NEXT GEN CORP

We want to speed up decision-making. Silo thinking and traditional hierarchies drive us crazy. The megatrend digitalization and the VUCA world demand a fundamental rethinking of corporate organization.

STERN STEWART RESEARCH #68

Executive Summary

We do not just want to keep up, we want to win. Win against the established competition and against start-ups and the Valley. We want to increase decision speed. Silo thinking and traditional hierarchies drive us crazy. Cost-efficiency remains on the agenda and we consistently apply new, digital technologies. We have to get employees on board and offer them new development paths. The megatrend digitalization and our VUCA world demand a fundamental rethinking of the organization of a corporate organisation.

But how to do it? We should begin to transform our entire company into a Next Generation Corporation (NextGenCorp). An organization consisting of a platform, project swarm and a radically new plexus. We believe both together are possible: flexibility and entrepreneurial freedom while at the same time realizing best practices and scaling economies.

We first separate the platform and the project swarm and then align both towards a common goal in the entrepreneurial plexus. We organize the platform by processes and digitalize it proactively. We eliminate bureaucracy and hierarchies through a swarm of projects. We give the entrepreneurs in the company the freedom to use the platform and mandate the swarm. We believe in a revolutionary and holistic target picture and a flexible roadmap for implementation.
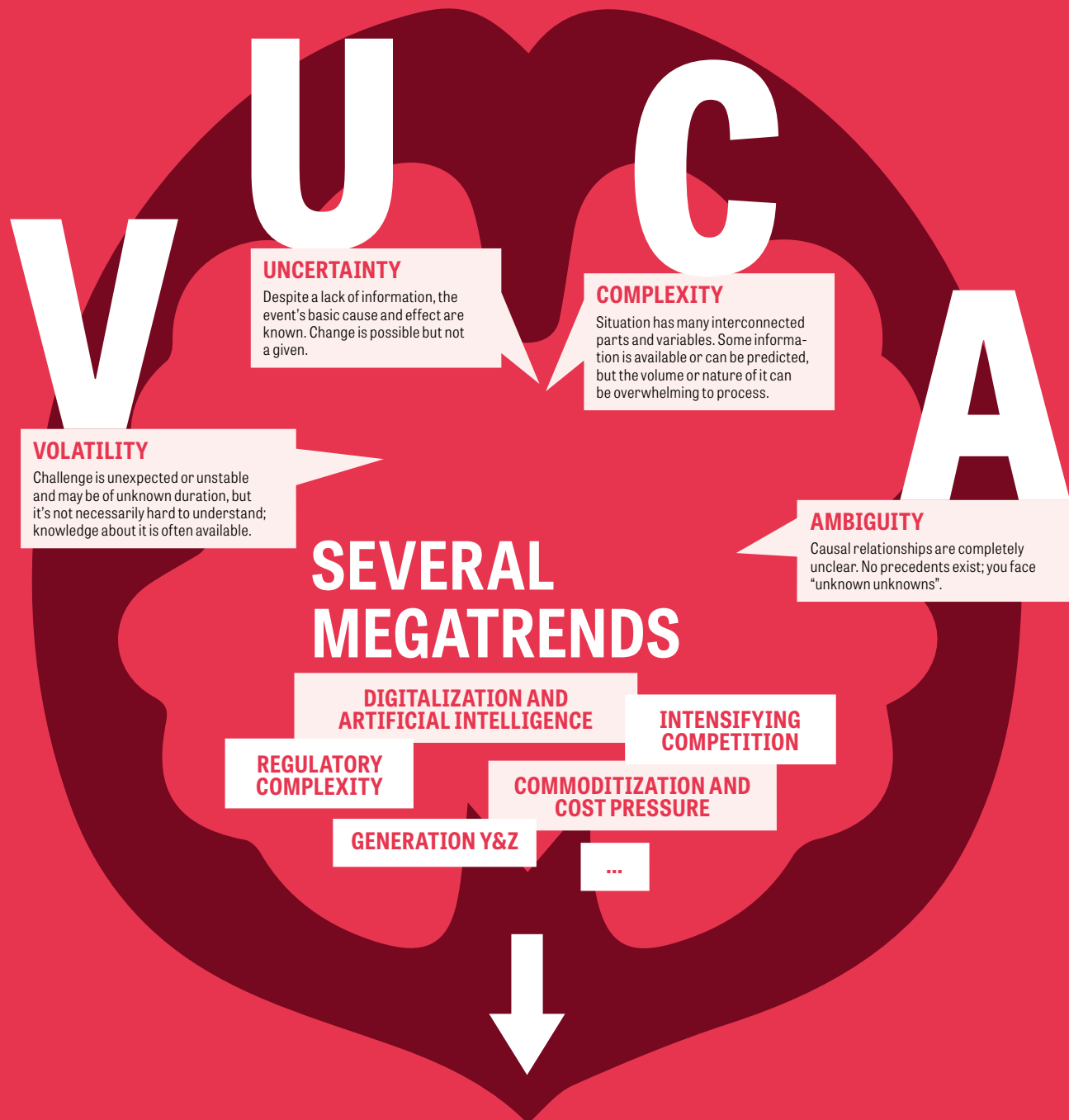
1.
The Imperative

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Digitalization and VUCA

Out of a sudden, what was considered true for decades does no longer apply. Like no other megatrend, digitalization drives Volatility, Uncertainty, Complexity and Ambiguity (VUCA). Even if one considers the own company to be comparatively safe: change and disruption come suddenly, forcefully and radically. **Welcome to the VUCA world!**

There have always been changes – but is the dimension different this time? How can historically grown functional silos be overcome? What is the value of traditional hierarchies, boxes and lines in the future? How can endless reconciliation and decision-making processes be accelerated? And how can the loss of valuable personnel be avoided given everyday frustration, lack of perspectives and organizational inflexibility? **The impact of VUCA fundamentally challenges existing leadership and organizational models.**

In addition, competitors are attacking with their "specific" organizational and leadership model: companies like Tesla through a strong "corporate purpose" and the power of vision, Spotify through the maximum agility of a decentralized swarm, AirBnB with process digitalization and maximum scaling or Apple with a strong focus on the ecosystem "customer". **Competition comes from all directions.**

Starting point: Current challenges of corporates in a nutshell

VUCA

UNCERTAINTY
Despite a lack of information, the event's basic cause and effect are known. Change is possible but not a given.

COMPLEXITY
Situation has many interconnected parts and variables. Some information is available or can be predicted, but the volume or nature of it can be overwhelming to process.

VOLATILITY
Challenge is unexpected or unstable and may be of unknown duration, but it's not necessarily hard to understand; knowledge about it is often available.

AMBIGUITY
Causal relationships are completely unclear. No precedents exist; you face "unknown unknowns".

SEVERAL MEGATRENDS

DIGITALIZATION AND ARTIFICIAL INTELLIGENCE

INTENSIFYING COMPETITION

REGULATORY COMPLEXITY

COMMODITIZATION AND COST PRESSURE

GENERATION Y&Z

...

Business Implications

MANAGEMENT	STRUCTURES	PROCESSES	EMPLOYEES	CULTURE
...**improve speed** of decision-making!	...**redefine** traditional **hierarchy**!	... **reduce bureaucracy!**	...**dissolve** functional **silos and** traditional **boxes**!	...strengthen **entrepreneurial** culture
...master **increased** business **complexity**	...**dare for open innovation & access** outside knowledge!	... **transform to AI readiness**	...**adapt leadership & working models**	...require and reward **decentral decision making**

You cannot escape megatrends. You have to learn to master and use them to your own advantage. Not reactive in answers and not one-dimensional in solutions. A bit of digital lab and accelerator structures here, a trip to the Silicon Valley and the abolition of ties there will certainly not be enough. It will not be enough to change only a fraction of the organization under laboratory conditions. And it will not be enough to deal with the mass of issues and challenges sequentially. What is missing is a target picture for the organizational and leadership model of the future. **A holistic management approach that provides a lean and entrepreneurial management structure – integrating the two completely opposing elements "stability" and "flexibility".**

The simultaneity of "stability" AND "flexibility" is the code: anyone who decrypts it will be able to survive in the competition. For this, fearlessness and the will to fundamentally rethink organization and leadership is necessary.

Welcome to
NextGenCorp!

2.
The Target Picture

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Platform, project swarm and plexus

2.1   The basic logic

The leadership model of our Next Generation Corporation prepares organizations to face the future with the necessary flexibility without sacrificing the advantages of stability, reliability and control. It is not merely about individual functions or the corporate center alone. It covers the entire value chain, the go-to-market with business segments as well as every administrative function. **It is all about the company as a whole.**

NextGenCorp consists of three elements: the platform, the project swarm, and the plexus. Standard and routine tasks include for example mass distribution, catalog shopping, plant logistics, quality assurance, accounting or payroll accounting are assigned to the platform. Everything that is "non-standard", diffuse and temporary, and works according to project logics is incorporated into the project swarm. We are talking about more than just the typical application areas such as software development or the design of new business models. In the go-to-market the project swarm for example takes care of the acquisition of complex customer orders, engineering of components or testing of new product ideas. With regards to support functions it deals with e.g. strategic supplier selection or the implementation of new external requirements and regulations. The aggressiveness of this separation defines the agility in the company and the realization of economies of scale. **The platform and project swarms separate stability and flexibility from an organizational standpoint.**

Who then defines concrete business models and strategies? Who creates the framework for faster decision-making? Who takes care of the effective interaction of these completely different worlds? **The entrepreneurial plexus controls the platform and project swarms with specific instruments and aligns them with the company goal.**

The "NextGenCorp" approach
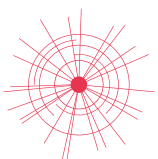
PLEXUS
*Aligning the pieces
on a common goal*

Giving the staff a **common meaning, culture and leadership**

Providing a **clearer and simplified management structure and governance**

Defining hurdles for **self-control** and delegation of **decision power**

PLATFORM
*Stable, structured
and highly efficient*

Highly **structured and standardized process organization**

Deployment of greatest possible **robotics / artificial intelligence**

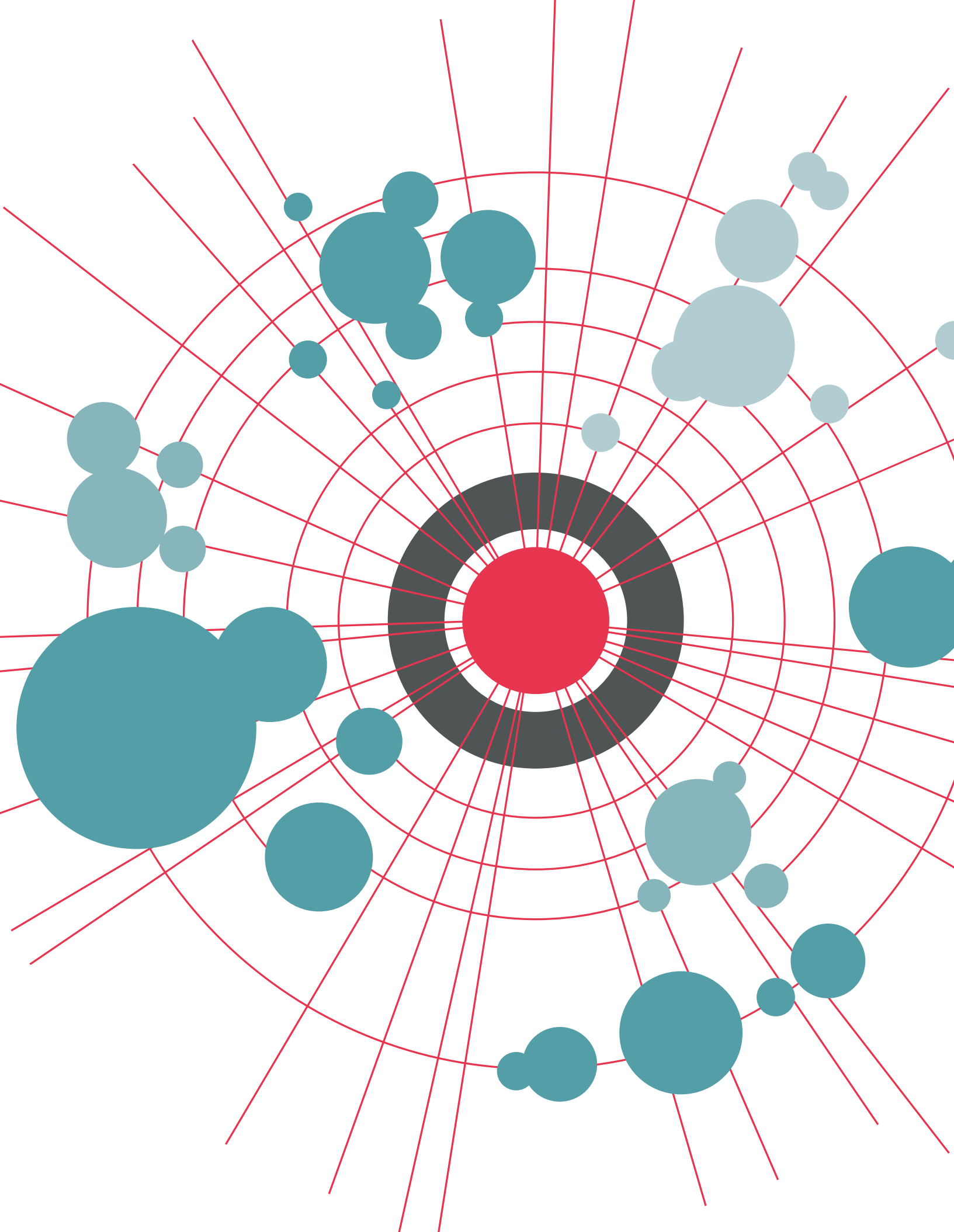**Leveraging scale, scope, skills and speed**

