The Kinetic Organisation
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1. Management summary

For centuries, the only way to organise an enterprise of any kind was through a command and control structure with tiers of leaders supervising, commanding and guiding the activities of others who reported to them. With the advent of cost-effective IT and social networking technologies there are possibilities for communicating and controlling the activities of an organisation, which are potentially more efficient than the ‘hierarchical models’.

The conclusion of this research is that the traditional command and control organisational model is broken. It is inflexible, expensive, slow to change and ineffective in meeting the varying needs of its stakeholders. If this is the case, then why does it endure? Simply because there are no other models that have been demonstrated to work and leaders are therefore fearful of stepping out of line with convention.

1.1 A new model: the Kinetic Organisation

In this report an alternative to the command and control organisation is presented – the ‘Kinetic Organisation’ – a model which addresses the weaknesses of traditional organisations and is designed to maintain the forward momentum and energy of its people whilst constantly evolving with ease to meet the changing needs of its labor and customer markets.

From the synthesis of data from the global discussion sessions and surveys undertaken during the research, ‘six fundamentals’ were developed. These fundamentals have served as a set of design requirements that the Kinetic Organisation must achieve.

How Kinetic is your Organisation?

To help organisations understand how ‘Kinetic’ they are, an interactive assessment tool accompanies this report.

As well as providing a ranking and comparison against sector and geography, the tool will make specific recommendations as to what can be done to improve individual scores.

To find out how kinetic your organisation is please visit www.reguskinetic.com
The Kinetic Organisation must:

1. Allow the enterprise to ‘turn on a dime/sixpence’, changing without pain to adapt to new threats, opportunities and economic conditions.

2. Be well placed to meet its promises to clients, shareholders and people.

3. Maintain a flexible cost base and infrastructure so that it can ‘inflate’ and ‘deflate’ its operations without incurring penalty costs.

4. Create a ‘safe’ environment in which people feel able to contribute and share their knowledge and innovation, constructively, challenging to achieve a better end.

5. Constantly keep its products, services, people skills, capabilities, processes, infrastructure and costs under review to make sure every element of the business always remains fresh and competitive.

6. Allow elements within each structure to be treated and structured in different ways depending on their risks, activities and the markets in which they operate.

To deliver these fundamentals a natural ‘molecular’ structure is deployed, in which there is little or no hierarchy. Instead a series of cells are linked together and effectively ‘loaded’ in free space to deliver the organisation’s outcomes. A series of ‘governors’ ensure that each structure in the organisation operates effectively to maintain its energy without diluting its inherent manoeuvrability so that it can evolve with ease to meet the changing demands of its customer and labor markets. To operate at scale there is a federated arrangement in which structures are governed by a team of ‘super-governors’.

Twenty operating principles are used to translate the fundamentals into further detailed requirements covering the topics of:

1. Infrastructure
2. Cost base
3. Structure
4. Leadership, people and culture
5. Management Information
6. Environment
7. Risk

Ultimately it is recognised that one size does not fit all, and that there are degrees to which these requirements will be applied. However, the ultimate aim is to enable and deliver flexibility and agility to ensure organisations are better placed to respond to the challenges of an ever more unpredictable world.

Conclusion

The Kinetic Organisation model as postulated has merit and has stood the test of challenge, debate and some application through a retrospective review process, where a ten-year look-back was undertaken for some leading global companies, to determine the changes that would have occurred if they had adopted the model.

The research therefore provides a platform for further exploration of the practicalities of organisations operating in this way, and indeed transitioning to such a way of operation – all of which must be tested and explored through further research.
Since the early 1980s technologies that enable people to work together without physically being together have been emerging. First there was the telephone, but then came email and video-conferencing. More recently the world’s great technology companies, fueled by competition, have found ways to deliver more computing power for less cost, putting more power in the hands of people around the world.

In the future, more of the same can be expected. Mobile devices that enable sophisticated voice, video and text communication using new tools to connect people and knowledge around the world are becoming commonplace. Whilst exciting, it is doubtful that many people have fully absorbed the profound impact these technologies will have on the way they think about life, work, place and geography. For the first time people in disparate places can connect to fuse their knowledge and interests to form alliances, partnerships and relationships – radically altering the relationship between work and the physical location of its production.

In the light of these developments, this research seeks to determine whether there is a need for a new kind of organisational model, which is more responsive to, and takes advantage of, this new relationship.

2.1 Research approach

This research started with an examination of the characteristics of the traditional organisation, and an articulation of that approach through a series of statements. A second set of statements were drawn up to characterise a vision for a more agile organisation. To test these statements and to draw out experiences and new ideas from business leaders the following were undertaken:

- discussion sessions with leaders using Regus’ Telepresence facilities in Chicago, New York, London, Singapore and Hong Kong.
- an on-line survey inviting respondents to state their level of agreement with the traditional and future statements and to provide additional thoughts and comments.

The feedback from these activities led to an evolution of the vision and an examination of other models that operated with less hierarchy and structure. Through further discussion groups these ideas have been tested and refined – with the development of a new model which has been called the Kinetic Organisation. To test the ideas for a future model (particularly in respect to infrastructure) a series of retrospective reviews were undertaken in partnership with leaders from leading global companies. These involved looking back at the organisations’ property portfolios, headcount and key incidents and modeling how it would have been changed by the adoption of the Kinetic Organisation model.
Section 3 considers a number of different organisational structures that have been considered during the evolution of the new Kinetic Organisation model. In section 4 the Kinetic Organisation is described – its structure, the six fundamentals that such organisations would seek to achieve, and the 20 operating principles that would underpin it, and the structure and roles that would exist within it.

Section 5 sets out a premise for each of the fundamentals and explains how they would work, with reference to the traditional approach to help highlight essential differences.
3. Organisational structures

In this section consideration is given to a number of organisational structures that have influenced the formation of ideas for a new approach. Recognising the large body of work conducted over many years on the subject of organisational theory, the intent here is to present a very practical view which draws upon real-world experience of operating within the different types of model discussed in this research.

3.1 The traditional approach

The research has shown that a significant number of organisational inefficiencies emanate from the hierarchical and silo-based structures found in the more traditional organisational model. This model (variously called hierarchical, ‘mechanistic’ and bureaucratic by the original authors – the likes of Taylor, Weber, Burns & Stalker during the 1950s and 1960s) took its original roots from military and scientific examples, at a time when the balance of power rested with management and the focus was on efficiency and maximising profits. Such mechanistic structures were felt to be effective for organisations operating within a stable environment.

In this model, power and investment are distributed from the top of the organisation downwards, whereas today so much of what happens in organisations runs horizontally across silos, so there are often conflicts between the vertical silo objectives and the horizontal requirements. The structure of the organisation is what largely determines its culture and behavior and reinforces power, control, reward, communication and values. Specific issues associated with the traditional approach can be summarised as follows:

Traditional organisations... fit for purpose?

Traditional organisations designed on the basis of hierarchical structures and permanence are proving slow, difficult and painful to change at the pace needed to maintain business success.
Objectives: Hierarchical organisations set objectives at the top and cascade them through layers of leaders and managers – each of whom add their own interpretation. When linked to remuneration, objectives become the employees’ primary focus and dictate how much of their time they are willing to spend assisting others to achieve their objectives. The overall organisational imperatives are often lost in the pursuit of individual goals and ambitions.

Spans of control and layering

In traditional organisations, we often observe layers of managers that make limited creative contributions, democratising and intellectualising decision-making, seemingly creating work for its own sake. This can often lead to very slow or non-existent decision-making and in the worst case, stagnation.

