

**SECTION 3 OUTLINES A RANGE OF TOOLS FOR USE IN THE ORGANISATIONAL STRUCTURING PROCESS.**

- **CHAPTER 15: INTRODUCES THE TOOL KIT AND PROVIDES AN INVENTORY OF TOOLS**
- **CHAPTER 16: DESCRIBES TOOLS FOR USE IN PHASE 1: DIAGNOSIS**
- **CHAPTER 17: DESCRIBES TOOLS FOR USE IN PHASE 2: DETERMINE REQUIREMENTS**
- **CHAPTER 18: DESCRIBES TOOLS FOR USE IN PHASE 3: DESIGN FUTURE ORGANISATION**
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# CHAPTER 19

DESCRIBES TOOLS FOR USE  
IN PHASE 4: BUSINESS CASE AND  
IMPLEMENTATION PLANNING

## CHAPTER 19

### 19. TOOLS FOR PHASE 4: BUSINESS CASE AND IMPLEMENTATION PLAN

#### 19.1 TOOLS FOR STEP 10.1: DEVELOP BUSINESS CASE

Tools	Highly recommended	Recommended	Nice to have
Business case template	X		
Cost of poor service	See step 4 tools		
Cost-benefit analysis	X		
Activity based costing			X
Costing tool	See implementation tools		

#### 19.1.1 TOOL 55: BUSINESS CASE TEMPLATE

Elements	Considerations	Status Yes/No
Executive summary	<ul style="list-style-type: none"> <li>Precise and brief description of problem or opportunity to be addressed; what proposed structure will achieve; impact on service delivery, operations and staff; and financial implications.</li> </ul>	
Background	<ul style="list-style-type: none"> <li>What problem, need or opportunity has to be addressed?</li> <li>Describe the current situation in department or unit and include useful statistical information relating to service delivery, service users, performance, inputs (staff, infrastructure and budgets), and processes.</li> </ul>	
Description of proposed structure	<ul style="list-style-type: none"> <li>Objectives: what will the proposed structure achieve?</li> <li>How does the proposed structure align with the strategic plan and mandate?</li> <li>Methodologies used in arriving at proposed structure.</li> </ul>	
Impact	<ul style="list-style-type: none"> <li>Impact on service delivery: increase or decrease in service delivery points, extension of service hours, changes in service norms and standards.</li> <li>Impact on staff: increase in or reduction of staff, internal reorganisation, training.</li> <li>Impact on infrastructure: information and communication technology, office space, furniture.</li> <li>Impact on external stakeholders: suppliers, service delivery partners in government and civil society.</li> </ul>	
Alternative options	<ul style="list-style-type: none"> <li>List viable alternatives considered.</li> <li>Reasons for elimination</li> </ul>	

Risk assessment	<ul style="list-style-type: none"> <li>• Identify and assess probability and impact of key risks on proposed structure and implementation.</li> <li>• Propose strategies to mitigate risks.</li> </ul>	
Cost- benefit analysis	<ul style="list-style-type: none"> <li>• Cost of new or revised structure – current year and MTEF.</li> <li>• Availability of funding.</li> <li>• Benefits of proposed structure (financial and non-financial).</li> <li>• Detailed cost-benefit analysis is required for establishing a new entity.</li> </ul>	
Implementation	<ul style="list-style-type: none"> <li>• High-level implementation plan with major phases, deliverables and target dates for completion.</li> <li>• Roll-out or phased implementation.</li> <li>• Change management strategy.</li> <li>• Roles and responsibilities of those involved in implementation.</li> <li>• Costs of carrying out implementation plan.</li> </ul>	
Consultation process	<ul style="list-style-type: none"> <li>• Who has been consulted?</li> <li>• What did the consultation processes comprise?</li> <li>• What was the outcome of consultations?</li> </ul>	
Monitoring and evaluation	<ul style="list-style-type: none"> <li>• What indicators will be used to monitor and evaluate?</li> <li>• How will changes be monitored and evaluated?</li> <li>• Who will be responsible?</li> </ul>	
Review and sign-off	<ul style="list-style-type: none"> <li>• Describe by whom and how the business case analysis was reviewed and signed off, e.g. HR manager, line manager, EXCO, DG and Executive Authority.</li> </ul>	

## 19.1.2 TOOL 56: COST-BENEFIT ANALYSIS

What is it?	How to use it	When to use it
<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, e.g. waste reduction or loss prevention.</li> </ul>	<ul style="list-style-type: none"> <li>List all the cost items, calculate each of them and add the total cost of the new structure.</li> <li>List all the benefits and savings items, calculate each of them and add the total savings (benefits).</li> <li>Subtract the cost from the benefits to determine whether there is a positive benefit or not.</li> </ul>	<ul style="list-style-type: none"> <li>To establish the business case for the new structure.</li> </ul>