PROJECT SWARM
*Agile project and
network organization*

Residence of agility, flexibility and adaption

For **complex, temporary, innovative and diffuse** solution approaches

Agile crowd, self-control and open source principle

2.2 The platform

The platform is the part of the organization that is responsible for the implementation of all standard processes within the company. It ensures **stability and reliability** in the value chain. Based on our project experience, two aspects are important:

The platform serves the customer – both externally and internally and focuses on processes. On the one hand, this includes classic support processes such as "purchase-to-pay", "order-to-cash" or "hire-to-retire". On the other hand, it also includes business processes such as "idea-to-market", "market-to-opportunity" or "design-to-deliver". The process orientation in the platform makes sense because typically the most important interface potentials are lost due to functional silos. The process orientation is possible because the "non-standard" tasks are incorporated in the swarm organization. But platform does not mean "centralization". Naturally, there may exist different process features for each business model (e.g. product business, solution business or services). **The platform should be organized consistently through end-to-end processes.**

Digitalization will fundamentally change companies from within their core. This is not a question of "if", but a question of "when". Once there is a stable and scalable application, it will successively transform the platform. This is already the case for most of the transactional activities and will also increasingly be used for know-how-based processes. The pro-active digitalization of end-to-end processes via Artificial Intelligence is a core task of the platform in the NextGenCorp. Often, the advantages of nearshoring or offshoring activities are reversed through AI. The emerging counter-movement in the sense of "reshoring" is already clearly visible. **In the platform, digitalization will increasingly replace humans.**

2.3 The project swarm

The project swarm organization is the part of NextGenCorp, which executes complex, diffuse and temporary tasks that are becoming increasingly important for succeeding in a VUCA world. In many companies, the project swarm is a term used in IT projects or in the development of new products. We significantly extend the underlying logic in the NextGenCorp. In a medium-term target picture, we are not only talking about 10% of the organization. An even more significant part of the activities can be organized in a project structure, depending on the business model logic and agility. **Project tasks and resources are taken out of the administrative functions and go-to-market units and then merged into a new structure.**

Is chaos inevitable? Of course, the project swarm is the essential anchor of flexibility and adaptability in the company. By delegating responsibility and decision-making authorities, powerful teams emerge that are able to develop solutions quickly and largely autonomously. Our experience shows that the swarm needs a clearly defined structure and orientation precisely for this reason. By applying the management instrument "mandate", we set the target, steer resources and decision-making processes for a swarm project. The connection and integration of the best external know-how for specific projects is carefully

Konstantin Wrona
Partner

The project swarm must breathe in size and content over time. The steering of the swarm is as important as the steering in the platform – it only follows different logics.

controlled – ultimately in a targeted "open garden" approach for the entire company. **There-fore, control and leadership in the project swarm is as important as in the platform, it only follows different logics.**

What does this mean for demand and supply in the swarm? In the NextGenCorp, "over- and undercapacities" are actively controlled for individual competencies of the swarm. Resources of the platform that are freed due to digitalization can be partially absorbed in the swarm organization using targeted employee development. However, fundamental new logics in employment will be inevitable and new forms of employment contracts will have to be developed. Where labor law does not have the necessary flexibility, project swarms will move to other locations. **The project swarm must be able to breathe through time in size and content.**

2.4   The plexus

The plexus is at the core of entrepreneurial decisions and leadership in the NextGenCorp.

How does leadership in the platform and in the project swarm work? A platform team in the production line is controlled differently than a project swarm responsible for the introduc-tion of a new product line. Within the platform, it is important to continue to focus on clear (but few!) hierarchies and structures, fast escalation rules, or zero-failure-tolerance in process execution. In contrast, the swarm organization is much more based on principles such as self-control, acceptance to fail or team-based decision-making. **The leadership models of the platform and the project swarm must be completely different.**

We all want to speed up decision-making processes and implement structural changes quickly. Thus, multi-dimensional matrix organizations are to be simplified considerably. Instead of equality of function AND process the focus will shift to the latter. Depending on the business logic, equality of country and segment will focus on either one or the other. Well-intentioned but complicated RACI logics (Responsible, Accountable, Consulted, Informed) for single activities transform into a manageable "LoA structure" for core decisions (LoA = Limits of Authority: who decides and who is told). This can reduce the number of handover points and define decision-making rights more clearly. Intermediate management levels are significantly streamlined and the management and connection of

portfolio units is as direct as possible. We believe in the impact of a much greater span of control in the future. **The NextGenCorp is characterized by a simpler accountability structure and faster decision-making processes.**

The plexus defines the strategic orientation and the structure of the swarm. It mandates projects and decides on resources and staffing. It is bold enough to pull the "plug" and revise decisions given a different context. It ensures a rapid multiplication of successful project results in the entire company. **The plexus is responsible for steering and controlling of the project swarm.**

What does this mean for people management? Several studies have shown that the majority of employees are dissatisfied and frustrated with their current role and tasks in the company. Thus, the NextGenCorp's plexus must deliver convincing solutions. Ranging from clearer roles and accurate work models to other forms of feedback & performance assessment to completely new career and development models for employees. The common ground is a completely new management philosophy: participation, "servant leading", short links, role model function. These skills have to be learned. Leadership will not be simpler, but more complex and multifaceted. **As a consequence, a broad transformation and development program for executives is crucial.**

2.5   An example: "consistently separate and reintegrate"

How do you determine which elements of the current organization are part of the platform and which are part of the project swarm? How can the new structure look like? The following example illustrates the solution for an industrial company. The separation is carried out for each function, country and business unit according to defined criteria in order to ensure factual orientation and uniformity of the procedure.

Typical criteria for the allocation to the platform are, e.g. standardizability, stability, repetitiveness, scalability, efficiency focus or the availability of digitalization options. Digitalization allows to map even routines that are more complex or algorithms over the platform such as the implementation of internal controls, tax consulting or the implementation of simulation and forecasting processes.

What are typical criteria for the transformation into the swarm organization? Above all, the temporary character of the task, indistinct structure, high number or complexity of interfaces, high personnel intensity or a difficult-to-define solution space.

The application of these criteria quickly results in a first target picture. The most important company-specific influencing factors are the type and heterogeneity of the business, the regional structure, the disruption intensity or the maturity of digitalization. Logically, the breakdown for classical G&A functions looks different compared to technical or operational areas.

The plexus also has some own resources for the overall control of the company and project swarms, individual portfolio units and end-to-end platform processes.

Our experience shows that a company should start with core tasks of each function or business unit followed by a more detailed differentiation down to activity level.

UNITS	CORE UNITS	BUSINESSES		REGIONS		...
		DIVISION 1	DIVISION ...	COUNTRY 1	COUNTRY ...	...
Management						
R&D & Innovation						
Product management						
Engineering						
Procurement						
Logistics / SCM						
Production						
Sales						
Marketing / Communication						
Strategy & M&A						
HR						
IT						
Accounting & Controlling						
Legal & Tax						
...						

Legend:
- Plexus
- Platform
- Project Swarm
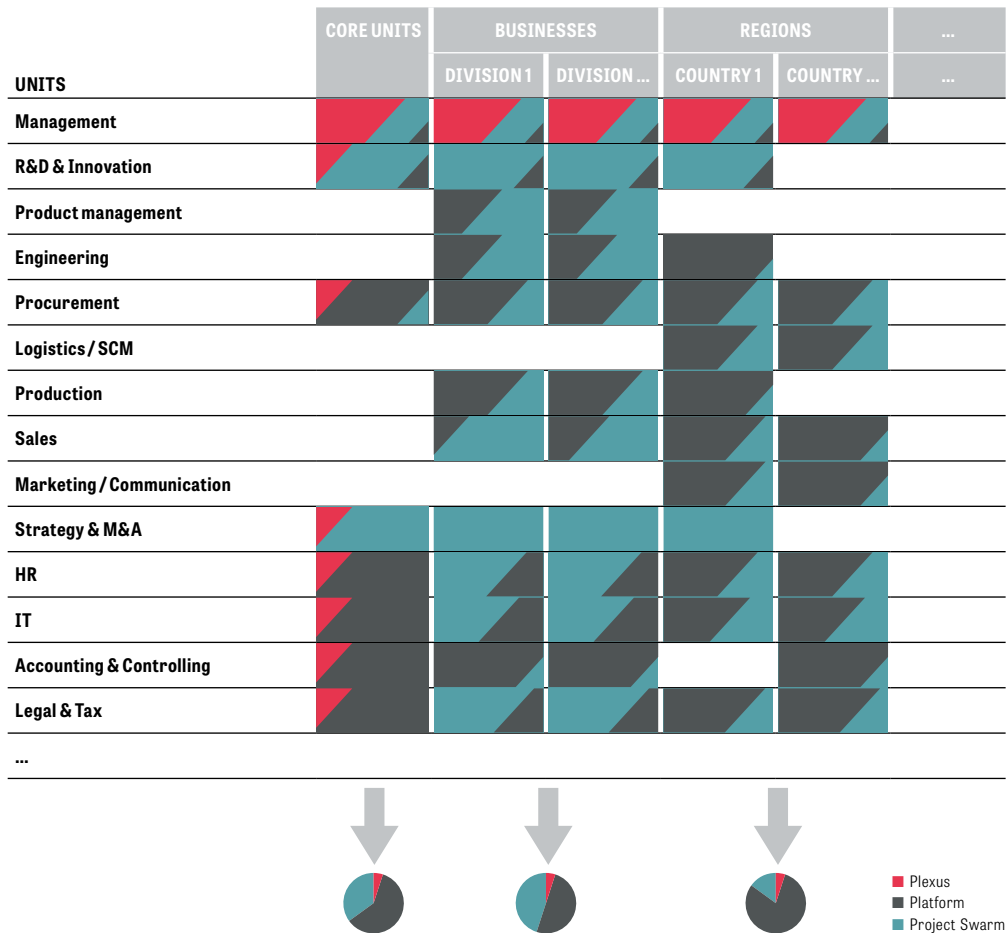
In a second step, structuring of the new NextGenCorp will take place. The platform resources are brought together in a model consisting of few real end-to-end processes (business and support processes). The project swarm is structured according to content and is either linked to the overall company or to individual portfolio units.

The implementation of this target picture is a leap forward in development from opposite directions, for centrally managed and more decentralized companies respectively. For centralized structures, it implies to become simpler and more flexible by outsourcing projects. For more decentralized structures, it does mean not to establish functional ivory towers that are typical for multicorporate enterprises. The entrepreneurial flexibility and decision-making power is retained, while at the same time making better use of economies of scale from stable processes.