Measurement: When processes or activities run horizontally across the organisation, or require the involvement of others outside the silo to achieve the measure, the preoccupation of leaders is to achieve their own key performance indicators (KPIs), rather than devoting resources/energy to support a colleague in another silo to meet their KPIs.

Layers in the hierarchy and spans of control: Traditional organisations built on command and control structures are often limited by their spans of control and are inherently expensive, with layers of managers acting as communications and control nodes, sometimes ‘air brushing’ messages and slowing change.

A silo mentality: Traditional organisations come with silos of functionality where organisations are broken down into functions or divisions with activities and operations grouped in a logical sequence. Silos develop their focus depending on how leaders are motivated and rewarded. This mentality encourages leaders to put their own unit’s interests before those of other units and even the company as a whole.
3.2 Exploring other organisational structures

As demonstrated, there are many weaknesses directly attributable to the hierarchical power build-up and the silo nature of traditional organisations. Here, some alternative structures are examined, to see what other aspects are worthy of inclusion in the new model.

Organic organisational models and contingency theory

Recognising that mechanistic organisations would not fare so well during times of change, the organic models respond to the realisation that organisations that operate within dynamic and uncertain environments need to be able to take decisions and respond more quickly than a rigidly structured mechanistic organisation would be able to.

Purpose: Organic structures process and distribute information and knowledge quickly, enabling them to respond or react to change in the environment.

Organisation: Burns & Stalker’s studies showed that organisations should be designed to match the dynamism and uncertainty in their environment. Hence ‘contingency theory’ was born – postulating that there is no one optimal design for all organisations, but that each has its own environmental conditions and circumstances that its structure needs to respond to.

Conclusion: The notion of a continuum of organisational structure solutions that are appropriate in different circumstances is a key facet of the new model that this research proposes, and the following examples of sport, terrorism, communism and empowerment also indicate areas that can contribute and enhance the overall approach.

Sporting organisations – professional football (soccer)

In looking for models that rely less on structure (or at least the straightjacket structures of the traditional model), the world of professional football offers some interesting alternatives – where there is little hierarchy, little by way of competing silos and a single guiding purpose around which everyone rallies – the pursuit of as many points during the season as possible.

Purpose: In football, there is a clarity of purpose (the acquisition of as many points as possible during the season), and all those involved within the coaching staff (dieticians, fitness coaches, technical coaches, psychologists etc) are all focused on ensuring that players, and the team as a whole, are as effective as they can possibly be on a prolonged basis – physically, technically and mentally.
**Organisation:** There is little by way of hierarchy, which instead is replaced by clear roles and responsibilities accorded to the owner, the manager, the supporting staff, the players and indeed for those that impose structure on the game itself. However, once the game commences, it is for the players to work things out among themselves. There are rules of engagement, enforced by the referee, and interventions and instructions from pitch-side are permitted to guide the players while the match is in progress.

**Conclusion:** There is little hierarchy, but there is a total focus on maximising individual and team performance through a combination of coaching, fluid structure, energy, commitment and teamwork. These are all vital for the new organisational model.

**Terrorist organisations**

Another organisational form that appears to operate with little hierarchy or structure is terrorism. Al Qaeda has been regarded as the most deadly and powerful terrorist organisation on the planet in the wake of the 9/11 bombings in New York.

**Purpose:** Various commentators have identified al Qaeda purpose as the expulsion of ‘infidels’ from Islamic lands and conversion of the world to Islam.

**Organisation:** Al Qaeda operated through the formation of a number of committees which were variously responsible for promotion, fund raising, manifesto generation, training and recruitment. Beyond that, it operated as a network, united through a single purpose whereby disillusioned Muslims were recruited to the cause and trained in terrorist techniques.

While some activities were co-ordinated from the center of al Qaeda (e.g. 9/11), others were apparently planned and executed locally involving networks of similarly trained and like-minded people with the same mission, but with freedom to act in a way that they believed was best for al Qaeda’s overall mission.

**Conclusion:** People with a very strong conviction, clarity of purpose and appropriate training can operate effectively with little structure in any traditional sense in order to achieve their aims, and the limited hierarchy enabled people to work together in an unstructured way to plan and execute their activities.
Communist collectives
It seemed appropriate to include a model based upon a philosophical premise within this discussion of organisational models and structures.

**Purpose:** Communism is based on the premise that everything is shared equally, with the aim of removing the unequal distribution of wealth. It operates based on a shared vision that all resources should be used to the benefit of the entire organisation/community and that no action should disadvantage or exploit any other part of the organisation, resulting in the existence of true equality.

**Organisation:** Communism requires that all resources are owned by the Government and involves the absolute enforcement of the philosophy, leading to an oppressive exertion of power. Historically, it has resulted in leaders ultimately benefiting at the personal cost of the workers.

**Conclusion:** A shared vision and a focus on ensuring that actions taken in one area do not negatively impact on another area are significant lessons to acknowledge and pay attention to when designing a sustainable organisational model. However, it is unlikely that the wellbeing of the organisation will be all-consuming above any other motivations – particularly as it is well recognised that there needs to be something ‘in it’ for managers and employees operating with the organisation, in order to secure their commitment to it.

Empowerment model
In considering alternative organisational models, it seemed appropriate to look at the empowerment approach adopted by one of the world’s highly innovative commercial companies – Google.

**Purpose:** The organisation has a strong moral code which drives the way it operates – the core guiding principle is that “You can make money without doing evil”. Through the maintenance of an open and trusting environment and staff empowerment, the organisation seeks to promote a sense of ownership, both of one’s own destiny, but also that of the organisation. It also actively encourages people to spend time generating new ideas, helping to cement the sense of ownership.

**Organisation:** There is little by way of hierarchy – Google promotes a free flow of ideas and knowledge and encourages people to work and communicate directly with others in pursuit of goals, rather than through formal reporting channels. Decision-making is delegated – thus innovation should not be stifled through waiting for a managerial decision. Staff can set their own objectives rather than having them set by the company, and can propose changes to the way they operate in order to improve performance. Leaders and managers are there to support, inspire and encourage their people in achieving their objectives – reinforcing their accountability to themselves, rather than to the management.

**Conclusion:** The removal of hierarchical barriers and providing employees with the true empowerment to act in the best interests of the organisation are key aspects of the model that this report espouses. This organisational approach encourages and motivates people to be self-governing, to take responsibility and to truly own their role in the organisation – all features that belong in the future model.

Natural structures
Whilst considering different alternatives, the natural world was also examined. Molecular structures of every substance are made up of atoms arranged in forms that are governed by the physical laws of quantum mechanics and thermodynamics. These laws dictate the shape of molecules and lead to great predictability of
• The natural world demonstrates that hierarchy is unnecessary for success and that all molecular structures are possible provided they conform to basic laws.

• Sport, communism, terrorism and empowerment all have a clear mission and ‘goal clarity’.

• Sport, terrorism and empowerment reinforce the focus on making people as effective as possible, both individually and as a unit, with a significant effort on training and in the case of sport, also on deep personal development.

• Sport and empowerment models reinforce the conclusion that small differences in performance make big differences in the ability to succeed – either on a personal or team level.

• Sport and, to an extent, communism provide a framework within which people operate, while answering to a regulatory power with ultimate authority.

• Sport, terrorism and empowerment models show that if there is an overall game plan, people can be empowered to work out how to operate, weighing up what is going on and how to deal with unforeseen situations.

