

**SECTION 2 TAKES YOU THROUGH THE ORGANISATIONAL STRUCTURING PROCESS STEP BY STEP. IT CONTAINS THE FOLLOWING:**

- **CHAPTER 6: GIVES AN OVERVIEW OF THE PHASES IN THE ORGANISATIONAL DESIGN PROCESS AND TOOLS THAT CAN BE USED. EACH PHASE IS THEN DISCUSSED IN DETAIL IN THE SUBSEQUENT CHAPTERS.**
- **CHAPTER 7: PHASE 1: DIAGNOSIS**
- **CHAPTER 8: PHASE 2: DETERMINING ORGANISATIONAL REQUIREMENTS**
- **CHAPTER 9: PHASE 3: DESIGNING THE STRUCTURE**
- **CHAPTER 10: PHASE 4: DEVELOPING THE BUSINESS CASE AND PLANNING THE IMPLEMENTATION**
- **CHAPTER 11: PHASE 5: IMPLEMENTING THE STRUCTURE**
- **CHAPTER 12: PHASE 6: MONITORING AND EVALUATION**
- **CHAPTER 13: PLANNING AND MANAGING THE ORGANISATIONAL STRUCTURING PROJECT**
- **CHAPTER 14: MANAGING CHANGE AND TRANSITION**

*(NOTE: BEFORE YOU EMBARK ON AN ORGANISATIONAL STRUCTURING PROCESS, IT IS ADVISABLE TO FAMILIARISE YOURSELF WITH CHAPTER 13: PLANNING AND MANAGING THE ORGANISATIONAL STRUCTURING PROJECT)*

# CHAPTER 10

PHASE 4:

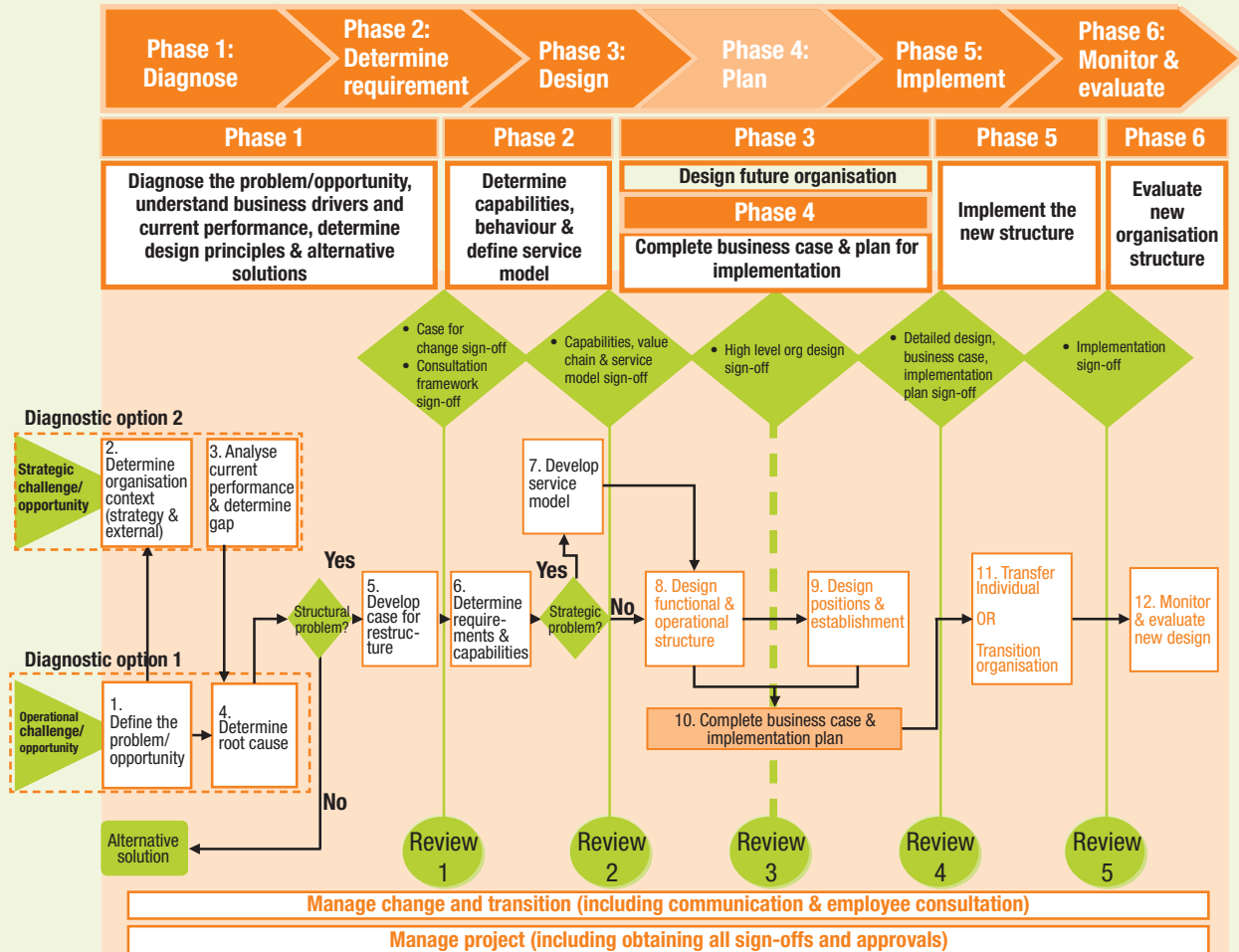
DEVELOPING THE BUSINESS CASE AND  
PLANNING THE IMPLEMENTATION



CHAPTER 10

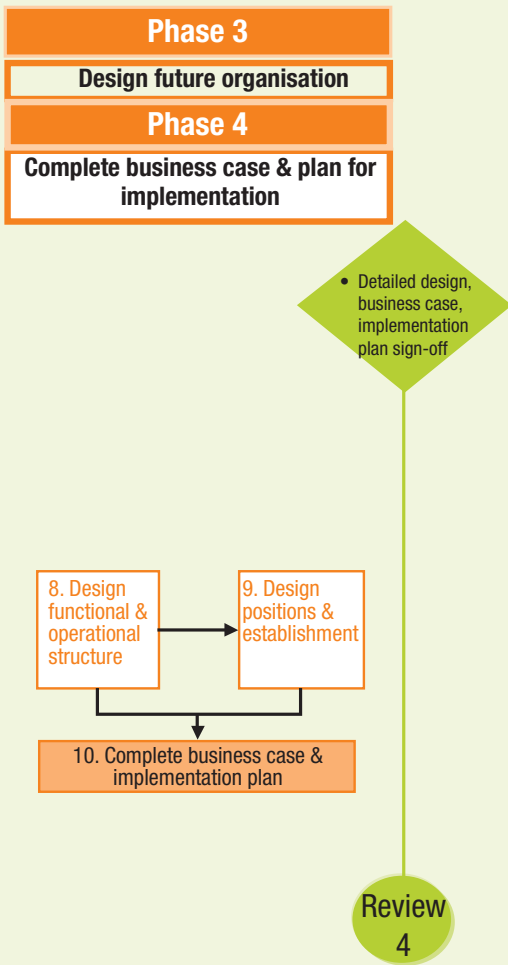
10. PHASE 4: BUSINESS CASE AND IMPLEMENTATION PLAN

10.1 OVERVIEW OF THE PROCESS



Phase 4 consists of the following:

- Step 10.
- Review point 4.