Example for a potential NextGen target picture

GROUP

10 CORE PROCESSES OF THE PLATFORM

1. Strategy-to-Portfolio
2. Product-to-Customer
3. Purchase-to-Pay
4. Demand-to-Fulfill
5. Order-to-Cash
6. Return-to-Refund
7. Finance-to-Manage
8. Invest-to-Divest
9. Transaction-to-Report
10. Hire-to-Retire

DIVISION 1

DIVISION 2

DIVISION 3

DIVISION 4

E-mobility

Smart home

Industry 4.0

SEGMENTS / COUNTRIES
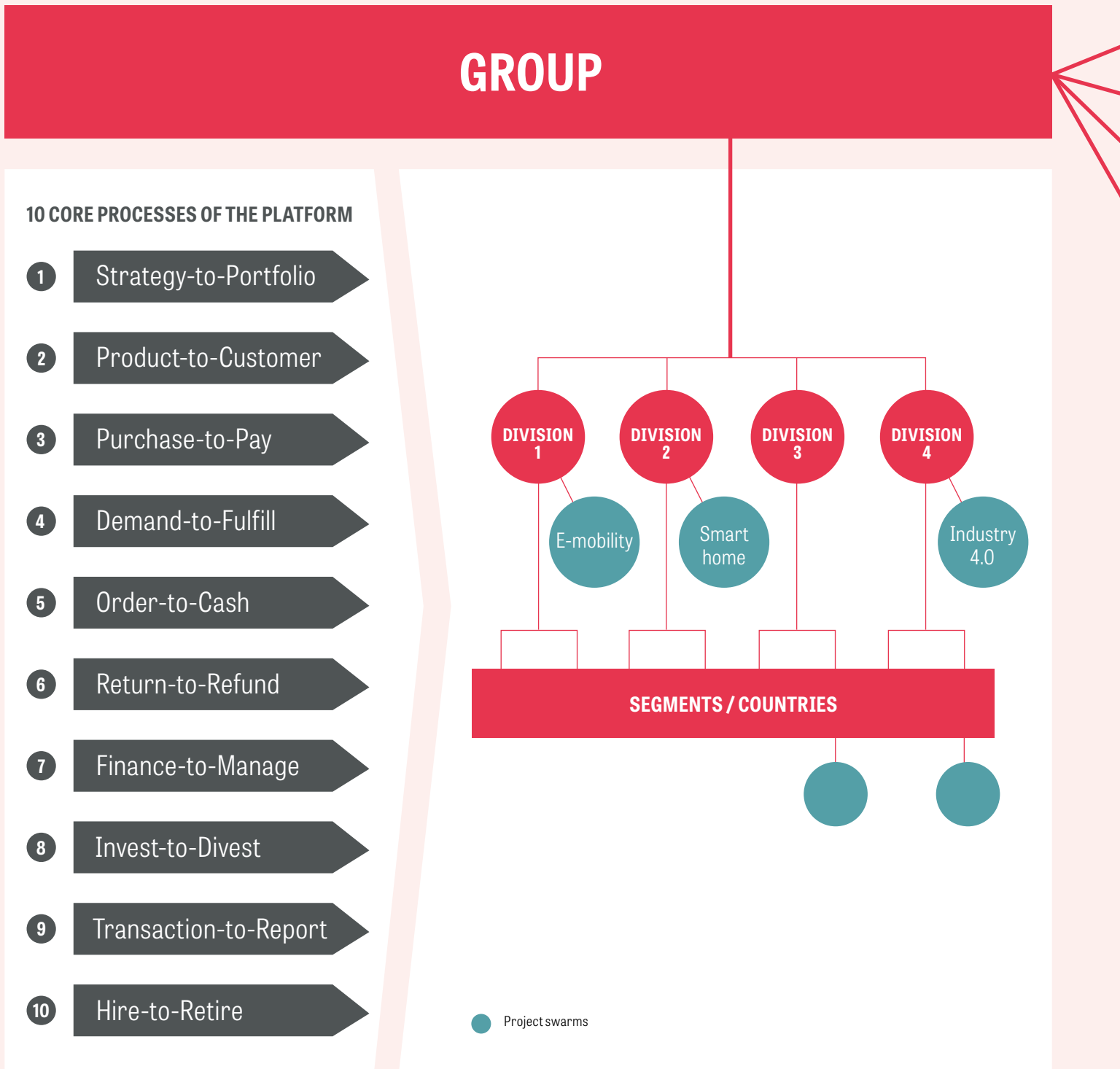
Project swarms

Big data / analytics

Admin excellence

Cross-divisional solutions

Customer Journey

Swarm projects on different organizational hierarchies possible (central vs. decentral)

SWARM COMPOSITION CHANGES OVER TIME IN TERMS OF SIZE & CONTENT

Resources

Time

2017   2020   2025

Content of the swarm includes:

- Hypotheses testing
- Analytics modeling
- Data engineers
- IT system architects
- Project management
- ☐ ...
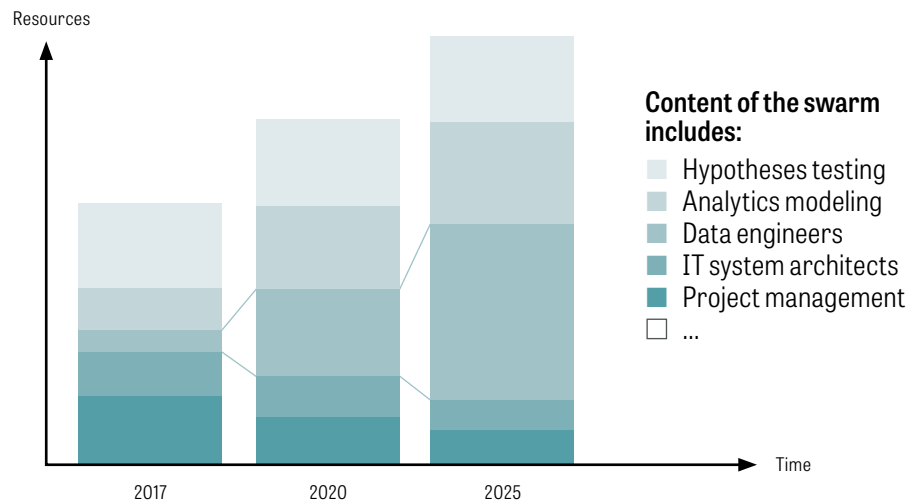
SWARM APPLIES OPEN GARDEN PRINCIPLES

Companies

Experts

OPEN GARDEN

Platforms

Academic institutions

Analytics boutiques
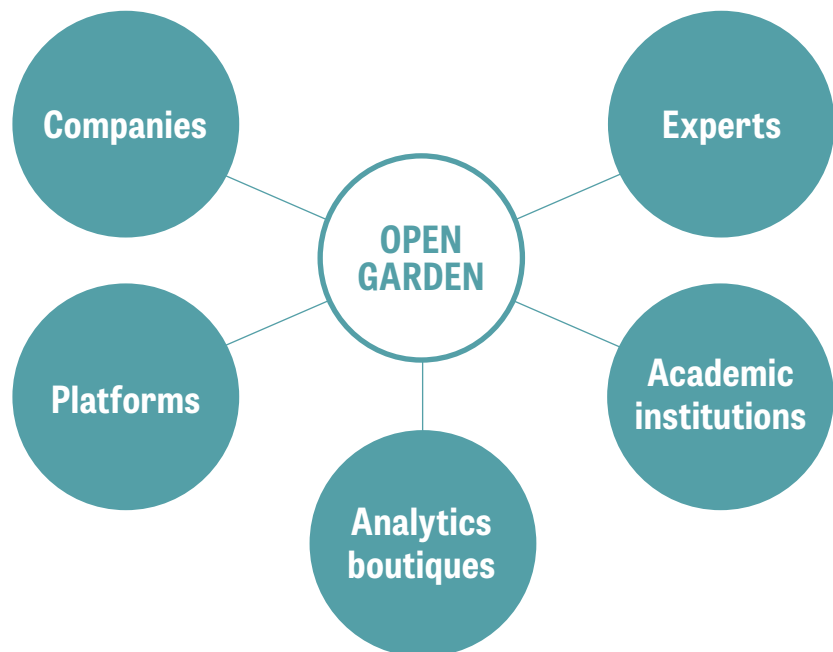
The NextGenCorp is the next step in developing the organizational structure. If in the past entrepreneurs in the company were "relieved" of classic support functions, the entrepreneurs are now "liberated" from everything that does not have to be directly and permanently accessible for the success of the business model. They take advantage of the stable platform and utilize the flexibility, greater momentum and deeper competence of the overarching swarm. The plexus allows them to regain lost entrepreneurial freedom, speed, and direct business responsibility.

In the following, we describe the three core elements of NextGenCorp in more detail in terms of type and characteristics and show examples as well as recommendations for pragmatic implementation.

Gerhard Nenning
Senior Partner

The implementation of this target picture represents a leap forward in development from opposite directions, for both centrally managed and more decentralized companies respectively.

3.
Designing the Platform

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Manage and digitalize in a process-oriented manner

Let's talk about the specific design of the platform within the NextGenCorp. We believe that the platform should be organized and proactively digitalized according to end-to-end processes.

3.1   What characterizes the platform?

Each organization needs vehicles to carry out all standard tasks – both in the go-to-market and administrative functions. This is the platform. It ensures the **stability and reliability of the value chain.** Consequent utilization of economies of scale, scope and skill is enabled through bundling. The following two aspects are important to prevent misunderstandings:

First, economies of scale do not necessarily require a standardization of products and services of the platform. The design of the platform can vary with different types of businesses (e.g. product business, system business, software business, etc.). On the one hand, the demand for some process activities is only given for particular areas. In HR talent management, for example, this is only the case for success-critical competence fields. On the other hand, requirements for the process design are often different, e.g. for legal advisory regarding order processing for product versus project businesses. In essence, the platform therefore provides as many different types of standard processes as required for each business type. Even a "lot size 1" can be run efficiently in the platform using new, digital technologies. Today, examples can already be found beyond the pioneers of the automotive

industry. Or in other words: the increasing individualization of customer requirements does not prevent the exploitation of economies of scale via the platform. **Platform does not mean standardization.**

Second, the platform may – even must – be distributed geographically in different areas. For example, the production of bulk goods cannot always be handled globally, as transportation costs oftentimes exceed economies of scale. Requirements for internal control processes might only apply in certain countries or tasks require high local know-how for process execution. The "regional footprint" of the platform accounts for these special requirements. **Platform does not mean centralization.**

Stefan Heppelmann
Senior Partner

The platform should be organized and proactively digitalized according to end-to-end processes. Digitalization can be used to "skip" classic near- or offshoring initiatives.

