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Any organization, regardless of its size, type or industry, must constantly undertake change and transformation. Whether it be to become more competitive in the marketplace, achieve back office efficiencies, increase geographic reach, deploy new technologies, or to pursue any of a myriad of other goals, change is not an episodic event but rather a process that is always occurring.

With the need for change comes the need for effective organization design, transformational change management and proactive talent management to support these initiatives and ensure that they meet with success. While these functions can be and often are outsourced, many companies set up internal centers of expertise (COE) in increasing numbers and with increasing capability, which are focused on helping do and manage this work. These OE/OD/talent/change COEs (we will collectively refer to these types of COEs as Organization Transformation COEs) are often set up in the HR area, but not exclusively; some organizations are setting up enterprise-wide organizational transformation teams or COEs. The hope is that with internal capabilities the organization will be more adept at facilitating transformational change than if they have to find external help each time an organizational change is needed.

Internal COEs offer the advantage of familiarity with the organization’s business model, culture, goals and stakeholders. Bringing these organization transformation capabilities in house can often reduce associated costs as well. Additionally, there are countless ways to set up a COE to support organization change and transformation. Some approaches are effective and unfortunately, others are not.

In this guide, we will explore some of the practices we have seen organizations use that have led to sustainable success in the effort to build internal organization design, talent, project management and/or change capabilities.
Overview of Organization Transformation COE Research

Before we delve into the “whys” and “hows” of setting up a successful organization transformation COE, let’s take a moment to review the data. In our 2016 and 2017 Organization Design Learning Conferences, we asked participants to evaluate various dimensions of their organization transformation COEs. While the sample size is small, it offers a unique window into current transformation COE trends and practices of large and mid-sized companies, as well as an overview of some important things to consider as you plan to build or extend the reach of your COE. Here are some of the highlights from the data:

WHERE ARE COES TYPICALLY PLACED WITHIN ORGANIZATIONS?

<table>
<thead>
<tr>
<th>Placement</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dedicated COE</td>
<td>68%</td>
</tr>
<tr>
<td>Hybrid</td>
<td>16%</td>
</tr>
<tr>
<td>Embedded in the Business</td>
<td>16%</td>
</tr>
</tbody>
</table>

COEs may be embedded within the business—meaning that they place organization transformation specialists inside one or more existing functions and/or areas of the organization—or they may be set-up as a dedicated group (a COE) within the organization. Most organizations set up their organization transformation capabilities in a dedicated COE-type structure. That said, there are some mixed models where resources are placed both in a COE structure as well as embedded throughout the organization. Whether embedded or dedicated, the majority of participants reported that their COE groups are located wholly or partially within the HR function of their organizations.
WHAT ARE THE TYPICAL SOURCES OF COE FUNDING?

A COE may be centrally funded with a budget, or it may be set up as a fee-for-service unit within the organization. While only a small number of the survey participants indicated that they were set up as a dedicated, fee-for-service group, it is interesting to consider the benefits and risks of that type of funding model. The majority of groups reported that they were centrally funded, while a few indicated that they use a hybrid approach where the client asking for the COE’s help is required to fund work directly in some cases, and in other cases the COE uses its own budget to deliver services. Later we will discuss the relative pros and cons of the funding model on both the COE's activities and focus, as well as the COE clients' behaviors and utilization patterns.

WHAT ARE THE SOURCES OF WORK FOR THE COE?

Some COEs are set up to focus primarily on corporate initiatives; others are concerned with other types of work such as business unit, functional unit or geographic initiatives. The data shows a split in where COEs source work. There is a fairly even split between corporate initiatives and business unit/geographic/function-driven initiatives. Some COEs accept work from multiple sources and take a hybrid approach as to where they get work. We will discuss later the implications of how work comes into the COE, how it is prioritized and how the COE staffs to deliver on demand.
WHAT ARE THE TYPES OF COE SERVICES OFFERED?

Looking at the survey data, most organization transformation COEs offer multiple types of services; however, there is a small portion of organization transformation COEs that focus on delivering a single service offering.

In 2017, we expanded our survey to probe deeper into this question by asking companies to rate the level at which they offer services in a number of different areas. Of those responding, none reported a high level of proficiency (a self-assessed rating of 8 to 10 on a scale of 1 to 10). Most organizations reported offering entry-level (1-3) to mid-level (4-7) service capabilities. Not surprisingly, the three highest proficiency COEs corresponded to the three COEs that self-assessed as the most mature in terms of development (see chart on next page).

The most common service area for an organization transformation COE to offer is change management. The chart below shows the services offered by the polled organizations. Even though Organization Design is the least offered service there is evidence that this is one of the fastest growing areas that organization transformation COEs are being asked to take on and deliver.

In addition to Organization Design, the other least-offered services included project management, and process improvement. We suspect that these two service areas are more commonly offered by other parts of an organization (e.g., from the Lean Six Sigma office or PMO). Both of these would qualify as a COE-type structure, not commonly included in organization transformation COEs.

<table>
<thead>
<tr>
<th>What Types of Services are Offered?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change Management 100%</td>
</tr>
<tr>
<td>Talent Development 89%</td>
</tr>
<tr>
<td>Team Effectiveness 89%</td>
</tr>
<tr>
<td>Culture Initiatives 67%</td>
</tr>
<tr>
<td>Learning Development 56%</td>
</tr>
<tr>
<td>Process Improvement 56%</td>
</tr>
<tr>
<td>Project Management 56%</td>
</tr>
<tr>
<td>Organization Design 44%</td>
</tr>
</tbody>
</table>
HOW DO COEs SUPPLEMENT THEIR RESOURCING LEVELS TO MEET DEMAND?

Another question added in 2017 was “Do you supplement your internal COE with external resources?” This question elicited a wide range of responses, from no resource supplementation whatsoever to near total outsourcing. The overall trend was for a moderate amount of COE resource supplementation. This took several forms:

A. Leveraging strategic partners for highly complex projects where internal COE resources may not be equipped

B. Utilizing external partners to cover surges in demand or work load that couldn't be effectively addressed by the staffing levels in the COE

C. Engaging temporary support during talent gaps (e.g., while hiring permanent, full-time team members)

D. Partnering with external experts to build internal capability (e.g., training, knowledge transfer, coaching, shadow consulting, etc.)

WHAT IS THE MATURITY LEVEL OF ORGANIZATION TRANSFORMATION COEs?

COE growth often occurs as a sort of wave pattern. When a COE is first formed, there will be a lot of interest in its growth and development as resources are dedicated to hiring and developing talent, building tools, and implementing other set-up activities. A healthy, mature, fully-established COE will then operate for a while at its peak, involved in the delivery of key projects or initiatives. This phase can last for months or years but will often be followed by a downturn and/or eventual disbandment of the COE.

Based on the data in our sample, a significant portion of survey participants indicated that they were newly formed and/or immature COEs – meaning they are in the growth phase of their COE. The remainder fell across the spectrum from operational to fully mature. The interesting note, however, is that many of the organizations that viewed themselves in the growth phase of
their organization transformation COE are actually in a re-build of a COE or capability that had existed previously but had run through the maturity cycle and was now on the upswing again.

**WHAT IS THE TYPICAL LIFESPAN OF A COE GIVEN THE CHALLENGES IN FINDING AND DEVELOPING TALENT?**

Many organization transformation COEs have a short life span due to a number of factors, including the following:

- **TALENT SHORTAGE.** There is currently a significant shortage of experienced organization transformation COE talent. For example, finding good organization design practitioners is very difficult and those that do exist are in demand. It is not unusual for competent organization transformation specialists to find opportunities elsewhere in the business or to get poached away to other organizations (like consulting organizations where they can further their professional development). Finding and keeping strong talent is not easy and is a key consideration in the building, resourcing and sustaining of effective COEs.

- **TIME TO MATURITY.** Building or growing COE talent internally takes time. If an internal team is growing its talent capability and won’t be ready to offer its services for 6, 12, or more months, a potential customer in need of organization transformation assistance is likely to look elsewhere for help. This can potentially lead to a negative feedback loop where the COE gains the reputation for being ineffective before it has had the chance to develop its talent, its processes, and its tool set and prove itself.

- **TRAINING EXPENSES.** Every COE needs a tool set – a methodology. Ideally, this should be one that is held in common among all members. In addition to the need to build or buy tools, the COE team must be trained in their use. The need for training and retraining is typically an ongoing need as turnover occurs and tools are added or upgraded.

- **ECONOMIC VULNERABILITY.** When companies hit lean times, organization transformation COEs are often one of the first areas that are targeted for reductions in funding and staffing. So, the COE that was so anxiously and excitedly built up a few years previously, can die back almost as quickly as people leave and/or funding is retracted.
UNDERUTILIZATION. Some business leaders use and rely on their organization transformation COEs consistently. However, it's not uncommon for business leaders to be either unaware that a COE exists, or unsure of how to leverage it. This dynamic can cause COEs to struggle from inconsistent use or exposure. Without consistent engagement, the value of the COE can be questioned by those who don't know about it or find little use for it in driving their business priorities.

There is considerable variation between one COE to the next. However, regardless of size, type, and function, successful COEs share certain winning practices. In the following chapters, we will introduce these principles in a step-by-step fashion as a guide to setting up and maturing a successful organization transformation COE for your company.
Step 1: Defining the Purpose of Your Organization Transformation COE

Step one in setting up a successful organization transformation COE is to define the purpose and intent of the COE. To do this effectively, it is helpful to ask the following key questions:

1. What business problem will the COE help solve?
2. How will the business use the COE?
3. Is there a strong business case for investing in building the COE?

Gaining clarity on these three points will help the COE development team make sound decisions that are in alignment with the organization’s needs. It will also help prevent ambiguities and misunderstandings that could undermine the COE’s effectiveness down the line.

Let’s explore each of these questions in more depth.

**WHAT BUSINESS PROBLEM IS THE COE BEING SET UP TO HELP SOLVE, AND WHAT IS THE BEST SOLUTION FOR THAT PROBLEM?**

COEs are set up for a variety of reasons, but always in response to one or more challenges faced by the organization. When choosing an approach for your COE, executives should first determine what problem the COE is meant to address. Then, consider what types of solutions might best address the opportunities at hand. COEs may be set up to:
PROVIDE EXPERT ADVICE AND/OR COACHING. A very common organization transformation COE approach is to provide experienced guidance and advice to leaders within the organization who want to undertake a transformation. In this capacity, the COE takes on an internal consulting role, helping leaders set up their transformation and/or frame the problem or approach. With this approach, the COE will be limited in how much work it can roll up its sleeves and do, because its focus is on advising rather than doing.

