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Why Organization Design Is Critical To Global Leadership Development

by Brian Dive

Talented individuals cannot contribute to their full capacity and potential in a cluttered, top-heavy organization that blurs accountability and stifles initiative. Yet, for some reason, the critical linkage between effective organization design and successful leadership development is often ignored.

Common Failings of Global Leadership Development Models

While there are many leadership development models, most are unsuccessful because:

1. The linkage between organization design and leadership development is ignored.
2. They rely on administrative grade-based "promotions" rather than real changes in accountability.
3. There is no reliable identification of the critical line between operational and strategic accountability and its vital implication for personal development.
4. There is a lack of training to identify faulty organization design.
5. Poor organization design masks the identification of both good and bad performance.
6. There is confusion about key concepts such as values, performance, and assessment of potential.
7. There is no agreed definition of "competencies" within an organization.
8. Individuals are assessed on too many "competencies."
9. There is a lack of context in which these "competencies" are assessed.

1 The Linkage between Organization Design and Leadership Development is Ignored

Companies often ignore the organization setting in which activity takes place and instead focus exclusively on the individual.

This is the “Salmon Fallacy” which assumes that if 100 salmon are swimming upstream and 10 are culled, the other 90 will somehow swim faster.

But talented individuals cannot contribute to their full capacity and potential in a cluttered, top-heavy organization, which blurs accountability and stifles initiative and achievement. An organization whose structure is too flat is equally destructive. The overloaded supervisor is as ineffective as the over-managed supervisor. No amount of training will overcome these inherent shortcomings of the organization design.

A “surplus” job in the organization structure that lacks unique responsibilities does not add value and challenge. It cannot be the basis for the development of high-potential individuals. Hollow jobs lead to hollow development.

2. Reliance on “Paper Promotions”

Most large organizations have a grading or ranking system based on some form of job evaluation. These systems are typically quantitative, assessing budgets and numbers of people managed, not the added value of their decisions or whether the job should exist at all. The route to a higher grade is usually the acquisition of more resources and the insertion of another layer in the management structure. As a result, job evaluation ends up driving organization design.

In such organizations, a ”promotion” is a move to a higher grade but not necessarily to another level of accountability. Hollow promotions lead to hollow personal development.

Many global companies correlate their administrative grades for remuneration purposes thereby spreading the disease of over-layered structures. Is it no wonder they find it difficult to challenge and develop managers?

3. Unable to Identify the Line between Operational and Strategic Responsibilities

For individuals, the most significant leadership development move in any large organization is the crossing of the operational/strategic Rubicon. But most leadership programmes cannot identify this critical line since administrative grading systems blur its clarity.

Good performance in the top operational level does not guarantee potential to move into the lower rungs of strategic accountability. A good production manager does not necessarily make a good supply chain vice president. Yet grading and ranking systems tend to assume that movement between grades is linear—just more of the same type of responsibilities.

4. Lack of Training to Identify Faulty Organization Design

Organization design is arguably the most neglected area of management training. Some CEOs continue to traumatise their employees as they guess their way through yet another restructuring programme. Most re-organizations and re-engineering initiatives are driven by a desire to cut costs.[1] They rarely have the development of people as an objective. It is not difficult to reduce costs in a large organization. The real challenge is to know where to stop and why. The key questions are: “Am I cutting fat or muscle? How would I know?”

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1 *When is An Organization Too Flat?* Brian Dive, “Across The Board,” July-August 2003, The Conference Board

For example, one European bank announced recently it would cut 2,000 jobs from its head office. That would appear to be the number of an accountant ("to save 100 million euros") and not of an organization expert. Many of these cost-cutting drives remove jobs from the front line and junior management, where the numbers are greatest. But these are not the most expensive jobs and it invariably leaves the costly, ineffective bureaucracy in place. As several companies, particularly in the airline industry have found, mindless front-line reductions can jeopardise the performance and reputation of the business.