Example of a strong group platform
as a backbone for heterogenous business units
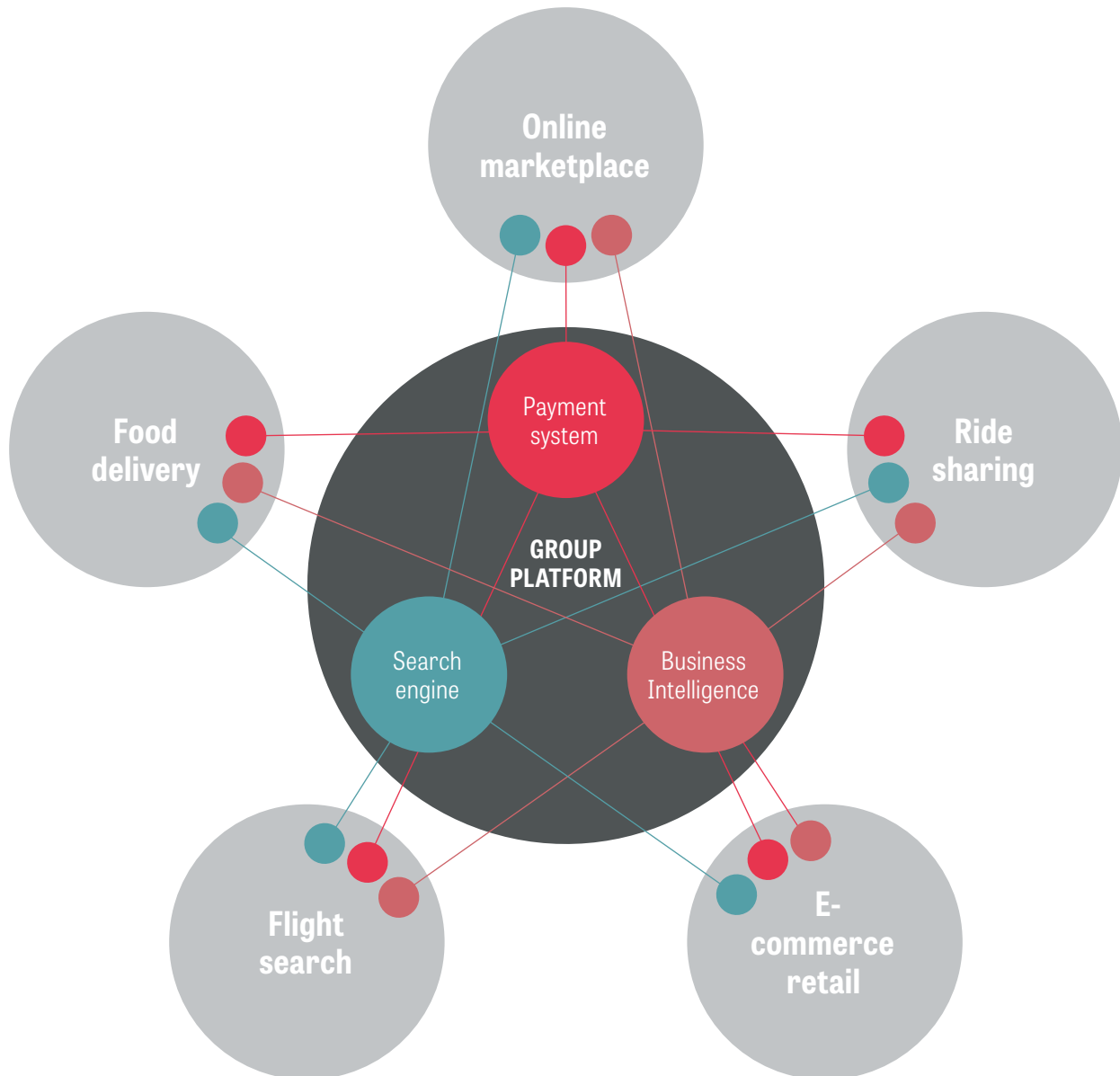
A leading online services company is characterized by the provision and development of an ecosystem, which allows new business opportunities to scale quickly and stable.

By transforming from a tree into a network structure, flexible and adaptable process standards, e.g. for customer experience, IT infrastructure, business intelligence and payment systems are available.

Thus, best practices can be applied across the entire group in a standardized fashion and secure economies of scale.

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3.2   What are typical end-to-end processes and what is the advantage over functional orientation?

We all have had this experience: process optimizations within functional boundaries only realize a certain part of the actual potential. Often, the greatest friction losses occur at the interfaces between functional silos: different information requirements, different methods and instruments, different systems and applications, and often simply a completely different "language". **The organization of the platform tries to counteract this phenomenon: The platform is consistently structured and organized through end-to-end processes.**

This puts the (external or internal) customer at the center of consideration. All work steps and results are scrutinized from a customer and value perspective and are then optimized. The requirements from primarily functionally driven governance (e.g. accounting regulations, HR data protection or IT security) are not lost, but they are more strongly oriented towards processes under the guiding principle of "Lean Governance". Establishing a common governance language and a harmonized governance depth of penetration along processes improves compliance and frees up the organization from unnecessary loopholes and requirements. **End-to-end process orientation simplifies radically.**

The following figure shows the transition from a function-oriented organization to a process-oriented organization based on a concrete example. The processes include both stable go-to-market activities such as "strategy-to-portfolio" or "product-to-customer", as well as the support activities that are already implemented in some companies like "hire-to-retire" or "transaction-to-report". After the separation of platform and swarm, we recommend that the individual "mosaic stones" assigned to the platform are organized in new processes. Their implementation should foster the strategy and business model logic of the plexus in the best possible way. **There is not "the one" right process model for all companies.**

Example for the transition from functional orientation to process orientation

	R&D	Marketing	Procurement	Operations	Sales	Logistics	Service	IT	Accounting	Controlling	Finance	HR	Communication	M&A
Strategy-to-Portfolio	●	●		●						●			●	●
Product-to-Customer		●	●		●	●	●	●	●				●	
Purchase-to-Pay			●					●	●		●			
Demand-to-Fulfill			●	●	●	●	●	●	●	●		●		
Order-to-Cash		●	●		●	●	●	●	●	●	●			
Return-to-Refund					●	●	●	●	●				●	
Finance-to-Manage			●	●					●	●	●			●
Invest-to-Divest	●			●						●	●			●
Transaction-to-Report								●	●	●	●			
Hire-to-Retire		●						●	●			●	●	

Advantages

- Direct collab. across all levels
- Stand. plug & play process / system
- One format and "language"
- One global process owner
- Integrate learning and idea sharing
- Lean governance
- Dedicated process resources
- …

3.3   How is the process platform steered and optimized?

The platform is a "factory" trimmed towards efficiency, quality and throughput. Processes optimized right down to the last detail are documented through clear procedural instructions. Unlike in the project swarm organization, deviations from standards and individuality in execution cost time and thus valuable resources. The use of a stringent and mature set of tools for process analysis, process optimization and institutionalization ensures that the platform processes remain competitive over time. **Hence, the management and control within the process platform follows clear hierarchies and performance indicators in the sense of "instruction & implementation".**

In order to optimize the platform, we focus on the following three topics:
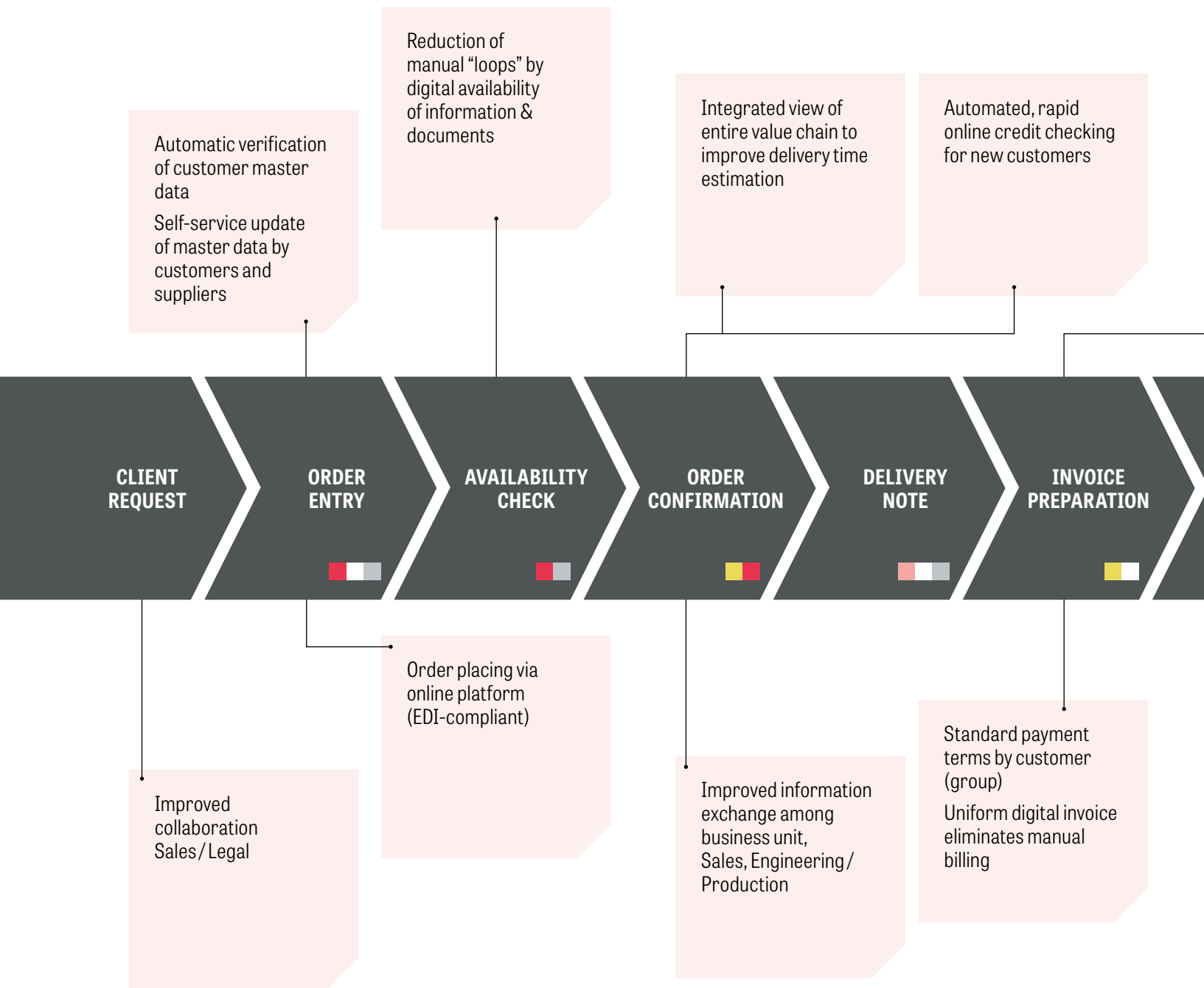
First, a major optimization task in the platform is the **proactive digitalization** along all processes. Possibilities of automation and digitalization of process steps are constantly increasing at the same time. Up to now, mainly physical or transactional tasks like for instance in production and logistics have been automated using robotics. Today, thanks to Artificial Intelligence, even more cognitive activities are being digitalized – for example in the area of customer journeys or in administrative areas.

This creates a natural counter-movement to many optimization initiatives from the past. Back then, activities were frequently transferred from high-cost countries to low-cost countries due to disadvantages with regard to factor prices. A common consequence: the loss of customer proximity, quality and agility. **Through digitalization these shifts can either be "skipped" or service provision can be shifted back as part of reshoring projects.** In some industries, this has already been successfully applied. Not only reputation risks due to poor working conditions in low-wage countries are circumvented, but manpower requirements, storage costs and long transport distances are also reduced. The future vision goes even further: for example, in the clothing industry, a file with the chosen design is created and customers can comfortably produce the product at home via 3D printing.

Second, another optimization task is the **continuous realization of potentials from end-to-end process alignment.** Even today, there are companies that are already organized "end-to-end". However, most of the time only within individual functional limits. Through a number of excellence initiatives, process standards and instruments have been implemented within single functions. These initiatives had quite positive effects on costs, time and quality of service provision. In the NextGenCorp, global end-to-end process owners will have extended action and decision-making powers through the reorganization into a process organization.

The following figure shows a case on typical optimization approaches for the opportunity-to-cash process.

