1 Accountable for success

'The basic building block of organizational action is not the job, the team, the project, the process, the share or even the dollar. It is the decision.'

Art Kleiner (2006), Who Really Matters

Held to account – what does it mean?

In 2003, a major international financial services company ran into trouble. Struggling to meet market expectations, and operating in a highly competitive sector, the company needed to identify the source of its problems and quickly. After some internal debate, management decided that one of the main reasons for the firm's malaise was a significant human resources problem: a shortage of leaders.

This conclusion should come as no surprise. It is a common assumption among organizations when corporate performance is sub-par that somehow the people in the company are to blame – it is a 'capability problem'. Of course, when results are going well, senior management is usually happy to claim responsibility.

In this case, to its credit, the financial services company decided to get a second opinion, and asked me if I could analyse the firm's capabilities and identify any deficiencies. The first thing that I did was to analyse the company's management structure, based on the methods outlined in this book. The results showed that the company had 12 layers of hierarchy as detailed in Figure 1.1. As this book will show, *no* organization can have 12 layers of hierarchy and remain effective.

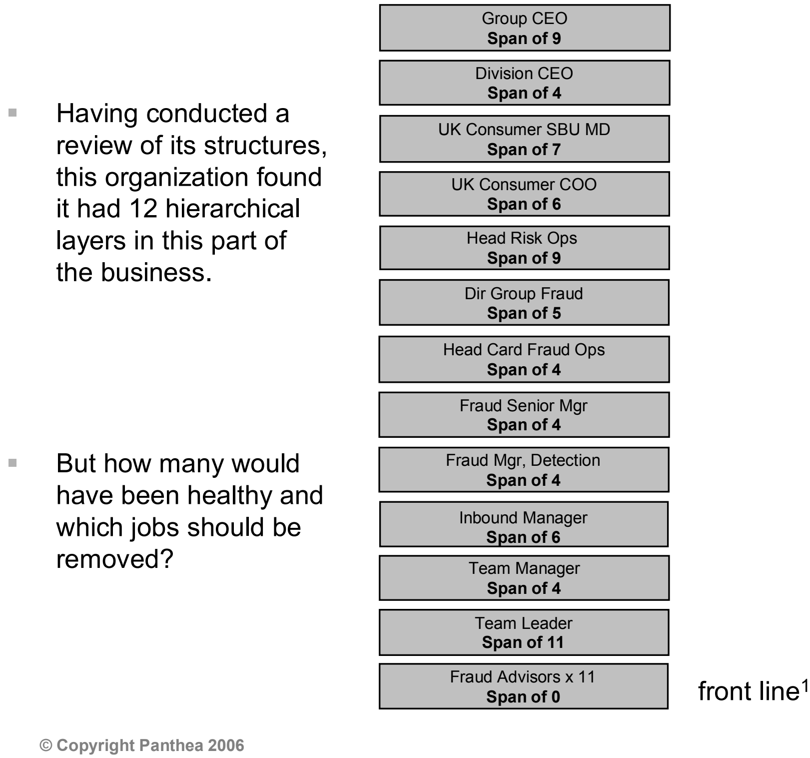

Figure 1.1 Leadership accountability health check

It was clear from my investigation of the organizational structure that there were a number of factors having a directly negative impact on the company's performance:

Hierarchy heavy

As my analysis revealed, there were too many layers of hierarchy; more leadership roles than were required. Worse, even if the company had known this, it could not have fixed the problem as it had no idea how many layers it did need, nor did it know which layers in the reporting chain from the front line to the CEO at the top of the organization – the spine of accountability – were failing to add value.

Poor grading

Grading of jobs was an issue[2]. Nearly every layer of management right up to the senior management team was given a separate grade, which was unnecessary, but then, at the top of the organization, the most expensive and senior layers of management were all in the same grade.

Career dead ends

And that was not all; there were several other problems. The company could not identify its top 100 jobs; there were no reliable career paths for developing leaders; spans of control, the number of people an individual managed, were widest at the bottom (the front line of the organization) and at the top and smallest in middle management; plus the company was carrying millions of dollars of excess cost.

A problem of accountability

The senior management approached me because they suspected that the company had a capability problem. What I discovered instead were different and unsuspected problems, at least from the organization's perspective. The company had plenty of jobs without apparent purpose, which subtracted rather than added value. (And a job without purpose, understandably, impairs the person in that 'non-job' from being able to lead effectively.)

In essence, the company had an accountability problem – its leaders were not clearly held to account, as it was impossible to assess their true impact. Unfortunately, because of insufficient attention to the effects of an organization's architecture on leadership and performance, there was no way that the company could have known this. Without a method of assessing the levels of accountability of the managers, there was no way of telling where the non-jobs were located. Nor was there any way of telling which individuals were capable of top performance, and which were not, or even which had the potential to be senior managers.

It had apparently not occurred to the company that the root cause of its performance issue might be faulty organization design.[3] Its plans for rejuvenating the management team with a more aggressive hiring and firing regime would therefore have failed to resolve that basic issue.

The company in question deserves some praise, however. After my evaluation, using the processes described in this book, it became clear that 6 or 7 layers of hierarchy were more appropriate than the existing 12. Painful though it must have been, the financial services company took the results on board and subsequently reorganized, stripping out the excess layers. The quest to reinvigorate leadership and performance was enhanced in the process. The change in organizational architecture and hierarchies gave more meaning, purpose and satisfaction to the employees' work and performance.

The effects on the employees throughout the organization should not be underestimated. Recent research on employee engagement, and work by occupational and social psychologists, has demonstrated that 'people want meaning in their work and life, and they want to make a difference.'[4] Or as management guru Charles Handy suggested: 'The quest for purpose has to be an attempt to leave the world a little better than we found it.'[5]

Most importantly of all, as far as the senior team was concerned, business results improved. Whilst many other factors may be involved in the company's improvement, and it would be wrong to claim a one-to-one causal relationship, there is little doubt that the restructuring had a significant impact on the improved performance.

Unfortunately, far too many companies suffer from similar problems. Yet, as my experience with this organization demonstrates, it is possible to implement a solution and with dramatic results. It is just a question of diagnosing the problem, making the necessary adjustments and then benefiting from the results. The rest of this book aims to illustrate how any organization can do the same, if and when necessary.

Recurring questions

There are some questions that relate to organization design that management must ask. They are questions that apply to private corporations, public institutions, voluntary organizations and cooperatives. They apply to both small organizations such as internet start-ups and to huge global entities.

Do you know the answers to these questions, for your organization?

- How many layers of management are necessary and why?
- How should functions and processes be aligned as a result?
- How should spans vary and why?
- How should employees be rewarded?
- What are the logical steps of their personal development?

Accountability, organization design and effective leadership

The case described earlier in the chapter highlights a problem that is common among many organizations. It concerns three inextricably linked factors: