MASTERING THE CUBE

Overcoming Stumbling Blocks and Building an Organization that Works

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A Leader's Guide to Orchestrating Complex Organizational Change

Editor's note: Some of the names and identifying information in this book have been changed to protect the privacy of those involved.

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ALIGNMENT AND THE MULTIFACETED ORGANIZATION

We humans have a brilliant ability to organize ourselves into groups and plan out how to get our work done. We have evolved to collaborate. We love it. We crave it. We cannot live without it, quite literally.

As a result, the world we live in today is filled with the largest and most complex organizations ever known—organizations that span markets, channels, disciplines, functions, and even industries and continents. We have outdone ourselves.

Coordination, collaboration, and change in these organizations are exquisite challenges. In the past few decades, we have benefitted from spectacularly innovative technologies that make coordination easier than in the past. Yet—or therefore—organizations continually grow more complex and the demands on leaders become ever more challenging.

The leader of a large department, division, corporation, government entity, or nonprofit organization stands at the pinnacle of this complexity. When the enterprise strategy changes, when growth is mandated, or when marketplace performance must be stimulated, it falls on the leader to spearhead organization changes that will deliver new results. Indeed, leaders

at all levels are responsible for effecting change no matter where they fit in the complex organizational ecosystem.

This is an incredibly daunting responsibility given the enormous stakes. Billions of dollars (or yuan or euros or yen) may be at risk, as well as thousands of livelihoods, the world's intricately interconnected marketplaces, and the limited resources of our precious planet.

The message of this book is that no matter how large the organization or how significant the strategic changes required, *the only way leaders will generate sustainable enhancements to organizational performance is by ensuring that all the elements of their organization are optimally aligned to the enterprise strategy.*

Let's consider the experience of one business leader, Peter Sun, as he faced significant organizational change. At the launch of a major realignment of a marketing business to deliver a new, more sophisticated, experience-driven strategy, Sun presented what we thought was a superb analogy. "This is going to be like solving a Rubik's Cube," he told his team. "When you look at one of the sides of the cube and start making changes, it's going to scramble all of the other colors."

Sun saw the organization as a giant Rubik's Cube and his role as the alignment leader responsible for getting all the sides composed correctly. His analogy was meant to prime his team to take a comprehensive, multifaceted approach to organizational design—an effort that would require them to view the organization not as divisions and departments but as an integrated, complete system. Finding the right configuration would demand patience and tenacity. At times, they would develop a distinctive new process but it would be impossible to execute without modifying the interactions among departments. Redrawing the organization chart might bring focus to new marketing priorities but at the same time break crucial links for maintaining strong product knowledge. The team might feel like maddened Rubik's Cube novices, trying to hit upon the one successful alignment among literally 43 quintillion flops.

It may not be surprising to learn that the Hungarian inventor of the Rubik's Cube, Erno Rubik, was educated as an architect and was fascinated with puzzles. He designed the Rubik's Cube when he became absorbed with the problem of connecting small blocks together so they could move

independently without falling apart.[1] That is also what an alignment leader does—finds ways to connect the moving pieces of an organization so they can work together in a flexible yet unified way.

Michael D. Watkins, in a June 2012 *Harvard Business Review* article titled "How Managers Become Leaders," discusses the importance of becoming an organization architect, or what we're calling an *alignment leader.* He writes that leaders "must become responsible for designing and altering the architecture of their organization—its strategy, structure, processes, and skill bases. To be effective architects, they must think in terms of systems. They must understand how the key elements of the organization fit together and not naïvely believe . . . that they can alter one element without thinking through the implications for all the others."[2] They cannot twist one side of the cube without affecting the other sides.

Our belief is that all enterprise leaders should consider themselves alignment leaders along with the other roles they play. Chief executives should know that their duties include serving as the Chief Alignment Officer (CAO). Because chief executives are ultimately responsible for product, profits, and people, they must also attend to the health and effectiveness of the very organizations that deliver these benefits for their constituents.

