A case study on redesigning a business:

ReturnToWorkSA's "Designing our Future"

Matthew Charles Lucas

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Declaration

This thesis contains no material that has been accepted for the award of any other degree or diploma in any University, and, to the best of my knowledge, this thesis contains no materials previously published except where due reference is made.

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A Literature Review

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Abstract

This project presents ReturnToWorkSA's redesign of their organisation. Specifically it outlines (a) the reasons for the redesign; (b) organisational design literature and the theoretical models ReturnToWorkSA used (e.g., functional analysis and lean six sigma methodology); (c) feedback from employees to gauge their thoughts and feelings about the change management approach (d); employee engagement and productivity levels before the redesign and afterwards (2016 and 2018 results); and (e) ReturnToWorkSA's performance as a business (i.e., ReturnToWorkSA Scheme's key performance measures before the redesign and afterwards – 2016 and 2018 results). There were 267 ReturnToWorkSA employees impacted by the redesign with 101 employees completing a change readiness survey across three different time points to assess what stage of change they may have been experiencing (i.e., denial, resistance, exploration, commitment). A significant difference was found in employee endorsement of the denial stage of change in comparison to commitment, exploration or resistance between the first survey (when the redesign was announced) and the last survey (when the structure had been finalised). Furthermore, whilst this study did not analyse the relationship between the redesign and other key measures, there were improvements from 2016 (before the redesign) to 2018 (after the redesign) in ReturnToWorkSA's employee engagement (Utrecht engagement scale), productivity levels (Work Ability Index) and overall business results (Net Promoter Score, return to work/remain at work rates, average premium rate and funding ratio).

Keywords: organisational design, functional analysis, change management, ReturnToWorkSA

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In today's complex business environment where organisations are seeking to gain a competitive edge, an organisation's design (organisational structure, practices and processes) is a critical part of its success (Kesler & Kates, 2010). Organisational structure defines how tasks are formally divided, grouped and coordinated (Robbins, Waters-Marsh, & Millett, 2004). The purpose of organisational design is to maintain control in an unstable world and to regulate human behaviour. Important questions for leaders to answer is what is the best design, what are the criteria for it and the signals to indicate when the design is not quite right (Handy, 1985)? The purpose of an organisation's structure should be to facilitate communication, decision making, define authority and responsibility and integrate departments and divisions (Stone, 2013). Deficient structures lower motivation and morale, lead to delayed and poor quality decision making, destructive conflict (politics), poor coordination, slow responses, and rising costs. Changing an organisation's structure (e.g., flattening) may not necessarily lead to improvements and other factors (e.g., political, social, cultural, business strategies, and market conditions) may also determine a structure's effectiveness (Stone, 2013).

To assess the effectiveness of an organisation's design and whether it will deliver on its purpose and strategy, some theoretical and evidence based approaches can assist organisations to choose an appropriate design. In the organisational theory literature (Morgan, 2006; Scott, 1995), there are numerous concepts and frameworks that may be used to characterise the overall type or form of an organisation. Mintzberg's (1979) typology outlines six organisational configurations which include simple structure, machine

bureaucracy, professional bureaucracy, divisional form, adhocracy, and missionary. A simple

structure is where a Chief Executive Officer gives the orders and the organisation has

minimal staff. This structure type is typically appropriate for new organisations or those in

simple, dynamic or extremely hostile environments. However, a simple structure can be

risky as it leaves the organisation dependent on one person who might leave the organisation,

and it becomes more difficult as the size and functions of the organisation increase.

Bureaucracy (machine or professional bureaucracy) involves standardisation, highly routine

tasks with formalised rules, functional departments, centralised authority, unity of command,

and narrow spans of control (Mintzberg, 1979). A machine bureaucracy is required when

coordination depends on the standardisation of work. It originated in the industrial revolution

and is still dominant today. An example of a machine bureaucracy is a bank as it is highly

centralised and characterised by a high level of formalisation with regards to its processes

and procedures. A professional bureaucracy is where coordination depends on standardisation

of skills and is effective in stable, complex environments, and is a product of the middle

years of the 20th century (Mintzberg, 1979). An example of a professional bureaucracy is a

hospital. The advantages of bureaucracy are that it is effective at performing routine tasks in

stable environments with less competent individuals because rules tend to substitute for

management. The risks are that there can be a tendency for people to be obsessed with rules

and procedures, work can expand to fill the time available for its completion (i.e.,

Parkinson's law), employees rise to their level of incompetence (i.e., the Peter Principle), and

people can have difficulty dealing with new problems and adapting to change (Heery &

Noon, 2017). However, despite these risks, in addition to banks and hospitals, bureaucracy

still dominates areas such as manufacturing, education, armed forces and government

departments. This is because it is still an efficient way to handle large size organisations; it

can manage change by adopting management strategies of checking the environment and

alliances; it can hire well trained people to reduce the need for rules and regulations; and it can use technology to monitor employees without so much centralisation or narrow spans of control. Bureaucracy has been more adaptable than expected. A divisional form is usually used for very large organisations as it gives more autonomy to middle managers with coordination achieved through standardisation of outputs. However, it can discourage innovation and lead to irresponsible behaviour to meet output demands. Another organisational type is an adhocracy, which is where a sophisticated group of specialists in project teams work together by mutual adjustment, for example, an advertising agency. Finally, a missionary structure is one with a very strong ideology with standardised norms, beliefs and values. Missionary structures are usually seen in entrepreneurial organisations led by a charismatic leader, for example, McDonalds when it first began.

Whilst it is useful to consider the type of organisational structure, it is also worth understanding what elements make up a structure. Phillips (2005) proposed that there are six key elements in the design of structure; the work specialisation, departmentalisation, chain of command, span of control, centralisation and decentralisation, and formalisation. Work specialisation looks at the division of labour which can be efficient and cost effective as you do not need highly skilled workers; however, the disadvantages are that it can lead to boredom, stress if taken too far and the organisation can lose educated people if they are stuck doing tasks they do not enjoy with little variety. The second element that Phillips (2005) refers to is departmentalisation. This can be in terms of function (e.g., accounting), product, service, geography, process or customers. In a review on teams, Ilgen, Hollenbeck, Johnson, and Jundt (2005) refer to Hollenbeck, Moon, Ellis, West & Ilgen (2002) who found departmental structures promoted team mental models (shared knowledge) that led to better performance in random environments while functional structures promoted transactive memory ('who knows what') that led to better performance in predictable environments.

Matrix structures combine two forms of departmentalisation, for example, functional and product. The strength of functional departmentalisation is that it puts similar specialists together, but it can be difficult to coordinate specialists to achieve tasks. The strength of product departmentalisation is that it facilitates coordination of specialists to achieve tasks, but it duplicates activities and costs. The matrix structure tries to combine the strengths of both and minimise their weaknesses, but at the expense of losing unity of command. For example, an internal Organisational Psychologist may be required to deliver a range of interventions for various teams (e.g., a team building workshop for a newly formed Finance team to improve working relationships and productivity), but also have the Human Resources department wanting him or her to perform tasks for their department (e.g., recruitment and selection activities). The problems with matrix structures are that they can lead to confusion and power struggles between those in charge of different aspects of the organisation (e.g., the Finance team needing support versus the Human Resource departmental needs). This can also produce ambiguity concerning job role and can be stressful to those who prefer security and certainty. Chain of command (who reports to whom) is the third element of organisation design (Phillips, 2005). It includes two concepts which are authority (part of the role) and unity of command (only reporting to one superior). This element is less relevant nowadays due to widely available information from computers and a societal trend to empower employees. The fourth element of organisation design is span of control (Phillips, 2005). When considering a manager's span of control, a wider span can be more efficient. Small spans of control have three key disadvantages; it is expensive because they add layers of management, it makes vertical communication more complex, and it encourages tight supervision and less autonomy (Phillips, 2005). Recent trends are towards wider spans of control for less cost and greater flexibility, but this requires better trained workers and presents the danger of losing control if spans are too wide. The fifth element of organisation

design looks at centralisation versus decentralisation (Phillips, 2005). Centralisation looks at the degree to which decision making is concentrated at one point in the organisation, whereas decentralisation has more input from lower level employees and discretion to make decisions. Decentralisation allows more rapid decision making and more worker involvement, but with less control from top management. There is a recent trend towards more decentralisation and flatter structures to cope better with rapid change; however, this also requires increased confidence and capability for employees to make and own decisions. The final element of organisation design is formalisation (Phillips, 2005) which refers to the extent to which jobs are standardised (with minimum discretion) and can vary within an organisation, as well as between organisations. Formalisation typically depends on the type of job, for example, a sales environment may have little formalisation as long as targets are met, whereas call centre positions may have high formalisation to ensure performance is optimal.

