Competitors can easily duplicate your competitive advantage by simply going to the same or similar source to gain the same capability. Categorization helps focus resources so that they give your organization the highest return on investment. The strategic resourcing principles suggest that in the triage of assigning resources to work, you can't afford to under- or over-allocate attention and resources to its work activities. This grid is useful in determining “front-office” and “back-office” work. The following grid is intended to facilitate the decision on how to source and resource work.

Sourcing Grid

Competitive Enabling Work	DELIVER INTERNALLY (Develop Best Internal Capability)	OUTSOURCE TO STRATEGIC RELATIONSHIP (Develop Best Secure External Sources)
Necessary & Compliance Work	MAINTAIN INTERNALLY (Manage to Minimum Cost and Quality Standards)	OUTSOURCE TO LOW-COST (Develop Most Cost Effective & Compliant Sources)
	Unique/Proprietary Activity	Generic Activity

Always source competitive work internally

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Tips: The categorization of work and the supporting principles should be used as a means to enhance discussion and create non-political rationale for organizing. There is no intent that categorization and the supporting principles should become an orthodoxy to which logic is blind.

Before starting, agree on the categorization definitions and the grouping, locating and resourcing principles. This reduces the temptation for self interest.

This tool is also helpful in clarifying strategy. Categorizing each activity forces dialogue that surfaces strategic assumptions.

Timing: The tool is most useful during the strategic grouping phase of designing. However, categorization can provide great insight into how work should be treated in doing improvement initiatives that do not impact the structure or overall design of the organization.

Options: If the business has more than one customer segment and value offering, duplicate the work of the organization so that the work can be categorized according to its impact on each value offering. This type of analysis can assist in determining if the work of two or more customer segments or value offerings can be successfully organized in one business unit.

If work is categorized for a support unit, such as legal, finance, HR, etc., do not use the mission and value offering of the support unit as the means for categorization. Use the mission, strategy, value offerings and values of the larger organization it supports. The reason for this is that support work, by definition, is not competitive work. Confusing this concept creates faulty grouping, placement and resourcing assumptions. Although rare, competitive enabling and even competitive work may be found in some support groups. For example, a tax group within Finance may provide competitive or competitive enabling work directly to a customer segment. A risk or credit management group may provide competitive enabling work to the line organization.

The specific categorization verbiage used here is not sacred. The intent is differentiate work. Some management teams have divided work into “Largest Return”, “Some Return”, “No Return” and “Negative Return”. What ever the descriptors used, ensure that the mission, strategy, value offering, and values have a connection to the categories and the outcome.