• Sport and empowerment models show that providing coaching ensures that people have the highest chance of remaining effective for as long as possible.

There is a need to ensure that organisational structure is appropriate to the level of volatility that the organisation operates within, as if that is not the case, then the other aspects associated with hierarchy, the layers of management and decision making, the silo’d nature in which people operate and share information, all act as tethers on the progress of the enterprise and the achievement of its purpose.
4. The Kinetic Organisation

This section contains the ideas that support the development of the Kinetic Organisation model, in response to the shortcomings of traditional models, taking into account the aspects that were admired in the alternative organisation examples and recognising the increasing market volatility driving the need for evolutionary change.

So why Kinetic? This was chosen to convey life and energy, and the maintenance of life through constant evolution. Only by remaining agile can this goal be achieved.

4.1.1 The six fundamentals of the Kinetic Organisation

Through the research six fundamentals were determined, to provide a set of guiding design requirements that the Kinetic Organisation must be designed to meet. Later in this section the structure that best enables effective organisational operation is described, along with a series of operating principles which enable the delivery of the six fundamentals.

The organisation must:

1. Allow the enterprise to ‘turn on a dime/sixpence’, changing without pain to adapt to new threats, opportunities and economic conditions.

2. Be well placed to meet its promises to clients, shareholders and people.

3. Maintain a flexible cost base and infrastructure so that it can ‘inflate’ and ‘deflate’ its operations without incurring penalty costs.

4. Create a ‘safe’ environment in which people feel able to contribute and share their knowledge and innovation, constructively challenging to achieve a better end.

5. Constantly keep its products, services, people skills, capabilities, processes, infrastructure and costs under review to make sure every element of the business always remains fresh and competitive.

6. Allow elements within each structure to be treated and structured in different ways depending on their risks, activities and the markets in which they operate.
4.1.2 Structure

Imagine a structure where, at the base level, each cell is an individual person or unit connected to other individuals or units. They come together to generate value just as would be found in a cellular structure. There is no hierarchy – each cell simply ‘trades’ with other cells to contribute to the interests and aims of the organisation. The tasks to be performed are carefully loaded onto the structure and balanced by a ‘Work loader’ function that seeks to load the system with tasks, monitor progress, arbitrate over conflicts and monitor the quality of output from each cell.

Each cell is either a ‘leader’ or an ‘executive’, both have the same status in the organisation and just like a living organism the structure can grow, acquire and lose cells or clusters of cells, but significantly the commitment to involvement in the organisation for each cell is determined by how long the ‘owner’ feels the cell may be required, recognising that change is a regular everyday occurrence.

Each cluster of inter-operating cells has a set of ‘governors’ who ensure that the conduct of the cluster is in line with the short and long-term interests of the organisation at large. The roles of the governors are defined below – and each plays a part in ensuring the structure does its job in the most competitive way possible, while all acting in unison. So regardless of their specific role they act in a rounded fashion, discussing and agreeing their part in ‘governing’ the organisation and how it fits with the overall wellbeing of the structure.

Kinetic Organisation – Roles

- **Wise owl**
- **Work loader**
- **Agility controller**
- **Executive**
- **Workplace infrastructure deliverer**
- **Rulemaker/referee**
- **Recruiter/coach**
- **Connector**
- **Owner**
- **Leaders**
Governors
Owner – interested in long-term wellbeing of the enterprise, sets direction and articulates the purpose and mission in language that people can engage with emotionally.

Wise owl – brings wisdom so that the organisation doesn’t relearn old lessons.

Recruiter/Coach – recruits appropriately cultured and skilled people on contracts consistent with the organisation’s ability to promise tenure. ‘Places them’ within the structure, ‘owns’ them and manages their skills development. People are on loan to the structure.

Agility Controller – makes sure that decisions/commitments made by individual cells do not impair agility of the enterprise in the long run.

Rule-maker/referee – Makes sure of fair play between cells in line with the rules that have been developed for the effective running of the organisation.

Connector – Pro-actively seeks to make links between cells for the benefit of the enterprise – sharing knowledge and making sure that effective interworking takes place.

Workplace infrastructure deliverer – provides all hard, technology and soft infrastructure and training to help cells deliver their best performance.

Work loader – acts on behalf of the owner to load the cells, adjudicates over conflicts in tasks, and monitors the quality of output as seen by the receiving cell.

Deliverers
Executives – the people who actually perform the acts of productive work.

Leaders – the people who lead groups of Executives to deliver a pre-determined outcome.

Scale
Each of the structures above would be no larger than 500 people in size with a maximum of eight governors, i.e. less than 2% of the total headcount. There is no intention to form a bureaucracy here and it is important that any build-up of bureaucracy be detected early and held in check. Each structure links to other similar structures to create an organisation.

The role of governor can be full-time or (depending upon the number of people in the structure) part-time.

An organisation is made up of multiple clusters that interact and interlock in a variety of ways, each with their own governors, who themselves link together through a governors network. The governors network is itself governed by a series of ‘super-governors’ who together make sure the organisations best interests are served by the alignment of the governors from all the clusters (see next page).
Kinetic Organisation at scale

Super-governor

- Owner
- Wise owl
- Work loader
- Agility controller
- Workplace infrastructure deliverer
- Recruiter/coach
- Rulemaker/referee
- Connector

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4.1.3 Operating principles

To achieve the six fundamentals described earlier a further set of operating principles have been drawn up to guide the design of specific aspects of the Kinetic Organisation.

Infrastructure

1. The organisation and its systems are designed to proactively and reactively adapt to change quickly.

2. All of the infrastructure design and management (including the locations where people work, facilities, technology, training and processes) is focused to enable people to do their best work, wherever in the world they are, day in, day out. There is a proactive effort geared around looking for tools and techniques that will increase people’s effectiveness.

3. The effectiveness of people and workplaces is monitored, and arrangements are regularly overhauled in order to maximise human productivity whilst making assets work as hard as possible by adopting innovative working practices and techniques.

4. Every infrastructure commitment and supply contract is consciously designed, managed and maintained to be capable of rapid change without cost and pain to the organisation so that no legacy is built up that will impede future generations of leaders the opportunity to maneuver the business.

5. People receive training for their IT and social networking tools and these are championed to the point where they are used as second nature.

Cost base

6. The cost base can be flexed to match business activity, rising with high levels of activity and declining with lower levels with the purpose of increasing the likelihood of business viability and, for commercial organisations, maintaining profitability through good times and bad.

7. All costs are attributable, and are the responsibility of the person who is incurring or benefiting from the expense. All members of the organisation strive to ensure best value for money and best utilisation of their assets.

Structure

8. Teams are organised as cells within structures, using social networking tools and skills to connect with others and to access/share knowledge, incentivising leaders of cells to work together for the common good.
Leadership, people and culture

9. Leaders put the organisation’s needs ahead of their own structures and their personal needs.

10. Selection and development of staff is designed to ensure they are competent, confident and capable of working remotely. A coaching network is provided, to proactively support them in being the best they can be.

11. People are rewarded on the basis of results, outcomes and innovation rather than time and attendance; and leaders and teams are taught / incentivised to work this way.

12. Innovation is actively rewarded and ideas that don’t ‘fly’ aren’t penalised.

13. There is a safe environment where people feel they can share knowledge and constructively challenge each other and those with power without fear of impacting their career.

14. People are employed using a range of contract types (e.g. full-time, part-time, term-time, home-based, extended hours, out of hours etc) with levels of tenure commensurate with the risks of downsize and change in the marketplace.