## Tangible cost-benefit analysis

Cost	Total cost	Benefits	Total savings
Implementation cost		Direct savings	
<ul style="list-style-type: none"> <li>Service providers</li> </ul>		<ul style="list-style-type: none"> <li>Overheads</li> </ul>	
<ul style="list-style-type: none"> <li>Project team</li> </ul>		<ul style="list-style-type: none"> <li>Travelling</li> </ul>	
<ul style="list-style-type: none"> <li>Project expenses</li> </ul>		<ul style="list-style-type: none"> <li>Reduced legal cost</li> </ul>	
<ul style="list-style-type: none"> <li>Capital expenses</li> </ul>		<ul style="list-style-type: none"> <li>Other</li> </ul>	
<ul style="list-style-type: none"> <li>Other</li> </ul>			
Additional operating cost		Indirect savings	
<ul style="list-style-type: none"> <li>Salaries</li> </ul>		<ul style="list-style-type: none"> <li>Waste reduction</li> </ul>	
<ul style="list-style-type: none"> <li>Technology cost</li> </ul>		<ul style="list-style-type: none"> <li>Loss prevention</li> </ul>	
<ul style="list-style-type: none"> <li>Facilities cost</li> </ul>		<ul style="list-style-type: none"> <li>Unit cost reduction</li> </ul>	
<ul style="list-style-type: none"> <li>Stationery cost</li> </ul>		<ul style="list-style-type: none"> <li>Other</li> </ul>	
<ul style="list-style-type: none"> <li>Other</li> </ul>			
<b>Total</b>		<b>Total</b>	

## Intangible cost-benefit analysis

Implementation losses	Total cost	Implementation benefits	Total savings
Loss of productive hours		Customer satisfaction	
Loss of focus		Performance improvement	
Risk of poor alignment		Less rework and idle time	
Other		Employee morale	
Other		Other	
<b>Total</b>		<b>Total</b>	

19.1.3 TOOL 57: ACTIVITY-BASED COSTING

What is it?	How to use it
<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 those of low-volume products/activities tend to be underrated.</li> <li>Activity-based costing calculates the true cost of products, customers 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>	<ul style="list-style-type: none"> <li>Define the cost objects (products, customers, services or anything else that incurs cost), indirect activities (overheads) and resources used for the indirect activities (overheads).</li> <li>Determine the total cost per indirect activity (loading, receiving, calculating, checking, computing, promoting, buying, selling, reading orders, etc.).</li> <li>Identify the cost drivers for each resource (time, material, connectivity, salaries, assets, fuel, etc.).</li> <li>Calculate the total overheads per process, product, customer, and service.</li> <li>Divide the total cost by overheads per product, customer, service.</li> </ul>

Example of an activity-based costing exercise:

Define cost items	Determine cost	Determine cost driver	Allocate cost				Calculate cost
			Tables		Bookshelves		
Tables							200 tables
Bookshelves							300 shelves
Activities			Cost driver	Amount	Cost driver	Amount	True cost per item
1. Engineering	R5 000	Days	20 days	2 000	30 days	3 000	R101,50 per table
2. Set-up	R2 000	Number of	2 set-ups	800	2 set-ups	1 200	
3. Assembly	R20 000	FTEs	100 FTEs	12 000	50 FTEs	8 000	R65,66 per shelf
4. Storage	R3 000	m <sup>2</sup>	50 m <sup>2</sup>	2 500	10 m <sup>2</sup>	500	
5. Distribution	R10 000	Loads	10 loads	3 000	20 loads	7 000	
Total	R40 000			20 300		19 700	

## 19.2 TOOLS FOR STEP 10.2: PLAN IMPLEMENTATION

Tools	Highly recommended	Recommended	Nice to have
Implementation options	X		
Stakeholder influence analysis	See change management tools		
Force field analysis	See change management tools		
Dependency analysis template	X		
Impact analysis	X		
Risk analysis	X		
Costing tool	X		
Implementation plan	See phase 5 in Chapter 11.		
Burke and Litwin model	See step 1 on page 7-3.		