ACT AS A REPOSITORY OF TOOLS, APPROACHES, AND/OR DATA. A COE can be set up to provide leaders the tools and approaches that can help them undertake a big transformation through training, online access, and/or targeted coaching. An organization transformation COE can also act as a repository for data, collecting information about the organization and making it available to those who need it (i.e., headcount reports, previous transformations lessons learned, competency models, etc.).

PROVIDE HANDS-ON ASSISTANCE. A third approach is for the COE to become a skilled and qualified set of hands capable of providing the leader or organization with practical, hands-on assistance in leading, facilitating, or managing the project or transformation. In this model, staffing is a challenge because demand will often outstrip resources. Some COEs will align their resources by client group, others will align them based on specialized competency areas, and others may form a pool from which leaders can request help.

A COE may perform one, two, or even all three of these approaches. However, care must be taken to maintain clarity around the approach selected. A very common COE failure mode is a lack of clarity about which approach they're trying to deliver. If the COE is not able to effectively communicate the scope of what they offer it can create confusion and frustration, and/or weaken the COE's effectiveness. For instance, it's natural for people asking for advice to cling to the advisor and want them along on their entire transformation journey. However, if a COE is lightly staffed and set up only to provide expert advice, doing so can make the limited advisory resources unavailable to others. Failure on the part of the COE to clearly communicate their delivery model or approach can result in the COE being spread too thin trying to support multiple transformations, or ineffectively juggling the needs of multiple leaders or areas of the company.

When deciding which approach you want your organization transformation COE to take, it's important to realistically assess available resources. It's common, for example, for COEs that try to staff up and provide hands-on organization transformation assistance to suffer from inadequate resourcing. Most business transformations require multiple pairs of hands, and
because large organizations may have several transformations going on at once, even a staff of ten or twelve people may not be adequate to support all of the work and needs of the organization. It is better to align service availability to available resources (or at least to the investment level the organization is willing to commit) and clearly communicate the scope of those services than to try to do too much or be undisciplined about the focus and intent of the COE.

**HOW WILL THE BUSINESS USE THE COE ONCE IT’S SET UP?**

To a large extent, the problem the COE is set up to address and the delivery approach it takes, will dictate how the business will leverage the capability. Ideally, executives know exactly when to seek the help and services of the organization transformation COE. The triggers in business leader’s minds for when to seek help from the COE should be clear. To help encourage this, the COE needs to do the following:

1. Clearly articulate its capabilities and the intake processes for requesting support/work
2. Invest in educating leaders on the disciplines and areas of expertise the COE offers
3. Build a portfolio of successes – stories that can be shared to reinforce the capabilities of the COE and its impact

Some of the common triggers for a leader to reach out to the COE might include the following:

- Business expansion or growth that will require significant organizational change
- New strategy or marketplace position
- Development and launch of a new product, platform, or offering different from previous efforts
- Talent assessment, development and succession
- Business model change (including Digital Transformation)
- Complexity (lack of ownership; unclear decision rights; competing demands, initiatives, and/or priorities; ineffective coordination, etc.)
- Merger, acquisition, or divestiture
- IT Systems changes
Cost reductions or savings objectives

Culture change or renewal goals (e.g., encouraging Agile ways of working)

Organization health check or review to ensure the organization is capable of delivering value

Management of large-scale change or transformation

These might not represent all of the possible triggers and it is possible some of these triggers won’t apply to each COE, but knowing what the triggers are should help guide leaders to seek help at the right time and for the right things.

Conversely, from the COE’s standpoint it pays to ask from where the work should be sourced. For instance, are they serving a specific geography or business unit? Will they be assisting primarily with corporate initiatives? Will they be set up to respond to the leader who calls, regardless of the size or importance of the initiative? Or, will they be exclusively tuned into the strategic needs of the business, and proactively respond to strategic needs whether or not anyone calls or requests help? Some COEs function like a service-based business that responds to inbound calls for assistance and then dispatches someone to do the work. Another strategy is for the COE to get tapped into the organization’s strategic planning process so that when strategic initiatives are identified, they know it and are able to proactively step in and assist.

**Determining Your COE Services**

Not all organization transformation COEs deliver the same set of services or offerings. Some COEs focus on one or two key service areas (e.g., change management or organization design) whereas others are broader in the set of offerings they strive to deliver. The strategic needs of the organization should dictate the scope of service the COE offers.

Here are some common types of services offered by organization transformation COEs:

- Organization design
- Change management
- Talent development
- Learning & development
- Team effectiveness
- Project management
- Process improvement
- Culture development

As you set up your COE, it is a good idea to consider your service offerings carefully in terms of the resources it will require – these are specialized and distinctive domains.