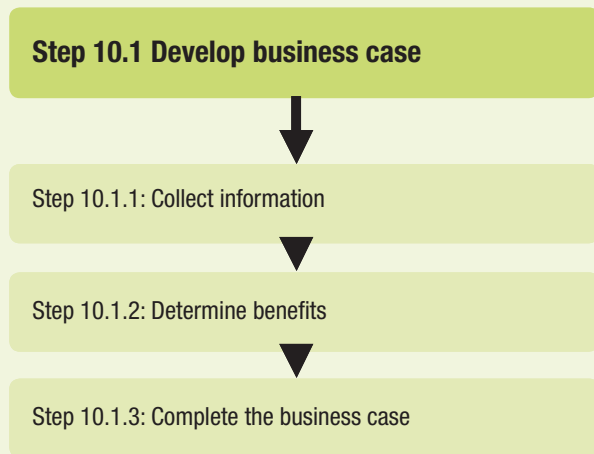
**Purpose**

- Implementation planning is likely to include:
  - o The job-person matching process and timelines.
  - o Continued support requirements.
  - o Training considerations.
  - o Handover process and timelines.
  - o Process and timelines for using the new KPIs.
  - o Process and timelines for assessing the benefits of the new organisational design.
  - o A great deal of change management!
  
- Business case development includes the cost-benefit analysis and identifying and defining any other benefits in the future of the new structure.

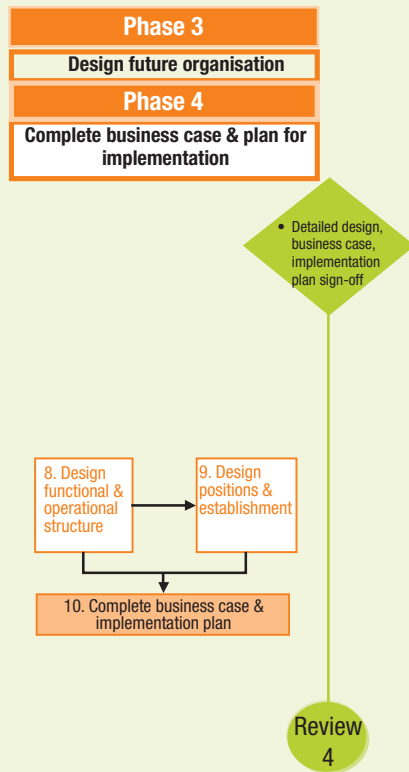
**Objective**

To establish a sound business case to guide the implementation decision.  
To design the implementation plan.

**10.1.1 PROCESSES FOR STEP 10**



10.2 STEP 10.1: DEVELOP BUSINESS CASE



**Purpose**

To outline the expected tangible and measurable benefits associated with implementation of the new structure.

If a business case is required, more detailed assessment of current state of performance is needed at the beginning of the engagement.

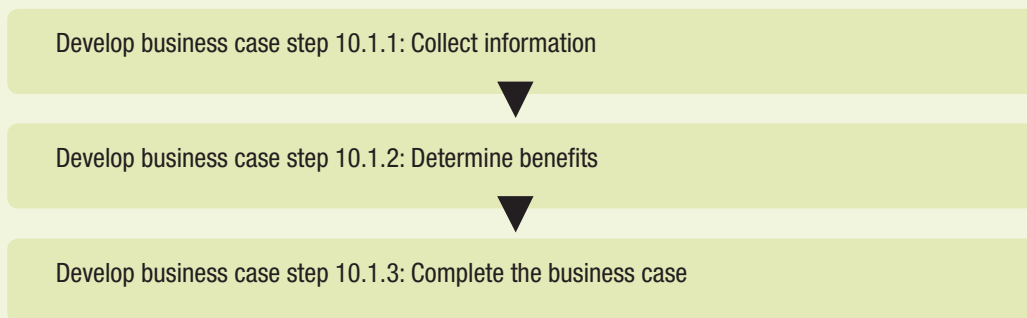
**Objective**

To ensure that fully informed decisions can be taken about the feasibility of the new structure before implementation, and to ensure the roll-out is planned in detail.

**Approach**

Involve as many people as possible in putting the business case together.  
The planning for implementation is done according to a standard format.

10.2.1 PROCESS FOR STEP 10.1



10.2.2 TOOLS FOR STEP 10.1

Tools	Highly recommended	Recommended	Nice to have
Business case template	X		
Cost of poor service		X	
Cost-benefit analysis	X		
Activity based costing			X
Costing tool	X		

Tools	Description
Business case template	<ul style="list-style-type: none"> <li>A standard business case development framework which enables you to draft a comprehensive business case.</li> </ul>
Cost of poor service	<ul style="list-style-type: none"> <li>A tool to determine the cost of waste and poor quality for the organisation.</li> <li>The basic formula is: <math>TOC = EFTW \text{ price} + CPSD</math>.</li> <li>This means: Total operating cost (TOC) = Essential first-time work price (how much you pay your people to do things right the first time) (EFTW) + Cost of poor service delivery (CPSD).</li> <li>In the majority of organisations the equation is as follows: if <math>TOC = (100\%)</math> then <math>EFTW = (70\%)</math> and <math>CPSD = (30\%)</math>. The ideal is to reduce the cost of poor service delivery to less than 15% of your total expenses – this would be world-class.</li> </ul> <p>Refer to the tool kit on page 16-21 for details on how to use this tool.</p>
Cost-benefit analysis	<ul style="list-style-type: none"> <li>A high-level or detailed comparison between the cost of the new structure and the potential benefits.</li> <li>Each of the line items has to be calculated individually and some may require some creativity and diligence.</li> </ul>
Activity based costing	<ul style="list-style-type: none"> <li>Traditional accounting models allocate indirect cost on the basis of volume. As a result, the costs of high-volume products/activities tend to be overrated while low-volume products/activities tend to be underrated.</li> <li>Activity based costing calculates the true cost of products, citizens or services by attributing indirect costs (overheads) based on activities performed.</li> <li>Once the process for the service or activity has been mapped, the activity based costing exercise becomes easier.</li> </ul>
Costing tool	<ul style="list-style-type: none"> <li>A basic costing of the new structure to determine the total cost of full implementation.</li> </ul>

### 10.2.3 HOW TO DEVELOP THE BUSINESS CASE

#### *Step 10.1.1: Collect information*

The business case is the document which provides an overview of the expected impact if the new structure is implemented. In order to substantiate any business case it is important to collect information about the benefits of the new structure for the organisation.

Information which needs to be collected includes:

- Financial impact and cost savings.
- Process improvement and productivity improvements.
- Impact of the new structure on losses or fraud.
- Impact of the new structure on preventative actions.
- Unit cost and the impact of the new structure.
- Impact on cost of poor service.
- The total cost of the new structure (usually includes salaries, facilities, technology, telephone, stationery and travelling costs).

The Guide provides tools to calculate some of the information you will need for the business case. You can use the Basic costing tool on page 19-9 to determine the total cost of the structure. It may be useful to do detail costing using the Activity based costing tool on page 19-4 or the Cost of poor quality tool on page 16-21.

#### *Step 10.1.2: Determine benefits*

Once the information is collected, calculate the total cost and benefit to determine if there is a positive benefit, a break-even or if the cost would exceed the anticipated benefits.

The following benefits are typically included in a good business case:

- Financial benefits: Detailed costing and financial benefit analysis.
- Non-financial benefits.
- Strategic benefits and alignment improvement.
- Process and performance improvement.
- Organisation's image and national benefit.

The cost-benefit analysis can be done by using the Cost-benefit analysis tool explained on page 19-3 in Section 3 of the Guide.

The benefit of the structure will not always be quantifiable and some of the benefits may be non-financial.

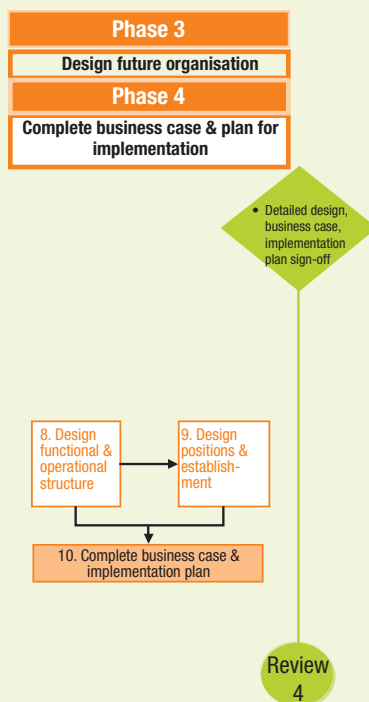
Step 10.1.3: Compile the business case

The business case document should include the following headings:

- Executive summary
- Background
- Description of proposed structure
- Impact
- Alternative options
- Risk assessment
- Cost-benefit analysis
- Implementation
- Consultation process
- Monitoring and evaluation
- Review and sign-off

For further information on the detail of each section, review the business case checklist included on page 19-2 in Section 3 of the Guide. If the business case has to be submitted to the MPSA and/or the National Treasury, you should check that you meet all the requirements for the business case that may be stipulated by the MPSA and the National Treasury.