15. People are proactively trained to work, manage and maintain relationships with others wherever they are located from day to day.

16. Personal workload is managed in the full understanding of people’s available intellectual capacity.

Management information

17. There is excellent management information and analytics which cover efficient use of people, processes, assets, velocity of change, outputs and quality performance against KPIs and which are capable of re-orientation if there is a need to re-orientate the organisation.

18. Costs are tracked based on ‘activity’ so that everyone knows what their endeavors are costing and there are systems that enable that tracking to take place with ease.

Environment

19. There is a constant effort to be as effective as possible, minimising the impact that people and business activities have on the environment.

Risk

20. There is a recognition that different structures may need different treatments when it comes to risk and that risks need to be managed in a balanced way so as not to unduly constrain the endeavors of people.
This section expands on the fundamentals and principles, illustrating how they respond to the shortcomings of the more traditional hierarchical ways in which companies were structured and organised at a time when conditions were more stable. Here is what the Kinetic Organisation would look like, and what it would feel like to work in one – through an examination of the six fundamentals, and the principles that contribute to their delivery.

As each fundamental is considered, the strength of agreement from the survey contributors is shown, as are any specific thoughts and inputs that led to further development of the approach.

5. Operating the Kinetic Organisation

5.1 The enterprise can ‘turn on a dime/sixpence’ and change without pain to adapt to new opportunities, threats and economic conditions

Premise: In the Kinetic Organisation, responsibility for the entire workplace infrastructure (Real estate, FM, IT, Telecoms, HR) is given to a single governor – the Workplace Infrastructure Deliverer (WID). The purpose of the WID is to provide an infrastructure that helps people with the best tools, processes, practices and places to make their best contribution for the organisation, both as individual and as part of teams. The WID is constantly on the look-out for new innovation that will improve human and process performance.

Hence this organisation fundamentally requires:
5.1.1 A flexible infrastructure

...that has been designed to enable change, rather than to constrain it. It has been designed with change in mind, not from the point of view that any change will cause things to need to be broken in order to be realigned to the new requirements. (94% of survey respondents agreed with this principle.)

**Traditional:** Change is often driven by the need to protect/increase profit, not by any recognition that a particular part of the organisation or process is uncompetitive or could be done much cheaper. The FD’s pen is a blunt weapon, allocating cost reduction ‘tasks’ in an arbitrary fashion across each organisational unit, which leads to parochialism and a disregard for the implications on other parts of the business. And because in traditional organisations there are so many costs that cannot be ‘switched off’, it is inevitable that the burden of cost reduction falls on people, the organisation’s ‘human capital’.

So when the need for organisational change comes, the enduring ‘deal’ between the organisation and the employee is broken, leaving employees feeling undervalued and wounded. Any subsequent change can meet with cynicism and resistance in a continuous loop. In this world, employees do just as much as they need to keep their job and keep their head down, not wishing to challenge or innovate for fear of drawing attention to themselves in the next round of ‘right-sizing’.

**Legacy:** Organisations have also tended to build up legacy systems, costs and behaviours over time because little consideration is given by ‘live for today’ leaders, regarding the longer-term interests of the business as somebody else’s problem.

Focus tends to be all about maximising profit ‘on their watch’, often limiting the maneuverability of the business for future generations of managers.

In the Kinetic Organisation, the design and commitments of the infrastructure are constructed in order to facilitate and enable change, rather than constrain it (see the next two sections), and to encourage and develop the right mindset of those responsible for its delivery.
5.1.2 Infrastructure design

...(including the locations where people work, facilities, technology, training and processes) is focused to enable people to do their best work, wherever they are – day in, day out and tools and techniques that will make people even more effective are consciously sought. (98% of survey respondents agreed with this principle.)

The survey contributors felt that the role of the physical environment in helping to reinforce a change of culture, a change in atmosphere and indeed a change of the corporate culture itself was very important in this context. They felt it should be factored into the design of the Kinetic Organisation so that the physical office environment can also change to reflect other changes in the organisation and its culture.

5.1.3 Infrastructure commitments

...and supply contracts are consciously designed, managed and maintained to be capable of rapid change without cost and pain to the organisation so that no legacy is built up that will impede future generations of leaders from being able to manoeuvre the business. (84% of survey respondents agreed with this principle.)

Traditionally, infrastructure commitments have been based on a need for stability and certainty. For example, organisations and leaders have tended to think that offices are an absolute requirement when operating a business and that taking a long lease (even today) is the cheapest way forward.

But long, inflexible leases on expensive assets that add limited real value to the endeavours of the organisation can burden them for future generations of managers and seriously limit agility. The same is often true of contracts for infrastructure services. Procurement departments are often so focused on negotiating the best price that they do not consider the wider business need for service and flexibility in increasing or reducing the volume of the service.

Furthermore, the provision of office and accommodation entitlement has tended to be driven by the hierarchy / silo model, where seniority is rewarded with ‘more’ in terms of space, furniture, location etc, and silos are accommodated together, making it very challenging to respond to the needs of cross-functional teams or those operating in matrix relationships.
The workplace must be designed to accept changes in the organisation without changing the physical layout. As an example, since we implemented our new space model a year and a half ago, the organisation has changed and moves have been done without any re-layout.

**Pharmaceutical company.**

**How it works:** In the Kinetic Organisation, as reflected by some of the survey contributors, there is a need for procurement functions to balance the needs for cost prudence with the business requirements, and shorter leases with less punitive clauses are becoming more commonplace.

The WID works closely with an Agility Controller to determine the best way to deliver the workplace infrastructure commensurate with the needs of the organisation and the need to maintain strategic agility – the ability to change without pain and cost. The infrastructure is designed to be capable of ‘inflating’ and ‘deflating’ in line with business activity and this can be achieved with a combination of carefully designed leases, break clauses, serviced office solutions, flexible IT contracts and flexible working practices.

There is a significant role for a Strategic Workplace Partner, an outsourced organisation that designs and delivers the total Workplace Infrastructure for an organisation. This enables the appropriate levels of flexibility and the continual seeking of innovations that help the client maximise the performance of its people.

**Financial services**

To understand how some of the Kinetic Organisation principles would have benefited a large corporation a retrospective infrastructure review was undertaken with a global player within the financial services industry. Records of headcount, space, leases, space standards and major business events were reviewed, looking back over eight years.

In 2008 the organisation sought to consolidate its London operations onto one site that was more in keeping with its image. In considering the size of location its leaders wanted to ensure it could accommodate sufficient staff to support sustained revenue growth into the future. At the time the organisation was growing and its leaders only considered the potential for headcount growth.

Each person was provided with a dedicated workplace with what would be regarded today as reasonably generous space standards and the building was taken on a long-term lease. The total space requirement identified actually represented an increase of some 30% on the existing London portfolio – something the organisation felt would accommodate its growth.

Having looked back over the period since 2008, and recognising the change in market conditions, it is now evident that if more conservative space standards had been applied, and agile working principles adopted, the requirement for space would have been much less – in fact c50% of the total space actually acquired, with a total estimated cost saving over the period of c£26.5m.

Today, with reduced revenues and a much tighter market, the organisation is looking to release space within the location in a more challenging property market at a rent ‘collared’ by the landlord, making it more difficult to sublet. The lesson: event in robust times, it is always necessary to have an upside and a downside strategy – as even when the world looks certain and growth assured, the cost of making the wrong judgement can be highly financially significant in the long term.
5.1.4 IT and social networking tools

...are promoted and championed to the point where they are used as second nature.

