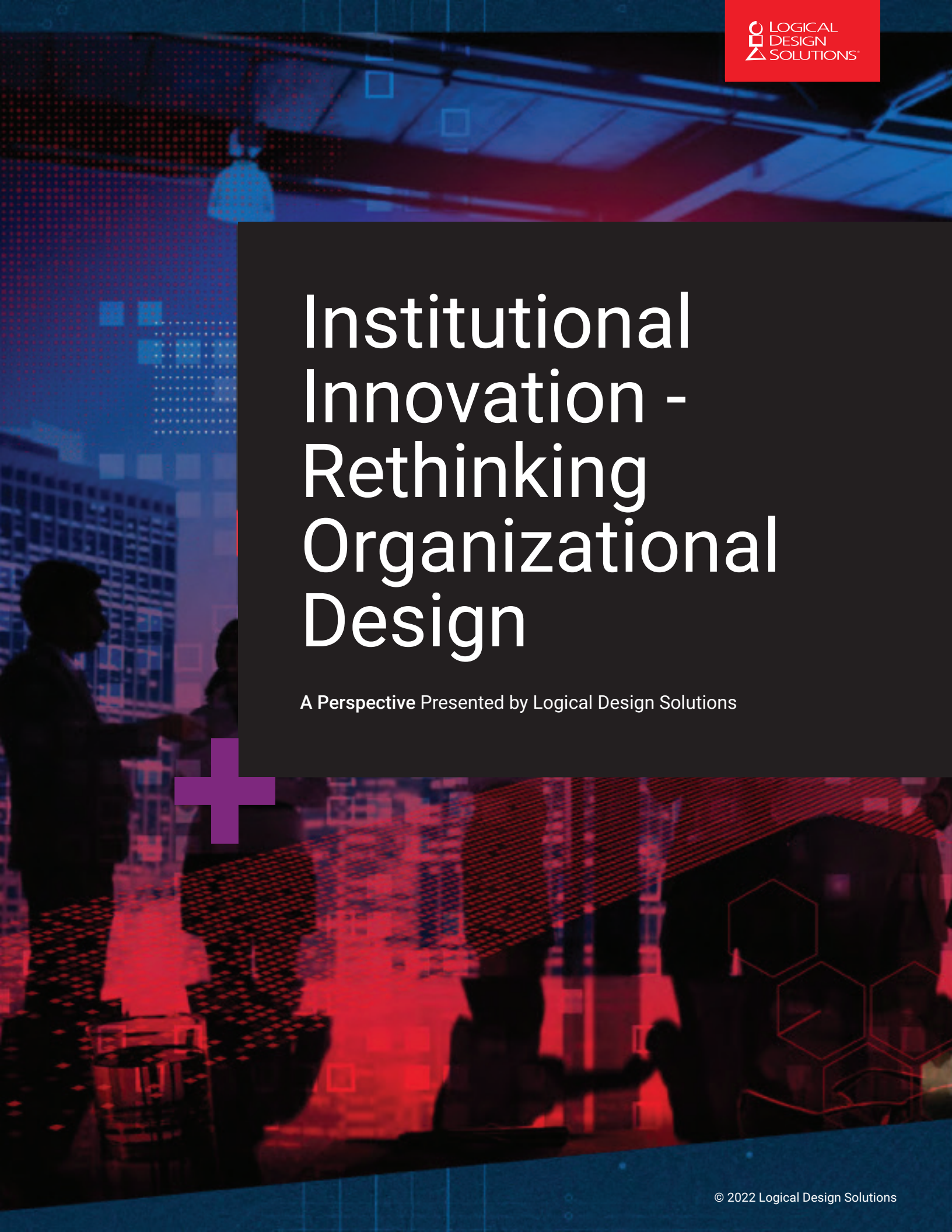

LOGICAL DESIGN SOLUTIONS®

Institutional Innovation - Rethinking Organizational Design

A Perspective Presented by Logical Design Solutions

LOGICAL DESIGN SOLUTIONS®

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The Third Wave

We must fundamentally redesign our organizations in order to create the institutions needed in the digital age. Establishing a new breed of organization through a complete redesign is the ultimate goal. This transition will revolutionize every major human system and environment on the planet.

Mimi Brooks
CEO, Logical Design Solutions

For digital-savvy organizations, the first wave of the Fourth Industrial Revolution (4IR) – when technology began to coalesce the physical, digital, and biological spheres – is already history. Progressive businesses have since embraced a second wave built around redesigning our organizations to survive and thrive in the new digital era. This is being accomplished by a focus on business purpose and stakeholder capitalism, as well as attracting and retaining individuals who value their roles beyond the paycheck. Breaking down siloes and replacing them with agile capabilities and less formally structured jobs is the hallmark of this second wave.

These first and second waves of the 4IR have made the urgency of change apparent by envisioning the building blocks of our new organizations and redefining our role as individuals in these institutions. This includes our ability to continually learn, grow, develop and thrive in fast-paced and rapidly changing environments.

Now a third wave – that of Institutional Innovation – **is** unfolding. This is a sea change that creates sustainable organizational models where new behaviors, such as systems-thinking, problem solving and experimentation dovetail with innovation, imagination and the rise of cognitive human work. New ways of working, both collaboratively and creatively, a strong movement towards autonomous teams, and novel models of leadership focused on the common good are emerging.

In concert, these third wave dimensions create the novel interactions, innovative work environments, and ground-breaking social contracts needed to create sustainable value and improve individual performance in a newly constructed institution. Heavily instantiated structures must dissolve, as the lines between functions dissipate, and collaborative, participative, positive-sum, flexible and bottom-up "pull" models emphasize scalable learning over efficiency, and talented workers over processes and organizational routines.

THE THREE WAVES OF DIGITAL TRANSFORMATION

WAVE 1
The Evolution of Digital Infrastructure via disruptive digital-natives and the essential industry response through new digital strategies.

WAVE 2
'Push' models give way to 'Pull' as capital, talent and knowledge start flowing rapidly across geographical and institutional boundaries.

WAVE 3
The Evolution of Digital Infrastructure via disruptive digital-natives and the essential industry response through new digital strategies

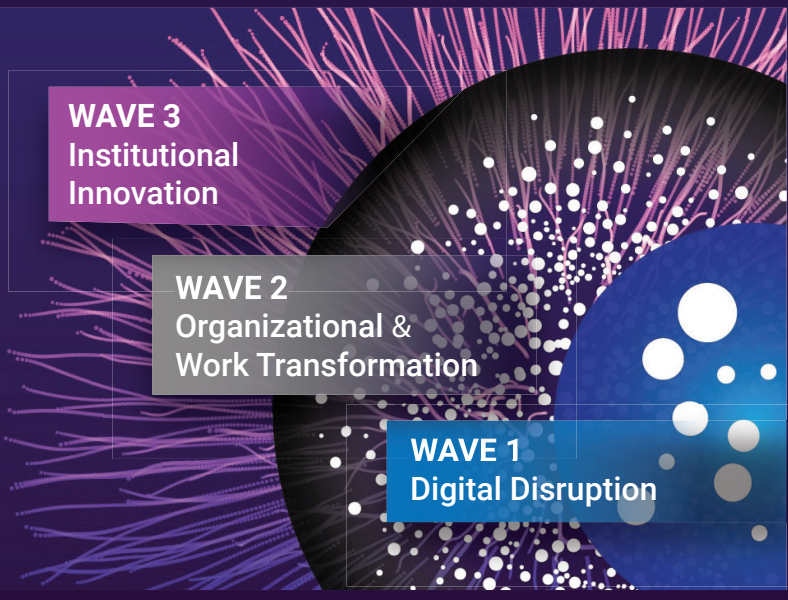

Figure 1. The Three Waves

A New Organizational Structure for the Digital Age

"If you're not leaning into organizational change now, you're probably already behind."