10.3 STEP 10.2: PLAN THE IMPLEMENTATION



**Purpose**

The planning of the following implementation issues:

- The job: person matching process and timelines.
- Continuous support requirements.
- Training considerations.
- Handover process and timelines.
- Process and timelines for using the new KPIs.
- Process and timelines for assessing the benefits of the new organisational design.
- A great deal of change management!

**Objective**

To plan for an implementation which is as quick and effective as possible with as little as possible negative impact on current performance.

## 10.3.1 PROCESS FOR STEP 10.2



## 10.3.2 TOOLS FOR STEP 10.2

Tools	Highly recommended	Recommended	Nice to have
Implementation options	X		
Stakeholder management tool	X		
Force field analysis		X	
Dependency analysis template	X		
Impact analysis	X		
Risk analysis	X		
Costing tool	X		
Implementation plan	X		
Burke and Litwin model		X	

Tools	Description
Implementation options	<ul style="list-style-type: none"> <li>Structured review of two generic implementation options.</li> </ul>
Stakeholder management tool	<ul style="list-style-type: none"> <li>Stakeholder management is a central part of planning for an implementation with change impact. It involves:               <ul style="list-style-type: none"> <li>Identifying the individuals or groups that will either be affected by the changes or have the ability to impact on the change process.</li> <li>Developing a strategy to manage these stakeholders.</li> </ul> </li> </ul>
Force field analysis	<ul style="list-style-type: none"> <li>This is a technique for analysing the forces that help or hinder change. It can be useful, as part of drawing up a strategic change plan, for examining how feasible a strategic objective is and what areas need to be focused on in any associated action plan.</li> </ul>

Tools	Description
Dependency analysis template	<ul style="list-style-type: none"> <li>• A tool to determine the dependencies on outside support and things you do not have control over.</li> </ul>
Impact analysis	<ul style="list-style-type: none"> <li>• The impact analysis risk management matrix is situated along two axes – the impact of the change and the time frame of impact.</li> <li>• The degree of impact will therefore fall into one of four quadrants. The relevant strategies for responding to the degree of impact are set out in each of the quadrants.</li> </ul>
Risk analysis	<ul style="list-style-type: none"> <li>• The risk management matrix is situated along two axes:                             <ul style="list-style-type: none"> <li>o The probability of an adverse outcome.</li> <li>o The scale of the impact if things do not go according to plan.</li> </ul> </li> <li>• The degree of risk will therefore fall into one of four quadrants. The relevant strategies for responding to the degree of risk are set out in each of the quadrants.</li> </ul>
Costing tool	<ul style="list-style-type: none"> <li>• A basic costing of the new structure to determine the total cost of full implementation.</li> </ul>
Implementation plan	<ul style="list-style-type: none"> <li>• Implementation plan indicating the duration of the project, the work streams involved and the types of activities required to complete the project.</li> </ul>
Burke and Litwin model	<ul style="list-style-type: none"> <li>• It can be used as a framework for planning a change strategy – the key levers for major organisational change are the transformational factors.</li> <li>• It can be used to plan the implementation of a restructure by using the transactional and individual factors as areas to consider for implementation of the new structure.</li> </ul>

### 10.3.3 HOW TO DEVELOP AN IMPLEMENTATION PLAN

#### *Step 10.2.1: Select implementation option*

It is important to have a well-planned and managed implementation strategy from the outset to minimise the risks and costs associated with change. (Refer to Chapter 14 that discusses change management in detail.) As a first step in planning the implementation, you will need to decide on the implementation approach – will it be a phased approach or a “big bang” approach?