**IS THERE A STRONG BUSINESS CASE FOR INVESTING IN BUILDING THE COE?**

By now you should have achieved a clear picture of the basic approach and delivery model of your COE. At this point, before committing to hiring and/or allocating resources to this COE, it's time to take a good hard look at it and objectively determine whether there is a legitimate enough reason for the COE to exist. Answering questions, like “What other
solutions are available, and is building internal capability truly the best option now and down the road?” can help leaders determine if the business case is strong.

Assuming the COE will indeed enable the organization to offload consulting costs and/or execute faster, perform better and get higher quality or more effective organization transformation results due to team members’ knowledge and intimacy with the business, it’s time to start thinking about the next step to creating a winning organization transformation COE: determining the engagement model it is to use.
Step 2: Determining the Right Engagement Model

To work effectively, an organization transformation COE must be set up to work harmoniously with other parts of the organization. COEs that operate in isolation or as a bolt-on to the organization struggle to gain the traction needed and achieve desired results. To help COE leaders determine the right engagement model, consider the following questions:

1. How will the COE work or partner with other internal parties/groups (e.g., HRBPs, Change Managers, Black Belts, etc.)?
2. How will service levels and resourcing levels be determined?
3. How will requests (demand) be prioritized?
4. How will external partners be leveraged?

Let’s take a look at these questions and how they play out in an organization and shape the development of your COE.
DEFINING CLEAR ROLES FOR YOUR ORGANIZATION TRANSFORMATION COE

Every large organization is home to many people and groups with specialized skills and expertise—Six Sigma Black Belts, HR business partners, other internal consulting groups, and so on. Many of these roles and capabilities may overlap or touch on services offered by your organization transformation COE. To avoid conflict and ensure effective results, it is essential to define clear roles for your COE that complement rather than conflict with existing roles and capabilities in your organization.

For instance, Six Sigma is meant to be an improvement method for organizations to detect process inefficiencies and figure out ways to make that process work better. While the Six Sigma approach is not pure organization transformation, it is related (see the side bar), and utilizes some of the same capabilities that might be housed in the organization transformation COE. Setting up an organization transformation COE alongside an existing Six Sigma or Lean function risks creating an inadvertent overlap, which can lead to internal competition and customer confusion if care is not taken from the outset to clearly define whether and how the two functions will be expected to work together. At the same time, there may be multiple other overlaps with other groups or individuals (i.e. HR, change managers, etc.) within the organization.

At AlignOrg Solutions, we use a Rubik’s Cube analogy to describe the coordinated and systematic process of syncing up all aspects of an organization to drive results. Just as a Rubik’s Cube must have all six sides aligned, an organization needs to have work, structure, metrics, people/rewards, and culture choices lined up to get results.

We once attended a company division meeting regarding a proposed organization transformation, to which a number of internal as well as external consultants had been invited. There was a change manager, a process design expert, a business architect, an OE specialist from a COE, and several HR business partners, adding up to five or six different experts. Unfortunately, there was a lot of overlap in skills and expertise and no one had taken the time beforehand to decide who would be responsible for what. The meeting ended up devolving right in front of this division’s leaders into a discussion of who does what, who’s on first base, and who’s leading this? Rather than instilling confidence that the strategic organization transformation was well in hand by these transformation experts, the division’s leaders felt unsure and frustrated as to whether the intended results would be achieved.

To be effective with your COE, it is necessary to figure out where its greatest strengths lie and what it will or will not be doing in light of what other specialists or groups in your company have to offer. If multiple specialties or sub-disciplines (e.g., organization design, change management, process improvement, talent assessment, etc.) are needed, it’s important to determine in advance who does what.
Done correctly, this can enable the various groups in an organization to play to each other’s strengths. We worked with another client who was undertaking an organization transformation and needed a resource from their OE COE team. There were two other related groups in the organization: a job design group and a group of process design experts. All parties got together and worked out in advance that in this case, the OE team would be responsible for the hands-on facilitation of the transformation design sessions. But when they needed help designing specific jobs or in mapping detailed work processes, the OE COE called the appropriate group and had them come in just as a subcontractor might. They came in, did their specialty work, and when they were done, the work could move forward as scoped and planned. That engagement model worked effectively because people understood their roles. They understood when they needed to come in and help, and when they were done no one got offended. While there are other ways to structure it, this is one example that worked.

**DETERMINING RESOURCING AND SERVICE LEVELS**

One very common COE pitfall is for a mismatch to develop between the service level and the resourcing level. This often happens when COEs are successful at what they do.

A typical scenario is for an organization transformation COE to set itself up, define its scope and work, and be allotted a limited number of resources to execute and deliver its services. If the COE is effective they quickly start getting a lot of requests, and the work starts to pile up. Before long, they find themselves juggling so many initiatives that they end up not doing any real work. Eventually this dynamic can cause a COE to fail.

There are a couple of ways to address this problem:

- Go back to step one and redefine (or refine) your scope and purpose.
- Go to the organization and make the case for greater resource allocation based on the value the COE is delivering.

It is better, however, to avoid falling into this trap in the first place. Maintaining and communicating clarity on what the COE is there to do, what it won’t do, who it is there to help, and how it partners with other internal (and external) resources to deliver value can help to minimize resource discrepancies.