Since the 1980s, further research has presented a range of other design considerations for structure, including team structure, virtual organisation, and the boundaryless organisation (Hollenbeck et al., 2002). Using a team structure tends to break down departmental barriers and decentralises decision making. Team structures require employees to be generalists with strong negotiating skills, as well as specialists (Hollenbeck et al., 2002) and different role structures are better suited to different types of environments. Small organisations can be run entirely by teams, whereas large (bureaucratic) organisations can use teams to provide flexibility in dealing with change and new problems. The virtual organisation has a management core that outsources its major functions if others can do it more cheaply (e.g., manufacturing, distribution, and marketing). The main advantage of the virtual organisation is flexibility as it can change rapidly to meet challenges, whereas it is disadvantaged through reduced control over major parts of the business that are outsourced. The boundaryless organisation is another design option and it seeks to reduce or eliminate the chain of

command, widen or eliminate span of control, and replace departments with empowered teams. Its success depends on information technology that enables wide sharing of information across and between different levels of the organisation. The advantage of boundaryless organisations is the flexibility and speed with which it can respond to new challenges and feedback (e.g., from customers). Conversely, the challenge is to keep control of its operations in terms of its strategic direction.

Burns and Stalker (1961) also examined the structures of a number of organisations and made a distinction between mechanistic organisations which had narrow control, centralised decision making and a tall structure to maximise production/efficiency and organic organisations which had a wide control span, decentralised decisions and flat structure to maximise flexibility and adaptability in times of change. They argued there is no one best structure; however, it depends on variables such as technology and product market.

Further support comes from Hellriegel, Slocum, and Woodman (1995) who presented a model to determine organisation structure. They argued the need to consider three factors when determining organisation structure. First, environmental forces, as structure has to deal with degrees of complexity (e.g., customer similarity) and dynamism of change. Next, strategic choices which includes management philosophy (may prefer hierarchical structure), customer types and areas served (influence functional or divisional structure), and total quality values may determine if organisation is structured for continual improvement. Lastly, technological capabilities (degree of standardisation and skills), which includes work-flow uncertainties, task uncertainties and task interdependence which may influence structure.

Organisation structure is necessary to cope with complex environments that most businesses face. There's a need to design the correct structure and consider a range of factors and changes in those factors over time, including services or products, environment,

technology, and employees when designing and redesigning an appropriate organisational structure.

How to redesign an organisation?

Whilst organisational theories help explain the different types of organisational structures and what should be considered, their limitations are that they are descriptive and not prescriptive as they do not guide leaders on how to design and analyse the effectiveness of their structure (Donaldson, 2001). Whilst the initial task for a leader may be to describe the current organisation, it is a little more difficult to understand the required tasks that need to be performed to achieve the organisation's strategy in the most optimal form. The strategy literature is more prescriptive as it assumes that the formal structure of an organisation should be aligned with its strategy, and that any changes to strategy may also require both formal and informal modifications to the structure of the organisation as well. However, the limitations with strategy literature are that it assumes that organisation design is as simple as picking an organisational form that fits certain external or internal contingencies. Yoo, Boland, and Lyytinen (2006) argued that managers need to go beyond just selecting an organisation design and develop their ability to create new organisational forms, treating the word design not as a noun, but as a verb. In other words, organisation designs need to be fit for purpose, adjusted and developed in response to a set of requirements (i.e., organisation strategy, size, environment, technology and national culture) that are unique to each organisation (Yoo et al., 2006). Therefore, when evaluating the current design of an organisation, it is not enough to characterise the overall type or form of an organisation; one must consider the more specific design choices that have been made to address the requirements facing the particular organisation. The key to design is also to realise it is an iterative process where you may start with a point of view, create options that

may address opportunities, validate those options and execute the ones that best address the opportunities (Pijl, Lokitz, Solomon, Plujm, & Lieshout, 2016). Design is continuous and iterative and is built to deal with ambiguity and change in a long-term way.

One way to practically do this is using functional analysis, which assumes a business should start by considering its overall purpose and then the specific functions the organisation needs to perform, that is, the outcomes the organisation aims to achieve. Once the purpose and functions are clear, the business can then decide how it should be structured to deliver on their purpose and functions, for example the units, roles, business processes and reporting lines required. With all these things in place, the business should then be in a good position to assess whether they have an appropriate design that is aligned to their purpose or suggest a different design that would be a better fit.

Functional analysis is based on the general principles outlined in systems theory (Ackoff, 1971; Ackoff & Emery, 1972) and the more specific tools in axiomatic design theory, developed by Suh (1990; 2001). The key basis for systems theory is that each organisation has a purpose, which can be operationalised by identifying more specific functions (Ackoff, 1971; 1999). A function is defined as the intended outcome that an organisation produces. Within the organisation, each business unit also has a function and it may be necessary to achieve all of the unit-level functions if the organisation is to achieve its overall purpose. A function is delivered by a structure, yet function and structure are separate from each other conceptually. To illustrate this point, Ackoff and Emery (1972) provide the example of a sundial, a water clock, a spring watch, and an electric clock which all produce the time. Whilst each of these devices share the same function of time-telling, they are all structured very differently. Common functions of most organisations are to "develop products or services", "sell and market products or services", and "provide administrative support to internal units" (Worren, 2016). These high level organisational functions may be

broken down into more specific functions, for example, the function "provide administrative support" may be broken down into deliver technology systems support, provide financial services and provide human resources support. The initial challenge is often to think in more outcome-oriented ways to properly separate function from structure. Functional requirements should be solution-neutral, that is they should not indicate how the function is to be fulfilled (Suh, 1990; 2001). It is helpful to formulate functional requirements (i.e., what needs to happen) using verbs (e.g., "ensure compliance with laws and regulations") and design features like structure and process (i.e., who and how it will be delivered) using nouns (e.g., regulation employees).

Determining a business' functions is important but so too is taking a considered approach to designing the teams and positions that will deliver on such functions. Evans and Davis (2005) outline seven core aspects of team structure including staffing, the balance of expertise and skills from different disciplines; self-managed teams, to develop strong relational ties between team members and create a personal stake in success; decentralised decision making and access to resources, allowing the team to decide how to proceed in the most effective way; training, particularly in how to function effectively as a team; flexible job assignments, allowing the team to choose research projects most suited to their expertise and interests; open communication, which is essential for efficiency and reducing conflict, and lastly compensation needs to be agreed upon for all team members. In relation to positions, Hackman and Oldham (1976) created a model of job design based on three psychological states that produce high internal motivation; meaningfulness, responsibility, and knowledge of results. They argued job design should make individuals and teams aware of the level of skill variety, task identity and task significance in their jobs, provide them with some autonomy and discretion for how work is performed, and allow them to understand how their role contributes to the organisation's success. Inappropriate guidelines for designing

jobs may compromise motivation. As jobs may be negatively impacted by an organisation and job redesign, Hackman and Oldman (1980) provide a diagnostic tool, the Job Diagnostic Survey, to assess jobs in terms of their job design model.

In addition to functional analysis and job design, business process re-engineering is another way to look at how to successfully redesign a business. Craig and Yetton (1992) proposed three models of re-engineering; that is, improvement (incremental, existing processes, bottom up participation, narrow focus), innovation (radical, clean slate, top-down, broad focus), and dynamic improvement (incremental, existing processes, top down/bottom up, broad focus. Donaldson (2001) argued that the problem a lot of businesses face is actually a process problem, but the vocabulary they use is one of structure. Lean six sigma is a process improvement methodology which can be used to improve an organisation's performance by systematically removing waste and reducing variation (Pande, Neuman, & Cavanagh, 2014). Specifically, lean six sigma is a comprehensible and flexible system for achieving, sustaining and maximising business success. It is uniquely driven by a close understanding of customer needs, disciplined use of facts, data and statistical analysis, and diligent attention to managing, improving and reinventing business processes (Pande, Neuman, & Cavanagh, 2014). Lean means eliminating waste by looking at the timeline from the moment the customer gives an order to the point we collect the cash, and reducing that timeline by removing non-value added wastes. Hammer and Champy (1993) argued that structure should be determined by business process, and that re-engineering is rethinking and radically redesigning business processes to improve cost, quality, service and speed. Using a process improvement methodology like lean six sigma means a business would first identify its main business processes and map these out so it is clear what is done, how it is done and who does it. By bringing such processes to the surface, the business can then make informed decisions about what non-value activities (waste) can be eliminated and what structure may

be required to deliver these processes. The key characteristics of business process re-

engineering are (1) combining jobs to reduce specialisation, (2) workers make decisions –

decentralisation, (3) work steps proceed in optimal order, (4) processes have multiple

versions giving flexibility, (5) work is performed where it makes most sense rather than in

functional areas, (6) reduced checks and controls to reduce overheads by concentrating on

key check points, (7) reducing the number of external contacts, (8) use of a manager to give a

single point of contact, and (9) hybrid centralised/ decentralised operations. For business

process re-engineering processes to be successful it would appear that those leading the re-

engineering need to not just focus on the process, but also capture the hearts and minds of

employees that will be impacted and involve them in any redesign. Evidence suggests that

the majority of business process re-engineering projects have failed due to businesses

ignoring the human factor or treating people as parts in a machine (Guimaraes, 1997).

Hammer and Champy (1993) even admitted "we forgot about people" and "I wasn't smart

enough about that. I was reflecting my engineering background and was insufficiently

appreciative of the human dimension. I've learned that's critical" (White, 1996).