Mimi Brooks
CEO, Logical Design Solutions

The organization of the future will be unlike anything the business world has seen previously. The era of functional siloes, matrix structures and bureaucracy has come to the end of its life cycle – an outcome accelerated by the pandemic, massive demographic shifts, unprecedented technological breakthroughs, decreasing transaction costs, and a quantum leap in high-speed communications.

Competitive advantage is increasingly short-lived today. Long-standing institutions risk stagnation and must seek to surpass the digital upstarts that have already threatened their market leadership through bold and innovative exploits that threaten a once revered establishment with roots going back more than a century. Companies now need to reinvent themselves and their offerings again and again. This is the dawn of an era that may be described as a business-digital ecosystem driven by human value and purpose. Novel approaches to commerce are essential now and time is truly of the essence.

To succeed in the future, a company will need to rediscover the imagination that led to its foundation. Focusing on the customer as a unifying force, it will demonstrate an intractable sense of purpose, an obsessive focus on speed and agility, and a culture that thrives on new learning experiences. The worker will be central to the organizational ecosystem through the evolution of new work practices and social contracts that accelerate digital transformation. A cohesive human-machine approach to problem-solving must evolve, even as the organization learns on multiple timescales. Knowledge will flow rapidly within these business-digital ecosystems as what were formerly the edges of digital become the core.

We are learning that culture and purpose drive new ways of working and that people with diverse ideas and perspectives are the basis of customer-first innovation and overall growth strategies. Advanced digital technologies will continue to accelerate in non-linear and combinatorial patterns as we race into our digital futures.

However, it's not easy to transform an organization from the inside out – to lead with culture, to prioritize workers and customers as equal stakeholders,to experiment, incubate and innovate new employment strategies that anticipate the changing needs of the workforce.

So where should an organization begin this transformation process?

First, we must align and optimize an organization's capabilities, culture, structure, processes, technology, people, metrics, and talent practices. Historically, companies tend to manage innovation within a single dimension. However, the strategic introduction of a new product or new technology is not always accompanied by the necessary operating model or work design changes.

Second, we must implement wholesale changes in traditional business models and prepare for extraordinary organizational disruption. The speed and magnitude of these changes will accelerate exponentially, as hybrid and remote work continues

to flourish and rapid advances in areas such as artificial intelligence (AI), decentralized knowledge networks, big data, quantum computing, blockchain and the industrial internet of things (IIoT) change the business landscape forever.

Third, we need better methodologies for managing ongoing large-scale change, as learning and adaptation is constant. Long instantiated vertical structures and siloes conflict with the horizontal structures needed in digital-first organizations. Engagement and cultural changes without the context of new work and new ways of working will have limited sustainable value, even as human and machine work allocation become integral to organizational design.

As we embrace this organizational and work transformation, we will witness human talent evolving in concert with advances in technology, and traditional “push” business models giving way to “pull” as capital, talent and knowledge start flowing rapidly across geographical and institutional boundaries.

Superior organizational design highlights agility, accountability, continuity, and business integration. The traditional focus on hierarchical spans of control and specific job descriptions will dissipate as the contemporary model of institutional innovation gains traction.

This organization of the future will manifest several key characteristics:

- **A tangible sense of purpose**
  Emanating from business strategy and modeling, a sense of purpose is driven by a common understanding of the company's aspirations; in other words, a clear mission and shared vision of what the organization is striving to be. Today, we must redefine the very purpose of our corporations – why they exist; who they serve; how they give back; how they clean up after themselves and on what timetables; how they contribute to social harmony and unwind practices of inequality; and how they shape better, safer, more satisfying, and creative human work.

- **Adaptation to rapidly shifting sources of value**
  The ability to learn flexibly and efficiently and to apply that knowledge across situations are key components for success in an increasingly complex and volatile business environment in which sources of value are prone to rapid and unpredictable change. As technology changes work and cultural norms undergo seismic shifts, we have the opportunity to change the way we think about work and leadership by opening new avenues of both human and machine potential. By adapting to shifting sources of value, we will inspire purposeful learning, engagement, and empowerment throughout the workforce.

- **Robust and non-insular business ecosystems**
  Powerful business ecosystems, in combination with digital platforms, are creating operational agility while also blurring traditional organizational boundaries. Third wave companies will constantly reshape their ecosystem and platform strategies in order to create new value and foster disruption in the rapidly evolving digital economy.

- **A fluid organizational structure**
  Traditional hierarchical organizational structures, with rigorous job descriptions, managerial spans of control, and siloed functions based on specific jurisdictions, will be replaced by agile organizations in which the company functions as a flattened structure with end-to-end team accountability and flexible resources. This approach will be designed to complement the implementation of standardized processes that facilitate rapid changes.

- **Accelerated decision-making**
  Clarity on the overarching goals and objectives of the business, coupled with an agile and accountable organizational structure, lends itself ideally to an accelerated decision-making process. This in turn will increase collaboration, reduce costs, and increase speed-to-market.

- **Data-rich technology platforms**
  Organizations that are structured to facilitate the mining of data-rich technology platforms are perfectly positioned to succeed. A data ecosystem and infrastructure that enables the interaction of different stakeholders and the resolution of operational issues will also support dataful platforms. These will be contextualized as key insights during decision-making moments in new work.

- **Rapid organizational learning**
  The organization of the future will foster learning at all levels by actively supporting reskilling while also promoting connectivity and engagement. Part of becoming future ready means that the organization must place accessible, meaningful, and essential learning high on its list of strategic priorities. Even as algorithms unlock complex patterns and insights with unprecedented speed, business leaders must also leverage human capabilities to expand learning on multiple timescales.

- **Systematic Ingenuity**
  Harnessing the collective ingenuity of an organization represents a totally different approach to transformation – one that brings institutional innovation to life. Creativity must be cultivated as a new normal. This means infusing a mental model of the company's purpose in the mind of every worker. Each human affiliated with the day-to-day operation of the business must see the value of their role in bringing this mental model into reality through the rules, protocols and processes that fulfill the overarching business strategy.

- **Ongoing investment in scarce talent**
  Human capital will be a key resource for companies competing in the third wave. By establishing a link between the organization's strategic priorities and talent needs, the organization of the future will know exactly where to invest in reskilling and upskilling the existing workforce, as well as attracting and retaining scarce new and tenured talent.

This white paper will focus on the continued journey of organizations from the second to the third wave of digital transformation and discuss some of the crucial elements of institutional innovation as a framework, including the integration of the digital-first operating model driven by human ingenuity, coupled with a new social contract needed to engage and unleash the next generation workforce.