Leaders can do this more effectively when they realize that the organization is like a complex Rubik's Cube and the puzzle is solved—the game is won—by adjusting the blocks so that the colors on all of the sides are aligned. Alignment leaders make choices about how to reposition, redesign, or retool each of the organization's many facets until they can effectively work together to deliver the strategy. Organizing choices drive results. Organizing choices based on sound principles and aligned together lead to marketplace wins.

Of course, people throughout an organization are always making organizing choices and impacting strategy. It is not just the leader who does it. New products are being developed. New practices are being put in place. New relationships are being forged. While all this brilliant collaboration is going on, an insightful leader must be watchful to ensure that the various efforts are harmonized to impact the overall strategy in a positive way rather than to optimize the well-intentioned but sometimes misaligned smaller goals of a certain function, subsystem, or individual agenda.

Much has been written about the leader's role in imagining and articulating the enterprise vision, in developing strategies and communicating them simply and forcefully. Less has been said about how to constantly build, rebuild, and coordinate all of the work processes and hierarchies inherent in a complex organization to realize those strategies. This is what alignment leaders think about. *Alignment leaders are passionate about optimal organization alignment to strategy*.

Most business leaders hold this ideal, but it can be difficult to pull off. In the absence of adequate insight about how to coordinate design choices throughout an enterprise, leaders sometimes come to rely on faulty practices or myths they have observed throughout their careers. In this book, we identify eight such stumbling blocks that we have seen repeatedly. While some of these practices can result in small missteps with little consequence, others can inflict real damage to the organization, destroy the bottom line, and land leaders flat on their faces.

For example, many executives begin redrawing an organization chart when they are not seeing adequate focus on a given product, customer group, territory, channel, or other concern. It seems reasonable that changing reporting relationships would promote a new emphasis in some areas and demote groups that play a role less critical to strategic success. But relying on structural change without considering the implications across the organization is like trying to solve only one side of the Rubik's Cube. Toward the overall goal of winning the game, such a move is almost always inadequate and may even be harmful. Important connections may be unintentionally broken by new reporting relationships. New measures may be required to gauge the success of new groups. Decision-making rights may need to be renegotiated.

Like a kid on Christmas morning, uninformed organization aligners (alignment leaders) may somehow luck into solving a Rubik's Cube but will more likely scramble the puzzle even further. As Watkins wrote, "Too often, senior executives dabble in the profession of organizational design without a license—and end up committing malpractice." They "target elements of the organization that seem relatively easy to change, like strategy or structure, without completely understanding the effect their moves will have on the organization as a whole."[3] Their efforts can replace the

existing disarray with a new set of problems, or even worse, jumble an organization into utter chaos. Hoping for a big payoff, these leaders are disappointed when results don't show any improvement.

In this book, we will explore the 8 Stumbling Blocks that we see most often in our consulting practice. These are misguided moves intended to address common considerations that alignment leaders weigh as they embark on change, but they do not result in systemic alignment or improved marketplace success. They are beliefs about how to make organizing choices that are intended to improve the bottom line, but in reality only cause pain without any gain. Unexamined, they will continue to trip up leaders and slow or even halt progress.

To avoid these stumbling blocks, leaders need sound techniques to accomplish their marketplace goals. So for each stumbling block, we offer a countering building block—a solid principle or method for leading organization alignment. By replacing the 8 Stumbling Blocks with 8 Building Blocks, business leaders can more effectively design their way to a winning organization. The overarching secret is optimal system alignment to strategy.

Below is a synopsis of the 8 Stumbling Blocks and 8 Building Blocks that we will detail in this book, showing you just how to avoid falling into these common traps and instead take action that will create a fully aligned organization:

For Approaching Structural Change

Stumbling Block 1: Boxology. This is the belief that redrawing the boxes on the organization chart is the secret to better results. Structure change is the only card that some leaders ever play in the role of lead organization aligner. But that is like trying to achieve a uniform color on only one face of a Rubik's Cube while ignoring the kaleidoscope that is the rest of the system.