Other unsuccessful organisational change projects may also be explained by a lack of

attention to the role of individual loss in the change process (Bridges, 1991; Stein, 1988;

Vince & Broussine, 1996). Kubler-Ross' (1969) work has been used as a lens through which

to view the individual impacts of organisational change (Scott & Jaffe, 1988). The loss/grief

framework has been applied by organisations to varying degrees to gauge how people have

reacted to change and where they sit along the stages of grief from initial denial to final

acceptance.

Kotter (1996) suggested that to successfully manage change and keep people front of

mind there are eight key steps to follow. Specifically these steps are (1) establish a sense of

urgency, (2) create a guiding coalition, (3) develop a clear shared vision, (4) communicate the

vision, (5) empower people to act on the vision, (6) create short term wins, (7) consolidate and build on the gains, and (8) institutionalise the change. A study by Appelbaum, Habashy, Malo, and Shafiq (2012) mapped research evidence against the eight change steps suggested by Kotter (1996) and found support for each of the stages, and although no study covered the model in its entirety, there was no evidence against it. This research suggests that Kotter's (1996) model provides a good starting point for managers to conceptualise and formulate strategies for an effective change process to redesign an organisation.

There are some key factors that can make coping with change harder and are key mistakes to avoid when redesigning an organisation. Woodward and Hendry (2004) outlined six key hindrances to managing change, including (1) communications not being informed or people deliver conflicting messages to employee, (2) the change process moves too quickly or out of step, (3) change leaders are remote, autocratic or do not lead by example, (4) lack of consultation where employees are not involved or their input disregarded, (5) perceived lack of skills and experience of change leaders, and (6) lack of evident involvement or motivation of senior management. Stone (2013) also listed 10 key mistakes that organisations should avoid when restructuring which are (1) failure to be clear about long and short-term goals, (2) use of downsizing as a first resort, rather than as a last resort, (3) use of non-selective downsizing, (4) failure to change the ways work is done, (5) failure to involve workers in the process, (6) failure to communicate openly and honestly, (7) inept handling of those who lose their jobs, (8) failure to manage survivors effectively, (9) ignoring the effects of other stakeholders, and (10) failure to evaluate results and learn from mistakes.

The human element: the importance of employee engagement and workability

Designing the right structure is important, but to make it work it is also important to ensure employees are engaged, committed and productive. Employee engagement and work ability measures can help organisations gauge employee wellbeing and productivity. Engagement looks at an employee's commitment to the organisational cause (Wellins & Concelman, 2005). Work ability includes the health and functional capacity of workers, their values and attitudes, family life and community, the external environment, work conditions and the work environment. Work ability or an individual's capacity to meet the demands of their job is an important part of whether someone sustains employment or whether they leave the workforce early.

Musich, Hook, Baaner, and Edington (2006) found that the greater the number of health risks per employee, the greater the negative impact on employee productivity. Further evidence supports the link between someone's work ability and productivity and their likelihood of an early exit from the workforce. For example, Salonen, Arola, Nygård, Huhtala, and Koivisto (2003) found that poor work ability scores at baseline were associated with early retirement 11 years later. Ilmarinen et al. (1991) demonstrated that a third of workers aged over 51 years who were originally classified as 'low work ability' had become disabled at the four year follow-up. Furthermore, after 11 years, roughly 62% of the original low work ability participants had retired on a disability pension, 12% had died and only 2% were working full-time (Ilmarinen & Rantanen, 1999; Tuomi, Ilmarinen, Martikainen, Aalto, & Klockars, 1997).

The primary validated tool for assessing work ability is the Work Ability Index (WAI) (Ilmarinen & Tuomi, 1992). This measure comprises seven subscales assessing physical health (e.g., presence of disease or injury), psychological health or 'mental

resources', and subjective perceptions of work ability compared to life time best and compared to the mental and physical demands of the job. Participants are also asked the likelihood that they will be in their current position in two years' time. However, the WAI focuses on health is at the expense of the other components of the work ability construct including characteristics of the organisation and workers' motivations. For this reason, organisations may also use engagement scales, like the Utrecht engagement scale (Hallberg, & Schaufeli, 2006), to assess their workforce's commitment to their role, organisation and motivations. "Engagement is about passion and commitment—the willingness to invest oneself and expend one's discretionary effort to help the employer succeed" (Erickson, 2005, p. 14). Erickson (2005) argued that employee engagement generates positive outcomes for both the individual and the organisation and once a business knows what engages their people, they can implement initiatives to strengthen employee engagement and subsequently productivity. For every dollar invested in employee health and wellbeing interventions, there is a return on investment of between three and six dollars (Bellew, 2008). Therefore, it is reasonable to suggest that for organisations to successfully redesign their business, it makes good business sense for them to also assess and invest in ongoing support to build and maintain employee engagement, wellbeing and productivity.

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A case study on redesigning a business:

ReturnToWorkSA's "Designing our Future"

Thesis

Matthew Charles Lucas

Word limit: 6000-8000 words (excluding references and appendices)

Abstract

This project presents ReturnToWorkSA's redesign of their organisation. Specifically it outlines (a) the reasons for the redesign; (b) organisational design and theoretical models ReturnToWorkSA used (e.g., functional analysis and lean six sigma methodology); (c) feedback from employees to gauge their thoughts and feelings about the change management approach (d); employee engagement and productivity levels before the redesign and afterwards (2016 and 2018 results); and (e) ReturnToWorkSA's performance as a business (i.e., ReturnToWorkSA Scheme's key performance measures before the redesign and afterwards – 2016 and 2018 results). There were 267 ReturnToWorkSA employees impacted by the redesign with 101 employees completing a change readiness survey across three different time points to assess what stage of change they may have been experiencing (i.e., denial, resistance, exploration, commitment). A significant difference was found in employee endorsement of the denial stage of change in comparison to commitment, exploration or resistance between the first survey (when the redesign was announced) and the last survey (when the structure had been finalised). Furthermore, whilst this study does not analyse the relationship between the redesign and other key measures, there were improvements from 2016 (before the redesign) to 2018 (after the redesign) in ReturnToWorkSA's employee engagement (Utrecht engagement scale), productivity levels (Work Ability Index) and overall business results (Net Promoter Score, return to work/remain at work rates, average premium rate and funding ratio).

Keywords: organisational design, functional analysis, change management, ReturnToWorkSA

A case study on redesigning a business: ReturnToWorkSA's "Designing our Future"

The main aim of this research project is to present a case study for organisational redesign. Specifically, it will outline the approach ReturnToWorkSA took to redesign their organisation to help its employees cope with the change resultant from the organisational redesign, remain engaged and productive throughout, and ensure the business achieved its key outcomes (e.g., good Net Promoter Scores from customers, high return to work/remain at work rates, affordable average premium rate, and a strong funding ratio).

What sort of organisation is ReturnToWorkSA?

ReturnToWorkSA is a South Australian government owned monopoly insurer and regulator established as a statutory authority with a $2.7 billion investment portfolio, 267 employees and a further 600 outsourced employees who manage the day-to-day case management of work injury claims. ReturnToWorkSA is located in the Adelaide CBD, with all ReturnToWorkSA employees located in the one building across three floors, and the two Claims Agents located in separate offices in Adelaide CBD.

ReturnToWorkSA provides insurance that protects more than 50,000 South Australian businesses and their workers in the event of a work injury. As an insurer, ReturnToWorkSA is funded by employers' premiums and investment returns they can achieve on invested funds. As a regulator, they protect the interests of workers and employers by monitoring and enforcing compliance with the ReturnToWork Act 2014. The organisation's mission is to provide a desirable, affordable and durable recovery and return to work scheme for South Australia.

Background and urgency to redesign ReturnToWorkSA's organisation

Prior to 2014, the South Australian Worker's Compensation Scheme had been one of the worst performing work injury insurance Scheme's in Australia and the South Australian Industrial Relations Minister (Hon. John Rau) at the time declared that "the Scheme was buggered and needs a root and branch review" (Shaw, 2013).

In 2012, ReturnToWorkSA had an unfunded liability (much like a credit card bill) of $1.132 billion and a funding ratio of 71%, meaning it did not have enough assets to cover its liabilities and if the business had to pay out the lifetime of its current liabilities it would fall short by $1.132 billion (RTWSA Annual Report 2015-16). If ReturnToWorkSA was any other business and not a Government owned corporation it would have been declared insolvent and shut down years ago. To paint an even bleaker picture, South Australia also had the highest average premium rate when compared to other workers compensation jurisdictions in Australia. As such, it was not affordable for businesses to set up and/or stay in South Australia. In addition to this, ReturnToWorkSA also faced service delivery problems in relation to the way workers compensation claims were managed. Specifically, outsourced to two claims agents (Employers Mutual and Gallagher Bassett), workers compensation claims were being managed by a group of administrators in offices receiving, determining and administering claims from a distance based on paperwork, phone calls and so on. "It was a service model suited to types of insurance where all claims are broadly similar and fit within a fixed linear process" (Shaw, 2013). The immediate areas of focus for ReturnToWorkSA were to (1) improve the case management service that supports South Australian businesses and their workers that get injured at work, (2) improve the premium formula so it was fairer and simpler for businesses to understand, and (3) influence the Government to significantly change the workers compensation legislation and benefits package to improve the Scheme's unfunded liability and funding ratio. Between the years

2014 to 2017, these three key areas were addressed through a personalised mobile case management model introduced to improve service, an improved premium formula introduced which was fairer and simpler for businesses, and the introduction of the ReturnToWork Act 2014 replacing the old legislation. In 2017, to ensure the Scheme's ongoing desirability, affordability and durability, ReturnToWorkSA recognised it was time to review the design of their organisation (i.e., the 267 employees working in the head office) to ensure they were operating within the most efficient organisational structure, with the correct processes and people in place so the Scheme did not slip back into emergency mode.