Case On End-To-End Optimization of Opportunity-to-Cash Process

Automatic verification of customer master data

Self-service update of master data by customers and suppliers

Reduction of manual "loops" by digital availability of information & documents

Integrated view of entire value chain to improve delivery time estimation

Automated, rapid online credit checking for new customers

CLIENT REQUEST → **ORDER ENTRY** → **AVAILABILITY CHECK** → **ORDER CONFIRMATION** → **DELIVERY NOTE** → **INVOICE PREPARATION** →

Order placing via online platform (EDI-compliant)

Improved collaboration Sales / Legal

Improved information exchange among business unit, Sales, Engineering / Production

Standard payment terms by customer (group)

Uniform digital invoice eliminates manual billing

Digital invoicing for
e-orders

Digital transfer of
invoice data by EDI

Real-time monitoring
of financial KPIs &
workflow

Harmonize &
centralize cash
collection process

INVOICE DELIVERY	PAYMENT CONFIRMATION	COMPLAINT MANAGEMENT	CREDITOR MANAGEMENT	CASH COLLECTION	LEARNING & CONTINUOUS IMPROVEMENT

Standardized
reporting of process
related KPIs

Systematic leveraging
of organizational
memory

Legende
- Business
- Finance
- Procurement
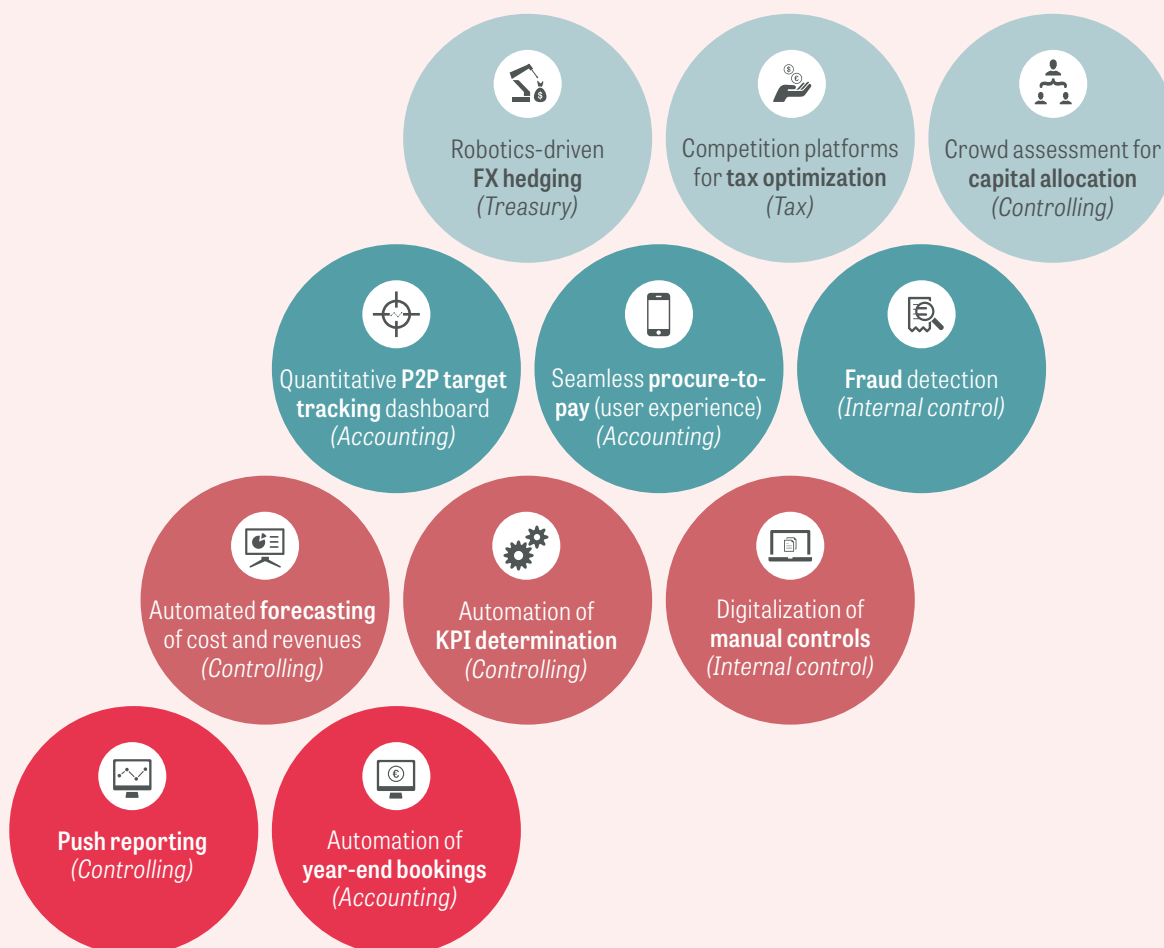- Logistics
- IT
- Other support function

Third, make-or-buy decisions. Having a strong platform does not mean running all the processes by yourself. Furthermore, it does not mean that the company's proprietary platform cannot be provided to other companies (even competitors!), if this creates economic advantage. Business process outsourcing is successful due to the fact that vendors in the market create additional economies of scale through further bundling and specialization that then can be shared economically between vendors and customers. Especially large companies with a distinctive platform can provide it to others and gain economic advantage. **The platform needs to be continuously optimized in terms of "best ownership" for individual processes.**

Systematic exploitation of Robotics and AI opportunities in the platform to transform into digital
Example: Finance Function

Robotics-driven **FX hedging** *(Treasury)*

Competition platforms for **tax optimization** *(Tax)*

Crowd assessment for **capital allocation** *(Controlling)*

Quantitative **P2P target tracking** dashboard *(Accounting)*

Seamless **procure-to-pay** (user experience) *(Accounting)*

Fraud detection *(Internal control)*

Automated **forecasting** of cost and revenues *(Controlling)*

Automation of **KPI determination** *(Controlling)*

Digitalization of **manual controls** *(Internal control)*

Push reporting *(Controlling)*

Automation of **year-end bookings** *(Accounting)*
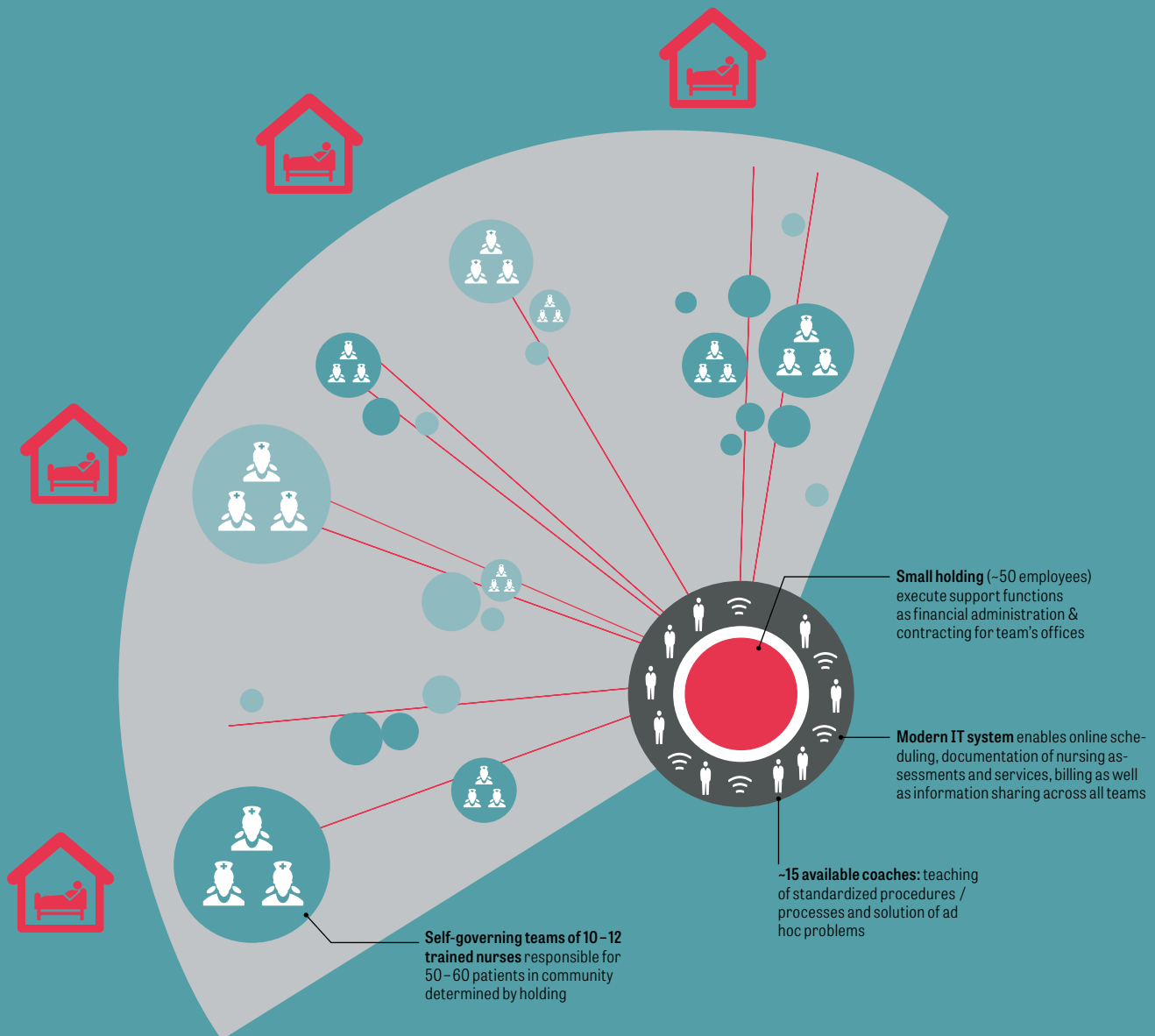
4.
Designing the Project Swarm

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Extend agility and self-organization

The changes in a VUCA world affect all areas of a company: all functions and business units. The project swarm organization is the part of NextGenCorp which faces these complex, diffuse and usually temporary tasks. But what is the benefit of swarms of isolated units when project tasks become increasingly more interdisciplinary and complex? How can agility be an essential part of the DNA of the company, if only a fraction of the organization is working in these new structures?

In the NextGenCorp the basic logic of the project swarm is applied to all areas (go-to-market AND administration) of the company. The resources of the swarm that originate from businesses, countries and functions are combined to form the whole swarm. **It is no longer about a few employees from product development or a think tank for the corporate strategy, but about a significant proportion of the company.**

Organizational set-up of a home care organization as a swarm

Small holding (~50 employees) execute support functions as financial administration & contracting for team's offices

Modern IT system enables online scheduling, documentation of nursing assessments and services, billing as well as information sharing across all teams

~15 available coaches: teaching of standardized procedures / processes and solution of ad hoc problems

Self-governing teams of 10 – 12 trained nurses responsible for 50 – 60 patients in community determined by holding

4.1   What characterizes the project swarm?

VUCA means that unforeseen sudden challenges become more frequent. Coping with them is not a question of handling the situation once, but becomes a permanent core require-ment. **The project swarm organization makes agile project management a core compe-tency.**

The decision speed and flexibility that is required oftentimes cannot be absorbed by tradi-tional hierarchical organizations. Decisions take too long due to various hierarchical levels that need to be involved and decisions are diluted by political interests. The structural re-sponse of the swarm: **delegation of responsibility and decision-making power fostering flexible and effective teams** which can work largely autonomously on solutions. The direct connection of the project swarm to the mandating entrepreneurial entity in the **plexus** ensures faster decision-making capability.

We all know the main problem of current project structures: the implementation runs over a long period of time with varying commitment, since prioritization takes place in favor of "more urgent" line tasks. On top of that, the "best resources" are strained on several parallel initiatives. By separating platform and project swarm resources, underlying roles and responsibilities are getting sharpened likewise. The swarm itself only focuses on the next task. Consequently, tangible project results can be achieved quicker and more reliably. **The swarm operates with full-time resources in sprint mode.**

4.2 How to orchestrate a project swarm?

By eliminating line functions and moving them to the project swarm organization, traditional management and reporting lines are no longer required. For example – depending on the **business model of the company** – the structure of the project swarm can follow a regional logic or depict **theme-based competence units** (e.g. technology fields, product segments, etc.).

Within these structures, **knowledge exchange and networking** are continuously ensured alongside ongoing projects. This exchange can take place via virtual or physical platforms and focuses on personal networking and knowledge transfer. As a consequence, project swarm employees are coordinated comprehensively. The principle of **weak links** uses proxy relationships to build trustworthy cooperations: it is enough to be in touch with a colleague who has already been working together with other colleagues. Thus, trust is built among employees before the actual start of the project swarm activity. For the realization of this principle, companies need **orchestrators,** which themselves have a broad network and support employees in their development and self-organization. Orchestrators help employees to sharpen their profile, find new projects through the exchange via weak links, and further develop within the project swarm.

Weak links *are the main rela-*
tionship between the different
members of the swarm. Despite
institutionalized exchanges,
not all members of the swarm
organization know each other.
Through their network, however,
there is usually a contact to a
first-degree contact, which
establishes a connection and
at the same time represents a
trustworthy reference source.