Building Block 1: Align All Systems. Effective organization alignment considers all the facets of the enterprise, and it ensures that your strategy, capabilities, and choices work together to generate the results you desire.

For Designing the Right Organization

Stumbling Block 2: Off-the-Shelf Organizations. This is tackling organization structure change as if it were a multiple-choice question. It's false to assume there is a small set of templates to choose from to get the organization chart right.

Building Block 2: Tailor to Strategy. Your organization's structure should be as unique as your organization's strategy and should be informed by that strategy. Furthermore, the other organization elements with which the structure is enmeshed should be tailored to your strategy as well. Strategic teams can work together to clarify strategic direction and strategic trade-offs, then embed these decisions deep in the design of the organization.

For Choosing Who to Involve in the Alignment Process

Stumbling Block 3: The Secret Society. This is the misguided belief that organization alignment is the covert work of a select few. You see it in action when leaders seclude themselves in a conference room on Friday afternoon and then announce the new organization chart on Monday morning. Omitting the broader expertise of top directors, managers, and other experts will not only result in faulty organization alignment but will also lead to slower and less effective implementation of the plan.

Building Block 3: Co-create. The more people who are involved in alignment deliberations, the more likely it is that the effort will generate substantial organization and behavioral change. The benefits of widespread involvement clearly outweigh the downsides.

For When to Select the Right People for New Jobs

Stumbling Block 4: Starting with Names. Leaders who start with the skills and abilities of their most valued associates and build an organization from there have encoun-

tered this pitfall. They may align their organizations to their people, but they won't necessarily create alignment between their organization and their strategy.

Building Block 4: Staffing Follows Structure. It's better to align individual strengths to strategy as embodied in the new structure. You might have to wait for the organization alignment process to unfold before you can determine who will fit where, but when you patiently fill roles with people who possess the right skills and abilities for the new jobs, you enable the new structure to reach its full potential.

For How to Lead to Alignment

Stumbling Block 5: "Real" Work. Speeding through organization alignment in order to get on with "real" work is a major stumble. When organization alignment efforts are viewed as a distraction from what actually makes an organization hum, it is clear that the leader has not yet recognized that one of his or her most critical roles is that of alignment leader.

Building Block 5: Become an Alignment Leader. Alignment leaders know that organization design is a process to solve problems and that bringing other people along to think about alignment generates enormous power for the organization. We will describe the distinct set of characteristics that define an alignment leader.

For How to Accomplish Goals using Alignment

Stumbling Block 6: Grow **or** *Cut.* This is the false belief that a business can either increase revenues or shrink expenses, but not both at the same time.

Building Block 6: Resource **and** *Reduce.* Alignment leaders don't despair when they are faced with both growth and savings targets simultaneously. They know it is possible to have it all—and they know how to protect and cut work strategically.

For Embracing Simplicity and Complexity

Stumbling Block 7: The Simplicity Complex. There is a lot of talk about how much consumers want simplicity in the form of elegantly integrated products and customized solutions. But most existing organizations are not built for these new kinds of offerings, and they may not realize how much re-architecting is called for. They make the mistake of adapting their strategy without adapting their own organization.

Building Block 7: Absorb Complexity. Organizations that choose to absorb complexity for their customers are prepared to develop new capabilities, and they know that these new capabilities will require them to make some trade-offs.

For Knowing When to Align

Stumbling Block 8: One and Done. Complete alignment of an organization can feel like a massive undertaking. Consequently, there is a tendency to want to create the perfect organization design once and for all. Leaders who are out to create a flawless new organization in one fell swoop are setting themselves up for disappointment.

Building Block 8: Design Fluidly. A better mind-set is to be continuously remaking the organization to track new marketplace conditions and the resulting strategic adjustments. Designing fluidly means moving smoothly and constantly to tweak organization alignment.

Now of course we cannot provide formulas for aligning a complex organization that leaders can learn by rote and execute without customization, but we think there are systematic ways of approaching the alignment problems that leaders face, and these are encompassed in the 8 Building Blocks. We have seen these approaches work consistently in companies, governments, and nonprofits of all sizes and types around the world. If you build your approach on these methods, you can feel confident that your organization alignment efforts will result in real change.