In 2017, the Scheme had been fully funded for three consecutive years (2016/2017 funding ratio of 119.5%, which was an incredible improvement from a funding ratio that for a long time hovered around 70%) and the average premium rate paid by South Australian businesses had significantly improved (2016/2017 average premium rate of 1.95%, which was a big improvement from an average premium rate that was as high as 2.75% in previous years) making it a more affordable Scheme for South Australian employers (RTWSA Annual Report 2015-16). In terms of its desirability and providing great service, a personalised face to face case management model which focused on early intervention had also been in place for three years and was meeting most South Australian businesses and their injured workers needs (Net Promoter Scores showed that 80% of employers/workers rated the service as 7 out of 10 or greater).

If it's not broken anymore, why change anything?

Whilst the work injury insurance scheme was more desirable and affordable, it had decreased in size as there were less claims to manage. This was due to significant changes to the benefits package in the new ReturntoWork Act 2014. Specifically, for people not seriously injured at work their claim and entitlement to income maintenance payments was

capped at a maximum of two years and their entitlement to medical expenses capped at a maximum of three years. Under the previous legislation, such claimants could have had their claim managed and received entitlements until retirement age, even if they were not deemed to have been seriously injured at work (whole person impairment of 30% or greater). This is important to recognise because for this cohort (injured workers not seriously injured) who were receiving income maintenance payments on 1 July 2015, as of 1 July 2017 their entitlement to income maintenance would cease. Therefore, one of the drivers for ReturnToWorkSA's redesign was to ensure they were staffed accordingly to support this change effective 1 July 2017. In addition to the drop in claims to be managed, under the new Scheme there were less disputes, a lower premium rate, and 27% less income coming in. With respect to operational expenses, ReturnToWorkSA targeted a 0.4% claims handling expense (CHE) ratio to employer wages by 2018 (which at the time was 0.55%). The CHE includes the cost of ReturnToWorkSA, the Claims Agents, Legal Providers and the South Australian Employment Tribunal (SAET). With the new legislation being implemented, ReturnToWorkSA (the corporation) needed to ensure they had the right functions, structures, people and processes in place to support the changes commencing 1 July 2017. A renewed focus on ReturnToWorkSA's workforce plan needed to occur to ensure they were best placed to support the achievement of their mission of *"providing a desirable, affordable and durable recovery and return to work scheme for South Australia"* (RTWSA Annual Report 2015-16). Additional drivers for the redesign were to improve employee understanding of the nature and the functions required within the organisation, improve employee line of sight to how work contributes to achieving outcomes for their two customer groups (employers and injured workers), and significantly move along the cultural transformation that had started two years prior during Scheme reform by focusing on embedding a culture of continuous improvement and personal leadership.

In 2016, work began to redesign ReturnToWorkSA's organisational structure and involve their 267 employees to participate in the "Designing our Future" project which aimed to explore the functions, tasks, structure and processes needed to ensure the business remained desirable, affordable and durable.

Method

Participants and materials

The redesign involved the 267 employees that worked at ReturnToWorkSA's head office in the Adelaide CBD. All of these employees were involved in "Designing Our Future"; however, not all employees provided feedback regarding their experience with the change management approach, nor completed the Utrecht Engagement Survey (Hallberg & Schaufeli, 2006) and Workability Index (WAI) (Ilmarinen & Tuomi, 1992). Specifically, 200 employees completed the change readiness survey in round one (February 2017), 142 in round two (May 2017) and 111 in round three (August 2017). 227 employees completed the Utrecht Engagement Survey (2006) and WAI (1992) in 2016 (pre-redesign) and 181 completed these two surveys in 2018 (post-redesign). Business measures were obtained from ReturnToWorkSA's annual reports to gauge the organisation's overall performance and the key measures used were the Net Promoter Score, return to work/remain at work rates, average premium rate and funding ratio (pre- and post- redesign, 2016 and 2018 respectively).

Kotter's (1996) eight steps to successfully manage change helped inform the change management approach ReturnToWorkSA adopted and to tailor employee support and communication a change readiness survey based on Kubler Ross' (1969) grief curve (Scott & Jaffe, 1988) was conducted at three different intervals throughout the redesign.

Procedure

There were five key stages involved in the "Designing Our Future" project (refer Figure 1): preparation, designing functions, designing teams, designing structure/roles, and designing processes.

Figure 1. "Designing our Future" stages and main timeframes.

Preparation work for the "Designing Our Future" project commenced in July 2016. Work was carried out with ReturnToWorkSA's Board and Executive Leadership Team (ELT). Historically, the ELT and the Board opted to appoint a major national consulting company to assist in the restructure of the organisation (last restructured in 2011). However, on this occasion, the ELT and Board considered that appropriately qualified and skilled internal capability existed to manage the organisation's redesign. The People & Communications team, with ELT, led the organisational redesign. The organisational redesign methodology, project and change management approach was developed by the Executive Leader People & Communications and Manager Learning and Wellbeing Services. Board approval was sought and given in 2016. The "Designing our Future" project was a whole of organisation redesign including all employees ($n = 267$) in a process of consultation

spanning seven months in order to design a more fit for purpose, affordable and durable organisation. The all employee consultation started on 31 January 2017 with the CEO conducting face to face sessions with all employees to frame what "Designing our Future" project aimed to achieve, what it meant for the business and for them as employees, and the importance of their participation in upcoming workshops. The project continued to 31 July 2017 with all employees either (a) winning a new position within the organisation (if their role had substantially changed), (b) being directly appointed to their roles (if only a minor change to their role had occurred), or (c) made redundant.

The "Designing our Future" Steering Committee consisted of the Executive Leadership team and Manager Learning and Wellbeing Services. Fortnightly meetings were held with the Steering Committee and in peak times of risk these meetings were weekly. A detailed overview on who was communicated to, when and how can be seen in Table 1.

Table 1

Overview on who was communicated to, how and when this occurred.

WHO was communicated to?	HOW was this done?	WHEN was this done?
Minister for Industrial Relations	Collaborate	Commenced in July 2016
Board	Collaborate	Monthly Board update meetings
Executive Leadership Team	Collaborate	Ongoing Fortnightly Steering Committee meetings
All ReturnToWorkSA Directors	Collaborate	Ad hoc – as they were directly affected by the redesign

WHO was communicated to?	HOW was this done?	WHEN was this done?
Employee consultative Group	Consult	Scheduled, every fortnight and prior to major announcements
Unions	Inform	As part of the Employee Consultative Committee membership
Employees	Consult	Ongoing through various channels of communications: • Face to face briefings • Design consultation workshops (Functional design, Designing teams and Designing structure workshops) • Come and chat to the ELT fortnightly meetings • Frequently Asked Questions document updated and available online each week • Change readiness surveys • Come and chat to People & Communications • Intranet page and announcements • CEO news emails • Wall decal / poster of the phases of the design and how progress • Employee Assistance Program availability

WHO was communicated to?	HOW was this done?	WHEN was this done?
Claims Agents	Inform	Via the General Manager of Insurance

Designing functions, teams, structure and processes

A total of 33 workshops were held with employees across the designing functions, designing teams and designing structure phases. The designing functions phase began in February 2017 and was about describing ReturnToWorkSA's primary purpose to ensure the organisation was focussed on the right work for the future. The phase focused on understanding and designing the functions required to operate the business effectively. Some key principles that were shared with employee at the beginning of this phase were that (a) functional design must enable the organisation to meet the Return To Work Scheme/Act obligations and strategic objectives, (b) the organisation needs to identify function/activity interdependencies and create alignment (c) the organisation needs to group similar functions together and avoid duplicate/repeat functions or activities and (d) ELT will manage quality control and sign off on final functions. During this phase, workshops were run with all employees to capture the work that needs to be undertaken and how it aligns and supports key organisational functions. Specifically, in the workshops, an Executive Leader and People & Communications facilitator tested the high level functions designed with the ELT and Board, and sought employee feedback and input on all of the supporting sub-functions, activity streams and tasks required in the future to ensure the organisation remained desirable, affordable and durable. A lot of time was spent at the start of these workshops defining what was meant by "function" (an intended outcome that the business needs to produce or deliver) and making it clear that these workshops were focusing on what needs to be done (functions,

activity streams and supporting tasks) versus who and how all the work will be completed (which would be addressed when looking at the overall structure and job design). Figures 2, 3, 4 and 5 show an example of how this information was presented and captured in the designing functions workshops (1 = high level function, 2 = sub-level function, 3 = activity stream, 4 = tasks). Employee input was sought to refine the definitions for functional levels 1-3 and then employees put post-it notes up of all the tasks they felt were needed to support a particular function/activity stream. Post-it notes were used so that every employee (including more reserved and quiet employees) had the opportunity to contribute. Employees were also able to provide further written feedback after the workshop if they wanted to.