**PRIORITIZING DEMAND**

This then leads to the question of how to go about prioritizing requests or regulating demand for services offered. A COE that treats all prospective customers equally and/or says ‘yes’ to all
requests will typically always be short on resources. It is, therefore, important to develop some kind of objective approach to govern which types of projects and/or customers take priority, as well as to clearly communicate this approach.

Every organization approaches this a little differently. If you recall back to Chapter 1 and the benchmark data, some organization transformation COEs prioritize corporate initiatives over the requests from regional or business unit leaders. Sometimes, the opposite is true. The key is to set criteria and define the intake mechanisms for identifying needs (demand) and allocating resources to work on it.

**LEVERAGING EXTERNAL PARTNERS FOR SPECIALIZED EXPERTISE OR CAPACITY ADD**

It is nearly impossible for a COE to be staffed and ready to handle every single request that comes its way. That is why COEs need to have a partnering strategy with external partners. Sometimes the COE will reach out to an external partner because they bring a specific, specialized set of skills or capabilities that would be too difficult to build and maintain internally, but are needed from time to time in the business. As organization design experts, we are leveraged by internal organization design teams all the time, not because the internal COE can’t lead an organization design effort, but because the request is enterprise-wide or is particularly sensitive for some reason. By pulling us in selectively, the COE actually builds its own credibility because it demonstrates to the organization that it can bring the right level of skill and expertise to the table to meet the business need.

COEs should also plan for how they will flex their capacity when demand spikes or drops. If a COE has so many resources that members of the team are on the bench and idle for stretches of time, that isn't cost effective. Similarly, if the COE is constantly stretched too thin, it won’t deliver on the needs of the organization. It is important to find the right baseline level of staffing for your COE. Then, find the right external partner you can call when the demand spikes.

Of course, the cost of engaging an external partner has to be addressed – will it be paid for by the COE and through its budget or will the internal client end up paying for the external partner? Using a hybrid staffing approach will help keep fixed costs down, will ensure that specialized talent and expertise is a phone call away, and spikes in demand can be addressed without jeopardizing in-flight projects.

Up until now, we've been focused primarily on the strategic aspects of setting up a COE. Next, let’s discuss some of the more tactical measures. In Step 3, we will explore how to identify the right tools and methods for your organization transformation COE.
Step 3: Identifying the Right Methodology

Once you have achieved clarity on the reason for setting up your COE, decided what services it will offer (and not offer), and determined how it will work in relationship with others in the organization (including its clients as well as other internal groups and consultants), it's time to address your methodology.

Without a clearly defined methodology, or body of approaches, frameworks and tools for doing your work, your organization transformation COE will simply function as a collection of individual practitioners rather than becoming an authoritative center of expertise within your organization. So, let's explore ways to determine the right model, toolkit, and approaches that will allow your COE to meet its work demand effectively and efficiently.

METHODOLOGY AND TOOL KIT: BUILD, BUY OR MODIFY?

A new COE will always face the question of whether to build something internally or to find and adopt a proven, ready-made set of tools and methodologies. There are pros and cons to both approaches.

Building or developing one's own toolset offers the clear advantage of creating a tool or methodology that is fully in sync with the culture and language of your organization. This helps ensure that organization members can easily understand and use it. On the other hand, it is very easy to create a product that fails to leverage best practices—it becomes so customized
to your organization's thinking and culture that it loses the robustness and rigor needed to deliver consistent results. Further, developing your own products and processes can often take significant time, during which time your COE members may not be contributing significantly to the organization's transformation goals and efforts. Instead they will be building a tool kit and ramping up an approach.

An organization that wants to get their COE up and running quickly is often better served by simply purchasing or licensing a ready-made and proven methodology and tool kit and getting to work. For instance, many of our most successful clients have saved time and resources by licensing our organization design tools and methodologies to execute a quick start with best-in-class materials right away.

A third option, which many organizations have taken, is to use a hybrid approach. Tweaking or adjusting a ready-made tool kit or methodology to your organization's unique needs can result in a best-of-both-worlds solution that offers the customized fit of an in-house product without having to spend large amounts of time and effort developing it from scratch.

SELECTING THE BEST TOOLS AND/OR METHODS FOR YOUR ORGANIZATION

Whether you choose to build or buy, keeping a few underlying principles in mind can help you choose tools and methodologies that function well rather than being a source of frustration to those who leverage your COE's tools and methods. Throughout the selection process, look for tools and methodologies that are:

**SUPPORTIVE OF DISCUSSION.**

Less effective tools tend to spit out answers or recommendations without letting leaders examine their own logic or thinking. In contrast, the best tools encourage leaders to examine and discuss the options and choices they are facing. For example, one tool we use is
called the ANCHOR (an acronym that stands for Audience, Need, Channel, Omit, and Revenue). Instead of plugging values into a formula, the ANCHOR tool encourages a robust discussion among leaders about what is important to the organization and how it intends to deliver value to customers. Some of the discussions using this tool have been truly transformative – though far from formulaic.

**UNCOMPLICATED.** The best tools are easy to use and simple enough to understand that a quick white board orientation explaining the tool or framework is enough to enable people to immediately put it to use, at least to the extent of helping them have a discussion or take some kind of action that will move them forward. Some tools we’ve seen are extremely detailed and intricate, and they require such effort to use or explain that their utility is limited. Look for tools that are powerful, but simple.