What Does It Mean to Master the Cube?

The cube we have in mind when we use the title metaphor of this book is the multifaceted organization in its entirety—all of its strategies, processes, structures, systems, practices, and metrics, as well as the skills, values, and beliefs of its people. Mastering this cube means knowing the most effective techniques for approaching and orchestrating complex organization change so that all of these components come into alignment. It means thinking systemically, anticipating both the desirable outcomes that will result from a design choice as well as the reverberations likely to be felt in other parts of the enterprise. The word "master" connotes the ability to direct or perform something skillfully. If you know how to master an organization, you are skilled at orchestrating all its disparate parts so they work well together. An expert alignment leader is a master of the organizational cube.

To help you become a master of the cube, we demonstrate in each chapter how the 8 Stumbling Blocks and 8 Building Blocks often play out in real-life situations. We present a list of key concepts for leading successful organization alignment efforts, which we add to as the book proceeds and consolidate at the end. We wrap up each chapter with a set of questions to consider as you apply what you have learned in your own work. Along the way we offer some alignment aphorisms that together with the building blocks condense some of the most important ideas. We gather these in the last chapter as well.

The happy truth is that a surprisingly simple series of discussions can help leaders of even very large and intricate organizations create an enterprise that is aligned, top to bottom, to the singular goals of the enterprise strategy, one that is adept at continually and quickly re-creating itself in our ever-changing world. Such an approach makes organization innovation much more likely—people developing novel organizations that give them an advantage in their realm.

Organization alignment needs neither to be overwhelming nor naïve. Nor should it be a singular endeavor, an all-out, distasteful, stop-the-machines upheaval. Rather, every leader should become familiar with positive practices based on solid building blocks for aligning an organization and keeping it aligned. It is one of the most crucial skills needed in commerce, in government, and in nonprofit organizations today.

What You Can Do Now

This book is meant for alignment leaders; that is, executives and others responsible for making organizing choices to see their companies, foundations, institutions, communities, or other groups to success. It is also meant for those who support and facilitate organization alignment work, such as partners and other practitioners in human resources, organization effectiveness, organization design, strategy, information technology, and process or continuous improvement (e.g., Lean Six Sigma). We will refer to all of these roles as *change partners.* Because, as we will argue, organization alignment should be an interactive process, both the executive role and the partner role are essential. One cannot delegate all the responsibilities for organization alignment to the other.

The most beneficial way for any reader to use this book is to bear in mind an organization alignment challenge that is before you now. Sometimes these situations arise due to business performance issues; other times they surface when you aspire to build an institution that is even better than it is today. Either way, we suggest that you select a situation that is tough, that is multifaceted and will require the action of multiple levers, and that may impact the thinking of many people in your organization.

At the end of each chapter, we present specific questions and applications to help you personally use the building blocks highlighted in this book. We also encourage you to invite your organization alignment partners (your change partners) to read this book as well, then share your thoughts and notes from the end of each chapter. Discuss the truths and positive practices you can use to rise to the challenge of your specific situation. Discuss how you can work together to meet your common goals.

To get started with your exploration, answer the questions that apply to your role.

If you are an alignment leader:

- What business challenge are you currently facing that seems to lie just beyond or under the surface of the obvious fixes or solutions?
- What would your organization be like in the future if you were able to effectively address this challenge?

- What are the consequences now and in the long-term if you are not able to handle this challenge?
- What have you tried so far? What has worked? What has not worked?

If you are a change partner:

- What organizational challenges do you see your organization struggling with? Think of issues that seem too complex or too sensitive to address.
- What do leaders seem most concerned about solving?
- What would be the consequences now and in the long-term if the organization were not able to effectively address these challenges?
- What have you tried so far to either address these challenges yourself or to partner with a leader in the organization to tackle these challenges?

For both alignment leaders and change partners:

- Have you spoken to the other about your thoughts and concerns?
- What plans or approaches have you jointly been able to conceive for addressing these challenges?