Level 1 Functional Groups

Insurance	• Underwrite and Insure Risk • Manage Workplace Injury Claims • Investment management
Regulation	• Regulate Scheme Participants
Business Support	• People Services and Support Communication, Educational Services & Support • Corporate Procurement Technology and Information Management • Corporate Governance & Risk Access to Information • Finance Business Improvement

Figure 2. Initial functional groups (level 1) presented in Designing functions workshops.

Level 2 Sub-Functions – Manage Workplace Injury Claims

- Eligibility
    Ensure that key eligibility criteria are communicated and applied through timely decision making & through the delivery of quality services.
- Payment of Benefits
    Ensure that the insurance cover is effectively communicated to employers and workers and payments to workers and suppliers are timely, correct, necessary & reasonable.
- Recovery and Return to Work Services
    Ensure we have the right products and services in place to successfully return workers to work or life

Figure 3. Example of sub-functions (level 2) that underpin Insurance (level 1) presented in Designing functions workshops

Level 3 Activity Streams

Eligibility		Payment of Benefits
• New claims process (INARA and investigations)	• Common law	• Payment of primary benefit products - income support through employer reimbursements and direct income support payments - lump sums (economic loss and non-economic loss payments) - payment for services
• Claim determination	• Cessations	• Special funds
• EnABLE claims management	• Designated periods	• Recovering overpayments
• Lump sum benefits		• Third party recoveries
• Serious Injury determination		• Managing delegations

Figure 4. Example of activity stream (level 3) presented and updated based on feedback during Designing functions workshops
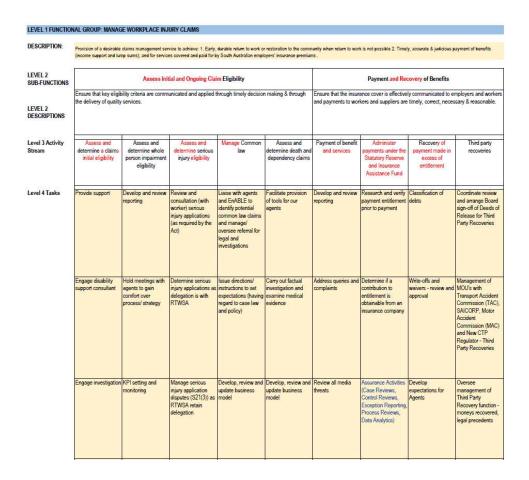

Figure 5. Example of tasks (level 4) which employee felt underpinned Eligibility and Payment of Benefits (level 3). The red font illustrates changes made to level 2 and levels 3 based on employee feedback.

In March 2017, the designing teams phase began which involved workshops facilitated by an Executive Leader and a representative from People & Communications. The workshops presented back to employees the consolidated work from the designing functions phase and a proposed way that resources could come together to create teams to deliver the functions. Employees were consulted through this phase to provide input and share their views on how teams should be formed to deliver ReturnToWorkSA's key products and services. The information collected from these workshops helped the ELT to then draft structures and roles in readiness for the structural design phase. The workshops held during this phase helped provide ELT with an informed view of what employees thought the organisation needed to deliver and how it could be resourced to provide insurance, regulate the scheme, and provide business support. In addition to this, there were numerous written submissions that employees provided outside of workshops, as well as individual meetings that employees had with respective ELT members, People & Communications and fortnightly meetings with the employee Consultative Group (including a Union representative from the Public Service Association). After extensive consultation, the functions (levels 1-4) were grouped for interdependence/similarity by the ELT, to inform the construction of business units, teams and roles for consultation. The designing structure phase began in April 2017 and highlighted how the teams and their tasks could be efficiently brought together to contribute to the achievement of being a desirable, affordable and durable recovery and return to work insurance scheme. The principles shared with employees to help them understand how the structure would be designed included (a) the organisation will design and resource for 'one enterprise' based on future business needs and strategic direction (desirable, affordable and durable Corporation and Scheme), (b) organisational management layers should generally be no deeper than four levels, (c) manager spans of control will be based on the functions and people being managed, with a typical management span of control being six

to eight direct reports, (d) technical specialists can be situated at any level within the organisational structure, (e) the structure needs to promote broad interdependent work across business units rather than silo work, including no single points of sensitivity, (f) responsibility, authority and autonomy to resolve matters/make decisions to be delegated as far as practical, (g) eliminate inefficient barriers between work groups: review processes and delegations to minimise unnecessary rework or handoffs between one group and another and (h) the organisation will aim to optimise resources, systems, capabilities and service models. During this phase, draft organisational structures (teams/roles) were provided to employees for consultation and made visible in a shared space (refer Figure 6), and draft position descriptions were made available to employees for consultation.

Figure 6. Wall decal in a shared space for employees to view draft structure and positions to deliver Insurance, Regulation, Business Support and Business Improvement functions.

Structures and roles were finalised and announced in May 2017 (refer Figure 7). By taking this approach, all employees understood the roles and opportunities available to them and a process of matching people to roles commenced. This process began in May 2017, with merit based recruitment to all vacant positions, employee support workshops (how to prepare for interview as well as employee assistance program support) being offered, with appointments to roles completed in June 2017.

Figure 7. ReturnToWorkSA's finalised high level organisation structure

From August 2017 onwards with the new structure in place the designing process phase began. This was also a collaborative phase where employees were able to contribute to the redesign of processes to ultimately improve ReturnToWorkSA's outcomes leading to continuous improvement, the best use of systems and increased opportunities for innovation. This phase represented the ongoing building of capability and enhancing the future processes for ReturnToWorkSA. It was and is an ongoing and continuous process as ReturnToWorkSA keeps improving, remaining efficient and effective. Process improvement projects were identified throughout the functional, team and structure design phases by ELT members. All

employees were invited to undertake process improvement training (lean six sigma) and then

take ownership for process improvement projects in their area. Process improvement projects

were prioritised, scoped and implemented in line with standard project methodology

including having defined deliverables.

Figure 8: Designing process intranet page where employees could keep track of available

training, resources and current process improvement projects.

Change readiness assessment

An anonymous change readiness survey was sent to employees at three different

stages throughout the "Designing our Future" project to monitor how individuals were

adjusting to the change. The short three minute survey was circulated on a three monthly

basis, asking the same 24 questions which were rated by participants on a 5-point Likert

Scale (rating questions strongly disagree to strongly agree) where collective results aimed to

gauge the behavioural climate of the business. The questions asked within the survey were

aimed at grouping participants across four broad categories attributed to psychiatrist Kubler-

Ross (1969) resulting from her work on personal transition in grief and bereavement: denial, resistance, exploration, and commitment (refer Figure 9). Specifically, 24 items (six items aligned to each of the four categories) represented the extent to which someone may strongly agree or strongly disagree if they were thinking or feeling denial, resistance, exploration or commitment towards "Designing our Future" (refer Appendix B for survey items).

The Cycle of Transition

Figure 9 – The cycle of transition adapted from Managing Change at work – adapted from Kubler Ross Grief Curve (Scott & Jaffe, 1988)

Utrecht Engagement Scale and Work Ability Index (WAI)

The WAI (1992) and Utrecht Work Engagement scale (2006) was offered to all employees to complete online in 2016 before "Designing our Future" began and offered to employees subsequently in 2018 when the business was well progressed in the designing process phase. These scales were administered by an external consulting firm, therefore only high level results will be shared in this research project and not a detailed analysis.

The WAI is scored on a scale of 7-49. Scores of 7-27 represent a low score, 28- 36 moderate, 37-43 good, while 44-49 represents an excellent score. Those in the low and moderate range are identified as 'at risk' of early exit from the workforce (Ilmarinen & Rantanen, 1999; Tuomi, Ilmarinen, Martikainen, Aalto, & Klockars, 1997). The WAI is a lead indicator; it predicts a person's likelihood of being able to work effectively, both presently and into the future.

The Utrecht Work Engagement Scale includes the three constituting aspects of work engagement: vigor, dedication, and absorption. The three aspects are measured through a range of questions and scored on a 6-point scale. Scores of 1 - 3.87 represent a low score, 3.88 - 4.99 represent an average score and 5.00 – 6.00 represent a high score. Refer to Appendix C for a list of the WAI items and Utrecht engagement items answered by employees in 2016 and 2018.

Business results

Finally, the ReturnToWork Scheme's overall performance was assessed by looking at some of the key performance indicators. Specifically, this involves its desirability (Net Promoter Scores from South Australian businesses and injured workers on service and return to work/remain at work rates) and affordability (average premium rating and funding ratio) as a business in 2016 before the redesign versus 2018 after the redesign.

Desirability – net promoter scores and return to work/remain at work rates.