**CONNECTED.** The best tools also are interconnected and leverage language that is common or understood in the organization. Rather than having to spend a lot of time choosing a specific tool from your tool kit or thinking through how best to apply it, a good tool will virtually baby step the user through the process to get to the desired conclusion. Returning to the example of the ANCHOR tool, this is just one of many tools in our organization design methodology, but it flows seamlessly into the next step of the process so that leaders find that it is natural, not clunky or out of context. You never want members of the organization to feel like the tool is a check-the-box exercise, but rather a logical next step in a strategic discussion or thought process.

**HOW TO AVOID OVERWHELMING OR OVERLY COMPLICATED METHODOLOGIES**

One common pitfall in tool and methodology selection is to develop or acquire one tool here and one there with little regard to how they relate to each other. The result can be a confusing hodge-podge of approaches that leads to an overwhelming or overly complicated approach.

To ensure that the various toolkits and methodologies you select are well integrated, take the time to think through how each one connects with other tools and methods that might be used in the company. For example, a while back we did some organization design work with a leading science and technology firm. This company has a contingent of internal Six Sigma practitioners who are very comfortable analyzing processes, redesigning them and driving improvements. One element of organization design deals with work which naturally touches on processes. While we have our own set of tools for redesigning and improving work processes in our organization design tool kit, in this case, we decided to use the Six Sigma tools rather than invite
confusion by introducing a second set of unfamiliar methods and tools for process design work coming out of organization design efforts.

In this case, using their existing process design and improvement tools ensured that the integration work was complimentary rather than confusing or overly complex. Because each case is different, it is important to consider available choices and choose the “best of breed” approach for each unique situation.

While tools and methodologies are an important part of the picture, they are only as good as the people who use them. In the next chapter, we will address the topic of how to build capability in your organization transformation COE team members and related partners.
Step 4: Building Capabilities

An organization transformation COE’s success ultimately depends on its people. In Chapter 1, we touched on the challenges of hiring good people for a COE. Now, let’s take a look at the topic of training and developing your team once it is assembled.

Capability building in an organization transformation COE happens on a number of levels, including:

- within the COE itself
- in related partners such as change managers and Six Sigma Black Belts
- in the COE’s business clients.

The following questions can help you stay on track towards developing effective training and capability building methods for your COE.

**WILL YOU BUILD OR BUY YOUR COE TALENT/RESOURCES?**

One of the first things to consider when building your COE should be whether you will be building internal resources or contracting experts to do some or most of the work. It may help at this point to revisit the purpose of your COE. It can be difficult to hire competent people, keep them trained, and prevent them from turning over. So, you have to ensure the process you install to build capability can not only train up your resources but also maintain the proficiency levels needed.
For a number of our clients, including a major financial services firm, AlignOrg Solutions functions as their OE COE. Instead of building their own internal resources and having to keep them trained and engaged, these companies maintain a lean COE staff of one or two internal people. When they need additional help, they call us. We have developed a solid enough relationship with some of these clients that their internal customers aren’t even aware that we are external consultants—we simply introduce ourselves as part of the OE team when we go in. Because we are organization design and change experts, our people are well-trained and are truly experts at the methods and tools needed. This alleviates our clients from having to own the burden of training and maintaining the competency levels of internal COE team members.

Whether you build or buy your COE resources (or some type of hybrid approach), efforts to build and maintain capabilities are essential. The services the COE delivers for the organization need to be top notch. If business leaders question the capabilities of the COE, they may look to other sources for support when business-critical organization transformation efforts are needed.

WHAT IS YOUR SUSTAINMENT PLAN?

When a football team (American football, that is) starts training in July or August, they begin with an intense regimen of two-a-day strength and conditioning training and on-the-field practices for several weeks. This intense training period allows the players to build the conditioning, the familiarity with the plays, and the execution skills needed to perform. However, once the season starts, they no longer train at such an intense level. Yes, they continue practicing and training, but now the focus shifts to maintenance mode. The key is staying in top condition over the duration of the season.

Training your COE team is very similar. It’s important to have a sustainment plan to maintain capabilities and make sure everyone understands how to use your tools and methodologies; and to ensure consistency in your practice.

This principle applies whether you build your own tools, methodologies, and talent pool or partner/buy. The beginning of the end for organization transformation COEs starts as soon as the initial training or capability building is finished, if there isn’t a sustainment plan in place to continue the training and learning ongoing. Similarly, there are cases where the COE has hired
an external partner to help deliver key activities but doesn't take the time to train the partner on the COE’s practices and ways of delivering service. Essentially, they hand the external partner a binder explaining their approach and say “good luck.” Scenarios like these undermine the COE’s efforts at driving quality and consistency in approach. Even if you are partnering with someone and don’t have a way to train them, it’s important to make sure your partner has a means of training their staff so that they are familiar with your approach and are well equipped to represent your internal brand.

Sustainment plans can include full-on training. They can also entail implementing periodic ways to build on and enhance previous trainings. For instance, one client of ours chooses a tool or training topic as the focus of a monthly webinar for their COE. There are many other approaches you can use as well (e.g., shadow consulting, coaching, reading, job rotations, project audits, etc.). If you have leveraged an external partner for your tools and methodologies, consider partnering with them to provide the capability building and sustainment plans needed to establish and maintain your team’s skills and know-how. Bottom line, look at what will work best for your team and deliver a robust sustainment plan.