CHAPTER 6

HOW TO ACCOMPLISH GOALS USING ALIGNMENT

Many business leaders come to a realization at some point, for one reason or another, that they must increase their top-line revenues and cut expenses at the same time. When revenue growth or cost reductions are your imperative—and especially when both goals are your imperative simultaneously—organization alignment will help. Organization alignment offers potent concepts that will make it possible for you achieve this challenge and reach other financial goals.

GROW *OR* CUT
STUMBLING BLOCK 6

Let's begin by talking about how to approach cost cutting. The greatest myth about cost cutting is that it should be fair. Fairness dictates that leaders who must make reductions should require the same proportion of cuts from every division or department, such as 10 or 20 percent across the board. It's true that an equitable approach is less of a political headache than providing different targets to different divisions,

functions, or departments. But a fairness methodology conflicts with a strategic methodology. Most people in an organization can sense this. A perfectly fair approach to cost cutting is not wise if it harms strategic interests. You can do great damage to the revenue machine of your company if you cut work that has a marketplace value just as deeply as you cut other parts of the business that are not as crucial to the customer. Following such a tactic, you risk slicing the muscle of your organization as well as the excess.

A good strategy can never be fair, because good strategy requires trade-offs. By definition, strategy requires prioritization. When it comes to making resourcing decisions, projects and processes with a greater competitive impact should garner higher priority. Those with lower competitive impact should feel a tighter squeeze. Thus, strategy is not fair.

If you devise targeted cuts, you can be gentle on your organization's competitive work and more aggressive on its non-competitive work. In this way, it may be possible to achieve savings without impacting revenue (or killing your people in the process). Indeed, if you properly value the competitive work in your organization by ensuring resources are directed toward it—by adding talent or tools or by improving process effectiveness—you can actually increase revenues even while you cut costs in other areas.

This reality flies in the face of Stumbling Block 6, the false belief that you cannot grow revenues and cut expenses at the same time. In fact, some organizations like GE have embraced the pattern of growing while becoming more efficient to the point that it is a way of life. It's tough (strategically), but it leads to focus through trade-offs.

RESOURCE *AND* REDUCE
BUILDING BLOCK 6

A multibillion-dollar sales division of a multinational conglomerate was tasked to grow by $200 million over an eighteen-month period. At the same time, they were required to cut costs by 10 percent. The sales

executives gathered all kinds of data about their products, customers, processes, and touch points, hoping it would spark insights about how to accomplish both revenue growth and cost savings. But even with all the data before them, they were stumped.

So forty-five of the leaders from around the world met in a large conference room in Atlanta for an intense week of organization alignment discussions. The panels between three conference rooms were opened so that the group had kilometers of wall space for posting, mapping, and categorizing all of the division's work activities. These leaders understood that the competitive advantage of their organization lies primarily in its day-to-day work. If work doesn't change, results don't change.

The executives lasered in on the key work that they believed would create growth, and then they pinpointed other work where they could tighten efficiencies and perhaps even decrease their performance to par without impacting customers. That's right: they pegged the areas of the organization that could be average. That is where they planned to cut costs by eliminating or streamlining workflows and reducing head count.

Part of their approach involved making structure change to group competitive work more tightly together and separate it from non-competitive work. The mind-set required by the two workforces is different—one to strive toward differentiation and excellence, one to aim for extraordinary efficiency. Non-competitive work is not necessarily less important—many non-strategic tasks, such as payroll, sales administration, and network operations, are absolutely crucial for running the business. But non-competitive work tends to be more transactional in nature. It often feels more urgent as well. And herein lies the problem. If the same product expert who answers demanding administrative questions and labors to fill out complicated compliance paperwork is also responsible for helping to craft unique, integrated solutions for clients, the whole client experience—the competitive work—could easily fall apart. Prying apart these two different types of activities so different teams can perform them ensures that vital competitive work is not engulfed by less competitive tasks.