5. Faulty Organization Design Masks the Identification of Both Good and Bad Performance

Cluttered top-heavy organizations make it very difficult to identify performance, good or bad. Over-layering blurs accountability making it difficult to identify who is doing a good job and who is not.One large European bank refers to its organizational restructuring project as designing "space to lead." They have recognised that their leadership development efforts will remain something of a lottery until they remove unnecessary layers of management.

We have all experienced the appalling "service" offered by public servants—one of life's great oxymorons. Government agencies continue to be among the most over-layered and stultifying organizations that frustrate both their employees and their customers. Governments exacerbate this situation, by confusing top down control with accountability.

6. Confusion about Values, Skills, and Competencies

Many organizations still confuse values, skills, and competencies. Values are most important for any organization. The recent lapses in Enron and WorldCom illustrate what can happen when values are ignored.

But the practice of values alone is not sufficient basis for the development of leaders. You do not promote people simply because they practise the organization's values—more is required. But you fire people who do not practice those values. In that sense values are derailers. They are badges of belonging—the ticket to the ball game.

But, and this is the point here, they are *not* indicators of leadership potential.

Skills

Many companies still tend to promote managers solely on the basis of performance. Performance in the current role is important, but again, it is not enough to guarantee good performance at the next level of accountability. We all know that the best mathematics teacher in a school is not necessarily the best candidate for the role of Principal.

Performance is underpinned by mastery of skills. Most early "competency" models tended to focus only on skill mastery. But skill mastery results in good performance in the current job. It is not a guide to mastery at a higher level. Thus managers might be good accountants, engineers, HR executives and so on, because they have mastered the technical requirements—the skills—of their particular profession. They might even be starting to master more general skills, such as project management, but these are not a reliable guide to promotability on their own. Something else is required to lead at the next level.

Potential

The emphasis on performance tends to refer only to the current level of accountability, whereas the focus of any leadership development programme should be the next higher level.

But if there is no valid accountability platform underpinning the organization's architecture the assessment of leadership is little more than a lottery.

If these different levels of accountability call for a different quality of decisions then it is important to identify the appropriate behaviours that align to these. These aligned behaviours are the competencies, which can indicate potential to move to a higher level. This is the basis of leadership development.

Behaviours that link to the decisions taken at different levels of accountability can be defined along a continuum of increasing difficulty in relation to each level of accountability. This is set out in both positive (what we are looking for) and negative terms (evidence that promotion is not yet warranted).

For example, one competency is Driving Change. Change in operational work is development: modification of a service or product that already exists. But strategic change is research: it derives from discovery, invention, providing breakthrough, step-change which is first in the industry, for example.

So, for example, when assessing whether a person can move from operational to strategic accountability it is important to find evidence of the capability to operate at the higher level. This can be done by judicious use of projects. The challenge here is to scrutinise the relevant behaviours in the current context compared to the requirements for the next level of accountability and to assess whether the person being reviewed should be promoted.

It is patently unnecessarily risky to assume the development chemist can function as a world-class research scientist, without having more evidence than just their current skill, performance level, and practice of values.

This is why it is critically important to be able to assess behaviour-based competencies linked to different levels of accountabilities.

7. There is No Agreed Definition of "Competencies"

Historically "competencies" first focussed on skills. In 1998 George Klemp, of Canbria Consulting in Boston, analysed the leadership models of 62 of the world's leading companies, two-thirds of which were a mixture of skills and behaviours.

Skills relate primarily to how the job is done in a technical sense.

Behaviours, on the other hand, relate to what is required to execute accountabilities or make decisions, which includes skills. But more is involved than skills. Behaviours are more psychological and vary by level, and can be more reliably used to indicate potential to perform at a higher level. They reflect the way a task is tackled: e.g. is abstract or concrete thinking being employed?

This is why it is not sufficient to promote on the basis of skills and performance alone.

Skills can be technical or general. The former would include professional skills such as legal, IT, marketing, sales and so on. The latter could relate to the management of people, for example. Remember, these drive performance in the present role.