Weak link

Link

Close link

Weak Links
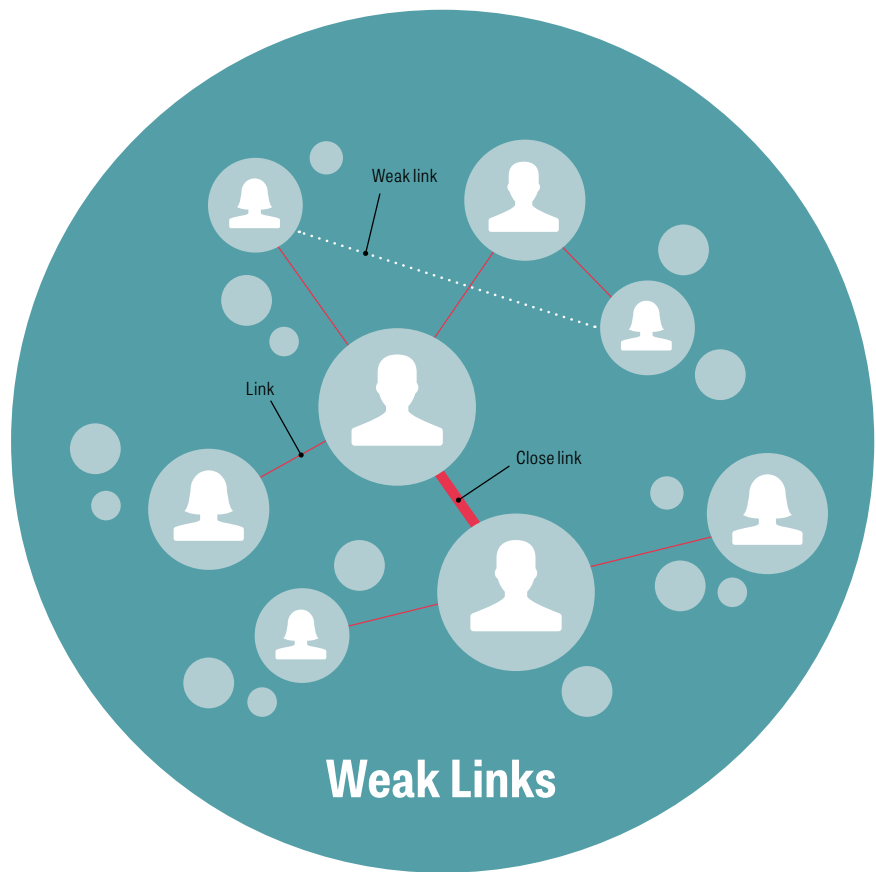
4.3   How is a single project swarm staffed?

Sudden and complex project situations require quick decisions about the staffing of the project swarm and the project-specific interdisciplinary linking of knowledge leaders. Whose competence profile suits the project challenge best? Who is available? What is the optimal internal/external split for delivering the project? For this purpose, internal applications and external options must be compared and examined flexibly and quickly. This requires a **comprehensive and transparent project portfolio management. The plexus is in charge of decisions with regard to resources and personnel** as well as pre-defining and controling bottleneck resources and project priorities. The platform (standard!) can manage the search (= demand), the bidding (= offer) and subsequently the clearing of project staffing through a specifically designed control process.

4.4   What do project swarm members do in project-free times?

Due to the separation of project swarm and process platform, employees that are not engaged on a project will not be entrusted with line tasks. The **orchestrators** of the project swarm organization take care of coaching and placement of suitable project opportunities. Based on the orchestrator's recommendation, project swarm employees **actively apply** for new projects and maintain their skill profile and thus take care of their further development. However, project swarm employees can also continue to work on internal swarm topics until the next project starts.

A

AUTONOMY AND ALIGNMENT:
the common mission allows for alignment
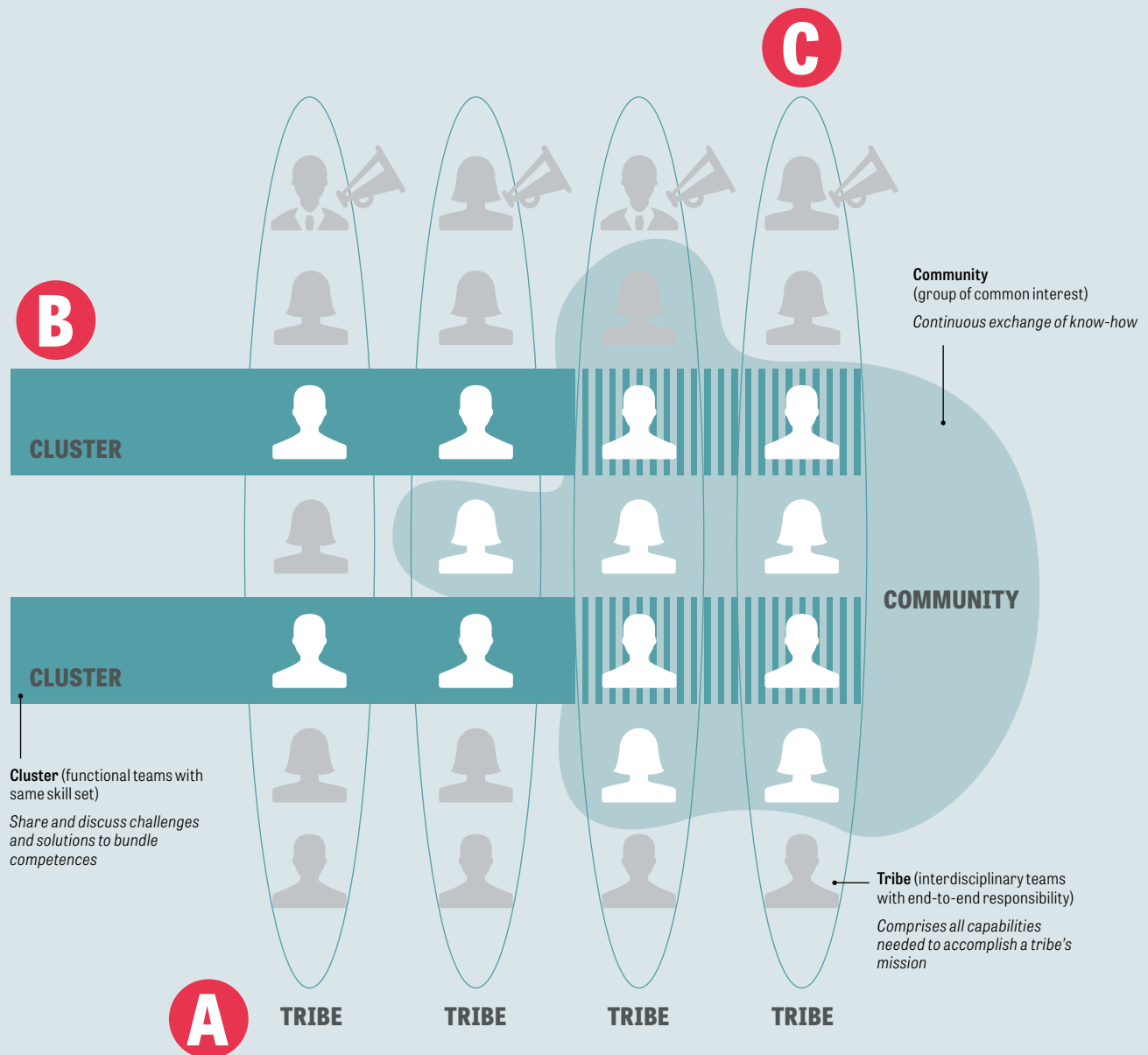despite self-control

B

**ENABLE LEARNING AND MAKE
THE MOST OF PROJECT-FREE TIME:**
knowledge exchange is organized in
clusters, in particular when there is no
project staffing

C

INTERDISCIPLINARY TEAMS:
assurance of holistic perspective and
fully autonomous handling of tasks via
interdisciplinary team composition

Set-up example:
Employees are assigned to a specific topic during project-free time

Organizational structure: organized in **tribes** (autonomous product teams), **clusters** (functional know-how teams), **communities** (groups of common interest) to sustainably enhance agility

Community
(group of common interest)

Continuous exchange of know-how

CLUSTER

CLUSTER

Cluster (functional teams with same skill set)

Share and discuss challenges and solutions to bundle competences

COMMUNITY

Tribe (interdisciplinary teams with end-to-end responsibility)

Comprises all capabilities needed to accomplish a tribe's mission

A   **B**   **C**

TRIBE   **TRIBE**   **TRIBE**   **TRIBE**

4.5   How does the project swarm open up towards external partners?

The NextGenCorp achieves differentiation through the comprehensive and precise combination of specific and complementary expertise. Therefore, employees of the project swarm organization should always possess specific expert knowledge or profound project management competence. At the same time, the frequency of identical or similar problems decreases further and further. As a consequence, the internal buildup of specific expertise is not always efficient due to the lack of a critical mass. A successful project swarm organization **integrates external knowledge leaders into the projects.**
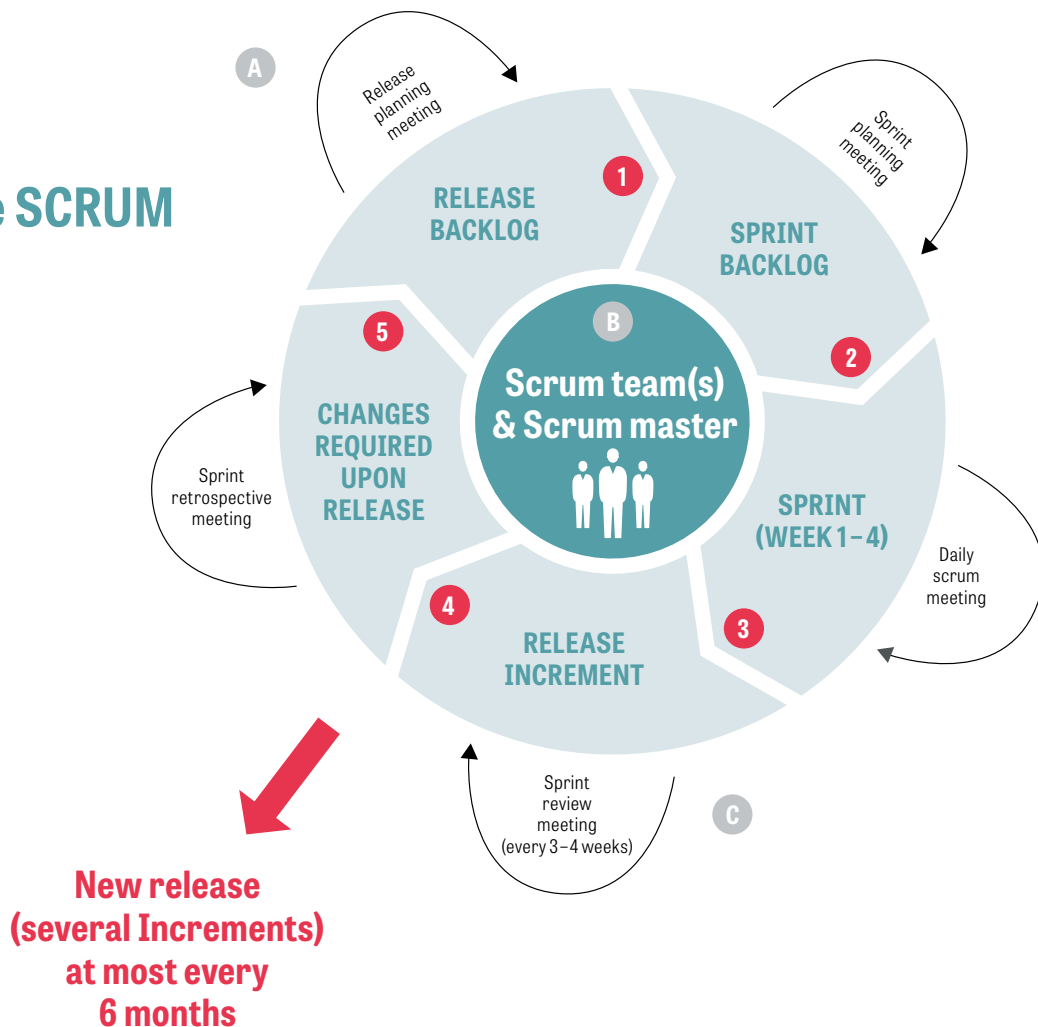