At the end of four long days—most of which went well into the evening—the forty-five global leaders had accomplished a substantial redesign. They had become intimate with all the work routines that made up their division around the world; they had sorted it, categorized it, and grouped it. That is how they were surgical in their cuts—work marked as "competitive" received more funding; work marked as "non-competitive" got tightened. For many of those executives, it was the first time they saw the truth: you can resource and reduce at the same time.

As their plans were implemented, new efficiencies did emerge as they had hoped, and they achieved both their growth and expense reduction goals. To boot, their work prompted other areas of the larger company to realign as well to support the solution-focused nature of their outcomes.

Building Block 6 is the alignment technique of resourcing strategic work to protect or stimulate growth while at the same time reducing or streamlining less strategic work to achieve cost savings.

You cannot perform the kind of surgical cost cutting we're talking about without knowing your trade-offs. All of the organizations that have been admired for their ability to grow over the last twenty years—Home Depot, Starbucks, Apple, and Amazon to name a few—have identified very significant trade-offs. Organizations that are not clear about their trade-offs have difficulty with surgical cost shifting or cutting. Since they say yes to everything, and they make reductions based on fairness, their people get overwhelmed and burnt out because they have too much work to do without enough resources.

For example, one big box retailer excelled for three decades by grabbing all the real estate they could get. Profits poured in, and the competitive race was to build more and more stores to capture the nearly unlimited demand. At the corporate offices, the real estate and merchandising divisions grew to be enormous. But as in most industries, things changed with the market downturn of 2008. Soon the company reduced the annual number of new stores by well over 90 percent and began the slow move to compete on customer experience rather than location and product. In other words, they chose to entice customers to drive further for new, robust, integrated product and service offerings.

With this new strategy, different work became strategically expedient.

Resources were moved from real estate to a customer experience group and other new strategic marketing teams. Projects were launched to enable omni-channel product fulfillment and customer data management. Aspects of the vast store operations empire were whittled and consolidated. This company made significant trade-offs during this transition: they made painful cost cuts in divisions that had been the workhorses of customer value for years in order to fund upstart teams with nascent but promising ideas about how to craft and deliver a new value offering.

The merchandising division of this retailer had once been the core of the business. Powerful towers within merchandizing had optimized decision making for their categories based on the belief that if the merchandising teams succeeded, so too would the entire enterprise. So they had independently designed their lines, sourced their products, and advocated raucously for space in advertising flyers and television commercials.

But with a new emphasis on the overall omni-channel customer experience, merchants became players in a much more expansive game, and the rules of the game were now devised by people with skills and experience that had previously either not existed in the organization or had not been viewed as strategic—groups who modeled, designed, and developed the new customer experience along with its pricing and marketing aspects. Merchant product categories were assigned roles to serve in the overall product mix, and some roles were promoted much more selectively than they had been in the past. As the new strategic jobs around customer experience began to consume resources in the organization, a trade-off had to be made—the company could not afford top talent in these new areas without deemphasizing the skills and pay of some of the merchandising groups.

It is easy to buy into exciting new strategies that promise to take you into the insanely awesome future. "We're going to differentiate ourselves by customer experience. Woot! Woot!" It is a downer to make the trade-offs. "We're moving heads and budgets from the juggernaut divisions of the past to fund the skunkworks and startups of the future." Ouch, that hurts.

When Steve Jobs returned to Apple, he eliminated 70 percent of the company's computer models and products. He enraged engineers who

had put years of their lives into these products, and his cuts led to thousands of layoffs. But Jobs believed that good engineers applauded his decisions. He once reported that "he came out of [a] meeting with people who had just gotten their products canceled and they were three feet off the ground with excitement because they finally understood where in the heck we were going."[1]

At the same time, Jobs invested heavily in a very few initiatives that were selected with input from his most valuable employees. He held an annual retreat for them called "The Top 100." His biographer, Walter Isaacson, recounts the process:

> At the end of each retreat, Jobs would stand in front of a whiteboard . . . and ask, "What are the top ten things we should be doing next?" People would fight to get their suggestion on the list. Jobs would write them down, and then cross off the ones he decreed dumb. After much jockeying, the group would come up with a list of ten. Then Jobs would slash the bottom seven and announce, "We can only do three."[2]

Cost cutting is an organization alignment challenge because it impacts many systems that work together to contribute to organization results—among them work routines, job design, and staffing. When it is time to raise revenues or cut costs, decisions should be made that align with the strategic priorities. All work is not strategically equal.