It is also important to note that if a COE has more than one service offering, which as you will recall from Chapter 1, many do, the capability building effort is even more important because COE team members may get fewer cycles with each service, methodology or tool set. For example, if during the course of a year, a COE team member is assigned to a multi-month process where they are standing up and leading a large-scale change initiative, they are going to be knee-deep in the change methods and tools of the COE, but may not be doing any organization design work. If this happens, the familiarity with the organization design tools and methods may fall off. This is another reason to have a sustainment plan that helps all COE team members stay current and capable in all of the COE’s offerings.

**HOW WILL YOU BUILD CAPABILITY IN SUPPORT GROUPS AND PARTNERS?**

In addition to building capability in your core COE team, you will also need to consider how to build needed capability in your ancillary support groups and engagement partners, including HRBPs, Black Belts, and others.

As we discussed in Chapter 3, you do not need to train the Black Belts, change managers or HR business partners to do what the COE does. However, it is important to train them in how to work with your COE. They need to be aware of what your COE does in order to avoid conflicts. They can ask good questions that will foster a partnering mindset. They also need to be able to speak about your capabilities intelligently with business leaders to ensure your COE is engaged at the right times.
WHAT AWARENESS DEVELOPMENT WILL BUSINESS LEADERS NEED?

For your organization to leverage your COE effectively, business leaders need to be familiar with the methodologies and organization transformation principles you are using. For this to happen, you will need to help them acquire appropriate language, understanding and awareness regarding the approaches and capabilities of the COE. This will ensure that they know:

- when it's appropriate to call you (and when not to call)
- what your capabilities are (and what they aren't), and
- how to be good clients

Why is this important? Let's look at an example. A client calls and says they want your help in transforming their organization. They have a staff meeting next week and invite you to come to the meeting and help them to redesign the organization structure during a two-hour segment of the meeting. You know there's no way you can do anything significant to help them in two hours. In reality, it might take three or four solid days of working together to get the kind of outcome they want and need.

Now, you must spend time helping this client understand that their request is substantial and requires a much more robust approach than the two-hour spot they offered on their agenda.

Imagine now that the same client calls you up and says, “We have a three-day off-site coming up. We'd love for you to come in for two of those days and support us in assessing and considering some options around how our team is organized.” Engaging in building awareness with business leaders ahead of time can help ensure that when clients do call you, they have realistic expectations so you can get to work helping them instead of having to spend time educating them and/or potentially disappointing them.

So far, we've covered the basics of setting up your organization transformation COE, and discussed what is needed to keep it functioning sustainably. Now it's time to consider the bottom line: measuring your COE’s impact and effectiveness.
Step 5: Measuring Impact

As you will recall, the very first step in setting up an organization transformation COE is to determine its purpose and make the business case for it to exist: in other words, to anticipate impact. As the COE gets up and running and has some wins under its belt, it’s time to come full circle. Measuring the impact and effectiveness of your COE will reveal the extent to which it is living up to its promised purpose and whether it is to remain a viable part of the organization. This is not always an easy task. Here are some things to consider as you move forward:

WHAT ARE THE BEST METRICS TO USE?

Measuring the impact of any organization transformation can be challenging because it’s hard to isolate the effects. In many cases, there may be multiple factors at work that can influence outcome. An outstanding job on the part of the COE can easily be masked by some other set of issues that may obscure the COE’s accomplishments (e.g., a regulatory change or an economic downturn). You may need to take one or more of the following approaches to determine the actual impact of your COE:

MEASURE AGAINST BASELINE METRICS ON PROJECTS. The best place to start is often to go back and revisit the reasons for undertaking the transformation in the first place. What was the primary challenge, and what results were you hoping to achieve? Hopefully you have some kind of baseline metrics from which to start and against which you can measure improvement on a project-by-project basis.
TRACK BUSINESS RESULTS. Another way to measure COE effectiveness is to ask, “What are the business results that our work has helped initiate or improve?” For example, have you sold more products? Entered more markets? Achieved better customer satisfaction? Saved money? Any sort of business outcome could be an indicator of the effectiveness of the COE and its contributions. While a business results indicator can be difficult to isolate (for instance, sales could have increased due to some other cause than the change the COE helped with), tracking such results over time can reveal patterns that indicate how effective a COE really is.

SOLICIT FEEDBACK. Another type of information that a COE will often use to measure impact is feedback from its internal clients. This is one reason to consider using a fee-for-service funding model: if the COE is doing a good job this will be reflected in terms of the number of people who call and purchase services. Consistent transfer of funds is a pretty reliable indicator of good work and a well-earned reputation, and therefore becomes a solid metric for measuring effectiveness. If the COE is not funded fee-for-service, then actively soliciting and recording feedback for every service rendered or project can yield useful information not only in terms of client satisfaction but also for continuous improvement efforts.

HOW MUCH EFFORT SHOULD BE EXPENDED ON MEASURING IMPACT?