Traditionally, Information Technology is the domain of the IT department, typically managed by people with technical backgrounds, whose primary function is to control the use of IT, keep core systems running continuously and protect the organisation from security risks and continuity breakdowns in core systems. They typically don’t see IT as a means to facilitate improved business performance. Whilst understandable, the pre-occupation with safety and the desire to minimise the IT department’s spend against budget can inadvertently deny the organisation the opportunity to take advantage of emerging technologies and tools that may help people in the organisation to do their best work.

The control of IT budgets within the IT function was highlighted by survey contributors as a factor which hinders IT flexibility, whereas controlling it within business areas could help focus its efforts upon business performance.
Where people have better IT at home than at work they are entitled to question whether the organisation is serious about investing in them. On the other hand, where new kit or software is provided, but people aren’t trained to use it, it often fails to achieve its potential or is ‘thrown away’.

The survey contributors also reflected that a lot of technology that people have at home is very “consumer-based” and isn’t scalable for large organisations. Some tech is trendy but doesn’t last – so all of these aspects need to be balanced.

**How it works:** In the Kinetic Organisation, IT adopts fast development methodologies designed to enable small collaborative teams to create working technology in short timescales. The teams work closely with the business users and experts and focus on finding ways to make things work, not to identify why they won’t work or focus on risks without addressing risk avoidance and mitigation.

Encouragement of tools such as Service Oriented Architecture (SOA), which reuses working components to assemble new systems, and the use as far as possible of standard commercial software – keeping the focus on practicality and speed. The use of Cloud-based systems provide the opportunity to upgrade and refresh the capability of applications with great ease.

5.1.5 Effectiveness of people and workplaces

....is monitored, regularly overhauling arrangements to maximise human productivity whilst making assets work as hard as possible by adopting innovative working practices and techniques. (92% of survey respondents agreed with this principle.)

**How it works:** There is excellent Management Information and great analytics which cover efficient use of people, processes, assets, velocity of change, outputs and quality performance against KPIs and which are capable of re-orientation if there is a need to re-orientate the organisation.

5.2 Be well placed to meet its promises to clients, shareholders and people

**Premise:** The desire is that organisations are able to turn all of their resources on or off without financial or emotional cost, so that change is managed easily, quickly, naturally and without pain. This fundamental is a broad one which maps and spans a number of the other five within the model, such that if they are in place, then this requirement is also met.

“I’ve realised that there’s IT for the business and its clients and IT for the workforce. For the business, we’re embracing mobile devices, social networking and the like, but for the workforce we’re not able to use these devices or access external sites or use social networking because of the fear of risk of lost data and reputation”

Global bank
5.2.1 Expectations

...through not creating unreasonable expectations, there is more likelihood that an organisation will be able to meet the promises it has made to its clients, shareholders and the people within the business.

Traditionally, people expected that they had ‘a job for life’ when they joined an organisation and whilst today there is probably a recognition that this is no longer the case, and things change far more often than in the past, this is not reflected consciously in the promises that organisations make to their shareholders (dividends and capital growth), their people (employment tenure) or their clients (delivery promises).

Because the capability to change is not consciously considered in the design of real estate leases and infrastructure supply contracts (often because it comes with a premium cost in the short term), when the need to turn off contracts and buildings comes (as it does more often these days) the ‘jettison’ cost (e.g. the buy-out of a lease) is either prohibitive or comes with a significant penalty (supply contract). Consequently the burden of cost-cutting falls wholly on people.

Although traditional organisations don’t promise a job for life, the language of the employment deal leads to the impression that employment will lead to a greater level of security. Given the increased rate of change in the external market, the increased likelihood that an organisation will grow and then shrink or change is not reflected in the employment arrangement. As a consequence employees become ‘comfortable’, making financial commitments and lifestyle choices on the basis of a continual flow of income and often build their life habits around work. Good employees (as seen by the organisation) are those that work long and hard, giving their ideas, energies and ‘loyalty’ to the organisation. From the employee’s standpoint, although it has not been promised, there is a sense that this will lead to security and greater income.

Communications to staff about the state of the business, the challenges in the external marketplace and the likelihood of redundancy are often ‘airbrushed’ to give an impression of wellbeing. This is because organisations do not want negative messages to impact on staff morale or leak to the external market which may in turn impact on sentiment towards the organisation.

So when the organisation needs to cut costs to deliver profit, the burden falls entirely on a tranche of employees for whom the news is a total shock. Although a promise of employment for life was never made, the unwritten ‘psychological contract’ between the individual and the organisation has been broken, which often leads to a feeling of betrayal when people are made ‘redundant’.

It is also about intellectual honesty – being transparent and balanced.
For the shareholder there are also significant implications. There is a cost of redundancy across all the resources involved in a downsizing situation. The cost of empty buildings on leases that can’t be turned off, the cost of making people redundant and the cost of penalties for getting out of supply contracts. All of these costs have a knock-on effect on the economic viability of the organisation.

There are also less obvious implications for the shareholder. Prior to redundancies, rumours typically abound. People become distracted, become less open in their communications and initiatives become stalled because people suspect the individual they may be dealing with might not be in the organisation in the near future. The result is a reduction in the main focus of the organisation, i.e. satisfying the needs of internal/external customers.

In addition, employment redundancy does not only impact upon those who have been made redundant, it also affects the level of energy deployed by the remaining employees who pick up the workload of those who have gone (without any additional payment).

**How it works:** In the Kinetic Organisation, all infrastructure, contracts and employment arrangements are designed in the knowledge that the likelihood of change is increasing. At the outset, any commitment is designed to flex and change the arrangements in relation to the assessment of the risk of change. This may in some cases come at a cost, but this is recognised as being an investment which will enable the organisation to maintain its economic viability into the future.

Communication about the external market and the likelihood of the need for change is conveyed to staff in a balanced and adult fashion so that when change comes it is not a shock, but recognised as a reality of modern-day life.

5.3 Maintain a flexible cost base and infrastructure so that it can ‘inflate’ and ‘deflate’ its operations without incurring penalty costs

Premise: The cost base and the allocation of cost is flexible and attributable – giving greater transparency and accountability where services are consumed within the organisation. The ability to adjust cost to prevailing conditions is a key principle.
5.3.1 Flexible cost base

...the cost base can be flexed to match business activity, rising with high levels and declining with lower levels, giving an increased likelihood of business viability and (for commercial organisations) maintaining profitability through good times and bad.

Traditionally, structures and processes associated with monitoring costs often fail to reveal the true cost of activities, which can hide the cost of inefficiencies and waste. Finance systems are mostly designed to monitor spend against budgets as opposed to identifying cost against tasks. These budgets are often aligned to the organisational silos, which reinforces their power.
But more importantly this also leads to a lack of appreciation of the true cost of undertaking tasks within the organisation. For sure, people are not aware of the true cost of their own employment which should include their salary, local insurances and taxes, other benefits, cost of IT, workplace costs, cost of their management and so on. So, for instance when a manager calls a meeting involving five people, he or she never calculates the cost of the meeting to the company. Interestingly in professional services companies, the cost of activities are tracked through time-recording/billing systems and people are very aware of their charge-out rate and their own day-rate cost. Yet large organisations fail to do this and consequently don’t have a language to understand what things really cost.

Also, as a number of the survey contributors pointed out, the financial and budgeting cycles are often out of alignment with other organisational needs or cycles – so senior executives are expected to provide year-on-year profit increases and are judged more on return on investment.