Spending where you shouldn't prevents you from investing where you should.

Spans and Layers

Related to this discussion on reaching financial goals through organization design is the myth that it should be done by setting "guardrails" for the number of layers in the organizational hierarchy or the span of leaders' control. These guardrails, put forward by consulting groups or

professional associations, are usually developed by studying industry averages or best-in-class practices.

While this information can be important input into setting staffing levels, we propose at least two cautions against relying solely on this research when establishing staffing targets.

The first is that benchmarks regarding spans and layers are most relevant when you are setting staffing levels for non-competitive processes—that is, work that is necessary but does not have a strong marketplace upside even when done exceptionally well. The performance goal of work with the designation of non-competitive is simply to be at par. Average is best. An industry average to gauge reasonable staffing levels makes a lot of sense in this case.

But you should be very wary of applying a benchmark to differentiating work where the goal of performing radically better than competitors may dictate the need for relatively lavish staffing. If you match the benchmark, you run the risk of killing the differentiation that you have proclaimed you wanted to build.

The other caution has to do with coordinating what work is phased out as a result of lower staffing levels. Leaders often let any such phasing out proceed of its own accord because they have faith that when they eliminate layers in the organizational chart or increase leadership spans of control, people who feel the increased workload will wisely and naturally eliminate tasks that are non-value added or of reduced competitive importance.

But this faith is misplaced if employees are not clear about the relative value of work or what the strategic trade-offs should be. If they do not know what work to eliminate, they may not eliminate any at all and instead pass it on to someone else. In this way the organization chart is like a square of jiggly jelly. If you squeeze the jelly from the top and the bottom, it is going to squelch out the sides, and if you squeeze from the sides, it is going to squelch out the top and the bottom. Increasing spans of control—giving leaders more responsibility—may soon result in more layers (for example, one firm created "senior technician" roles for technicians to fill as intermediaries for busy managers). Decreasing layers

of the organizational chart may increase spans of control (for example, another company eliminated a layer of managers but then hired a couple of new directors to handle the additional workload when all the reports were reassigned to the next highest management level). The total headcount dollars are never reduced, just reapportioned.

The only way to stop the squelching is to change or reduce the work that is happening inside the square of jelly. But if people are not absolutely clear about the right strategic trade-offs, they may develop their own criteria about what to stop doing. "Most time consuming" and "easiest to put off" might become the guidelines for what work to stop. Yet these criteria likely describe your company's competitive work—work you would *not* want to eliminate.

When strategic differentiation is at stake, avoid applying guardrails for spans and layers. It is better to change the work side of the Rubik's Cube than just adjust the structure and governance side of the Cube. Save the benchmarks for processes with lower marketplace stakes.

The Role of Shared Service Functions in Cost Cutting

Another dynamic we see in many organizations is that executives fresh off discussions about surgical cost cutting and hungry to fund strategic new groups turn to the shared functions designed to enable the business and plead for help. Functional heads in Finance, IT, HR, and others feel duty-bound to contribute but often face a perilous professional dilemma we call the *functional imperative*. They feel a crisis about maintaining "best-in-class" functional standards. Their ranks have been populated by highly educated, highly competent specialists trained in first-rate methods of executing their work. Reduced labor dollars means reducing the frequency or the rigor of these processes simply because there are fewer people to carry them out. But functional leaders feel a loss of professional integrity when backing off from these standards.

Without a doubt, the reason best-practice functional methods have taken hold is that they have been proven effective by the educational institutions and professional organizations that steward the respective crafts. For example, top-notch selection processes do increase the odds

that jobs will be filled by people who will succeed and therefore will retain these roles longer. But at some given level of staffing needs, these processes are impossible to execute comprehensively. Once a best-in-class process has taken hold in a functional group, it rarely seems to make sense to backtrack to lower professional standards.