Each approach has its own advantages and disadvantages. Generally organisations use a phased approach, breaking the implementation effort into manageable chunks and looking for ‘quick wins’. The choice of approach should be determined by the particular circumstances of your organisation and other considerations such as the scale and complexity of the restructuring, the risks and the likely impact on the organisation. Use the table below to assist you in determining the approach that suits your organisation.

	Phased approach	Big bang approach
<b>Description</b>	<ul style="list-style-type: none"> <li>• Transitions all processes at once for one particular division or unit, migrating other divisions or units over time.</li> <li>• Best used in a multidivision environment where the current system is highly decentralised.</li> <li>• Speed: More gradual than big bang. May result in multiple restructurings over a long period.</li> <li>• Risk: lower risk than big bang. However issues tend to be concentrated in one division or business process.</li> <li>• Business impact: Business impact can be minimised. Multiple restructuring teams may be required.</li> </ul>	<ul style="list-style-type: none"> <li>• Transitions all organisational structures, systems and processes simultaneously for all business units in the organisation.</li> <li>• Best used when driven by an urgent business need and other options are not available.</li> <li>• Speed: High speed and concentrated pain for the department.</li> <li>• Risk: Very high risk as all divisions in the department and processes transition at the same time – it needs very well-tested contingency plans.</li> <li>• Business impact: Major business continuity risk throughout implementation and stabilisation period.</li> </ul>
<b>Advantages</b>	<ul style="list-style-type: none"> <li>• It provides opportunity to see the structure in practice before it is implemented throughout the organisation.</li> <li>• Opportunities for adjustment.</li> <li>• Lower risk than big bang approach.</li> </ul>	<ul style="list-style-type: none"> <li>• Simultaneous impact on business units/people.</li> <li>• Shorter period of staff uncertainty.</li> <li>• Quick change from legacy structure and systems.</li> <li>• New staff may bring best practice experience to organisational design.</li> <li>• Opportunity to build a culture of delivery and skills.</li> </ul>
<b>Disadvantages</b>	<ul style="list-style-type: none"> <li>• It may take a long time to implement and may not deliver the anticipated results if the roll-out is delayed.</li> <li>• The cost of implementation may increase if the process takes too long.</li> </ul>	<ul style="list-style-type: none"> <li>• High level of change management effort.</li> <li>• Difficulty in quickly changing established organisational structures and common policies and procedures.</li> </ul>

### Step 10.2.2: Develop implementation schedule

An implementation schedule is an important tool to use when planning to implement. When planning the implementation you need to consider the following:

- The number of people in the implementation team.
- The number of work streams which need to be implemented.
- The time frame for the implementation.
- The amount of change and communication which needs to take place.
- The geographic challenges.
- The budget available.
- Using external service providers to assist will impact your implementation plan, as you need to plan for the procurement and management of these external service providers.

Review the example of an implementation plan on page 20-2 in Section 3 of the Guide for further information.

*Step 10.2.3: Allocate responsibility and ownership*

Based on the implementation plan, you can then start allocating responsibilities for certain tasks or work streams with all the relevant tasks. The project sponsor should be involved in the planning. Ensure that the project sponsor and/or the steering committee signs the implementation plan and approves the proposed timelines.

*Step 10.2.4: Develop communication plan and training plan*

Training and communication are the cornerstone activities of change management and therefore important in a restructuring exercise.

When developing the training plan you need to consider the following:

- Who needs to be trained?
- What do they need to be trained in?
- Why do we need to train them?
- How will we train them (what will be the best way of developing the skills)?
- How many and when do we need to train them (just before the change, long in advance, small groups or large groups)?
- Who will do the training?
- What will it cost?
- Where do we find the material and what is the associated process? (buy vs. develop, generic vs. customised, electronic vs. hard copy)

The communication plan can be structured around the audience, based on the typical communication matrix as described on page 22-12 in Section 3 of the Guide.