A Framework for Institutional Innovation

"When we look at the past, we can see many, many world-changing things were possible at the time, which people did not realize. We know this. What we forget to tell ourselves is that this must be true for us in the present as well."

John Armstrong
Philosopher

In the era of Institutional Innovation, seemingly far-fetched concepts we imagine today may transpire as the new normal for future organizations. Initially, non-proprietary or open-source knowledge flows between business ecosystems will gain momentum as institutions face growing competitive pressure and shrinking returns. Competitive advantage will no longer rely on stocks of knowledge, but rather on having access to flows of knowledge to enable up-to-date information. Success will not be defined by scale, but by the ability to learn and innovate iteratively, continuously, and rapidly. Organizations that drive accelerated learning will be more likely to create significant economic value on a sustainable basis. In order to survive and flourish, leaders will need an agile mindset in order to systematically innovate, so that their organizations can harness the full potential of the digital infrastructures evolving around them.

Institutional Innovation will unlock the unlimited potential of ourselves and our organizations. It will pave the way for a new leadership paradigm that heralds unprecedented change and guides the workforce towards opportunities to flourish even as technological advances drive seismic shifts across all organizations. At its heart, this movement is about empowering people, rather than the rise of machines. This involves reimagining the organization – how it will be designed and how it will be managed in the evolving business ecology. At a time when AI is transforming the ways in which we work, it means focusing on those skills that are uniquely human. Higher-level cognitive tasks that are beyond the scope of machines and can afford workers the opportunity to explore ways of working that challenge the imagination, extract value, and provide a competitive edge.

We must combine four important pillars in the organizational framework to realize institutional innovation. As shown in Figure 2, these pillars embrace strategic transformation, operating model evolution, work design modification, and employee experience modeling. While some are familiar business concepts, they must assimilate the new contexts and new ideas in organizational redesign that are the essential components necessary for companies to compete in the Fourth Industrial Revolution.

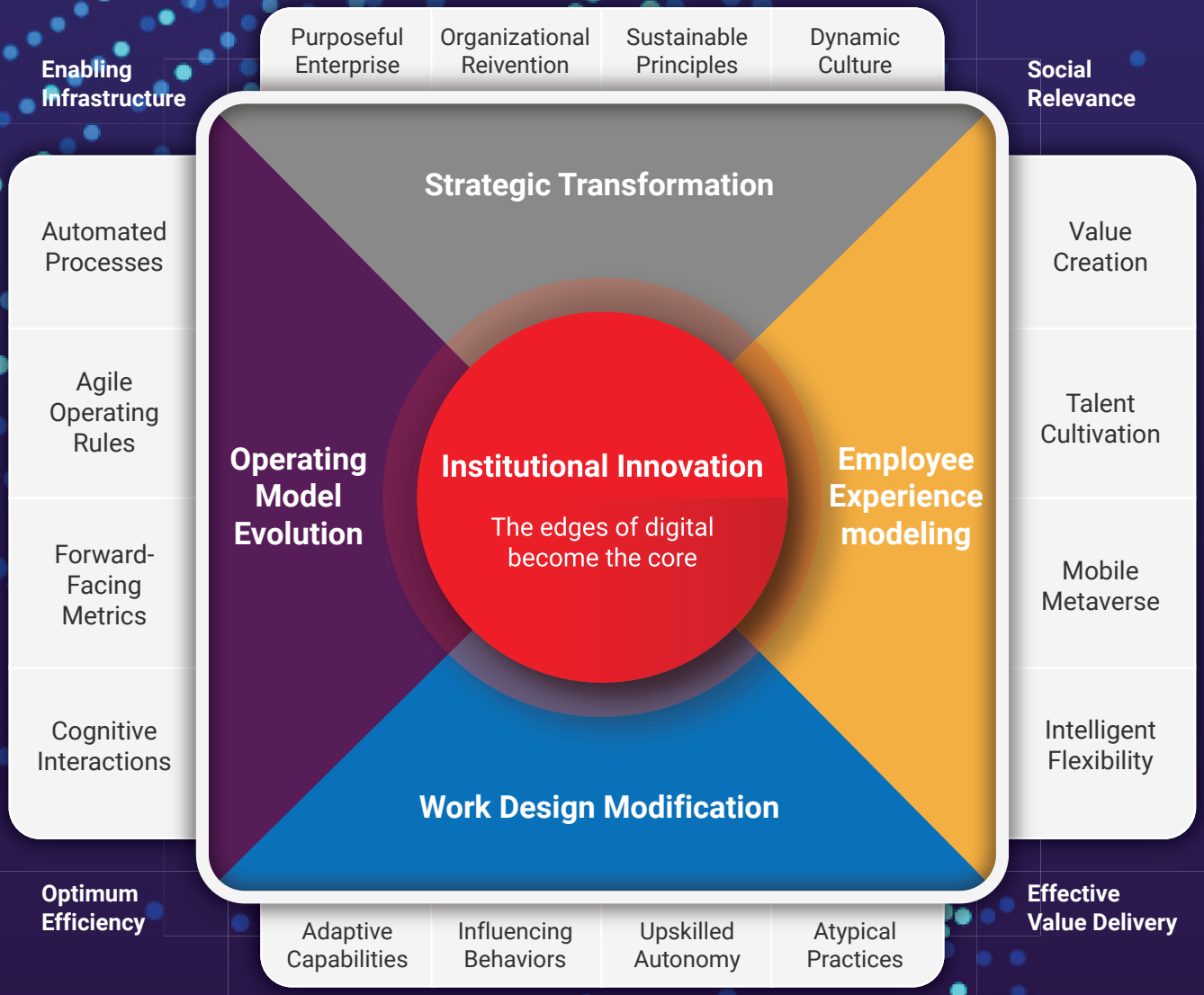

Figure 2. The Framework for Institutional Innovation

This foundational framework forms the basis for institutional innovation and requires every corporate problem-solving initiative to consider the ripple effect across each element and its respective dimensions. For example, the transforming business strategy must focus on an enabling infrastructure that clarifies the organization's true purpose, aligns company principles, defines reinvention and reinforces cultural changes. The evolving operating model will optimize efficiency by automating existing processes, instituting streamlined operating rules, designing new protocols and establishing forward-looking measures.

Work and job design modifications will realize effective value delivery by embracing emerging capabilities, behaviors, upskilling, and novel work practices. Finally, employee experience modeling will organically augment the customer experience by pursuing new value creation, the cultivation of talent, flexibility, and the expansion of the mobile metaverse. These tasks must operate in concert with one another. For example, job or work design modifications should not be considered without the overarching context of the transforming business strategy, the evolving operating model, or the employee experience.

Strategic Transformation

"To be world class you need to focus on people. A leader's highest lever is people: people before strategy. People compete, businesses don't."

Ram Charan
Author of The Leadership Pipeline

The organization of the future must be inspired by a CEO-driven business strategy that is focused on transforming organizationally, operationally and behaviorally. This in turn will create value through technology-enabled productivity and innovation while at the same time supporting the new digital business environment. Business leaders must model the future state for people to show what "good" looks like in the digital world, while also promoting the institutional trust that is so vital for generating new knowledge and improving productivity. This will include consideration of equitable and sustainable principles that dovetail with the environmental, social, and governance goals that attribute value to both societal and natural wealth.

