

What Makes an Organization Effective?

“Four levels of energy in an organization: physical, mental, emotional, and spiritual. Those that engage each of these are more effective.”

– Kenny Moore, Corporate Ombudsman and Director HR, National Grid & co-author,
The CEO and the Monk



YOU’VE HEARD THE WORDS, you may have even said the words yourself “organizational effectiveness”, but what does it mean to be an effective organization? It *feels* like a good thing to be or to strive for; but what is it – really? Google ‘organizational effectiveness’ and you will get over 80,000 hits; Google ‘effective organization’ and the hits escalate to over 16 million! And assuming that we can define effectiveness, do we know how to achieve it? We set out to discover the meaning of being ‘organizationally effective’ and to probe how organizations are achieving that status.

While we assume that leadership skills and practices are drivers for organizational effectiveness, we wanted to stand back and review the ‘whole system’. So first, we asked ourselves some broader questions; then we asked those same questions of C-suite executives from some of the Fortune 500 and start-up companies that we have worked with over the years.

1. How do you define an effective organization? What makes an organization effective (or not)?
2. What are the key drivers of effectiveness? And are these levers universal or are they specific to your business?
3. What are the derailers in achieving effectiveness? What makes it hard to be effective?
4. How would you measure effectiveness?

The following point of view is a blend of our own experiences – over 35 years of consulting and organizational leadership roles – and the experiences of some of our closest C-suite executive colleagues. The evidence is experiential and anecdotal but there were some interesting correlations despite their varied backgrounds and experiences.

Four common themes emerged in particular.

“Executives must always be thinking: How can I tell the difference between what will give us an effective versus an efficient result?”

– Jay Wright, CEO, MobilePro

Theme number 1: **It’s not easy to define ‘organizational effectiveness’.**

Several consultancies define it as the intersection of business strategy, human resources and operations management. Wikipedia defines it as ‘the concept of how effective an organization is in achieving the outcomes the organization intends to produce’. The senior leaders we interviewed largely agreed with this latter definition – that effectiveness is characterized by the ability to do what you set out to do. Additionally though, they defined it as partly about the organization and partly about the individuals within that organization. At the organizational level it’s about:

- Executing on direction and strategies to consistently fulfill your mission and get the result that you established
- Funding innovation (from throughout the organization) to keep moving the organization ahead
- Improving the way the organization works and executes – continuously
- Managing the ‘white spaces’ between the organizational boxes – such as managing risk; developing the right spirit among teams; collaborating on the right things with the right people, at the right time

From an individual’s point of view, it’s about being able to do more than ‘just the job’; it also includes:

- Channelling ideas and innovative thoughts up through the organization
- Leveraging ‘my’ sphere of influence and control to govern ‘in the moment’ and in response to real-time needs
- Having the right information and knowledge to make the appropriate judgment calls and decisions

While this is a wide range of definitions, *none of the above is wrong*. It’s more about the different perspectives executives have based on their experiences, and potentially, on how they are measured as effective leaders.

Which brings us to theme number 2: **Determining how we would measure organizational effectiveness helps to shape a more practical definition.** Not surprisingly however, we had more success in thinking through what an *ineffective* organization would look like. Our executives suggested:

- Missed targets and goals
- High levels of unmitigated risk
- Unnecessary turnover of leaders and high potential staff
- Lack of ROI on key strategic projects and investments
- Lower levels of customer / partner / supplier / employee satisfaction levels
- Cultural confusion - where we say one thing but do another
- Inadequate clarity of roles and accountabilities and the authority to make decisions
- Lack of nimbleness – encouraged by too many organizational layers, bureaucratic processes or governance, poor information relays, and policies that stifle common sense
- ‘Firefighting’ as a strategy

“Organizational effectiveness starts with each person’s sphere of control and influence. Effectiveness is particularly about how well and quickly innovation surfaces and is executed.”