Typical behaviours would relate to the ability to set direction, think abstractly, from first principles or a blank sheet of paper, the ability to influence people, over whom one has no authority, to do the things we need to have done to be successful in our jobs. These are some of the behaviours that provide the clues which suggest an individual could operate effectively at the next level of accountability.

8. There Are Too Many "Competencies"

There is ample research, e.g. that of Boam and Sparrow[2] which has established that most managers can assess between three and six competencies.

One global company implemented a consultant's model of 11 competencies. In a review about a year after it had been implemented, managers were unequivocal in stating they wanted to assess no more than five competencies. Otherwise they felt they were becoming buried in a bureaucracy of little value-added assessment. Experience would suggest six is the maximum number of competencies for line managers to assess.

9. Lack of Context

Perhaps, the most common reason for the failure of competency models is a lack of context. Many competency models talk about "seeing the big picture." But the "big picture" for a lowly brand manager in France is totally different to the "big picture" which the global vice president of the category in which the brand is positioned, must grasp.

Competency models notoriously ignore this vital component. They are unable to confront the problem if they do not have a way of assessing the different accountabilities of the French brand manager and the global category vice president.

2 *Developing Designing and Competency*, Roger Boam and Paul Sparrow, 1992

In order to assess potential for the next higher level of accountability, it is necessary to have a way of assessing the context of the two levels in question. Behaviours assessed out of any context are meaningless. Yet that is precisely what most competency and leadership models set out to do.

The Way Forward

There are three vital underpinnings for any successful programme of global leadership development:

- There must be a way of identifying different levels of management accountability.
- There must be a set of differentiating competencies that identify the behaviours needed to be successful at each level.
- The differentiating competencies must be aligned to the levels of accountability in order to predict potential. "If this is what I have to decide then this is how I need to behave to be effective at this level."

Steps Towards Healthy Organization Design for Global Leadership Development

One golden rule which drives organization design and therefore leadership development, is:

There can be only one layer of management per level of accountability beyond the front line.

Many organizations are guilty of compression. This occurs when two or more layers of management are in the same level of accountability. It leads to rework and duplication as more than one person is working in the same work zone. It is very frustrating, especially for talented people. Activity is not accountability.

Compression is the opposite of empowerment.

But there are a number of steps which any company should consider as they review their global leadership programme and the organization design platform on which it is based:

- Organise from the front line. Most CEOs organize top-down and therefore tend to add in span-breaker roles that do not add value to others. The surest way of ensuring value-added decisions are being taken is to organise from the front line, from the customer.
- Verify the levels of accountability.
- Identify line and support jobs. Line jobs are positioned on the spine of accountability and are accountable for the work and management of subordinates. Support roles assist the manager but are not on the spine of accountability. They are often in supervisory roles, such as a foreman or sergeant.

Ensure the organizational design is optimal with the right number of layers of management that truly stretch individuals to learn and grown in their respective roles.

- Focus competencies on assessment of potential.
- Align competencies to accountabilities.
- Identify key moves for career development that e.g. take individuals from operational to strategic responsibilities.

About the author

Brian Dive is an internationally experienced and independent consultant, writer, and presenter on issues relating to organisation design and effectiveness and the human resource practices, including leadership development, needed to build a healthy organisation. He previously worked for Unilever where he held a number of positions at Senior Vice President level.

Since 2000 he has run his own business, DMA (Decision Making Accountability) Consultancy, with clients in North America, Europe, Asia and Australasia. In 2002 Kogan Page published his book, “The Healthy Organization A Revolutionary Approach to People and Management”. The second edition, with new and unique work on Leadership Development, was released in June 2004.

He can be reached through Email:
brian.dive@dmac1.com

The Conference Board, Inc., 845 Third Avenue, New York, NY 10022-6679
Tel 212 759 0900 Fax 212 980 7014 www.conference-board.org