5.3.2 Making costs attributable

...all costs are attributable, and are the responsibility of the person that is incurring or benefiting from the expense. All members of the organisation strive to ensure best value for money and best utilisation of their assets. (78% of survey respondents agreed with this principle.)

How it works: In the Kinetic Organisation activities, time and cost are tracked as automatically as possible, making sure people are fully aware of their true fully loaded internal day rate. As pointed out by some of the survey contributors, there is no desire to create another “cottage industry” and have everyone diverted from important business onto an endless debate about the rightness of internal cross-charging. The purpose here is to carefully monitor the cost of activities in order to ensure that people only spend time on the things that the ‘owners’ believe are appropriate to meet the short, medium and long-term aims of the business.

This is an important change from the more traditional approach, so some more thinking about this follows.
5.3.3 Managing intellectual capacity

...people’s personal workload is proactively managed, in the full understanding of their available intellectual capacity.

Organisations have a certain amount of capacity to perform the tasks they need to perform in order to meet today’s business needs and plan for tomorrow. In most organisations the capacity is provided by people, so getting the maximum contribution in productive hours, innovation and energy from them is inevitably going to be key to business success.

**Quantifying capacity for knowledge work**

In most organisations there is a spectrum of work types, from ‘process’ work, where people are working to a clear process to deliver a well defined output (e.g. call centre, processing centre, manufacturing facility), and ‘knowledge work’, where the tasks are less well-defined and where there is no single way of delivering the outcome, which is also often less well defined. Between these two ends of a spectrum there are a variety of combinations. However, it is generally true to say that almost all jobs contain a higher knowledge component that in the past and in fact some jobs are almost entirely knowledge-based.

In organisations where there is a predominance of process work there are the same sorts of disciplines and care in managing capacity as in manufacturing organisations. Capacity is understood and resources and time are carefully planned so as to maximise the use of that capacity. In manufacturing organisations the concern is with producing products at a defined quality and for a target unit cost, so the loading of the factory and the scheduling of production is massively important. Get it wrong and there will be a surplus of inventory or alternatively plant and machinery that are underutilised, thus wasting money.

In call centres and processing centres the same is generally true, although it doesn’t usually end in piles of inventory, but can often be seen in poor service levels and high transaction costs. In a call centre for instance, it is known how many people are available at a particular time and what their capacity is in skills terms and so the service level can be predicted, based on estimates and forecasts of the likely number of calls. This is the way call centres and processing centres tend to operate – with good discipline and lots of planning.

In the information age, instead of running plant and machinery, there is a reliance on human beings to convert data into knowledge and do something valuable with it. The way professional workers are ‘loaded’ in today’s information factories is, at best, haphazard, with capacity determined by monitoring negative aspects such as stress and poor performance – rather than estimating up-front how much capacity each person has.

**Managing workload – an example you may recognise!**

Take for instance a typical workplace. A knowledge worker (Jim) is allocated a set of tasks and objectives by his line manager, but that’s just the start. Before long, the manager is ‘delegating’ more tasks to Jim, forwarding emails without any thought for the capacity he has in relation to his growing to-do list.

Jim is asked to go to meetings and inevitably picks up actions which need to be discharged within a certain time; colleagues have tasks that they want him to undertake so they can complete their own work. Everyone gives Jim more completion dates and nobody is concerned about how long things will take or what the impact on Jim will be.
All the time the list of tasks is getting bigger and tasks Jim knows are more significant to the business slip down his to do list – relegated by tasks that are less important but much more urgent.

Then things get worse because Jim’s brain reaches overload and tasks that would normally have taken him a short time seem to start to take much longer than expected.

Because he can’t devote the time he needs to deliver a good output, the quality of work suffers. Jim and others notice this, which makes him feel bad and his self-esteem and motivation levels drop. The energy available for outstanding tasks diminishes. And still new tasks keep coming, without any form or regulation and ‘no’ doesn’t seem to be an acceptable response to new tasks.

The point is that in a production environment the loading of the plant is a deliberate and very important job, but in a professional environment it doesn’t even exist. People are supposed to manage an ever-increasing unregulated load of things they have to do.

Does this sound familiar?

Taking a helicopter view, this scenario is just the experience of one person. This is happening across organisations to thousands of professional workers. People not being able to get stuff done because others are clogged up, don’t have the time or are being directed to focus on their silo’s objectives. Others are working ridiculous hours to try desperately to deliver all the tasks being thrown at them from different sources. And what tends to happen is that the most competent and enthusiastic people are the ones that get most of the tasks. Under any circumstances, this chaotic approach to work looks pretty ineffective and potentially unhealthy, leading to stress and mental health issues in the workplace.

Interestingly, on the subject of stress, much is written about how to deal with stress in the workplace once it’s been identified. However, there is little guidance available for managers or professional workers on how to manage intellectual capacity to avoid the build-up of stress in the first place. In the absence of any existing advice on how to manage the load and get the most from knowledge workers, some simple thoughts and ideas on at least how to think about managing intellectual capacity follows next.
**How it works:** Every human being has a finite capacity to perform intellectual tasks. It doesn’t matter whether these tasks are work-related, personal or domestic, there is a finite capacity into which people dip in order to get work tasks done. It seems that this capacity is governed by:

- the time available for work
- knowledge of the subjects associated with undertaking the task
- experience and competence in relation to the task
- general desire to perform the task (motivation)
- physical health
- emotional wellbeing
- the number of personal and domestic challenges outside work

Then there is the demand – a series of tasks that need to be undertaken. The demand can be described in terms of the following:

- a defined outcome linked to some definition of the task’s purpose and quality
- identification of others who will need to be involved in the performance of the task
- a delivery date for the task
If the task is something being undertaken by someone who has done it before and is experienced it is likely to take a shorter time, with a more reliable delivery date than if it is being performed by someone who is having to learn to do the task from a lower level of knowledge and experience. So the amount of an individual’s capacity consumed in undertaking a task will be directly proportional to the degree to which the task is appropriate to their knowledge and experience.

In the Kinetic Organisation, leaders are trained to understand the principles above, provided with tools to monitor the work stacks of individuals and organise work with the capacity of the individual in mind. People are invited to undertake tasks with a priority set by a central controller, who is responsible for the overall outcomes of the organisation so that there is a concerted focus on the most important/urgent tasks.

**Premium consumer brands business**

To evaluate the Kinetic Organisation principles a retrospective infrastructure review was undertaken with a world-leading consumer brands business. Records of headcount, space, leases and major business events were reviewed, looking back over twelve years.

Back in 2000 the organisation acquired a new London location, which it operated in addition to a second location elsewhere in one of Europe’s major cities – the result of a merger some years previously. In determining the size of location required, the organisation provided each person with a dedicated workplace – a key determinant of the building chosen.

The organisation operated from these two major locations until 2011 when, having undergone some headcount reduction through redundancy, it took the opportunity to consolidate the two operations into the location acquired in 2000, as the lease on the second building expired. The consolidated location was replanned, which enabled additional desks to be accommodated and, along with some desk-sharing, home-working and other measures, enabled the consolidation to take place.

Having looked back over the period since 2000, it is clear that the consolidation option existed but was not considered at the time. If the organisation had brought the two London locations together then (exercising a break clause or subletting the second location), and adopted agile working principles to operate from fewer desks, they would have located somewhere other than the building they actually chose (it would not have been large enough). Assuming a larger location could have been secured with similar operating costs, savings of c£87.9m could have been secured over the 12-year period (by comparison to the costs actually incurred through operating both buildings together).