There are four key dimensions to enabling this strategic transformation. These are purposeful enterprise, organizational reinvention, sustainable principles, and dynamic culture:

- **Purposeful Enterprise**
  The company of the future must demonstrate an intractable sense of purpose beyond profit. It must seek to become recognized as a force for good. The company that engineers a strong association with environmental, societal and governmental integrity will already have a competitive edge in the future. Purpose is intrinsically linked to sustainable development. Those who seek to protect consumers will also protect the future of their brand. This approach will not only attract top talent, but also engage in constructive dialog with regulators, more trusting relationships with customers, and greater credibility with investors.

  As digital tracking and reporting of transactions becomes ever more pervasive, business transparency becomes an imperative. Purposeful companies will seek to develop a solid and long-lasting business identity that fully engages stakeholders with an impeccable moral compass. Trust and respect will become the ultimate currencies and social enterprise a strategic cornerstone.

- **Organizational Reinvention**
  Once in a while, humanity fundamentally alters its thinking on some important topics. Today, we are in the midst of a paradigm shift that is changing the way we work and relate to one another, as the digital age rewards change and punishes inertia. We are moving away from the concept of the organization as a machine,

which is designed to predict and control the world, and into the sphere of collective intelligence and knowledge informed by a living organism that has its own sense of destiny in an increasingly short-lived and chaotic business environment.

The vitality of an organization will be measured by its capacity to dynamically adapt its business and grow sustainably. The idea that a leader's job is to extract value from processes and people is morphing into a strategic focus on adaptability and learning. This is where progressive and alternative points of view bring cognitive diversity to the organization and increase its ability to rapidly respond to new opportunities.

At the core of every company is a value proposition grounded in a strategy that is enabled by people, process and technology. Creativity, speed and accountability are at the heart of organizational reinvention. As companies move away from uniformity, bureaucracy and control, the strategic focus will shift to the development of a core organizational identity that fulfills employee expectations around affiliation and social cohesion, while fine-tuning the ways in which the company will create new value.

- **Sustainable Principles**
  Just as replicable processes and stable hierarchies were at the heart of the first three industrial revolutions, self-organizing and sustainable principles are a mandate of institutionally innovative companies. For example, in the area of capital allocation, we are seeing far greater leadership commitment to set aside separate pools of funds dedicated to sustainability initiatives, coupled with a focus on meeting environmental, social, and governance (ESG) metric goals. Anti-fragility principles, focused on fast learning and taking advantage of volatility, as well as experimentation – such as empowering employees to rapidly test, learn and iterate in response to market changes – are rising to prominence.

  These sustainable principles are being driven by a dramatic change in the traditional management mindset and consciousness. For example, rather than relying on a rigid hierarchical chain of command, embracing an intrapreneurial decision-making process that relies on advice from those who possess a particular expertise relevant to the problem being solved – such as a centralized sustainability team – coupled with input from those who have to live with the consequences of any decision made. By aligning business strategy and sustainability principles, companies can focus on those areas that will create the most significant impact in terms of not only compliance, but also future competitive advantage in a world increasingly focused on social, natural and knowledge-based assets.

- **Dynamic Culture**
  As we move away from formal roles, long-term perspectives and spans of control, we are seeing the emergence of a dynamic, values-driven culture that empowers workers, invokes passion, embraces stakeholder capitalism, and thrives on new learning experiences. A family-like focus on areas like physical and mental employee health and wellness, community involvement, sustainability, and making a positive impact on the world at large are an innate part of this cultural shift.

  As Peter Drucker famously stated, "Culture eats strategy for breakfast." In other words, without the support of a powerful and enduring culture, even the most effective business strategy will struggle to succeed. Far-sighted organizations actively promote the idea of holistic involvement, where employees can express themselves beyond the traditional corporate standard of rationality. In such environments, authenticity and vulnerability are actively encouraged, and the emotional, intuitive and spiritual aspects of every worker may be manifest in what is perceived as a "safe space."

  In a business environment increasingly defined by volatility, uncertainty, complexity, and ambiguity, a unique and energizing corporate culture driven by common goals and a shared purpose can boost employees' spirits, engagement, job satisfaction, and commitment to the organization. Risk-taking, creativity, and atypical practices promote the value of working together. An institutionally innovative culture helps to define positive thinking patterns and desired behavioral characteristics.

Evolving a Digital-First Operating Model

"Part of why predicting the ending to our AI story is so difficult is because this isn't just a story about machines. It's also a story about human beings, people with free wills that allows them to make their own choices and to shape their own destinies. Our AI future will be created by us, and it will reflect the choices we make and the actions we take."

Kai Fu Lee
Author of AI Superpowers

The organization of the future will demonstrate an obsessive focus on speed and agility. It will run primarily on new, digital-first operating models. These will include unprecedented interconnectivity speeds, the free flow of information, lower transaction costs, increased automation, greater mobility, pronounced stakeholder focus on environmental, social and governance concerns, and the rise of non-traditional career aspirations. Even as we are seeing new challenges to existing business hierarchies and internal bureaucracies, principles for disruptive innovation are being dismantled. As a result, leadership and promotion opportunities exist for those who have moved beyond long-held management thinking on control and predictability.

In this era of constant disruption and unexpected outcomes, it is more important than ever that the enterprise operating model is the anchor for the business by demonstrating how value is created by the organization and by whom. It is the top challenge for achieving digital transformation and must be constantly adjusted to demonstrate how people, process and technology are organized to achieve strategic objectives.

While the business strategy defines what the business wants to be and where it will compete, the operating model is enabled by a clear understanding of which capabilities must be built, refined, or purchased.

The traditional bureaucratic top-down organizational hierarchy inhibits adaptive change, even as companies reinvent themselves and join larger business ecosystems with diversified product and service offerings. New work models, such as hybrid, must also encompass new roles, jobs, teams, and support systems. People analytics coupled with worker persona development are intrinsic considerations of new organizational design. Digital fluency, data intelligence and problem-solving skills are becoming essential attributes of the modern worker's resume.

There are four key dimensions to this evolution of the operating model. These are automated processes, agile operating rules, forward-facing metrics, and cognitive interactions:

- **Automated Processes**
  The organization of the future will orient itself towards intelligent process automation in concert with teams of individuals who are positioned and authorized to make speedy decisions about any issues that reside within their sphere of influence. By replicating the way humans think, analyze and decide, we will see business-process management platforms, robotic process automation, artificial intelligence, machine learning, smart workflows, cognitive agents, and natural language processors fully automate transactions in areas like customer relationships, analytics, planning and sales. This powerful confluence of systems will continue to evolve and optimize operations by increasing speed of delivery, boosting quality, minimizing costs, and decreasing errors.

  By its nature, a digital-first operating model represents an opportunity to automate processes while at the same time turbocharging decision-making. Institutionally innovative companies will make automation-related skill gaps a high priority, along with embedding individual expertise in the design of future technological solutions. The operating model will be designed to allow any process automating initiatives to adequately manage the complexity of deploying these technologies, which in turn facilitates scaling across the enterprise.