For example, during the realignment of a finance function at one enterprise, the realignment team found that massive resources were dedicated to the monthly closing process in order to achieve 98 percent plus accuracy. However, when the realignment team interviewed business partners, they discovered that the business did not need or rely on such precision in their monthly analysis and planning efforts; a monthly accuracy record of 90 to 95 percent was good enough for business decisions. The quarterly close, on the other hand, needed to be 100 percent accurate. The accounting department struggled deeply with the idea of backing off from the precise monthly close. Only once the expectation of precision was shifted to the quarterly close could resources be reduced or re-channeled.

Both functional and business leaders must accept that sometimes the most advanced practices are out of alignment with the rest of the organizing choices due to the time or specialist talent they require. Building and housing high levels of functional expertise is not always cost effective. Extreme specialization can slow down competitive business processes because it is daunting to coordinate all the different people who must bring their rigorously thorough, laborious methodology or specialized knowledge to bear on an action or decision. When such a willing but unwieldy group of people are on hand to analyze, prepare, test, develop, ensure, monitor, check, conform, and comply, it becomes very difficult to act. Even if they are all Iron Chefs, sometimes there are just too many cooks in the kitchen.

Many functional groups fall into sheer and utter chaos because of misalignment (to their own dismay). They are not clear about how they hook up to enterprise strategy, and so their processes, structures, roles and responsibilities, and staffing are way out of line with what generates

income in the marketplace. And they know it—people inside these functional failures often feel extraordinarily frustrated and cynical.

A valid way to cut costs is to tone down functional specialization in an organization. This is not a slight to professional integrity. It is a matter of strategic integrity. Alignment leaders are passionate about organization alignment, and ultra-strong functional specialization can be incongruent with marketplace requirements.

Summary: Reduce to Resource

Alignment leaders know that strategy is not fair. They have the insight and the language to talk about the relative strategic impact of all the work in the organization. They know how critical it is to lead the way in setting competitive work apart from the rest without sending the message that non-competitive work is any less important. When revenue growth and expense reduction are both on the table, their approach is to resource competitive work while reducing non-competitive work, and this response is one of the most handy tools of the trade. Strategic resource distribution like this is much more effective than across-the-board cuts. Alignment leaders put benchmark data about organization spans and layers in service of their own strategy, and they carefully evaluate the value of functional rigor against the needs of their own unique marketplace approach.

Key Organization Alignment Concepts

A discussion of the stumbling and building blocks associated with organization alignment and financial aims gives us another three keys to add to our list.

- Protect strategically vital work from becoming engulfed by the transactional work that characterizes so much of what must get done on a daily basis.
- Consider the strategic impact of work when making resourcing decisions. As a rule, generously allocate resources to strategic

work with a goal of greater effectiveness, but manage non-competitive work toward greater efficiency.

- Guard against functional imperatives and professional standards that are misaligned to strategy and don't enable differentiation or compliance.

What You Can Do Now

Thinking about cost cutting in terms of organization alignment is a better approach than across-the-board mandates. If you want to extract resources strategically, start by understanding what work has the greatest impact in the marketplace. This approach will also help if your enterprise needs to continue to grow while you cut costs. Your change partner can help you frame the issues and the plan of attack for putting organization alignment in the service of growth or expense reduction. The following table contains some key questions based on the stumbling and building blocks discussed in this chapter.

	Alignment leader responses	Change partner responses
How do I ensure that economic pressures don't disrupt our organization's aligned organizing choices?		
What common myths do people in our organization hold that will make cost cutting or belt tightening a challenge?		
What approaches should we consider to cut costs (if needed) while enhancing our organization's ability to compete and grow?		
What structural imperatives are driving the use of resources that could be dedicated to driving work with a marketplace upside?		
What are potential functional imperatives (work that is resourced above or executed with greater rigor than the strategy would dictate) in our organization?		