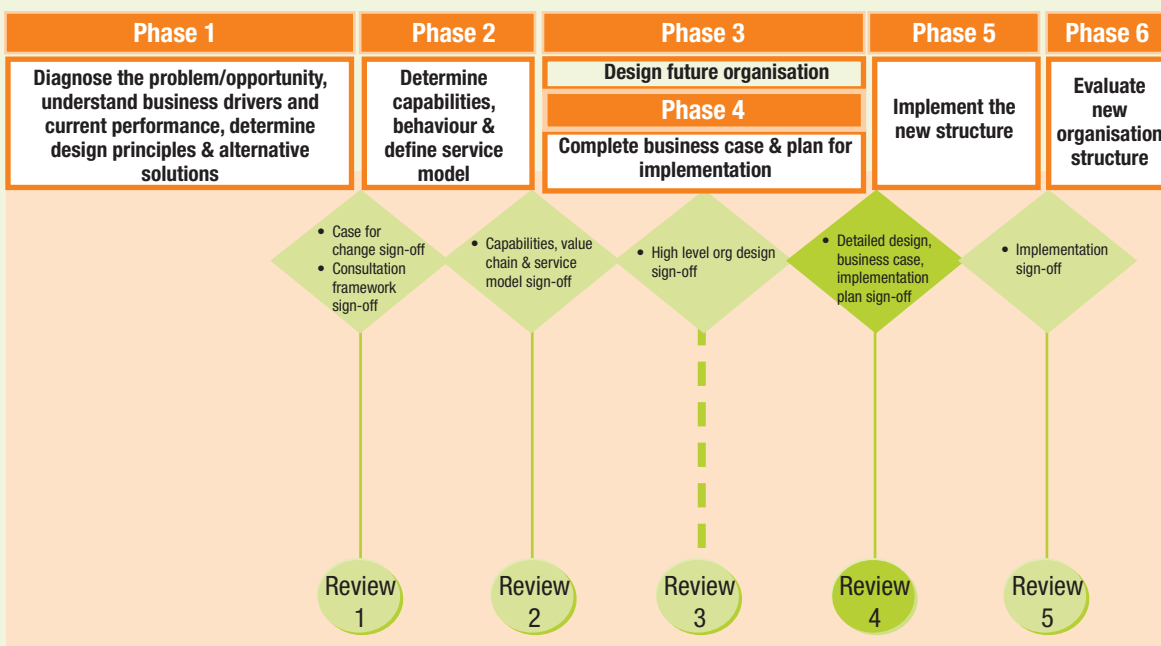
*Step 10.2.5: Identify risks and dependencies*

It is important to identify risks and dependencies when developing the implementation plan so that you can put in place the measures to manage these.

You can assess the risks (things that can go wrong) by using the risk analysis tool provided and explained on page 19-7 in Section 3 of the Guide. Ensure that you have contingency plans for all the major risks.

The dependencies (things over which you have limited or no direct control) refer to the need for input, support, funding, completion, approval, consultation etc. Make sure you have a good grasp of what you need from whom and how you are going to manage that dependency. Use the Dependency analysis tool provided on page 19-6 in Section 3 of the Guide.

10.4 REVIEW POINT 4: APPROVE DETAILED DESIGN AND IMPLEMENTATION PLAN



Area for review	Specific focus	Accepted, rejected or adjusted
Project management	• Have project risks been identified and planned for?	
	• Is a steering committee required and fully functional?	
	• Do we need external service providers and has the process of selection been initiated?	
	• Do we have the budget for the next two phases of the project?	
	• Do we have the schedule for the next two phases?	
	• Are there any outstanding project issues?	
Change management	• Is there a communication plan for the change?	
	• Does the structural change have a clear vision?	
	• Has an impact analysis been done and planned for?	
	• Has a change readiness assessment been conducted?	
	• Have all stakeholders been informed of the pending structural adjustment?	
Business case	• Are all the elements of the business case addressed in the document?	
	• Does the business case reflect a positive benefit?	
	• Are there enough non-financial benefits to justify the business case in the absence of cost benefit?	
Implementation plan	• Do we have a final implementation plan for the roll-out and monitoring of the structure after implementation?	
	• Does the plan address all the elements suggested for the plan?	
	• Is there an implementation schedule with dates and milestones?	