  Identifying and focusing on the most critical business processes and viewing process automation as a way to enhance human productivity are two keys to capitalize on its potential in the future. Automating a process requires a multitude of skill inputs, including analytics, organizational design, customer experience and high-end digitization. The operating model must bring all of these disparate sources of expertise together through intense cross-functional collaboration.

- **Agile Operating Rules**
  In many cases, the exponential rise of digital technologies has made classical corporate operational best practices and legislation irrelevant. New and innovative models, such as business platforms and communities, mean that companies must rewrite the operating rules to nurture a more dynamic, team-centric and connected organization.

  While technological innovation will continue at an exponential pace and humans will strive to quickly adapt, operating rules and the policies that govern these directives will struggle to keep pace with the rate of change. Regulations in the organization of the future will be rewritten to focus on taking advantage of digital innovation. These mandates will encompass agility, as well as attributes like accessibility, openness, transparency, security, and speed.

  Delegation of responsibility, the objective value of a specific output, and how one outcome impacts others are impacted by the distance that information has to travel, all of which demand the restructuring of long-held edicts focused on operational efficiencies. Future market leaders will experiment by disrupting traditional rules around the edges of digital innovation by instigating entirely new ways of working.

- **Forward-Facing Metrics**
  Similar to the issues we encounter with corporate governance, traditional metrics will not easily find a place in the new digital reality. Measures of success will be intrinsically different in the organization of the future, as companies seek to replace lagging indicators with creative measurements that enable them to pivot dynamically. The future of human work coupled with extraordinary technological advances will provide data and insights that are well beyond the tried and trusted metrics that have been used to drive efficiency and effectiveness for decades. Data insights and analytics will promote work behaviors that improve productivity and optimize outcomes.

  Deconstructing worker feedback across sectors, geographies and demographics will provide metrics that can also reflect overall worker trust, advocacy and performance, as well as providing intelligence on prospective talent attracting and retention. For example, measuring the retention rate of workers in key roles, an employee engagement index, or metrics that measure progression in career paths.

The third wave of transformation will also see the emergence of unorthodox digital adoption and performance measures that examine worker engagement and participation, as well as human-machine collaboration, productivity, and active usage of digital asset metrics. The ability of diverse, multi-skilled teams to work together with machines to achieve common goals will supersede other key performance indicators in the workplace of the future.

- **Cognitive Interactions**
  The mental processes associated with innovation are beyond the realm of machines. For example, how does a company transform a speculative idea into an optimized and scaled operational reality? As we continue to redraw the cognitive boundaries between humans and machines, we must consider counterfactual thinking, or thinking about things that could be but are not the case. While machines are far better than humans at correlation, the counterfactual or entrepreneurial way of thinking is beyond their domain.

  The organization of the future will allow machines to suggest ways of enhancing or exploiting what is known, while at the same time actively promoting exploration of counterfactual ideas. So even as machines automate processes, collect data and find patterns at light speed, humans will increasingly focus on higher-order objectives that demand cognitive reasoning and decisioning. This is particularly important when organizations are confronted by contextual shifts that are not part of the anticipated business paradigm. Competing on the ability to learn involves reinventing the enterprise to leverage both machine and human capabilities synergistically through an ambidextrous combination of causal inference and imagination.

  Ultimately, institutional innovation embraces an operating model in which artificial and human intelligence are focused on their respective merits. Designing effective human-machine interfaces, embedding learning structures throughout the organization, and measuring and governing the business on different timescales constitute a pervasive and prudent approach to building the digital-first operating model.

Work Design Modification

"As we face the third wave of digital transformation, the redesign of our institutions and organizations will be central to realizing our growth strategies. We're already behind in many of our related environmental, social, and governance goals. The clock is ticking and the stakes are high. Our purpose and passion must be to ready the workforce for the work of tomorrow by designing organizations that will be the modern work-places for future generations. It's time – it's past time – to rewrite these contracts and set the stage for elevating our human talent and ensuring their viability and ours in our digital age organizations."

Mimi Brooks
CEO Logical Design Solutions
Health Benefits Leadership Conference 2022

Work design will take on a new definition as we leverage the opportunity to create purposeful human work in the cognitive economy. Companies will determine how work and jobs should be designed for the future by using both the business strategy and digital-first operating model as key foundational pillars. These new work models will be designed to work in tandem with machine learning technologies that are intended to advance human-computer collaboration.

While a clearly defined business purpose represents the why of work, and operating models that are nimble, simple and agile constitute the how, then work and job design must embrace the what by inspiring commitment, focusing on connectivity and collaboration, and revealing previously untapped human potential. For even while fostering a powerful sense of identity that informs its priorities and ways of working, the organization of the future must also strive for work practices that appeal strongly to sought-after talent.

As work moves inexorably towards experience and skills-based job structures, rigid hierarchies and traditional organizational design begin to take a back seat to agile practices that demand far greater flexibility and pursue work activities that cannot be constrained by siloed functions. Unlike a functional hierarchy, people management then becomes separated from work management, as workers are assigned to project tasks that embody cross-functional deliverables designated

by the flow of work. In this way, reskilling and upskilling becomes a worker's prerogative, while agile ways of working, cost containment and rapid outcomes become viable for project managers. Business agility will assume prominence in every successful organization's culture, leadership, strategy, and governance. In the future, businesses that reduce organizational complexity and embrace agility will adapt faster, manage changing priorities, change course rapidly, and place a particular emphasis on the employee work experience. Rapid response teams will be used to relay quick, informative strategies that are designed to quickly steer the company towards operational success through faster turnaround times, transparency, and higher employee engagement.

Work design sits between strategic planning and the actual execution of the task. It embraces each aspect of the activities and processes involved in attaining a particular goal, including the use of automation and definition of the human skills required, which in turn feeds the process of job design. Work location, level of effort, broad goals and accountabilities, and future-focused job descriptions are all part of the endeavor, while the use of tools like Organizational Network Analysis (ONA) can facilitate the process of work design and envision how work will happen by visualizing the flow of information and essential communication points.

There are four key dimensions to work design modification. These are adaptive capabilities, influencing behaviors, upskilled autonomy, and atypical practices.

- **Adaptive Capabilities**
  The task of adapting employees' capabilities to new ways of working will be crucial to building operating-model resilience. Companies must first establish which capabilities may be sourced from within the organization versus those that must be sourced externally. By combining work activities that fit together into roles and clearly establishing what a particular worker must do to be perceived as achieving success at work, the company can identify reskilling and upskilling opportunities, while also considering essential employee experiences in the overall work design initiative.

  The definition of skills, unlike capabilities, require deeper insights on the part of the evaluator. As such, organizational design must include an in-depth evaluation of synergistic skills and a further determination of which ones should be grouped together in the overall process.

  Similarly, the employee experience must be incorporated by actively involving the workforce in the decision-making process. While human resources take the macro view of a particular job, to include the title, job family, job description, goals, level and remuneration, the actual role will be viewed from a goals, activities, projects, teams and outputs perspective. This will be bolstered by a matrix of capabilities and augmented by a finite set of skills needed to accomplish the tasks at hand. Instituting capabilities to assist workers in adapting to the future of work is key to flourishing in the third wave.