Net Promoter Score (NPS) is a customer loyalty metric developed by Reichheld (2003). The NPS is calculated based on responses to a single question: "How likely is it that you would recommend our company/product/service to a friend or colleague?". Scoring is based on a 0 to 10 scale (Reichheld 2003). Respondents with a score of 9 to 10 are called

'promoters' and are considered likely to exhibit value-creating behaviours, such as buying more, remaining customers for longer, and making more positive referrals to other potential customers. Those who respond with a score of 0 to 6 are labelled 'detractors' and are viewed as being less likely to exhibit the value-creating behaviours. Responses of 7 and 8 are labelled 'passives', and their behaviour falls between 'promoters' and 'detractors' (Reichheld, 2003). The Return to Work insurance scheme provides financial support to assist an injured person to be supported to recover, remain at or return to work. Return to work rates outline the number of people that have remained at work or returned to work after 52 weeks. This is an important indicator because a desirable and affordable work injury insurance scheme is one where more people are remaining at work or returning to work.

Affordability and durability – average premium rate and funding ratio.

The premium that businesses pay is calculated based on the annual remuneration a business pays its workers, the industry the business works in, and a range of other factors. The insurance premium rate is the percentage of insurance paid to wages. In Australia, the average premium rate across States currently varies between 1.2% and 2.25% (Lucas, 2018). ReturnToWorkSA continually strives to deliver a lower average premium rate in comparison to other States so the cost of setting up and staying in business for employers in South Australia is affordable.

The funding ratio looks at ReturnToWorkSA's assets to liabilities and whether the ReturnToWork Scheme is affordable and financially durable. This indicator measures the adequacy of the ReturnToWork Scheme to meet future claim payments. Ratios above 100% indicate the scheme has more than sufficient assets to meet its predicted future liabilities.

Results

Overview

The results are presented in four sections. The first section presents the employee consultation and outcomes that happened through "Designing our Future". The second details the change readiness feedback from employees at three different stages during the redesign. The third section presents the engagement and productivity levels of employees before the redesign in 2016 and after the redesign in 2018. The fourth section outlines ReturnToWorkSA's overall business results before the redesign in 2016 and after the redesign in 2018.

Consultation and outcomes through designing function, teams and structure phases

There were 33 half-day workshops held during the designing functions, teams and structure stages with 888 individual attendances at the designing functions workshops and 594 individual attendances at the designing teams workshops. In addition, there were numerous individual meetings and fortnightly meetings with Consultative Group (including a Union representative from the Public Service Association). Employee feedback resulted in 60% change to the initial work functions and outlined 5,700 tasks that contributed to team/role design. There were also 76 written submissions from 101 employees in addition to Public Service Association input regarding the proposed structure.

All employee consultation started on 31 January 2017 and continued until 31 July 2017 with all employees either (a) winning a new position within the organisation (if their role had substantially changed – this accounted for 45% of the 267 FTE), (b) being directly appointed to their roles (if minor change – this equated to 42%) or (c) made redundant (13%). As of 31 July 2017 the organisation had 246 FTE (236 positions in the new structure) and

saw a 23% reduction in manager related roles (any role with direct reports) with the number of roles dropping from 60 to 46 in the new structure.

Every effort was made to minimise the budget impact of restructuring. In order to ensure the correct skills were appointed within the organisation, it was necessary to upskill employees or make some external appointments.

Change readiness results

Surveys were run on 20 February, 12 May, and 18 August 2017 with response rates steadily declining with each survey. There were 200 employees that completed the first survey, 142 employees completed the second survey and 111 employees completed the third survey.

Upon further analysis regarding endorsement of the domains of change (i.e., responding "agree" or "strongly agree" to anger, denial, exploration or commitment survey items), a range of participants were excluded due to equal endorsement of competing domains (e.g., endorsing both exploration and commitment). As a result, the number of participant responses included in analysis were 171 from the first survey, 122 from the second survey and 101 from the third survey.

When the first survey was conducted in February 2017 (towards the end of the designing functions phase), 34.5% of respondents endorsed the majority of items (i.e., responded "agree" or "strongly agree") suggesting they were in denial, 8.8% were in resistance, 16.4% in exploration and 40.4% in commitment. In May 2017 when the the draft structure was released and the second survey was conducted, 21.1% of respondents endorsed the majority of items suggesting they were in denial, 18.9% of respondents were in resistance, 14.8% were in exploration and 45.1% were in commitment. When the survey was run the third and final time in August 2017 during the designing process phase, 15.8% of

respondents endorsed the majority of items suggesting they were in denial, 25.7% were in

resistance, 17.8% in exploration and 40.6% in the commitment stage (see Table 2)

Table 2.

Raw and percentages (response rates).

Stage of Change	Response – survey 1 %/n	Response – survey 2 %/n	Response – survey 3 %/n
Denial	34.5/59	21.1/26	15.8/16
Resistance	8.8/15	18.9/23	25.7/26
Exploration	16.4/28	14.8/18	17.8/18
Commitment	40.4/69	45.1/55	40.6/41

To determine whether employees were moving change states and, if so, at what time

points, statistical analyses were undertaken. Listwise deletion was undertaken to

appropriately analyse if there were any statistically significant differences with the final

sample (n = 101). For survey one, 30.7% of respondents endorsed the majority of items

suggesting they were in a stage of denial, 10.9% endorsed a stage of resistance, 19.8%

endorsed a stage of exploration and 38.6% endorsed a stage of commitment. For survey two,

23.8% of respondents endorsed the majority of items suggesting they were in a stage of

denial, 17.8% endorsed a stage of resistance, 12.9% endorsed a stage of exploration and

45.5% endorsed a stage of commitment. For survey three, 15.8% of respondents endorsed the

majority of items suggesting they were in a stage of denial, 25.7% endorsed a stage of

resistance, 17.8% endorsed a stage of exploration and 40.6% endorsed a stage of

commitment. Table 3 indicates the numbers of participants grouped into stages of change

across the survey responses.

Table 3.

Respondents grouped into stages of change across each survey.

Stage of Change	Response – survey 1 %/n	Response – survey 2 %/n	Response – survey 3 %/n
Denial	30.7/31	23.8/24	15.8/16
Resistance	10.9/11	17.8/18	25.7/26
Exploration	19.8/20	12.9/13	17.8/18
Commitment	38.6/39	45.5/46	40.6/41

Cochran's Q test (Cochran, 1950) was run to determine if the surveyed employees endorsing a stage of commitment as opposed to stages of denial, resistance or exploration was different across the three time points of the survey. The percentage of employees endorsing commitment was not statistically significantly different across the survey time points, $\chi^2(2) = .987$, $p > .05$. The counts and percentages of participants categorised into either the commitment group or the denial, resistance and exploration groups are displayed in Table 4.

Additionally, a Cochran's Q test (Cochran, 1950) was run to determine if the surveyed employees endorsing a stage of either commitment or exploration as opposed to stages of denial or resistance was different across the three time points of the survey. The percentage of employees endorsing a stage of either commitment or exploration was not statistically significantly different across the survey time points, $\chi^2(2) = 0.000$, $p > .05$. The counts and percentages of participants categorised into either the commitment and exploration group or the denial and resistance group are displayed in Table 4.

Cochran's Q test (Cochran, 1950) was run to determine if the surveyed employees endorsing a stage of either commitment, exploration or resistance as opposed to a stage of denial was different across the three time points of the survey. The percentage of employees endorsing a stage of either commitment, exploration or resistance was statistically significantly different across the survey time points, $\chi^2(2) = 6.145$, $p < .05$. The counts and percentages of participants categorised into either the commitment, exploration and resistance group or the denial group are also displayed in Table 4.

To further understand at what time points of the survey people were moving out of the denial stage to a commitment, exploration or resistance stage of change exact McNemar's tests were used to assess all pairwise comparisons. There was a statistically significant difference in employees endorsment of the denial stage of change in comparison to commitment, exploration or resistance between the first survey and the last survey, $\chi^2(1) = 5.600$, $p < .05$. There was no statistically significant difference in employees endorsing the denial stage of change in comparison to commitment, exploration or resistance when comparing the first survey and the second survey, or the second and the third surveys ($p > .05$ for all).

Table 4.

Counts and percentages of participants categorised into different change groups across each survey.

Stage of Change	Response – survey 1 %/n	Response – survey 2 %/n	Response – survey 3 %/n
Denial, Resistance & Exploration	61.4/62	54.5/55	59.4/60
Commitment	38.6/39	45.5/46	40.6/41
Stage of Change	**Response – survey 1 %/n**	**Response – survey 2 %/n**	**Response – survey 3 %/n**
Denial & Resistance	41.6/42	41.6/42	41.6/42
Commitment & Exploration	58.4/59	58.4/59	58.4/59
Stage of Change	**Response – survey 1 %/n**	**Response – survey 2 %/n**	**Response – survey 3 %/n**
Denial	30.7/31	23.8/24	15.8/16
Resistance, Exploration & Commitment	69.3/70	76.2/18	84.2/26

Work Ability Index (WAI) and employee engagement scores for 2016 versus 2018

WAI improved when looking at scores before the redesign and afterwards. An external consulting firm conduct a biennial employee survey for ReturnToWorkSA and the

2016 results revealed 1% of ReturnToWorkSA respondents were in the low category, 26% were moderate, 56% were good and 17% excellent. In 2018, there was an improvement in the work ability of respondents with 0% in the low category, 18% moderate, 51% good and 31% were excellent. The WAI is a lead indicator of early exit from the workforce, with those in the low and moderate range identified as 'at risk' of early exit from the workforce (Ilmarinen et al., 1991; Ilmarinen & Rantanen, 1999; Tuomi, Ilmarinen, Martikainen, Aalto, & Klockars, 1997). Deeper analysis of these results was not possible due to the external consulting firm not divulging the raw data set responses.

Table 5.

ReturnToWorkSA employee Work Ability Index in 2016 versus 2018.

Category	2016 (before redesign) 227 respondents	2018 (after redesign) 181 respondents
Low	1% (2)	0% (0)
Moderate	26% (59)	18% (33)
Good	56% (127)	51% (92)
Excellent	17% (39)	31% (56)

The average engagement score was 4.2 in 2016 and 4.32 in 2018 which was an improvement (low = 1.00 – 3.87, average = 3.88 – 4.99, high = 5.00 – 6.00). Engagement is about an employee's willingness to invest themselves and expend discretionary effort to help the employer succeed (Erickson, 2005). Deeper analysis of these results was not possible due to the external consulting firm not divulging the raw data set responses.

ReturnToWorkSA's key business results in 2016 versus 2018

The overall performance of the business has also improved if we look at key insurance performance information from ReturnToWorkSA's annual report in 2016 before the redesign compared to the 2018 results after the redesign. The average premium rate in 2016 was 1.95% of wages, compared to 1.7% in 2018. The NPS in 2016 and 2018 remained the same with 80% of respondents (employers and injured workers) rating the level of service as 7 out 10 or higher, and 50% rating the service as a 9 or 10 out of 10 (promoters). Return to work or remain at work rates also improved with 88% of people returning to work or remaining at work after 52 weeks in 2016 and 93% of people returning to work or remaining at work after 52 weeks in 2018. Finally, ReturnToWorkSA's funding position improved from 112.5% in 2016 to 119% in 2018 meaning it has sufficient assets to cover its liabilities. It would appear at this stage that the business is still achieving its mission of providing a desirable (i.e., customers are happy with the service and the majority of injured workers are returning to work or remaining at work), affordable (i.e., the average premium rate is competitive and) and durable business (i.e., the Scheme has a solid funding ratio).

Table 6.

Return to Work Scheme key business measures in 2016 versus 2018.

Key business performance measures	2016 (before redesign)	2018 (after redesign)
Net promoter score (Promoters)	50%	50%
Return to work/remain at work rates (after 52 weeks)	88%	93%
Average Premium Rate	1.95%	1.70%
Funding ratio	112.9%	119%

Discussion

This research project aimed to present ReturnToWorkSA's approach to redesigning their business ("Designing our Future") and the effectiveness of their approach. Specifically, the project presented (a) the reasons for the redesign, (b) the redesign and change management approach (based on functional analysis, process improvement methodology and Kotter's eight steps), (c) employee feedback towards their approach, (d) employee engagement and productivity levels before and after the redesign and (e) key business results before and after the redesign (Net Promoter Scores, return to work/remain at work rates, average premium rate and funding ratio).

A limitation of this research project is that it only analysed the link between the redesign and change management approach and how ReturnToWorkSA employees thought and felt towards the redesign (i.e., the change readiness results). Whilst the project presents other key measures before and after the redesign (e.g., consultation and design outcomes, employee engagement, productivity levels and business results) future research should analyse the impact of different change and redesign approaches on these key measures. This way leaders may have greater certainty regarding what organisational design and change management approaches are more and less effective.

Designing functions, teams, structures and processes

Figure 10: "Designing our Future" sequence and timeframes

The intent of the "Designing Our Future" project was to strip the organisation to its lowest functional component levels (including tasks) in order to reconfigure the organisation in readiness for the management and implementation of new work injury legislation that would impact 55,000 businesses across South Australia from 1 July 2017.

The redesign approach taken by ReturnToWorkSA was based on functional analysis, and the general principles outlined in systems theory (Ackoff, 1971; Ackoff & Emery, 1972). The key basis for systems theory is that each organisation has a purpose, which can be operationalised by identifying more specific functions (Ackoff, 1971; 1999). Specifically, ReturnToWorkSA began by defining the functions and tasks required for the future, to inform the teams and structure required, before finally moving into process improvement based on lean six sigma methodology.   Whilst this approach seems reasonable, given the complete redesign of the business, a question for other organisations to consider is whether it is best to follow the functional design sequence ReturnToWorkSA did where process improvement came last (see Figure 10), or whether it is worth considering a business process reengineering approach where processes are looked at first?

An alternative approach – business process reengineering

Hammer and Champy (1993) argued that structure should be determined by business process, and that re-engineering is rethinking and radically redesigning business processes to improve cost, quality, service and speed. If we take this view, an alternative approach could be to start by defining organisational functions required for the future as well as the processes required to deliver these functions. Specifically, an organisation wanting to redesign their business could consult with employees on the functions required for the future, train them in a process improvement methodology (e.g., lean six sigma) and involve them in mapping out existing processes. This would then inform the organisation on what is currently happening and any interdependencies. With a clear view on the functions required for the future and existing processes now visible, they could then see how the existing processes align to the desired functions and tasks for the future. Employees could then be assigned business improvement projects to refine existing processes or even create new processes. The final stage would then be to use all the agreed functions and revised processes to inform what structure, teams and positions are required. Whilst this sounds like a reasonable alternative to redesign a business, there are also problems with taking this approach. Business process reengineering can forget the human element, treating people like parts of a machine and ignore other important factors too (Guimaraes, 1997)

The appropriate organisation design approach needs to be fit for purpose

Unfortunately there is no one size fits all approach that organisations can blindly follow when it comes to redesigning their business. One of the reasons for this is that there are contingency factors that vary for each organisation, such as the organisational strategy, size, environment, technology and the national culture it operates in (Yoo et al., 2006).

In ReturnToWorkSA's case, the approach they took was based on considering evidence-based options and contingency factors to determine that functional analysis followed by process improvement methodology (i.e., lean six sigma) would be fit for purpose and right for them. For example, they recognised that following a textbook business process reengineering approach was not an option given the environmental and time pressures they faced (they needed to be ready for the management and implementation of the new work injury insurance legislation that would impact 55,000 businesses across South Australia from 1 July 2017). Therefore, it made good business sense to gain some process-related information earlier at the designing functions phase by asking employees what activities and tasks they felt supported each function. This involved gathering 5,700 tasks that employees felt supported the required functions for the future. This data helped inform the ELT on the teams, structures, roles required and what processes would make suitable improvement projects for employees to work on post 1 July 2017. In ReturnToWorkSA's case, the effectiveness of their design approach and how well the change was managed was assessed based on employee perceptions.

What did employees think and feel about the redesign?

The results of the change readiness surveys supported the idea of employees moving out of a stage of denial when the redesign began and into resistance, exploration or commitment phases when the redesign was moving towards process improvement. This was evidenced by the fact that more respondents endorsed resistance, exploration or commitment items versus denial items at survey three when compared to the items they endorsed at survey one. To a certain extent this was pleasing, because even for people that had moved into a stage of resistance at the time of the final survey, there was an opportunity to overcome this and re-engage these employees during the process improvement stage. This would be

achievable because during this stage, all employees would be involved in lean six sigma training to further understand why it is important and participate in improvement projects to eliminate waste to make their work life easier and the business more efficient. In relation to the survey design, whilst Kubler-Ross' (1969) personal grief and transition curve has been adapted and used by other organisations to assess how employees are coping with change (Scott & Jaffe, 1988), ReturnToWorkSA recognised that it is not a precision assessment tool. However, they also genuinely wanted to understand how their employees felt about the redesign at different stages so that they could tailor communication and support where required. Future research would benefit from looking at other survey design options to more precisely gauge how employees are thinking and feeling when it comes to organisational change.

Change management approach and things to consider

To effectively redesign an organisation, Kotter (1996) outlined eight key steps to follow. Appelbaum et al. (2012) mapped research evidence against these steps and found support for each of the stages, and although no study covered the model in its entirety, there was no evidence against it. To effectively manage ReturnToWorkSA's redesign they modelled their change management approach on Kotter's eight steps. Evidence of this can be seen in the below table with the only opportunity to improve sitting in final step, which is how they could further institutionalise the change.

Table 7.

ReturnToWorkSA's progress against Kotter's (1996) 8 steps.

