

# Reality HR: April Taggart on Organization Design

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**April Taggart is Vice President of Human Resources for the Bank of Montreal's 17,000 employee-strong Personal and Commercial Client Group.**

**They have been working on developing and implementing a world-class organization design, assisted by Capelle Associates, and drawing heavily on the theoretical foundations set down by famed management theorist Elliott Jaques.**

**HR.com spoke to Ms. Taggart about what they have done.**

HR.com: What business issue led you to review the design of the organization?

AT: It began with Rob Pearce, the President and CEO of the Personal and Commercial Client Group. Rob came from Electronic Banking Services-our MasterCard business-where he had dealt with a number of performance issues. In that role, he had inherited an assessment on the organizational design completed by Capelle Associates-something he describes as being "handed a gift". The report outlined the main issues and the things that needed to change to improve performance. His experience with this change led him to believe that getting the organization design right was the starting point for getting your business operating more effectively. Incidentally, that design was initiated in 1995, and is still operational.

HR.com: That's unusual; most people don't focus on organization design as a priority in a new job.

AT: Actually, I think that's often where new leaders start but they don't give it enough thought and end-up moving names around in boxes on an organization chart rather than really thinking through the right organization design to support

their strategy. Rob Pearce on the other hand really understands the hard work that is involved in re-designing an organization in a meaningful and sustainable way. One of the first things he realized coming into his new job heading up Personal and Commercial was the degree to which we had an inconsistent design across our branch system. Our organization had been evolving to focus more effectively on sales and relationship management, but it had evolved in different ways in different parts of the country. A key to our strategy was to create consistency. So drawing on the experience he had at MasterCard, Rob felt the right starting point was to build a consistent organization design foundation. He is a very committed leader, which as we know, is the number 1 ingredient for successful change.

HR.com: What did you do first?

AT: Rob had seen lots of organization redesign initiatives that did not work very effectively and he wanted to go with the organization re-design approach he'd seen work. He asked Capelle Associates to complete an assessment of the organization design and make recommendations on improvements.

Everyone who was a manager of people was interviewed, that's about 1,500 managers in our branch system, and these people gave input on over 10,000 positions across the country. Then they did an on-line survey of over 1,000 people.

HR.com: Were you assessing the skills of the managers?

AT: No, it was not an assessment of the people; it was an

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assessment of the roles. A key element of the organization assessment is looking at the "level of work" as measured by the time span of the longest task within a role. For example, a manager might be working on improving the effectiveness of a branch which is a task that spans about a year and is at a higher level than the day-to-day types of tasks assigned to a front-line role like a Customer Service Representative. Every role in the branch system was looked at, starting with the President and CEO's role. We looked at the level of work being done and the compensation being paid for that level of work, which gives you a sense of the effectiveness of the organization. You want to pay just the right amount to people to get the work done effectively-not too much, but not too little either.

The most important factor to get right in the organization design is the distance between the manager and the direct report. The research shows that there are distinct levels of work and that there are different levels of capability required to do each level of work. If managers aren't exactly one level higher than their direct reports, they are not adding optimal value to the work of those people.

Even if you haven't seen the theory and research, everybody can relate to the symptoms of having the distance in levels between manager and direct report wrong. People can talk about times in their career when they reported to someone with the same capability; it feels like your manager is always crowding you, and you don't have room to do your work. The other situation is where there is a gap and you are reporting to a manager whose complexity of work and capability is more than one level above you. The manager often describes the situation as a performance problem; he or she says, "This person doesn't initiate work. They require too much direction." The direct report says, "My boss doesn't seem to understand the stuff I'm talking about. I am not being provided with enough direction. I feel like I'm out here on my own."

enough work happening at higher levels.

HR.com: Was the time span measure the main piece of information collected or did you gather other data on the jobs?

AT: There was other data collected but the main measure is level of work. I've become a strong believer in the purity of that. It takes away a lot of confusion and clutter around getting the organizational alignment right.