- **Influencing Behaviors**
  Positively influencing behaviors by rewarding and recognizing workers for accomplishing desired work outcomes will be a standard practice for agile and accountable organizations. Those companies confronting rising attrition and an increasing labor shortage will seek to influence behavior by scaling work model personalization, tailoring it to an individual employee's professional and personal context.

  The acceleration of innovative practices, the rise of leadership empathy and understanding, the increased focus on employee wellness, the unprecedented surge of hybrid work, and the notion of the workplace as a "safe space", are all molding the work and job design of the future. Institutional innovation demands that organizations tap more deeply into their employees'

preferences, needs, and expectations. Experiments with new, agile approaches will require carefully constructed guidelines and feedback mechanisms. The company of the future will need to demonstrate appreciation for employees' non-work demands, responsibilities, and interests, while at the same time fostering trust and collaboration among team members. Successful institutional innovation will depend largely on employees who exceed standard work behaviors by being creative rather than merely fulfilling their formal work requirements as stipulated within a job description.

- **Upskilled Autonomy**
  Quantifying digital aspirations for the organization of the future must also involve the identification of future roles and the setting up of an infrastructure for reskilling and upskilling. Scaling up work changes and employee transitions to the new environment must include a clear perspective on those aspects that will constitute commonalities across the entire workforce. For example, work design must consider whether the degree of autonomy afforded to employees positively predicts behavioral and attitudinal work outcomes.

  The organization of the future will dynamically adapt work designs to best leverage a digitally intelligent workforce, while at the same time employees will seek greater flexibility, self-determination and individualized work schedules. Institutional innovation will likely emanate from those who place a higher emphasis on autonomous teams to spur creativity. Enhanced employee discretion will likely spur innovative performance, just as autonomy will positively drive employee aspirations for power, rather than the more negative outcome of using power to gain influence over others.

- **Atypical Practices**
  Defining specific work practices for the organization of the future is a non-facile, continuous, dynamic, and ongoing process. Those companies that master this challenge will reap financial performance, productivity, employee engagement, and other rewards. Agility demands that teams of humans with specific skills must be formed and disbanded as soon as the goal is achieved. An ability for individuals to move between teams and apply their particular skills without risk is a critical attribute of today's high-performing companies.

  Designing work correctly must also translate to an outstanding employee experience. While work design focuses on skills and necessary experience, as well as accountability and rewards, job design bolsters this by embodying workforce planning through the creation of both strategic and tactical plans for specific skills and capabilities, as well as the design of specific roles, and the overall job architecture. Work design must also consider how technology can play a part in transforming the organization through human-machine interaction, as well as automating tasks previously ascribed to workers.

Employee Experience Modeling

"Business needs to move to adopt much more scalable pull platforms. When we talk about pull platforms, often people focus on one level of pull, which is what we call access. It's simply, if I have a need, I can make a request, get the resource or the information I need when needed."

John Hagel
The Power of Pull

We have learned with certainty that we must design, build, and continuously improve our digital workplace, with an augmented employee experience at its center. Change and innovation must be organizational capabilities. New value creation must be a key focus of the employee experience. Speed, quality and value must replace time, scope, and cost.

In the organization of the future, human work will naturally be more ambiguous. Teams will be small, cross-functional, and cross-cultural and the worker experiences will be driven by data and learning on-the-fly. To support this digital workplace, policies will be rationalized and simplified. Data will need to be transparent, clean and secure. Project-based and gig workers need access to many of the critical tools and insights afforded to employees. Vendors will need to open their systems and platforms for seamless ecosystem interoperability to create smart, dataful employee experience platforms critical to human work.

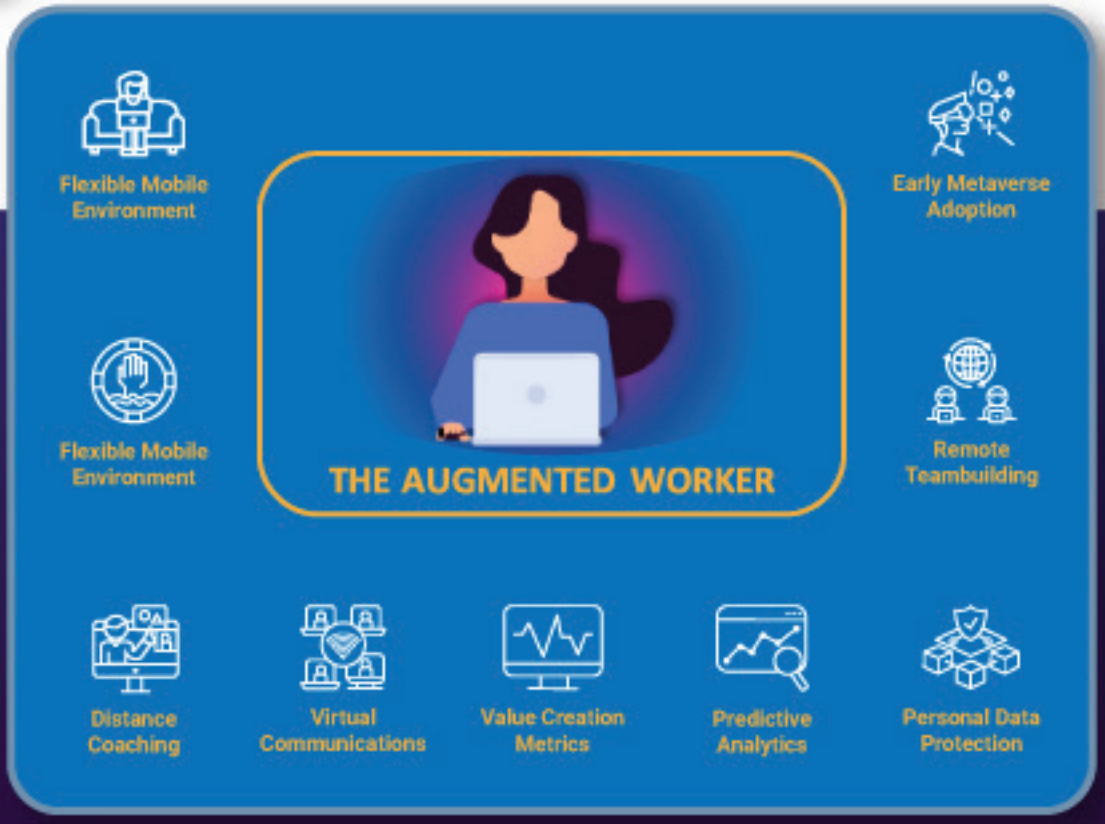

Figure 3. The Augmented Worker

The future employee work experience will be entirely different from that of earlier industrial revolutions. Skilled workers will be in high demand and therefore far more selective about their place of employment. They will demand and expect to receive extreme flexibility in their working arrangements. The movement towards remote and hybrid work will continue and centralized offices will have to adapt in order to become collaboration spaces for the purposes of knowledge transfer and organizational innovation.