Today, the organisation is in the early phase of its journey to become more agile in its accommodation usage. With a broader outlook in 2000, it could have consolidated its operation, which would undoubtedly have delivered more than just the significant cost savings.
5.4 Create a ‘safe’ environment so people can contribute / share knowledge and innovation, constructively challenging to achieve a better end

**Premise:** A safe environment is created, where people feel they can share knowledge and constructively challenge each other and those with power without fear of impacting their career.

**Traditionally,** in line with the power and authority inherent in hierarchical organisation structures, there has been a tendency to airbrush the truth to make it palatable for those with the power to influence the destiny of their direct reports or others lower down the organisational pecking order. This institutionalised airbrushing is demonstrably unhealthy and it can be seen from the lowest level of performance assessment, through to the near destruction of some huge organisations such as The Royal Bank of Scotland and (some years ago) Marks & Spencer.

**How it works:** To make the Kinetic Organisation work, people are ‘adult’ in their behaviour, treating each other with respect. The culture of the organisation must reflect this, along with supporting an honest, yet sensitive culture in which people express the truth to others regardless of the seniority or power of the receiver. Part of this is a coaching culture which proactively supports people within the organisation to be the best that they can be.
5.5 Constantly keep skills, capabilities, processes and costs under review to ensure every element of the business remains competitive

**Premise:** Staff are selected and developed in order to be competent, confident and capable of working alone, proactively supporting them in maintaining their skills to be best in class in the marketplace. People are rewarded on the basis of results, outcomes and innovation rather than time and attendance, and leaders and teams are taught/incentivised to work this way. Innovation is actively rewarded and ideas that don’t fly are not penalised.

5.5.1 Contracting for and developing skills

...people are employed using a range of contract types (e.g. full-time, part-time, term-time, home-based, extended hours, out of hours etc) with levels of tenure commensurate with the risks of downsizing and change in the marketplace. People are proactively trained to work, manage and maintain relationships with others wherever they are located from day to day.

**Traditionally,** employment involves people becoming employees with an employment contract that implies and sets an expectation of enduring tenure. The individual is generally recruited to fulfil a specified role and assigned to a manager, who then becomes the ‘owner’ of that resource.

The expectations typically established are that the manager owns the individual, and the individual believes that they are contracted to the manager and the organisation, who will look after them in perpetuity. The focus is on the individual and on the role – not necessarily on the organisational good – although one supposes that this is ‘in the mix’ somewhere.

Progression is often a consequence of someone outstripping the skills and experience needed for the role they have been recruited for – sometimes into a position of management as that is the only way to reward their success.

If no progression is possible, either because the individual’s performance is not to the required standard, or because the hierarchy doesn’t enable it – they may become bored and less productive and in many cases there is a desire to move on, either to another area of the organisation, or to leave it altogether. The conflicts have, at their heart, the original premise of the relationship and the expectations it conferred.

In practice the original deal that is established through the employment contract is increasingly incapable of being maintained amid the stresses and strains of business, often leading to redundancies and the loss of valued knowledge in the heads of employees.

Often, knowledge does remain within the organisation, but it is more difficult to find following a shake-up. The value of knowledge transfer is underestimated, and not planned for when redundancy situations or other losses of staff cause knowledge to be potentially lost.
How it works: In the kinetic organisation the individual is interviewed and assessed against a higher-level blueprint of values, beliefs and competencies needed by the organisation. People are selected on their beliefs and engagement with the purpose of the organisation and immediately allocated a coach who is dedicated to developing the individual in all dimensions so that they can deliver a world-class performance and evolve to exceed this level.

Following an intensive induction program delivered/co-ordinated by the coach, the individual is placed within a part of the organisation. Their contract is not ‘forever’ employment, but set for a period that is commensurate with the organisation’s confidence in employing the individual and with working arrangements that suit the individual’s life needs and that are balanced against the needs of the organisation. Through the provision of such a contract, the individual is suspended in a place where they take a greater level of responsibility for making sure their skills are developing and that they remain ‘market competitive’.

Coaching support: From here on, the coach is the friend, confidante, sounding board and agent for the individual, acting on their behalf to ensure that their development is effective and their motivation is positive. Throughout the individual’s life within the organisation, the coach works with the individual to identify strengths and magnify these and minimise weaknesses.

Honest and unambiguous feedback about performance is sought on a regular basis from those who work with the individual, coupled with data from their role, the individual’s own thoughts/desires and external data about best-in-class performance. This data is used by the coach on a very frequent basis to help the individual develop. With this constant and honest feedback delivered within a trusting environment, the individual is assisted in getting to the top of their game and staying there.

Contracting for skills

In the main, employment involves people becoming employee’s with an employment contract that implies an enduring tenure.

In practice this ‘deal’ is increasingly incapable of being maintained amid the stresses and strains of business, often leading to redundancies and the loss of valued (but un-costed) knowledge in the heads of employees.

The coach is also responsible for sensing the moment when their current role is either becoming too boring or too stressful and intervening subtly to keep the employee in a upward band of motivation.

Alumni: Finally, recognising that sometimes people leave the organisation for a variety of reasons, there is an alumni so that we can keep in touch, keeping them connected to the organisation in the hope and expectation that one day they may return to it.
5.5.2 Reward and recognition

...people are rewarded on the basis of results, outcomes and innovation, rather than time and attendance, and leaders and teams are taught/incentivised to work in this way.

Traditionally, the only ways to gain progression and make more money were to move to another part of the organisation deemed to be more important than the area you are in or to gain promotion up the ladder. This leads to good specialists/technicians being promoted into managerial positions. The organisation often gains a bad leader and loses a great specialist. Interestingly, in some parts of the world (e.g. Germany) where technical skills are highly valued, it is possible for some (engineers for instance) to earn substantial salaries and be regarded with great respect without having to move up the managerial ladder.

The hierarchical organisation tends to conspire to inflate salaries because people who manage have to earn more than those they manage. So what can often happen is that a subordinate is given a pay rise, forcing the manager to claim that they also need a rise. So in a sense, traditional organisations almost contrive to inflate salary costs and reinforce the need for more layers. To further compound this, traditionally the bigger the unit a manager is responsible for, the more money they believe they should be paid.

Then there is the annual pay rise. You have done a decent job during the year and you feel entitled to a pay rise. Meanwhile, the external market is becoming more competitive, your company’s products and services under constant price pressure. So why should you get a pay rise just for doing your job?

How it works: In the Kinetic Organisation people are recruited into the structure and paid what their skills are worth in the market. They are told that there are no annual pay rises, but bonuses are payable, related to exceptional performance as a respected ‘citizen’ of the organisation.

Once placed within the structure, their worth is not determined by status in a hierarchy but by their contribution to the purpose of the organisation, regardless of their role. Great technicians can earn more than leaders and levels of power are not dictated by salary. By adopting this approach, hierarchy build-up is not necessary to reward people for their contribution.
5.5.3 The needs of the organisation

...leaders put the organisation’s needs ahead of their own unit’s and their own personal needs (97% of survey respondents agreed with this principle.)

Traditionally, leaders have been motivated and rewarded according to their personal performance and career advancement, and that of the unit that they lead within the organisation. Very often this leads, not unreasonably, to the manager/leader pursuing ends that are not wholly in line with the best interests of the organisation – but may be entirely consistent with that of their particular silo or specialism.