1) Establish a sense of urgency	The Minister, Board and ELT were all briefed. In addition, briefings to all employees were delivered by the CEO at the beginning of "Designing our Future". Some of the key points the CEO outlined were (a) the Work Injury Insurance Scheme is decreasing in size as there are less claims to manage, less disputes, a lower premium rate and 27% less income, (b) need to reduce operational expenses - CHE ratio to employer wages target of 0.4% (currently 0.55%), (c) a lot of other businesses in a similar position would just make a blanket cut across existing departments (e.g., 15% cut) based on an Executive's view, which may work in the short term but it is not a durable solution as they usually do not fully understand the tasks and processes required until people are gone (d) all employees will be involved to help ELT understand what functions/tasks are desirable for the future, so that informed decisions can be made on a design that is affordable and durable, and (e) ELT will be open and honest always through this process and consider the head and heart in decisions.
2) Create a guiding coalition,	Minister, Board, CEO, ELT People & Communications team and Directors

3) Develop a clear shared vision	"Designing our Future" so ReturnToWorkSA remains desirable, affordable and durable
4) Communicate the vision	CEO briefings, workshops, "come and chat with ELT", weekly FAQs, Employee Consultative Group meetings and wall decal
5) Empower people to act on the vision	All employees were invited to contribute in workshops on organisation functions, tasks and teams prior to decisions on structure being made by the ELT.
6) Create short term wins	Different milestones were made clear to everyone and updates to employees throughout to show them what functions, teams and structures had been developed based on their feedback.
7) Consolidate and build on the gains	Process improvement projects were identified, employees provided with lean six sigma training, actively involved in delivering these projects and sharing improvements and success.
8) Institutionalise the change	To institutionalise the change, ReturnToWorkSA could look at their existing practices and plans to see what is working for and against them achieving their mission and desired culture. It is more than redesigning the business, completing process improvement training and involving staff in projects. This is a great start, but to institutionalise the change so it becomes the way ReturnToWorkSA does things it may also be worth looking at the other elements helping or hindering the

business. For example, if ReturnToWorkSA wants a culture of personal leadership where employees are empowered to make decisions, but delegations do not give them the authority to do so, then this may be something to improve. If meetings are structured where new ideas are not encouraged and the business wants innovation, then this may also work against the desired culture ReturnToWorkSA wants. If recruitment practices do not consider continuous improvement when assessing a candidate's cultural fit to the business, then this too could be an area to improve. If reward and recognition does not recognise individuals or teams that come up with innovative ideas then this may also work against what the organisation's redesign aimed to achieve. If performance conversations command and control staff when the business wants to empower and release them to perform and grow, then this could also hinder and not help the business institutionalise the change they were after. Finally, if succession planning does not fairly assess critical roles, identify successors and develop people to step up then this may also expose the business to the risk of key roles being left vacant. It is this final step of Kotter's (1996) approach to change that can be forgotten, but if ReturnToWorkSA want to institutionalise their redesign they may benefit from

considering their existing practices and plans to see

what is working for and against them, and identify any

opportunities to improve.

Other key measures of success

This report also presented some key measures before the redesign took place (in

2016) and after the redesign took place (in 2018). Whilst this report did not analyse the link

between the redesign and these measures it was worth sharing the results. Mostly because it

would be cause for concern and a greater need for deeper analysis if these measures had gone

backwards after the redesign. In terms of the improved engagement and productivity ratings

between 2016 and 2018, a range of other protective factors and interventions such as

ReturnToWorkSA's wellbeing program may have contributed to this result. Further work

has begun with an external consulting firm to get a better sense of what wellbeing

interventions at individual, team and organisational level may influence employee

engagement and productivity at ReturnToWorkSA. In relation to the business measures,

further research would benefit from identifying the levers that contributed to the

improvements between 2016 to 2018 and the impact of role and organisation design on

overall business success (such as Net Promoter Score, funding ratio, remain at work/return to

work rates and average premium ratings).

Summary and conclusions

This project presented ReturnToWorkSA's redesign of their organisation and found

evidence to support that an evidence-based approach to manage large organisational change

had been adopted. Specifically, functional analysis was used to determine the functions,

teams and structures required and lean six sigma methodology was used for their process improvement approach. The change management approach adopted was Kotter's (1996) eight steps to ensure stakeholders and employees were involved and brought along the journey. Further work can always be done to institutionalise the change so that a culture of continuous improvement becomes the way ReturnToWorkSA does things and they do not slip back into emergency mode when the Scheme was "buggered" (Shaw, 2013). In relation to how employees coped with the redesign, evidence of a shift was found when comparing how respondents felt when the redesign began with how they felt when the redesign was moving towards designing processes. Specifically, there was a significant difference in employees endorsing commitment, exploration or resistance as opposed to denial between the first survey and the last survey. Finally, whilst this study does not claim a relationship between the redesign and other key measures, there were improvements from 2016 (before the redesign) to 2018 (after the redesign). These improvements were in ReturnToWorkSA's employee engagement (Utrecht Engagement Scale), productivity levels (WAI) and overall business results (Net Promoter Score, return to work/remain at work rates, average premium rate and funding ratio). These are sound results and encouraging to see given the amount of change that has been managed by ReturnToWorkSA.

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Appendix A

ReturnToWorkSA's approval to present "Designing Our Future" as a case study

Dear Dr. Neil Kirby,

I support Matt Lucas using "Designing Our Future" (ReturnToWorkSA's organisational re-design) as a case study for his thesis for the Masters Organisational Psychology program.

Yours Sincerely

Rob Cordiner

Chief Executive Officer

ReturnToWorkSA

1/3/2018

ReturnToWorkSA's approval to present "Designing Our Future" as a case study

Appendix B

Change readiness survey items mapped to the 4 stages of change (Denial, Resistance, Exploration and Commitment)

Note - Participants did not see the text in brackets (i.e. they did not see the words denial, resistance, exploration or commitment next to each item)

Response options (Strong Disagree, Disagree, Neutral, Agree, Strongly Agree)

1. Designing the Future of RTWSA doesn't really affect me (Denial)

2. I prefer the way we did things before (Resistance)

3. I'm excited about all the new possibilities the future design of RTWSA holds (Exploration)

4. I'm keen to show others the benefits in RTWSA's future design (Commitment)

5. Designing our Future hasn't really started (Denial)

6. I don't know if I can do what is expected of me in RTWSAs Future Design (Resistance)

7. Everything is up in the air, but we're dealing with the real issues (Exploration)

8. I would not go back to the way things were before (Commitment)

9. I'm not wasting my time worrying about RTWSAs future design at this stage (Denial)

10. I think the future design is bad for RTWSA (Resistance)

11. I keep thinking of new ways to do things within RTWSAs future design (Exploration)

12. I have mastered what needs to be done to be effective within the future design (Commitment)

13. I'm sure this whole thing will blow over soon (Denial)

14. I feel angry about the way RTWSAs future design is being managed (Resistance)

15. Recently I've had a lot more energy to deal with work (Exploration)

16. I am comfortable in the new work environment (Commitment)

17. I'm not aware of any details about RTWSAs future design (Denial)

18. I can't concentrate on my real work with the noise around Designing our Future (Resistance)

19. I'm amazed at how much more effective RTWSA will operate in the future (Exploration)

20. I feel good about myself and what I have accomplished to meet the demands of RTWSAs future design (Commitment)

21. I just do what I have to do to get my work done (Denial)

22. I'm upset about the way this whole thing has been carried out (Resistance)

23. I feel like the worst part of Designing our Future is over (Exploration)

24. I've learned things in this transition that will help me deal with my work (Commitment)

Appendix C

Work Ability Index questions – items and corresponding scales

Items	Response choices
• Have you recently been able to enjoy your regular daily activities? • Have you recently been active and alert? • Have you recently felt yourself full of hope for the future?	Never Rather seldom Sometimes Rather Often Often
• All things being equal, how would you rate your current ability to work compared to your lifetime best?	10 – the same level as lifetime best 9 8 7 6 5 4 3 2 1 – well below lifetime best 0 - Unable to work at present
• Meet the physical demands of your job? • Meet the mental demands of your job?	Very poor Rather poor Moderate

	Rather good Very good
• Injury due to an accident	Self-diagnosed Diagnosed by a doctor Diagnosed by both
• If you have illnesses or injury, please select the statement that best relates to your current situation	1. Musculoskeletal disease in the back, limbs or other parts of the body (e.g., disorders or repeated instances of limb pain, rheumatoid arthritis, sciatica) 2. Cardiovascular disease (e.g. hypertension, coronary heart disease) 3. Respiratory disease (e.g., repeated infections of the respiratory tract, bronchial asthma, emphysema) 4. Mental disorder (e.g. severe depression, mental disturbance, anxiety, insomnia) 5. Neurological and sensory disease (e.g., hearing problems, visual disease, migraine, epilepsy)

	6. Digestive disease / condition (e.g., gastric or duodenal irritation, gall stones, liver or pancreatic disease)
	7. Genitourinary disease (e.g., urinary tract, fallopian tube or prostatic infections)
	8. Skin disease (e.g., allergy or other rash)
	9. Tumour or cancer (benign or malignant)
	10. Endocrine and metabolic disease (e.g., obesity, diabetes or goiter)
	11. Blood disease and Birth defects (e.g., anaemia, other blood disorder)
	12. Other diseases (PLEASE TYPE IN YOUR ANSWERS)
• Approximately how many days of sick leave (excluding carers leave) have you taken over the last twelve months?	None at all At the most Less than 5 days Between 5 and 10 days Between 10 days and 3 weeks Between 3 weeks and 3 months

	Between 3 months and a year
• Do you believe that, all things being equal in terms of your health, you will be able to do your current job two years from now?	Unlikely Not sure Relatively sure

Utrecht Engagement Survey – Items and corresponding likert scale

Items	Responses
I am immersed in my work	Almost Never
I get carried away when I am working	Rarely
I feel happy when I am working intensely	Sometimes
I am proud of the work that I do and my contribution	Often
I am enthusiastic about my job	Very Often
My job inspires me	Always
When I get up in the morning, I feel like going to work	
At my work, I feel bursting with energy	
At my job, I feel strong and confident	