Business Agility will assume prominence in every successful organization's culture, leadership, strategy, and governance. This is a sea change from the days when agility was the exclusive domain of information technology development groups. In the future, businesses that reduce organizational complexity and embrace agility will adapt faster, manage changing priorities, change course rapidly, and place an emphasis on the employee work experience. Rapid response teams will be used to relay quick, informative strategies that are designed to create value and quickly steer the company towards operational success through faster turnaround times, transparency, and higher employee engagement.

So what will it take to transform a rigid, complex and bureaucratic organization into an agile and adaptable business leader as the third wave evolves? Redesign to streamline hierarchical organizational structures – including roles, processes, rules and layers – and replacement of outdated technologies are two of the most obvious imperatives. After all, at the dawn of the 4IR, technologies were built for stability rather than agility. In the future, it will be essential for almost instantaneous changes to be implemented without any loss of business stability.

Organizations will use productivity technology to surround the augmented worker with new and exciting work experience possibilities, as the early metaverse, combining social media, augmented reality, virtual reality, and cryptocurrencies, will become ubiquitous and frictionless to access. Employee wellbeing, particularly healthcare, hygiene and safety, will receive far greater digital focus, while initiatives such as remote team building will assume new prominence as companies seek to use the digital workplace as a means to increase collaboration amongst hybrid workers. A seismic shift in work practices will continue to place emphasis on the development of digital distance coaching.

There are four key dimensions to employee experience modeling. These are talent cultivation, value creation, intelligent flexibility, and mobile metaverse:

- **Talent Cultivation**
  By implicitly understanding where value will be created in the organization as it moves forward, a company can pinpoint exactly where new talent or at the very least new skills are required. Yet despite the global reach of contemporary recruitment, talent today is considered to be the rarest resource of all. Digital skills for key roles will be in short supply as incumbents in traditional industries compete for scarce talent, even as tech companies expand. As institutional innovation evolves, companies will have to fight fiercely to attract and retain top quality talent in higher cognitive areas such as quantitative analysis and critical thinking, as well as advanced technological skills and business development. These roles will develop hand-in-hand with the scale and pace of technological disruption. Many companies will seek to fulfill these needs through internal initiatives rather than external recruitment.

  Human skills must be evaluated on the basis of whether or not the organization is properly equipped with the talent necessary to realize institutional innovation. If not, the organization must invest in its existing workforce's skills while also attracting and retaining the most appropriate new talent. While constant learning should be a core organizational expectation of employees, business leaders must also recognize that a strong sense of purpose, a meaningful employee experience, and the key

attributes of diversity, equity and inclusion must all be strategic priorities.

- **Value Creation**
  In his visionary book The Fifth Discipline: The Art and Practice of the Learning Organization, Peter Senge was the first to define systems thinking as a value creating discipline for seeing interrelationships rather than just "things" and for visualizing patterns of change rather than just snapshots.

  Unlocking innovation and value will be driven by multidimensional systematic thinking that views the business environment as a complex network in which everything is interconnected. As organizations begin to veer away from rigid job titles and start to assign more granular roles, creating value through interrelationships will become a key part of the employee experience. Workers will seek to distinguish themselves from increasingly powerful and adaptive technologies by adding new dimensions of creative thinking and problem-solving.

  The organization of the future will also seek to instill an effective value delivery system into the employee experience by targeting the exclusively human competencies workers want to develop and the organization most desires, whether these are allied to productivity, profitability, innovation or even effective team leadership.

- **Intelligent Flexibility**
  Allied with business agility, flexibility in the third wave will not simply be about giving workers permission to get work done on their own schedule, or boundaryless work arrangements, or work-life balance accommodations that are available upon request. The definition of flexibility in the future will reach far greater depths within the realm of the employee work experience, as it exemplifies the ability to make novel connections between emerging ideas and pragmatic solutions.

  Creativity, imagination, curiosity and empathy are qualities that will attain far greater prominence as flexibility becomes a focal point of the employee experience. The human capability of 'learning to learn' and being flexible about the way in which we learn is key to optimal decision-making. Flexible employees who can extract information about the structure of a complex environment and decipher what appear to be initially incomprehensible streams of information will excel as institutional innovation evolves. These are the individuals who will rapidly adapt to unexpected events and problem-solve to find an optimal solution.

- **Mobile Metaverse**
  While flexibility will be one key to attracting new talent on a global scale, mobility will be the key enabler and support mechanism for the hybrid or remote worker experience. Mobility in this sense can be defined as driving and enabling work from anywhere. By strategically aligning this to the operating model, it can leverage both data and technology while also fully utilizing people's capabilities, regardless of physical location.

  In concert with increased mobility, we will see the rapid development of what the science fiction writer Neal Stephenson once coined as the Metaverse. This is a confluence of technologies that facilitate remote work through virtual offices and powerful mobile applications. These will embrace the use of extended reality (XR) including virtual and augmented reality, and will facilitate the creation of virtual persona for collaborative purposes. These rapidly improving digital work technologies will only increase the number of people who will work at home without losing productivity. Enhanced by mobile, they will increase productivity to a point where many people would be more productive working in a digital environment than a physical one. Third wave organizations will need to align policies, processes and service delivery models to support this shift, as the mobile workforce becomes an integral part of the employee experience, in addition to enabling the business to integrate and deliver new and innovative business services faster. For example, bringing advanced data analytics into the mobility equation will facilitate the strategic decision-making process by consolidating data and information across business platforms. As mobility becomes cheaper, faster, and more convenient, it will lead to significant demand for jobs, thereby negating the attrition caused by automation.

LOGICAL DESIGN SOLUTIONS

Drags on Institutional Innovation

It's important that business leaders recognize and act when drags on realizing institutional innovation interfere with critical momentum. This means understanding the changing nature of customer and worker expectations by embracing technological change in a cognitive economy enabled by machines and algorithms. It also necessitates living and learning in organizations that cultivate the most valuable human capacities and engaging in broad stakeholder relationships that ensure a brand survives public scrutiny and delivers on societal obligations and environmental commitments.

Here are the top 10 drags on institutional innovation:

Leadership lacks the strategy to make bold moves

When risk aversion gets projected onto corporate strategy, a propensity for market-focused forecasts and timid actions is the outcome. In times of great uncertainty, avoidance of the downside is paramount for many leaders, which means that big strategic moves are rarely proposed, and even less frequently accepted. One tipping point that separates transformative leaders from those who cling on to industrial age 'command and control' practices is the failure to continually scale up innovative practices, ideas, and learnings. The ability to move from a far-sighted vision to setting a bold strategic course is paramount.

Food for Thought:
Successful leaders in the digital age have a clear business vision and a sound strategy in this new, dynamic marketplace. This is coupled with a sense of urgency to establish momentum, and the capacity to build leadership teams who can collaborate and drive substantive change. Future-sensing leaders make bold moves. They can imagine a future different than today and believe their role is to guide and inspire the organization to get there ahead of the competition, with the proverbial "wheels still on the bus", while crediting and celebrating their teams along the way.

Organizational Siloes

The impact of siloes can be devastating – literally putting the readiness of people and the viability of the organization in jeopardy. These are usually deeply embedded and operate far beyond obvious stovepipe ways of working. They build reliable but often unscalable tribal knowledge practices. They decrease social capital, favor insiders, create disorder, fuel bias, and complicate the decision-making process.