"Open Garden" organization of the swarm

Successfull and regular integration of external know-how into the projects
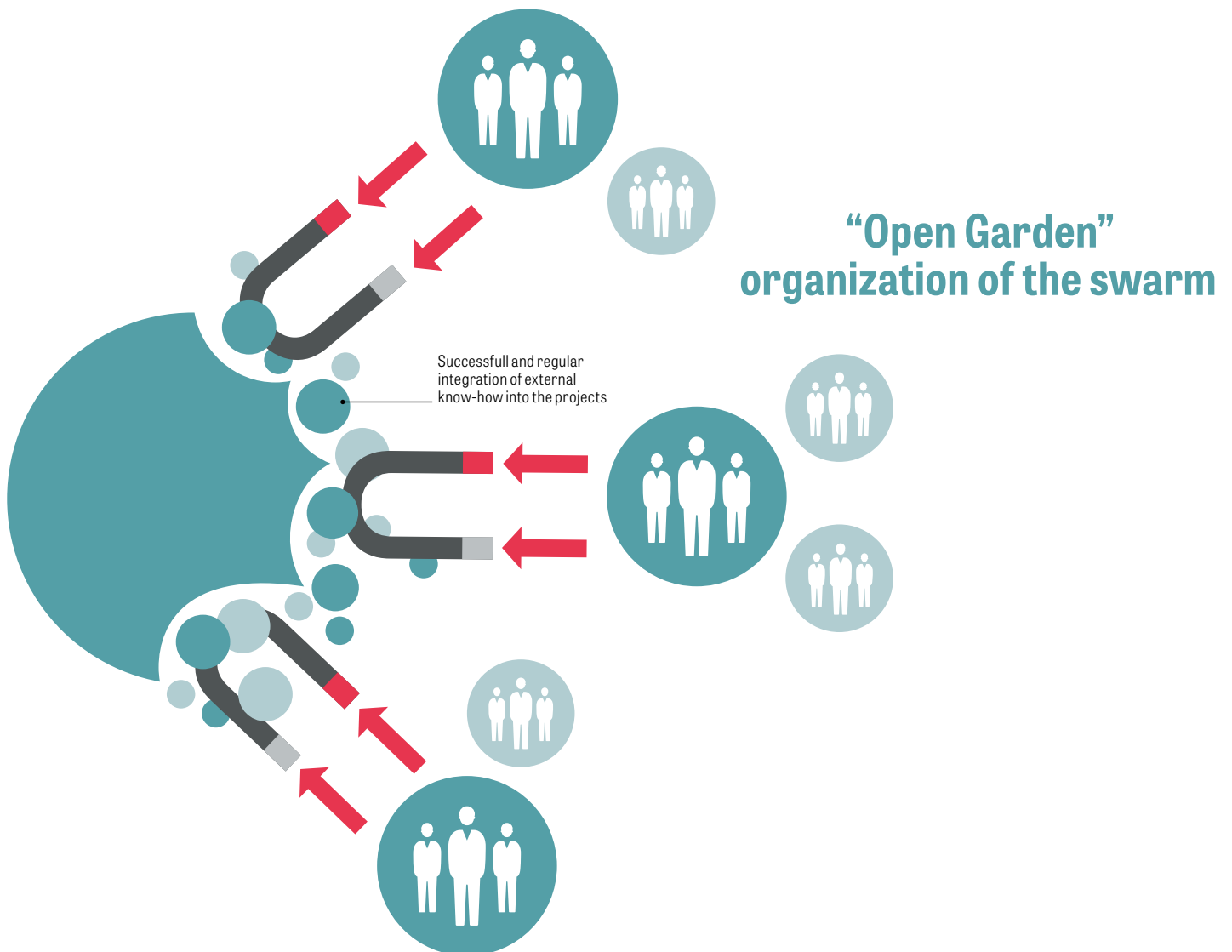
Especially digital experts are not attracted by traditional employment contracts offered by companies considered "old school". Moreover, especially in areas like technology and digital business models, centers with pull effect, such as Berlin and San Jose, are emerging. Without a physical representation in these areas, access to truly skilled talent is often denied. The project swarm organization and its **connectivity** to the outside world increases attractiveness of the company and thus it is able to **temporarily** obtain such skilled resources for exciting projects.

The integration of knowledge leaders ranges **from sporadic involvement of individual experts to regular involvement of service providers or cooperating companies.** That is why the NextGenCorp needs **reliable standards for legal contract design.** In particular, this includes protection of confidentiality, allocation of intellectual property, clear liability rules and corresponding labor law constructions.

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4.6   How is work organized in a single project swarm?

We all know the traditional model: In a hierarchical organization, the amount of information within an individual silo can be distributed well. As a consequence, from a company-wide perspective information asymmetries arise. They cause distrust and delays in decision-making and create suboptimal solutions. In order for self-organization and agility to work, everyone involved in the project needs real-time access to information. In addition, expertise from other projects must be provided to a wide range of recipients. **Real-time access to information and rapid multiplication of results are vital to the success of the project swarm. Moreover, the swarm uses a specific set of instruments for an agile project control and steering.**

Working mode SCRUM

A

Release planning meeting

Sprint planning meeting

RELEASE BACKLOG

1

SPRINT BACKLOG

5

B

Scrum team(s) & Scrum master

2

CHANGES REQUIRED UPON RELEASE

Sprint retrospective meeting

4

RELEASE INCREMENT

3

SPRINT (WEEK 1–4)

Daily scrum meeting

Sprint review meeting (every 3–4 weeks)

C

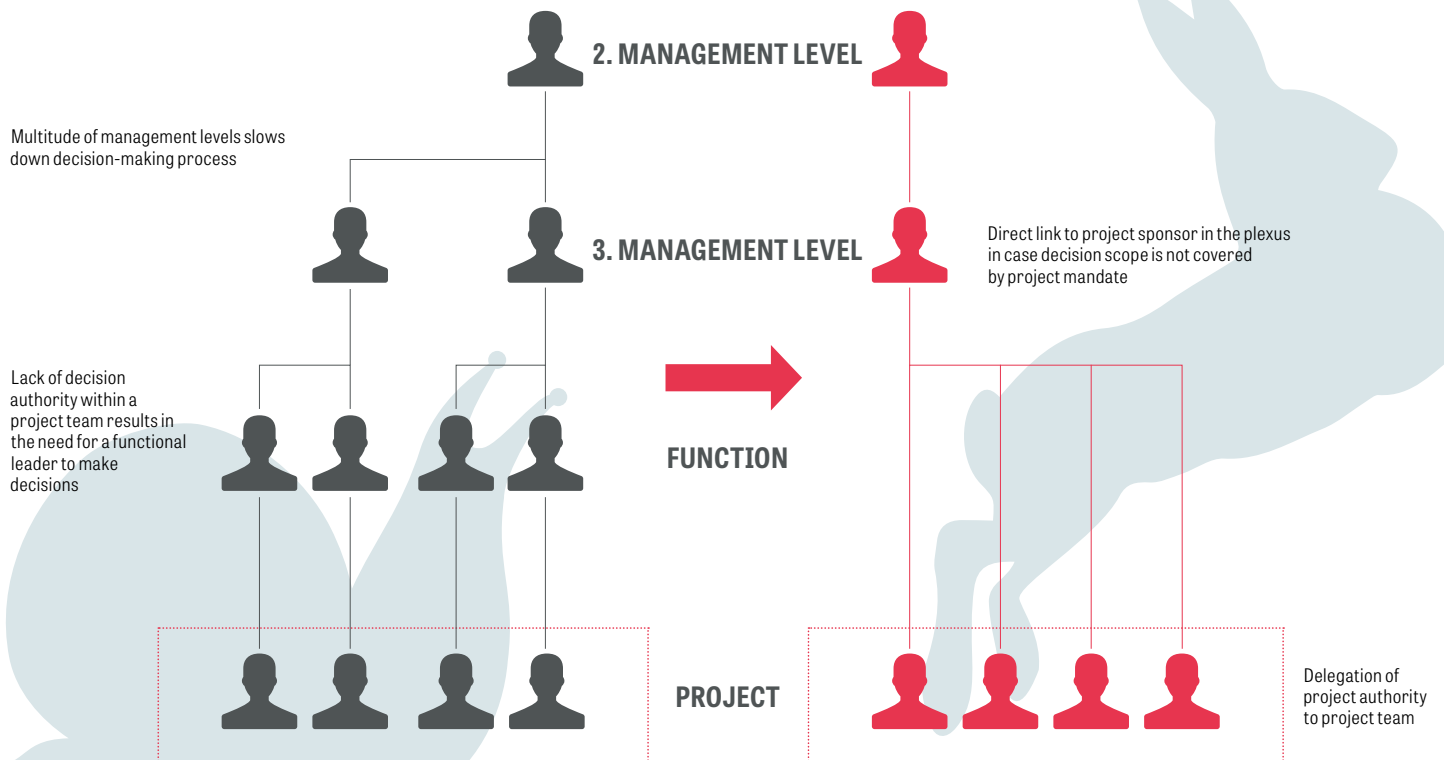**New release (several Increments) at most every 6 months**

4.7 How are decision made?

Traditional decision-making models are based on a hierarchical decision-making frame-work. They contain the risk of missing speed and identification of the project team with the decision. In contrast, **delegation of decision-making authority to project swarms** boost identification and motivation. In order to achieve flexibility and agility, self-regulation of project teams is expected and wanted. However, the **decision-making process must be designed depending on type and logic of the project.**

Decision-making in the
NextGenCorp project swarm organization

Multitude of management levels slows down decision-making process

2. MANAGEMENT LEVEL

3. MANAGEMENT LEVEL

Direct link to project sponsor in the plexus in case decision scope is not covered by project mandate

Lack of decision authority within a project team results in the need for a functional leader to make decisions

FUNCTION

PROJECT

Delegation of project authority to project team

4.8   What does the project swarm mean for employees?

If you are planning to establish a project swarm organization, you will face regularly changing challenges and team constellations. Employees of the swarm organization have to be very flexible in terms of general mindset and must have a strong intrinsic motivation.

Due to the strict separation of the swarm organization from the platform, projects become the new normal. Transparency on current projects increases the possibility to apply for projects matching individual expertise and preferences. This kind of self-commitment often improves identification with the delegated task. Especially, newly established career paths for project-related careers must allow employees to position themselves as experts, without generally limiting the chances of advancement. To put it in a nutshell: Obviously, you have to be able to "make a career" in the swarm, too. **In the NextGenCorp preference and task come closer together.**

5.
Designing the Plexus

Provide the right impulses
for business model, specific
leadership and quick decisions

As described above, the plexus within the NextGenCorp is at the core of entrepreneurial decision-making and leadership.

5.1   What characterizes the plexus in general?

The plexus is the **organizational steering unit** – virtually "the company's headquarter". Hence, the plexus has its own resources, which, however, account for only 5–10% of the company's total resources.

The primary axis of the plexus is the go-to-market, which is, depending on the business logic, either business areas, countries or customer groups. The **direct management of the actual business ("strategic portfolio units")** is crucial. Intermediate management levels should only be incorporated to limit the span of control to an effective level. By outsourcing project swarm and platform resources from the "business organization of the plexus" inter-mediate management levels can be limited to 2–3 levels for the go-to-market of large companies.

We all know this alarming signal: business managers are frustrated with the fact that they work themselves into the ground with good ideas. Frustrated that they have to leave valu-able opportunities behind. On the one hand, the much stronger delegation of entrepreneur-

ial freedom must come together with a higher level of trust of the management. On the other hand, however, consequences and direct counter-control in the case of deviation must be applied. In order to achieve this, the plexus needs strong leadership personalities that provide orientation as true role models and that set an example for others in pursuing common success – including the executive board. **Particularly, the board of the NextGenCorp must function smoothly as a real unit.** It is less about the distribution of tasks in the organizational structure. The focus should rather be on **working as a team in the company process flow:** the management of the business, control of the swarm, competitiveness of the platform – and the alignment of the entire organization towards the common goal: a strong and connecting "corporate purpose".

Markus Pertl
Managing Partner

The focus of the board should be on functioning as a team in the process flow: the management of the business, control of the swarm, competitiveness of the platform – and the alignment of the entire organization towards the common goal.

