



# A PRACTITIONER'S VIEW OF THE FUTURE OF ORGANIZATION DESIGN

## FUTURE TRENDS AND IMPLICATIONS FOR ROYAL DUTCH SHELL

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Humanity is facing an increasingly challenging outlook for energy needs and the planet. Royal Dutch Shell is a global group of energy and petrochemicals companies with approximately 100,000 employees in more than 80 countries that is committed to help meet the challenges of the new energy environment in a sustainable and responsible manner. My statement will present some of the future trends and possible implications which can be seen for organization design within Royal Dutch Shell (Shell) and which are applicable to other large, complex enterprises. It largely represents the personal views and reflections of a practitioner both inside and outside of Shell's human resources (HR) function in the United States. Using the lens of organization design, we will review the themes that emerged from the Shell Energy 2025 and Shell Energy 2050 global scenarios. Next, we will discuss Shell's previous experience, challenges, and issues related to organization design, and how the recent redesign of the HR function has provided wider space and crisper focus to meet the challenges of the future. Finally, we will review the design challenges that the future trends impose upon the organization design practice. Although these challenges and implications are derived from experience working in Shell and its joint ventures, they are not confined solely to Shell. Because many of the challenges discussed below would benefit from scholarly research, the statement represents a practitioner's view on how the future of organization design may play out.

### A VIEW OF THE FUTURE BASED ON SHELL'S ENERGY 2025 AND 2050 GLOBAL SCENARIOS

Shell uses global scenarios to cast light on the context in which it operates, to identify emerging challenges, and to foster adaptability to change. These scenarios are made in cooperation with external experts and Shell colleagues to share best understanding of what the future holds. The scenarios are used to help review and assess strategy against a range of possible developments over the long term and to think broadly about the future. The most recent scenario, Shell Energy 2050, offers alternative ways the future may develop. Overall, the company's view is that the world can no longer avoid three hard truths about energy supply and demand: there will be a step-change increase in energy use; supply will struggle to keep pace with demand; and environmental stresses are increasing.

It's easy to expect that the world's energy system a century from now will be very different from that of today. But how will the inevitable transitions emerge over the next decades? Shell uses scenario development to identify themes that will impact the business, including the discipline of organization design. Shell Energy 2050 relied on three key questions: What

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are the most significant factors that will influence the business environment, and how might they differ from today? What might those factors suggest with regard to the need for changed organization design elements to effectively respond to them? What could we be doing to help prepare for, or shape, the times ahead?

A review of Shell's scenarios with these three questions in mind led to eight major themes relevant to organization design which need to be addressed:

1. *Globalization continues*: The Company's global footprint must be carefully designed and managed.
2. *Sustainable development is valued*: Helping meet the world's growing energy needs in economically, environmentally, and socially responsible ways.
3. *The energy system will operate with increasing tension*: Demand for more energy and less carbon dioxide.
4. *Corporate reputation is re-emerging as a significant economic value*: Out of the ashes of the Enron debacle, the great financial crisis, and the British Petroleum incident, corporate reputation will be a competitive advantage.
5. *Demand for transparency and accountability will intensify*: With social media and changing norms, transparency and honoring business principles are a must.
6. *The role of the State will increase*: Governments will place more emphasis than ever on balancing efficiency to achieve low-cost energy supply, security to meet that supply, and supporting social cohesion.
7. *A global regulatory context will develop*: Global companies will argue for clear, harmonized international policies as a way to avoid inefficiencies and uncertainties that result from a patchwork of local and national regulations.
8. *There will be fierce competition for talent*: With the rapid growth of emerging markets, especially in East Asia and Africa, and crew changes in more developed countries, companies will be competing for top talent in global markets.

## **HOW SHELL IN THE UNITED STATES TRADITIONALLY HAS DEALT WITH ORGANIZATION DESIGN**

Initially, Shell's organization design approach was heavily influenced by the experiences of Proctor & Gamble. Shell brought in expertise from Proctor & Gamble and other companies with mature, established practice areas; adapted proven methodologies; and transplanted these for the fit-for-purpose design of green field operations in mining, chemicals, and exploration and production industries. Unlike the green field design projects, however, most of the brown field design projects tended to be driven by structure, system, or process agendas. In these instances, strategy and the external environment were not driving forces. During this period, Shell's governance was country- and business-based, and business units were largely self-sufficient and had local accountability and autonomy.

For many years, issues related to organization design primarily were dealt with by the Organization Effectiveness (OE) practice area. The OE practice area was operated as a separate structure outside of HR and was strongly influenced by socio-technical systems thinking and by the individual practitioner's approach to design and change. Each business unit tended to have its own dedicated OE and change specialists. During major transformations, those resources were sometimes expanded to as many as fifty people sitting in a transition structure to support a design and change life cycle. The desired "future culture" was typically not built into the design, as it was seen as soft and esoteric; nor was the engagement process sufficiently robust to support the organizational changes. Due to all of these factors, "designs" were often driven by the personal energy of a leader. These leaders tended to have the "answers in their minds" rather than basing solutions on a thorough diagnosis or the open systems step of externalization. This resulted in current designs often being tweaked rather than aiming for a more fundamental redesign. This also meant that designs were driven "inside out" rather than "outside in" and therefore often missed the customer input and a strategic intent at the beginning of brown field projects. Leader and resource energy ebbed after conceptual design, as a "hurry up" mentality often would short-circuit detailed design discussions, thereby sub-optimizing the overall outcome.

## **STRATEGIC ORGANIZATION DESIGN IS NOW A PRIMARY HR CAPABILITY**

Clearly, Shell needed a more strategic and externally oriented organization design capability to meet its future challenges, including ensuring that people strategies, systems, and programs are aligned with business objectives. A recent major redesign of the HR function separated HR into Business HR and HR Operations. This model extended Business HR into the space of organization design, talent management, and business consultation, while allowing HR Operations to focus primarily on achieving operational excellence in delivery and expertise in HR acumen. With this increased capacity and expanded focus, Shell's Business HR is now much better positioned to contribute to improved business decisions, business leader development, and overall company performance through diagnosis, solutions, and advice. In the future, senior Business HR leaders will have primary responsibility for conducting organization design and/or serve as the interface for outside consultants (organizational development, organizational design, etc.). In addition, senior Business HR leaders will be able to integrate organization design with talent management.

## **FUTURE TRENDS AND IMPLICATIONS FOR ORGANIZATION DESIGN**

With organization design capability now residing within Shell's HR function, eight major implications, all of which will have to be dealt with, can be derived from the future themes identified above:

1. *Given that the HR function is seen as strategic and extends its scope and governance to include organization design:*
  - Business HR's role will expand to include organization design as a core competency area, particularly at senior management levels.
  - The Senior HR VP will be the access point for external consultants, not the Senior Business Leader or CEO.
  - The organization design discipline will sit within HR, with a few consulting experts in a Center of Excellence that is the owner of the intellectual property.
2. *Given the increased level of competition for talent, talent management and organization design processes will be intertwined to ensure the necessary leadership and resources for the Company:*
  - The process is iterative, taking into account the strength of existing and "bench" leadership. Leadership readiness will factor into design decisions.
  - Talent management implications will be incorporated up-front into the company's organization and managed as an integrated project program.
  - Organization design will need to focus on increasing capacity of existing resources as an additional strategy to meet resource demands of the business.
  - Implementation planning will need to allow for external resourcing and/or talent movement.
3. *Given the competition for talent, including the need for attraction and retention, a focus on generational differences, as well as reward systems and cultural attributes, will require more attention in design and change efforts:*
  - With HR having more direct ownership of the design process, there will be more openness to addressing reward and people systems.
  - The design process must fully accommodate multiple diverse cultures, particularly where it impacts the degree of open participation.
  - The impact of external regulations and expectations on reward systems at all levels, especially at senior levels, will be assessed.
4. *Given the need for sustainability, design processes themselves must be more sustainable, organic, and ongoing, and less mechanistic and short term, with assurances built into the processes:*
  - Overall, the design process will be sequenced and extended, no longer seen as fast-cycle and dedicated to individual projects.

- Action learning and engagement will be incorporated to ensure alignment and ownership.
  - Continuity and tenure of designers and key leaders will be assured so that design outcomes are achieved.
  - Diagnostic skills will be a critical development area for HR leaders and internal practitioners.
  - Capacity to focus on detailed design and considerations at the individual level will be increased.
  - At the outset of projects, the design process will consider the desired culture as a conscious outcome.
5. *Given the need to externalize, including increased use of stakeholder management, there will be more up-front external involvement and ongoing participation in the design process:*
- There will be more focus on setting and clarifying business strategies and objectives, and understanding their implications for organization design.
  - There will be more focus on identifying and planning for external impacts on the system of interest.
  - Large conference design approaches will be favored to ensure that engagement occurs both within and outside of the organization. This will extend the design cycle time but will also create better solutions with more ownership and enhanced implementation.
6. *Given increasing globalization, including new governance demands and the need for more standardization, some organization design projects will be owned at the global rather than local level:*
- Global standard operating models will apply in certain areas, and design will allow for less variation and choice locally.
  - The contract for design will be managed at the global level and will shift the access point from local to global leaders.
  - Change management approaches will be standardized, with some “fit-for-purpose” tailoring to accommodate local context and culture.
  - Implementation timing will be geared to global requirements (e.g., European Staff Councils).
7. *Given the more complex regulatory context and the value placed on corporate reputation, there will be a clear emphasis placed on creating the requisite levels of assurance and compliance:*
- Decision authority and segregation, as well as assurance, will take on a more important role in the design process. Indeed, defining the critical level of assurance will be a pivot point for design.
  - The value of assurance will be an important stage-gate step of the design and will be built into the design process.
  - Design experts will need to be able to find the right balance of speed and individual accountability with appropriate levels of assurance and risk management.
  - In the design of structure, governance will be strengthened and seen as an important risk management tool.
8. *Given the demand for transparency, and the speed and sophistication of social media, expectations for early and honest engagement with all stakeholders will intensify and must be built into the design and change process:*
- The role of communications, including choice of appropriate channels, will take front seat in the design process.
  - The role of leaders will be heavily impacted and require very different engagement, advocacy, and personal mastery skills.
  - Leaders will need to commit more time to build shared vision and alignment.
  - The process needs to ensure a rhythm of communication and engagement.
  - Change management processes will require more sophisticated sensing mechanisms and monitoring.

## **CONCLUSION**

To meet the future, Shell is currently planning for a world of increased transparency, sustainability, and regulatory requirements, along with the need for complex stakeholder relationship management and fierce competition for talent. The company has already taken important initiatives, such as the reorganization of its HR function, to be better positioned in the future. A number of important design problems remain unsolved, however, including issues that extend well beyond Shell's control and that require more collaborative research and effort. We hope that this statement will help the design community prepare for, and shape, responsible participation in organization design of the future.

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