Food for Thought:
Digital remodeling means operational change across the entire end-to-end business, and the building of counter-siloes through horizontal bridges and capabilities that unleash human potential across functions.

LOGICAL DESIGN SOLUTIONS

Defense of the Status Quo

Thinly veiled transformation initiatives occur when an organization appears to commit wholeheartedly to the concept of change, yet when confronted with the disruptive reality, will revert to and even defend more ingrained ways of working. Cosmetic “changes on the fringe” may occur, but the traditional actions remain the same - a situation exacerbated by conflict avoidance, as well as by thin practices that do not inform transformational efforts. Regardless of cause, this type of bureaucracy is often deeply rooted and immoveable.

3

Food for Thought:
Excessive compliance and defense of the status quo in a rapidly evolving era of institutional innovation negatively impacts company culture, worker collaboration and customer satisfaction. Contemporary compliance measures must be far more adaptable, technology-driven and data rich, while human protagonists who challenge organizational norms must be given a platform on which to explain their view of the world. Over-financialized and proceduralized companies must retreat from demanding absolute compliance to industrial age frameworks and tap into the full cerebral capabilities of workers to realize sustained growth.

Workers don’t connect to New Value Creation

This occurs when workers aren’t understanding nor being guided to understand how their contributions -- individually and in teams -- connect to new value creation in new digital operating models. As a result, workers are not aligned to the value that the organization wishes to create now. This leads to cognitive overload, change fatigue, and workers feeling they can’t keep up. The company doesn’t have a systematic way to harness external resources and de-risk the environment that allows people and ideas to flourish.

4

Food for Thought:
Workers need to know the “why” and they need to understand how the new why affects their new work. Workers should participate in new work design. Companies must model new behaviors to demonstrate what good looks like. The latitude and room to explore and learn is critical.

LOGICAL DESIGN SOLUTIONS

Legacy Technology Drags on the Business Ecosystem

Inter-operable business ecosystems are foundational to digitalization and the new digital economy. Legacy information technology systems that linger too long in a cost-center financial model are the Achilles heel of business transformation. Organizations with legacy infrastructures need the same speed, agility, and economics that digital-native competitors exhibit in order to stay competitive.

Performance issues and lack of functionality are two of the more obvious signs of obsolete legacy technology. Yet there are other issues, such as overreliance, vulnerability, and high maintenance costs that detract from remodeling initiatives.

5

Food for Thought:
From the front-office – where new digital tends to be built first – to the back-office, where organizations tend to avoid replacing legacy systems due to cost and complexity, the entire value chain needs to deliver on customer and worker expectations without unnecessary roadblocks caused by an inability to power modern digital interactions. If legacy systems can't become integral to that objective, they need to be replaced.

Technology Changes but Work Practices Don't

Ingrained, non-aligned and rigid work practices are a constant barrier to transformative efforts, particularly in established organizations. Even the most innovative technological solutions are doomed to fail if chal-lenging long-held work practices is considered to be too time-consuming and difficult. This is a race digital age organizations cannot afford to lose. Adaptation of work practices involves rethinking how workers can use technology to collaborate and share critical knowledge.

6

Food for Thought:
Every work practice and process must be reviewed from a technological perspective. This includes consideration of new data sources as well as KPIs that align work practices with transformation initiatives. In this way, businesses can embrace new core digital capabilities and avoid a disruptive clash between outdated work practices and the rapid pace of change.

LOGICAL DESIGN SOLUTIONS

Undervaluing Momentum and Experimentation

Being excessively procedural often stems from an aversion to ambiguity and a concern about following any sort of unprescribed plan of action. Rules and procedures work well when the route ahead is clearly marked. However, these can also become bottlenecks and roadblocks when the value proposition is more subjective.

Food for Thought:
Future-sensing organizations that make their digital transformation initiatives purposeful also demonstrate the ability to deal with uncertainty, where momentum and experimentation are the alternatives to having a clear path forward.

Absence of Cognitive Diversity on Teams

Cognitive diversity may not be seen as essential in well-established companies, where the need to change may not be immediately apparent. The pre-existence of an established way of successfully doing business inhibits efforts to employ cognitive diversity as a transformational tool. Diversity of opinion clashes with the traditional "if it ain't broke" mindset. Over emphasizing one has the potential to undermine the other.

Food for Thought:
Cross-functional teams are foundational to successful projects of innovation, but these have to be more than a representative mix of people from different organizational entities. Cognitive diversity means exploring a range of mental models that include manifold ways of thinking as well as divergent personalities that can help organizations understand "what is" and how to cope with dynamic and complex business environments.

LOGICAL DESIGN SOLUTIONS

9 Inability to Balance Operational Excellence with Innovation

Over a quarter of a century ago, Treacy and Wiersema argued in their book "The Discipline of Market Leaders" that organizations need to focus on operational excellence, innovation or customer intimacy. Today, we are faced with a business domain where companies must excel at all three of these areas to succeed. Our contemporary failure to balance operational excellence with innovation excellence means that new technologies, new regulations, new business models and new start-ups will inevitably disrupt and render the original vision obsolete within a short time.

Food for Thought:
Organizations must embrace iterative learning processes, experimentation, and the building of new conceptual and physical models as part of digital transformation to achieve not just operational excellence, but also to leverage imaginative ideas on innovation.

10 Not Connecting Imagination to Growth

A mistake many organizations make today is not tapping into the full humanity of the people who work for them. Leveraging workers capacity for imaginative solutions to the problems encountered in any digital transformation effort is key to successful institutional innovation. We live in an era where the competitive advantage realized through even the most successful organizational transformation is short-lived.

Food for Thought:
Harnessing the collective ingenuity of an organization represents a totally different approach to transformational growth – one that brings institutional innovation to life. Imagination and creativity must be cultivated as a new normal. This means infusing a mental model of the company's purpose in the mind of every worker. Each human affiliated with the day-to-day operation of the business must see the purposeful value of their role in bringing this mental model into reality through the rules, protocols and processes that fulfill the overarching business strategy.

Summary

Designing the organization of the future starts with the work-place itself, which will continue to evolve as a hub that supports hybrid work even as companies determine where and how work will get done efficiently and effectively, while at the same time future-proofing technological support and strategizing on how to succeed in the race for exceptional talent.

We must redesign our organizations to build the new institutional model, and in so doing, we will design new human work and purpose, capable of surviving and thriving in the new economy where massive changes still lie ahead of us. We must also strive to bring an augmented employee experience into the 21st century. This includes engaging workers in work redesign, building an educational ecosystem to reskill and upskill the workforce, and fostering work environments that encourage and reward innovation and experimentation. We must enhance internal mobility and offer flexibility for workers to deal with family priorities. These are just a few of the worker policies and programs we're likely to prioritize, as engaging a decentralized workforce in a tight labor market continues to challenge business leadership.

Developing agile approaches that realize both scale and responsiveness will dovetail with sustainable business practices and the activation of new business models that funnel through the operating model to job/work design and to a fulfilling employee experience that embraces large scale digital business transformation, while at the same time cultivating the cultures, mindsets and behavioral changes necessary to succeed.

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