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Dear Nicola,

This is a brief input on Question 1 in relation to structure and culture. It is based on partly on my experience as Head of Resourcing and Development for two TOCs and developing several rail franchise bids, but also teaching at Warwick University on organisational design and change management programmes with attendees from many companies, including Network Rail.

1) **Network Rail needs to build an ecosystem not manage a supply chain**

As I see it Network Rail has moved from a traditional centralised functional structure to a traditional decentralised matrix organisation. The former worked well to reestablish safety and operational control and procedural compliance. Similarly the route structure will support the political devolution agenda, lessen procedural overload and may eventually deliver efficiencies and closeness to customers and communities, though in the ones I have seen close up, Alliances don't appear to have delivered much tangible savings to date.

My main point is that even that a well managed devolved matrix will not be sufficient to deliver the next phase, given the extent of technological and wider societal change your scoping report outlines. In that respect an important future function of Network Rail or some ' guiding mind', should to be lead and facilitate the creation of a strong and evolving rail ecosystem to meet the challenges and opportunities this will provide.

The distinction is one from ensuring supplier compliance or adoption of BS11000 type collaborative working systems to actively building capability by promoting innovation, supporting new business models and encouraging new suppliers. Some of these models may cross existing TOC, Network Rail, IMC boundaries or involve different relationships with Rail North and its future equivalents. The Route services/ System operator HQ structure model could deliver this but it would need a change of mindset. Organisations like ARM holdings or Apple are classic examples of the power of building strong ecosystems and Nokia of what happens when you don't.

2) **Getting from a CP3/4 culture to a CP6 culture means changing mindsets**

Ed Schein defines culture as

'The pattern of basic assumptions learned by a group as it solved its problems of external adaptation and internal integration, which has worked well enough to be considered valid, and therefore to be taught to new members as the correct way to perceive, think and feel in relation to those problems'

The ‘external adaptation problems ‘ through CP3 and CP4, revolved initially around restoring public confidence in safety, and then in accommodating significant passenger growth. This resulted in a need to solve the internal problems of strengthening and implementing health, safety and risk management systems, and delivering an enabling infrastructure.

At the same time the industry was expected to deliver continuous improvement through improved train service performance, network availability and asset utilization and ultimately improved customer satisfaction. This created challenges around the best way to manage suppliers and collaborate with TOCs. As the report confirms these challenges were in the main delivered successfully.

Unfortunately towards the end of CP4 and in CP5 additional external ‘adaptation problems’ have emerged in the shape of the McNulty efficiency agenda, electrification programme complexity, return to public ownership, and political devolution. The implication of Hendy, Bowe and this scoping document is that the Network Rail has struggled to change or build on these cultural foundations to meet the new challenges.

Clearly some of these problems relate to specific gaps in talent and skills, particularly in relation to electrification, but there may also be broader mindset issues. These can be hard to challenge when they have previously worked well. For example should Safety been the main strategic focus when Mark Carne took over – surely that is now established. Equally Network Rail seems over focused on quality and management assurance system maturity models to drive a range of business improvements. Will these be appropriate tools for the next phase of disruptive change?

I would therefore accompany your proposed organisational changes with mechanisms that surface these underlying assumptions at all levels on how the organisation works successfully and establishes both what should remain and what needs to change to meet the next set of challenges. These new assumptions could then be promoted and reinforced as in any change programme through revised measurement and reward systems and appropriate training and development.

I hope this adds something to your thought processes and good luck with the report.

Colin Jones FCIPD
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