## 19.2.1 TOOL 58: IMPLEMENTATION OPTIONS TABLE

	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 in terms of systems, personnel, etc.</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 render 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>

19.2.2 TOOL 59: DEPENDENCY ANALYSIS TEMPLATE

What is it?	How to use it	When to use it
<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>	<ul style="list-style-type: none"> <li>Identify all implementation work streams.</li> <li>Review each work stream against the types of dependencies.</li> <li>Identify potential dependencies for each work stream and include these under the appropriate heading in the table: delaying, interruptive, completion.</li> <li>Identify appropriate actions to manage the dependencies.</li> </ul>	<ul style="list-style-type: none"> <li>Use the tool to identify and plan for the management of dependencies.</li> </ul>

Example of dependency analysis template

Types of dependencies	Delaying dependencies <i>Implementation cannot start without this dependency being addressed</i>	Interruptive dependencies <i>Implementation can continue, but will depend on this dependency in future</i>	Completion dependencies <i>Implementation cannot be completed without this dependency being completed</i>	Actions to be taken
Example: Decision making	Implementation cannot start without approval of CEO.	New people cannot be appointed without approval from employment equity committee.	New process improvement teams cannot be fully operationalised without approval from strategic committee.	
Critical decisions				
Resource allocation (funding, equipment, facilities, people)				
Other initiatives or projects				
Technology changes				
Skills/knowledge (Development/availability)				
Stakeholder support (communication)				
Management support				
Information				

	Delaying dependencies	Interruptive dependencies	Completion dependencies
<b>Internal dependency</b>	Address immediately through steering committee.	Address as part of the project schedule.	Incorporate as part of the final decision point.
<b>External dependency</b>	Address through managerial support.	Address as part of the project schedule.	Incorporate as part of the final decision point.

19.2.3 TOOL 60: RISK ANALYSIS

What is it?	How to use it	When to use it
<ul style="list-style-type: none"> <li>The risk management matrix is situated along two axes:</li> <li>- The probability of an adverse outcome.</li> <li>- The scale of the impact if things do not go according to plan.</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>	<ul style="list-style-type: none"> <li>Identify possible problems and decide which quadrant they fall into and then plan accordingly for their management.</li> <li>Risk is not static, and regular risk assessments should be carried out to ensure that circumstances have not led to the need for a revised assessment and coping strategy.</li> </ul>	<ul style="list-style-type: none"> <li>A useful tool to determine the risk for the implementation of the structure.</li> <li>This links back to the givens identified during the diagnostic phase.</li> </ul>

Risk category	Specific risk event	Probability (1-10 scale)	Impact (1-10 scale)	Risk factor /100
People				
Client				
Process				
Technology				
Environment				
Funding				

	High impact	Low impact
<b>High probability</b>	Address in detail in structure. (Be careful not to create another risk in the way you manage the known risk.)	Address in governance structures at least.
<b>Low probability</b>	Include in governance structure process for review.	Address if required.

19.2.4 TOOL 61: IMPACT ANALYSIS

What is it?	How to use it	When to use it
<ul style="list-style-type: none"> <li>The impact analysis risk management matrix is situated along two axes:                             <ul style="list-style-type: none"> <li>The impact of the change.</li> <li>The time frame of impact.</li> </ul> </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>	<ul style="list-style-type: none"> <li>Identify all impacted parties.</li> <li>Determine the short- and medium-term impact of the new structure.</li> <li>Identify strategies by using the impact-time matrix.</li> </ul>	<ul style="list-style-type: none"> <li>A useful tool to determine the impact of the implementation of the structure.</li> <li>This links back to the stakeholder analysis conducted in the diagnostic phase.</li> </ul>

Impacted parties	Short-term impact	Medium-term impact	Strategies to mitigate or enhance/sell
Impact on service delivery (increase or decrease in service delivery points)			
Impact on staff (increase in or reduction of staff)			
Impact on infrastructure (ICT, facilities upgrade, shortage of space, etc.)			
Impact on external stakeholders (suppliers, donors, other departments)			

	High impact	Low impact
Short term	Address in detail. (Be careful not to create another risk in the way you manage the known risk.)	Contingency plans.
Medium term	Prepare for future impact and communicate the impact.	Monitor the potential impact.

**19.2.5 TOOL 62: COSTING TOOL**

What is it?	How to use it	When to use it
<ul style="list-style-type: none"> <li>• A basic costing of the new structure to determine the total cost of full implementation.</li> </ul>	<ul style="list-style-type: none"> <li>• Identify all positions.</li> <li>• Determine salary level of each position.</li> <li>• Determine actual salary.</li> <li>• Determine infrastructure cost.</li> <li>• Determine number of positions.</li> <li>• Determine number of vacancies.</li> <li>• Actual cost (excluding vacancies).</li> <li>• Total cost (costing all positions).</li> </ul>	<ul style="list-style-type: none"> <li>• Use this type of tool for every restructuring initiative.</li> </ul>

Costing tool template:

Post	Salary level	Salary	Infrastructure cost	No. of positions	No. of vacancies	Actual cost	Total cost