HR.com: Once you received this assessment of the current state and related recommendations, what did you do next?

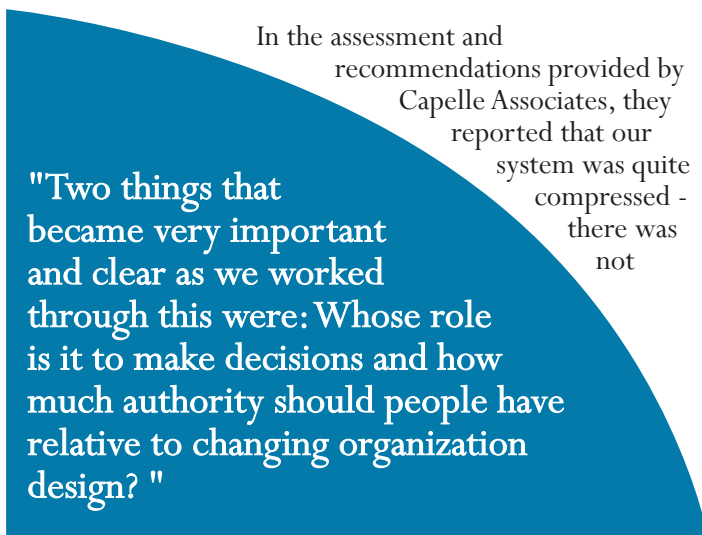
AT: We had a few important meetings with the management team to work through the recommendations that came from this study.

Two things that became very important and clear as we worked through this were: Whose role is it to make decisions and how much authority should people have relative to changing organization design? We tried to model this kind of clarity relative to authority in the early stages of this project and in this case, it was clear that Rob had the authority to make major decisions and hence, the rest of us were there to provide input. We had lots of good debates and discussions but we agreed to implement just about everything that Capelle Associates had recommended. Then we started into a year-long detailed design and testing phase figuring out the accountabilities and authorities for each role and the managerial system that would be required to support the design.

HR.com: Give me an example of a specific decision you made.

AT: In the branches, we discovered we had a level 1 or "stratum 1" in our language, jobs reporting to other level 1 jobs i.e. compression. For example, we had Customer Service Representatives reporting to Customer Service Managers and the work of both of these roles is primarily level 1 work. We had the same kind of compression at level 2. So we cleaned up that alignment, and now have customer service representatives and assistant branch managers (which are stratum 1 roles) reporting to the branch manager (stratum 2), who reports into an area manager (stratum 3), who reports to a district vice-president (stratum 4) who reports to a division head (stratum 5) who reports to Rob (stratum 6). So through this process, we have become a six-level organization, down from probably 9 or 10 levels.

A lot of organizations going through downsizing take out levels, but if they take out too many or the wrong ones that can be as ineffective and costly as having too many layers. So



In the assessment and recommendations provided by Capelle Associates, they reported that our system was quite compressed - there was not

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it's all about getting the right level or role set up to do the work you need to get done. It's not based on the latest fad but rather an analysis of the work and there is something about the work of an organization that is enduring.

We got these roles designed and went about implementing them in 1,000 branches. To do so we needed to have pretty clear prescribed limits around how implementation happens—we had a year-long, well-supported, well-designed implementation process where people at every level in the system were educated on; What is this change about? How is this important to your role? How does that change your role as a manager? What does that mean for the direct reports who report to you? All in all, it was a very effective change process.

HR.com: Once you got the roles in place, how did you match people to jobs?

AT: We looked at fit-to-role based on three factors. First, information process capability—basically someone's problem-solving ability. Secondly, we looked at the skilled knowledge, which is based on what other jobs people have done, the skills they have, whether they are credit-qualified, etc. The third thing looked at was what work they value, what work they like to do—sales, management, staff work, line work? Getting this clear picture on the dimensions against which we were making judgments on talent was another important part of the change.

HR.com: Did you run into any situations where you had too many people capable of doing say, level 3 work, and not enough jobs, or more level 3 jobs than people capable of doing that work?