How it works: In the Kinetic Organisation, leaders are clear about the higher-level purpose of the organisation and convey this in their communications to people at all levels. People can see how their endeavours are related to the pursuit of a worthy cause, and will contribute ideas and energy more enthusiastically when they are committed to the organisation’s ideals.

Author’s experience:

Some years ago a senior leader from drugs company Pfizer came to speak at a conference. He said that people at Pfizer were committed to making the lives of their customers better and that’s what got them out of bed in the morning. He went on to say that every quarter they brought in customers, patients and occasionally the parents/relatives of a patient who had died, to speak to their teams. He showed some video footage of a bereaved parent who had lost a son, and the emotional response from the staff. Pfizer’s staff were so emotionally involved with their jobs and the worthiness of their work that their commitment was very high.

It’s not every organisation that has such a clear and worthy purpose; however, it seems that many organisations could orientate their purpose in a way that makes working for them more worthy. For instance a bank could be seeking to improve the ‘wealth health’ of its customers. Caterers could be interested in the nutrition and health of their clients and so on.

5.6 Allow differences in treatment for individual structures depending on their risks, activities and markets

Premise: Different treatments for individual parts of the organisation are permitted, because there is a recognition that one size does not fit all circumstances. The proviso here is that these different treatments do not put the wellbeing of the whole organisation at risk.
5.6.1 Risk

...it is recognised that different structures may need different treatments when it comes to risk and that risks need to be managed in a balanced way so as not to unduly constrain people’s endeavours.

Traditional: The more traditional, silo approach to risk is that the risk function takes on a mantle to protect the organisation from any and all risks, and applies a blanket requirement across the organisation, often hamstringing parts of the business from being able to operate effectively.

The IT function often compounds the problem through seeing standardisation as the appropriate response to avoiding risk.

Author’s experience:
As an example, let’s look at the risk management function in an oil company. Risk management is high on the agenda because the risk of a disaster on an oil rig or installation can have high costs in terms of human life, environment and reputation.

Following a disaster in an oil field in another part of the world, an oil company found that its Risk Management team increased the level of risk avoidance in all aspects of their operations, making it in some cases almost impossible to run the business. The knee-jerk reaction of a single powerful silo only interested in one dimension it was measured on rendered the business almost unmanageable.

How it works: In the Kinetic Organisation, risk is recognised and managed / mitigated, in line with the overall organisational objectives and imperatives, rather than seeking to avoid any risks. Many of the survey contributors commented on the desirability of risk awareness as opposed to risk aversion.

5.6.2 Activities and markets

...it is clear that many organisations – notably those in the financial services sector – are subject to regulatory and risk management requirements that are imposed upon them by industry bodies, and with which they must comply. This even extends to the physical separation of some parts of the business. Until those requirements change, there is little that the organisation can do, apart from ensuring that the requirements are only applied in areas of need, rather than across the board.

How it works: Different markets require different treatments. Whilst there is a need to maintain/develop an agile infrastructure that can flex up to meet growth needs and deflate when necessary to meet downturn, there are likely to be different mechanisms for achieving these ends, depending upon the geographical markets the organisation is operating in.

Whilst in developed markets the mechanisms may involve agile working, negotiating ‘feathered’ lease breaks (operating different lease arrangements for different floors in a building) and serviced offices solutions, in other markets taking on freehold property in developing locations may provide the greatest strategic flexibility.

Similarly, different labour markets may require different solutions, depending on supply and demand of labour, desire for security, relative wage inflation and other cultural dimensions.
6. Conclusion

This research provides a body of evidence that the traditional command and control organisational model is broken. It is inefficient, expensive, frustrating to work within, slow to change and wasteful of resources and human capital.

But organisations continue to persevere with the command and control structure, overlaying matrix structures that are, designed to overcome its inherent weaknesses and implementing ‘de-layering’ programs to reduce cost. Leaders can be forgiven for not transitioning to alternative models of organisation because there are only a limited number of working examples that have been successfully used on a large scale.

The outcome of the research is an alternative model, the Kinetic Organisation, which is capable of addressing and dealing with the weakness of a command and control approach whilst meeting the needs of stakeholders whose organisations operate within an increasingly unpredictable and competitive global marketplace.

The report sets out the fundamentals, structure, principles and philosophy of the Kinetic Organisation, what it would look like and what it would feel like to work in one and how it would operate. The Kinetic Organisation model needs to be tested within a large organisation in order to demonstrate its viability as a robust alternative to the status quo.

That said, many of the six fundamentals and the 20 operating principles set out could be adopted within traditional structures, as many of them describe practical philosophies for management which would certainly improve agility and performance. However, until more effective and universally accepted alternatives to the command and control model have been implemented, such as the ‘molecular’ approach discussed here, organisations will remain cumbersome, inefficient and sub-optimal.

The really big question is whether large, traditionally operated and structured organisations can actually make a safe transition to the Kinetic model at a speed necessary for survival. Their incumbent behavioral, attitudinal and infrastructural baggage presents substantial barriers to change. The idea of reprogramming the thinking of many thousands of leaders and reforming structure and culture should not be underestimated. Humans are, however, remarkably flexible when it comes to economic survival and once alternative models have been proven to work in opinion-leading organisations, with the associated benefits that could be afforded to all stakeholders, confidence in alternatives will rise.
Next steps

Whilst this research has tested certain elements of the Kinetic Organisation model, more needs to be done to explore how it could be applied in practice within significant organisations in different sectors, and involving a variety of work activities, e.g. knowledge work, process work, service work and so on.

Further detailed work should be undertaken with senior leadership teams and executives in specific businesses to explore how the Kinetic Organisation could be implemented and the benefits it could bring in the light of their current and future challenges.

For new organisations starting out, the adoption of the Kinetic Organisation model may provide a good starting point; however, for established organisations the transformation to Kinetic could present substantial challenges in relation to attitudes, behavior, existing structures, power build-up and approaches to the world. Consequently, further work should be undertaken to determine a process for transition, and gathering learnings from other substantial change situations in life, business and nature.

The ultimate test of the Kinetic model would be to implement it within a unit of a large organisation, providing an environment for evaluation, measurement and learning. This would generate evidence and a ‘visual aid’ to leaders seeking to transition their organisations from command and control – a sort of living experiment that could be viewed by others and which would be not unlike medical students watching a surgical operation in progress.

Perhaps in the current economic climate more leaders will be encouraged to evolve. It could be that the risks of staying with the status quo are gradually outweighing the risks of evolving to something less well understood and tested but something which intuitively seems as if it could be better for all.
7. About the Author

Andrew Mawson

Andrew is Managing Director and a founder of Advanced Workplace Associates (AWA), one of Europe’s leading Workplace Transition consultancies.

Following his training as a statistician and an early career in business strategy and change management in the IT industry, Andrew is today regarded as a leading specialist on work/workplace strategy and change management having advised organisations including Merrill Lynch, Prudential, The Royal Bank of Scotland, The UK Home Office, Ernst & Young and Mintel on their work and workplace strategies. Andrew has a unique appreciation of how the deployment of IT in the workplace can affect the mood, performance and strategic flexibility of an organisation.

Andrew led a number of research programs, including: the Learning Building program 1991, the PC video revolution 2000, AWA’s 2020 visions program 2011. He is also a regular contributor to AWA’s Workplace Performance Innovation network. In 2010 Andrew was awarded a Corenet Global Innovators award for his work with Workplace TV and is a regular speaker and writer on the link between organisational effectiveness, work and the workplace and the transition to the agile organisation.
8. About Regus

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