Plexus: Increased decision speed and sharpened responsibility structures

PRINCIPLES OF GOVERNANCE MODEL

1

From...
function and process focus

...to
clear priority on **process perspective** in the platform

2

From...
fully fledged matrix set-up

...to
clearer hierarchies (e.g. division vs. country) in go-to-market

3

From...
complex RACI tables per activity

...to
practical **LoA** for core decisions

RACI = Responsible, Accountable, Consulted, Informed
LoA = Limits of Authority

4

From...
many structural sub-hierarchies

...to
high business proximity through **delayering**

5

From...
fragmented functional silos

...to
increased managerial impact via higher **span of control**

6

From...
high number of fully fledged P&Ls

...to
cost steering at the source

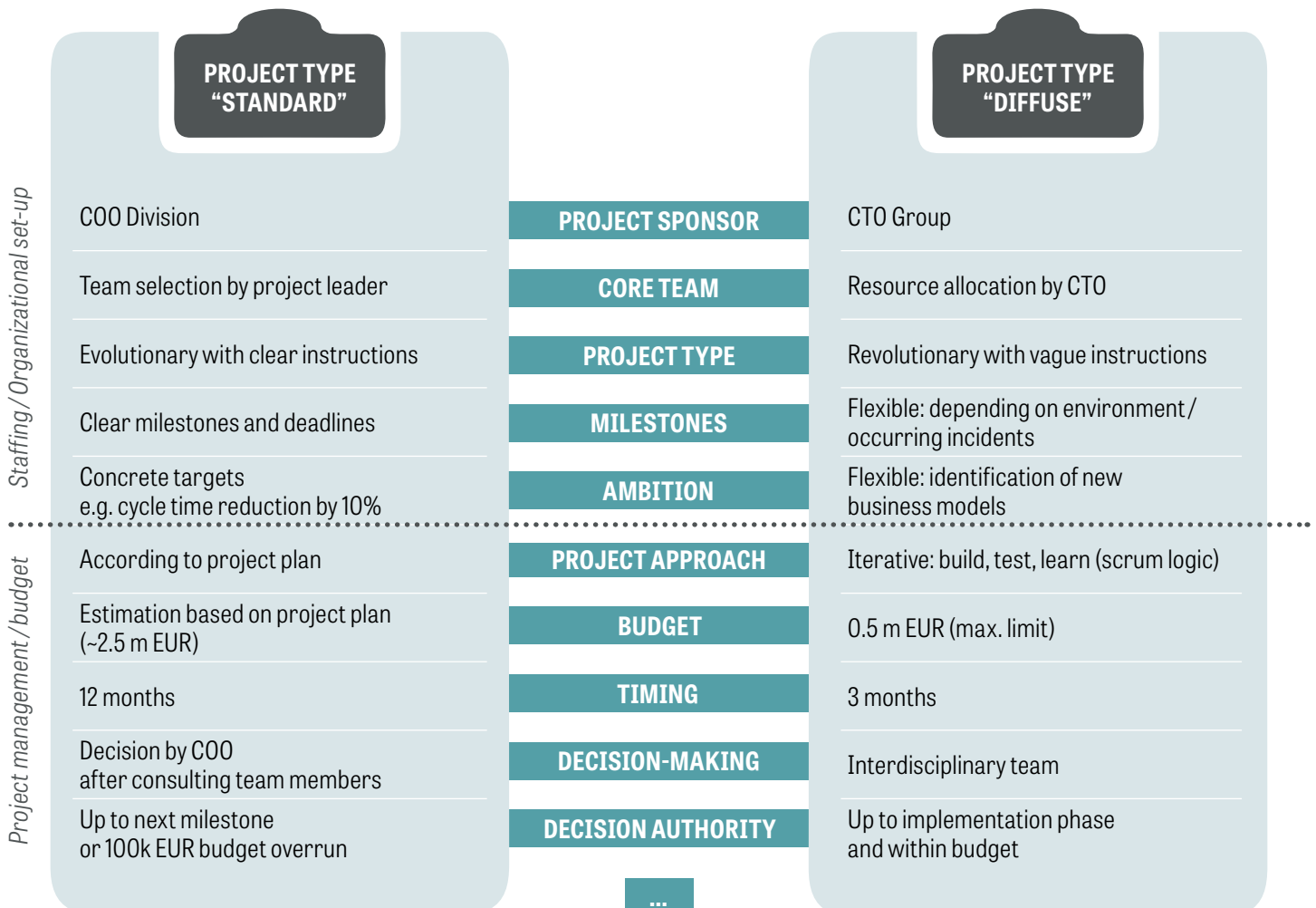## 5.2 The governance model: which crucial decisions does the plexus make?

The NextGenCorp's plexus is more flexible than all other previous management structures. Its structure is supposed to adapt to changes in the business model over time. Identifying, initiating and implementing these adaptations is one of the core tasks of the governance model. Part of these overarching decisions are for instance the precise definition of the business model of a portfolio unit, the definition of vertical integration or strategic make-or-buy decision for the platform. **Consequently, due to the outsourcing of the platform and project swarm, the reorganization in the plexus can generally take place much faster and more precisely than before.**

In addition, the governance model defines the **entrepreneurial overall responsibility** for each strategic portfolio unit and **sets targets.** Entrepreneurs of the NextGenCorp make strategic, operational, structural and commercial decisions for their portfolio units. They manage the utilization of the services provided by the project platform and mandate the swarm. Consistent scaling of the platform processes as well as opening the swarm organization for cooperation with external knowledge providers allow new possibilities for competitive advantages of the portfolio units.

The third main topic that needs to be defined with regard to the governance model is how to steer the project swarm. **Here, the "project mandate" is the key instrument.** The project mandate is used to manage individual initiatives in the swarm and to make decisions on resource allocation and prioritization.

Project swarm:
Steering of swarm projects via dedicated "mandates"
Project type determines applicable steering model

	PROJECT TYPE "STANDARD"		PROJECT TYPE "DIFFUSE"
Staffing / Organizational set-up	COO Division	**PROJECT SPONSOR**	CTO Group
	Team selection by project leader	**CORE TEAM**	Resource allocation by CTO
	Evolutionary with clear instructions	**PROJECT TYPE**	Revolutionary with vague instructions
	Clear milestones and deadlines	**MILESTONES**	Flexible: depending on environment / occurring incidents
	Concrete targets e.g. cycle time reduction by 10%	**AMBITION**	Flexible: identification of new business models
Project management / budget	According to project plan	**PROJECT APPROACH**	Iterative: build, test, learn (scrum logic)
	Estimation based on project plan (~2.5 m EUR)	**BUDGET**	0.5 m EUR (max. limit)
	12 months	**TIMING**	3 months
	Decision by COO after consulting team members	**DECISION-MAKING**	Interdisciplinary team
	Up to next milestone or 100k EUR budget overrun	**DECISION AUTHORITY**	Up to implementation phase and within budget
		...	

5.3 The leadership model: how do rules and principles of leadership change?

The leadership model in the NextGenCorp controls the management of internal employees and defines the basis for cooperation with external resources. For many traditional, hierarchically led and/or inward-oriented companies, a gigantic transformation will be necessary. The four key aspects are:

First, existing matrix organizations equate "career" with the number of employees directly led and the rise in the line organization. Experts, process specialists or project managers often lack this perspective. Anyone quitting the job out of frustration leaves a gap in the internal pool of available expertise. **The NextGenCorp provides equivalent, tailor-made perspectives for line, project and expert careers.**

Leadership in the digital age *is based on communication rather than authority. Leaders have empathy as well as communicative & social skills. Managers' decision-making is based on feedback from employees that are integrated into decision-making and opinion-making processes. Information is passed on and not considered as "knowledge for the sake of action or control".*

Voluntary Followership

Servant Leadership

Second, success in leadership is the result of social competence and the ability to inspire employees. Executives of the NextGenCorp are no longer primarily using their "position qua organigram", but their enthusiasm for entrepreneurial tasks to unite the employees behind them. The leadership culture of NextGenCorp is based on "voluntary followership" and "servant leadership".

Third, specific expert skills are often available outside the company. Therefore, the company must provide a compelling offer to attract this expertise. Companies should begin to build a network of success-critical resources and manage them as part of an open-garden approach. The NextGenCorp systematically institutionalizes cooperation with external partners.

And four, the project swarm as an organizational response to "flexibility" and the process platform as counterpart to "stability" are deliberately separated because they have to cope with different tasks. For example, errors in the process execution are not tolerated in the process platform. Here, a zero-tolerance guidance with clear and precisely defined KPI structures applies. The project swarm on the contrary needs fault tolerance in order not to stifle creative and untested solutions. **The leadership model has to be designed differently for project swarm and for process platform.**

The servant leader *serves his employees. He focuses his actions primarily on the fact that employees can grow and further develop. The Servant Leader shares power, secures needs of the others first, and gives everything necessary to enable the employees to achieve their best performance.*

Plexus:
Different leadership model for platform and project swarm

PLATFORM		PROJECT SWARM
Focus on quantitative targets (cost, speed, quality)	**TARGET SETTING**	Qualitative targets e.g. project results & effort
Full-time	**WORKING MODE**	Project-based
Pyramid	**COMMUNICATION**	Weak links
Stable over time, zero-tolerance	**LEADERSHIP**	Project-based, acceptance for failure
Hierarchical	**DECISION MAKING**	Team-based (consulting model)
KPI based	**PERFORMANCE MGMT.**	Quality gates
Feedback along hierarchy	**FEEDBACK & INCENTIVES**	360 degree-feedback culture

Stability

Flexibility

CAREER PATH
Equivalent career opportunities for line-, project-, & expert-tracks

5.4   Meaning & purpose: why is orientation important and what does it mean for planning?

Many corporate visions and missions are meaningless and replaceable. They do not motivate nor do they inspire. That is why they have only little impact on the company's path and usually do not matter much in day-to-day business. In addition, they do not create an ambitious, motivating or enthusiastic spirit of optimism among the employees either. In contrast, the plexus in the NextGenCorp is based on a clear vision, which determines every entrepreneurial action and should be truly lived by the employees. Due to its clear orientation, this **vision** is supposed to provide a **clear and stable action orientation** for the solution of customer needs.

In the VUCA world, volatility and ambiguity make planning look "old" in the truest sense of the word. The goal is persistent, whereas the path towards the goal has to constantly follow new developments. Thus, it is important that the vision formulates such a clear target picture that even without lengthy, recurrent and usually very complex medium-term planning or budget processes, a guide for tactical entrepreneurial action is available. In contrast, within the NextGenCorp, the focus is much more on "learning to dance" with current developments instead of succumbing to the temptation of wanting to "control" them. The NextGenCorp means **additional tactical and opportunistic entrepreneurship** but with a clear direction and entrepreneurial intention.

6.
The Transformation

_____

How to do it

Plexus, platform, swarm – how serious do we need to take the change? The impact of NextGenCorp on companies is just as great as the underlying drivers of change. **If the environment changes this radically, we cannot really expect just a small adjustment on the company side!**

We are aware of the fact that for many companies this target picture appears to be very far away from the status quo. Of course, there will be different shades and varieties in reality. For example, in the initial phase of the NextGenCorp, the project swarms could be left in the business units, yet be steered as real swarms. Further down the road, the swarms could then be opened to one another and be completely decoupled from their "old line organization". Another option is to immediately focus on digitalization and the use of Artificial Intelligence only in certain areas (e.g. in the customer interaction or in the back office). But we believe that only through a radical perspective something really differentiating can emerge. The insight we gained through recent projects: **it is better to be revolutionary in the target picture and evolutionary in its implementation.**

A holistic target picture is needed for the future leadership and organization model of the company, which is sufficiently clear in structures, roles and mechanisms. A target picture that has a strong common core and yet offers flexibility for individuality. A target picture shared by board and management.

A target picture that is convincing and "cool" and truly inspires employees. To achieve this, a roadmap is needed that leads the way towards the common goal and that can be modified to suit emerging developments and requirements. **In essence, a holistic target picture and a flexible roadmap are key.**

Is the effort worth it? Our experience shows that a rigid adherence to the status quo is not a truly viable and sustainable option. Disruption, VUCA and digitalization will eventually get us. Quick, direct, comprehensive. Let's take the big step.

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