AT: As it turned out we had very little displacement. We had roughly the right number of people at the right levels, with some gaps because we were creating a new branch manager role. We didn't change salaries or do a lot of dislocation. We saw this as a transition that was going to take a few years to fully implement. We wanted it to be a positive change for people. Wherever there were changes, we managed it very gradually.

One of the good things about this approach to organization design and matching people to roles is that it focuses on the optimal fit between the size of capability of an individual and the size of a role. Job stress can occur if someone's capability is above or below the level of the role. People are most comfortable working at the right level—not too high, nor too low. A lot of people are given the message that unless they aspire to move up, there's something wrong with them. But we stress that it is all about finding a fit to the kind of work you like doing and are good at doing. Capelle

Associates has done terrific research on the impact of this kind of work on organizations and the data shows improvement in employee satisfaction, financial performance and customer satisfaction. This is because when you get a good fit, the employees are both happy and productive.

HR.com: Have you done outcome measures on this project?

AT: Our employee opinion survey scores improved by about 10% last year, which is pretty significant. However, it improved right across the bank without necessarily the same focus on organization design. With a complex organization like this where you're focused on improving the organization in a number of different ways, it is difficult to attribute causality to any one factor. We are tracking our customer satisfaction scores and as the benefits of this organization change begin to take hold, we expect to see significant improvements in these scores. Our sales volumes have been improving as well.

So the health of our business is gradually improving, recognizing that we absorbed a ton of change. At the same time, we were implementing our new organization design, we were also rolling out a new technology platform. Having those two changes happening the same year was pretty significant.

HR.com: What's next for you?

AT: Getting that managerial spine set up properly and getting managers to be better managers was foundational to everything else we are doing. I don't think we realized at the time how smart it was to start with our management roles. Now that we have the management spine in place, we're working on two more pieces; aligning other parts of our system to these roles and continuing to refine our talent management processes. We have much more confidence about our judgments as managers know that we have a common framework by which to have conversations about the capabilities of our people. The language and clarity of language has been hugely helpful.

HR.com: Any lessons learned that you would share with your

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AT: Leadership commitment is the key. If you believe the data around organization effectiveness, most organizations are probably about 30% efficient. To improve on that slightly is hard but hugely significant. But it takes a lot of commitment to stick to it. Our commitment to the people in our business is that we're taking the time to do this right because we want this to be an organization design that will be in service for at least the next decade. We're in for the long haul. At this stage, three years into it, there's no going back.

This initiative has totally changed my perspective on the role I think HR needs to play and I've worked in HR on and off for 20 years. I now have real clarity on the boundaries of what our role should and shouldn't be and the importance of us supporting management and not stepping too far into managers' shoes. That's been an important personal lesson for me. There's big HR work to be done in supporting this kind of change, and getting the processes in place that allow effective organization design to be implemented well and sustained. But in supporting change, I am very clear about where my role and the role of my function stops and the role of management begins. The most important accountability of a manager is to know their people, manage their performance and develop their talent pool. Staying clear on the difference between a manager's accountability and HR's accountability has been an important ingredient in the success of this change.



About April Taggart

April Taggart has held a wide range of management, consulting and Training roles within BMO Financial Group since she joined the organization in 1977. She started her career in Operations and Treasury before moving into Human Resources as an Employee Relations Consultant. Working in HR Planning and Training, she managed a number of key projects and taught the Bank's Coaching for Performance Workshop. In 1993, she decided to move back into a line role to apply what she had learned in HR and took on the job of managing MasterCard's Customer Service Call Centre. Since returning to HR in 1996, April has consulted on a number of strategic initiatives and now leads the Human Resources group within Personal and Commercial Client Group.

Further information about organization design research and practice can be found at [www.capelleassociates.com](http://www.capelleassociates.com). If you have any questions about organization design, you can email Ron Capelle at [rcapelle@capelleassociates.com](mailto:rcapelle@capelleassociates.com).