As stated above, there are many intervening variables that can interfere with isolating the benefit when attempting to measure the impact of an organization transformation COE’s efforts and contributions. This can turn analyzing results into an arduous and time-consuming task. One of the questions a COE should consider is: how much effort should be devoted to measuring the impact of the COE and/or the work outputs of the group?

There does need to be some effort to measure results, because it is important to document a case for why the COE is helpful and constructive. However, care must be taken to avoid turning data measurement into a counterproductive activity by spending so much time and so many resources on it that you kill a significant percentage of your delivery capacity.
HOW DO YOU MITIGATE THE EFFECTS OF INTERVENING VARIABLES ON MEASURING IMPACT?

Rather than conceive of change transformation measurement as something largely singular and tied to only a few metrics or numbers, it is helpful to understand it as an equation with many parts that build and depend on one another. The following four-step evaluation process can assist in measuring overall change transformation success:

1. **WHAT DID YOU CHANGE AS AN ORGANIZATION?** Were your design choices well thought out and right for the organization? Was the design blueprint aligned to the organization’s strategy? Did it account for the culture and peculiarities of the organization? Did the choices make sense in the marketplace? Make sure to answer these questions before jumping to the next variable in the equation.

2. **TO WHAT EXTENT DID YOU IMPLEMENT THE CHOICES YOU DESIGNED?** It is extremely difficult to measure the overall success of a project without first measuring and tracking whether the organization fully implemented the design. Measuring how well your organization is implementing the design will not only help you implement the changes but also will enable you to more accurately measure overall results.

3. **DID THE IMPLEMENTED CHOICES CREATE THE DESIRED BEHAVIOR CHANGES?** Although behavior change can be difficult for some organizations to measure, it is directly linked to performance change. An organization cannot work and act differently until they change the behaviors of employees. If the behaviors to produce better outcomes have not noticeably changed, then even if you have architected great design choices and strived to implement them, you must re-evaluate the implementation, deployment (communication), or blueprint to see how you can facilitate the needed behavior changes.
4. HAVE THE OVERALL OUTCOMES OF THE ORGANIZATION CHANGED? In this final phase of the measurement equation, we assess if the changes in behavior indeed altered the outcomes of the business in the ways we wanted them to. Are we seeing the marketplace value that we expected (e.g., productivity improvements, sales increases, greater customer satisfaction, etc.)? In the end, this is where the rubber hits the road in our change transformation as we determine whether and to what extent our transformation delivered on our expected outcomes.

Even perfectly implemented change transformations do not guarantee that the targeted changes will produce the desired marketplace results. However, with a more sophisticated understanding of change transformation measurement and, by extension, success variables, companies can fix problems early in the transformation process rather than find themselves frustrated by unrealized outcomes.

CONGRATULATIONS! At this point you should have developed a solid understanding of the best practices for setting up, running, and assessing an organization transformation COE. To conclude, let’s do a quick review of what we have covered.
Summary: 5 Steps to Creating a Winning Organization Transformation COE

Every organization has unique goals, challenges, and cultural differences, and every organization transformation COE should be uniquely adapted to the organization of which it is a part. The many variables that go into planning and building an organization transformation COE will make yours different from any other. However, the basic principles of setting up an effective COE are the same. Here is a quick review of the 5 steps to creating a winning COE:

**STEP 1: DEFINE THE PURPOSE OF YOUR COE.**

What is the primary business challenge your COE is intended to address? What services will you provide? Is there a compelling business case for the COE?

**STEP 2: CLARIFY YOUR ENGAGEMENT MODEL.**

What are your COE’s primary strengths and areas of expertise? How can you ensure that these roles complement rather than conflict with existing roles and capabilities within your organization? How will external partners be leveraged?
STEP 3: SELECT A ROBUST TOOL SET AND METHODOLOGY.

Will you build your toolset and/or methodology in house, or buy or modify a ready-made solution? How well do the tools or methodologies you are considering align with the goals and culture of your organization?

STEP 4: BUILD CAPABILITIES AND PLAN FOR SUSTAINMENT.

Will you develop internal resources or hire external talent? What is your plan for training and delivery, and is it a viable sustainment plan that will help you avoid the typical three-year rise and fall cycle of organization transformation COE's? How will you build capability and awareness of your COE in partners and business leaders of your organization?

STEP 5: MEASURE FOR SUCCESS.

What metrics will you use to measure the impact of your COE? How much effort will you need to devote to measuring impact? How will you mitigate the effects of other variables on impact measurement?

NEXT STEPS IN BUILDING YOUR ORGANIZATION TRANSFORMATION COE

This Executive Guide was written with the intent of giving you sufficient knowledge to create a successful organization transformation COE. You should be able to apply the steps above to bypass some of the most common pitfalls and build an effective and sustainable COE for your organization.

However, the difference between knowledge and wisdom can be significant. There is no substitute for experience. Having someone who has guided others before and can deliver the guidance and know-how needed to smoothly navigate the process of defining, setting up, and optimizing an organization transformation COE is an invaluable advantage. Such experience can save significant time and resources and put your organization transformation COE on the fast track to success. Whether you need occasional or full on support in building your COE, AlignOrg Solutions is available to help. To learn more, contact us at AlignOrg.com/contact to schedule a complimentary consultation.