– Helena Pagano, Senior Vice President, Wholesale Banking, TD Bank Financial Group

Consequently, an *effective* organization likely has a set of metrics that:

- *Holds individuals accountable for their individual performance.* That means clarifying individuals’ roles, responsibilities, and their authority to make decisions
- *Identifies and communicates ‘acceptable’ levels of risk* (and the cost of not managing risk adequately)
- *Measures a leader’s behavioural impact and how that influences others’ performance (or not)*
- *Clarifies ‘what good looks like’* since people cannot be effective if they don’t understand the (qualitative and quantitative) performance standards
- *Identifies the drivers for success* to more consistently replicate performance
- *Identifies critical feedback loops* so individuals learn and develop confidence in their analysis and decisions
- *Challenges everyone* to perform at the next level in the organization

Theme number 3: The main driver for an effective organization is what’s happening in those ‘white spaces’ between the boxes on your organization chart. These are the more elusive ‘how things get done around here’ attributes in your organization. All companies have them, yet few consciously know how to leverage these ‘unwritten rules’¹ to their advantage. Obviously the key is to tap into the implicit way that work is thought about and performed.

Exploiting ‘white space’ attributes in a practical manner is rarely as easy as it sounds. The executives that we spoke to encapsulated the issue as that of influencing *how* work is performed. Some examples they cited:

- Impatience with solving the same problems multiple times; (and instead working to identify and act on root causes)
- Living and breathing an implementation mindset. That means defining the results, setting the performance standards... and *following through* (i.e., did we do what we said we would do? And if not, what’s the next course of action?)
- Having the information to make decisions with confidence and within acceptable levels of risk
- Caring enough to go the ‘extra yard’
- Being curious; asking questions and questioning answers
- Being flexible enough to work outside of the strict organizational structure to get the work done
- Converting ‘negative energy’ to positive momentum. Turn ‘what’s not working’ (often manifested through anger, frustration, grumbling) for our customers and our teams into drivers for change
- Creating the ‘hum’, encourage the vibrancy, the ‘esprit de corps’, and connections that help individuals to work smoothly across organizational boundaries ²

“Processes for managing organizational learning and conflicts among resources, plus influencing resources we don’t control, become the capabilities that drive us forward.”

– Ladd Greeno, CEO Quick-Med Technologies, Inc.

And finally, theme number 4: **Each individual in the business must become more ‘organizationally effective’**. We’ve already outlined some of the enabling ‘organizing structures’, such as clear roles, responsibilities, accountabilities, defined decision making processes, etc. But what should the individual bring to the table? Our C-suite colleagues suggest that traditional productivity metrics and ‘getting results’ by Wall Street standards are simply the first steps. As the nature and complexity of the work changes, we need to access each individual’s core personal attributes and do so more deliberately than we have done before. These are some of the attributes quoted as critical to look for in an individual:

- Unrelenting pursuit of ‘this is the best job I can do’
- Personal passion for the business and care for the results or outcomes
- Curiosity, an appetite to learn, improve and contribute outside their formal role
- Confidence to work the informal systems of an organization
- Confidence to take on the next level of challenges
- Restlessness – always looking to do things better and/or to do different things
- Developing relationships and a support network in the organization (and key third parties)
- Creating ‘space’ in which these relationships can foster innovation – perhaps through virtual or tangible forums, conversations around the water cooler, or listening to the quiet
- Leveraging others – cloning themselves to widen the circle of expertise and knowledge
- A ‘can do’ spirit

Most of the executives we have worked with over the years have named these as effective individual attributes. Many times they have spotted these individuals in the organization and looked for ways in which to expand what is usually a small, concentrated number of people to become a critical mass. Clearly another measure of an effective organization is an ability to not only hire and retain these types of professionals, but also to develop and reward this type of attribute. And the role of an organizational leader includes providing the *invitation*³ to employees to use these skills and contribute more mindfully to the organization.

¹ Phrase originally coined by Peter Scott-Morgan. *The Unwritten Rules of the Game*, McGraw-Hill, 1994.

² For example, in *Hot Spots* (2007, Berrett-Koehler Publishers, Inc.), Lynda Gratton explores the individual and collective attributes that create an energizing force to solve a problem or achieve an objective. One core factor is the ability to cooperate across boundaries. These ‘hot spots’ provide an energy for exploiting knowledge in new ways or genuinely exploring the unknown. Likewise, as our C-suite colleagues suggested, innovation that adds fundamental value must transcend boundaries – be they physical, structural, or mental.

³ “Thomas Aquinas says that ‘invitation gets its power by the right of refusal’. In other words,” Kenny Moore suggests, “acceptance (saying ‘yes’) is only meaningful when one can truly say ‘no.’”

“A key driver [of effectiveness] is empowerment, particularly for decision-making – may they take the decision? Then, you need to be sure they can take the decision; in other words, be sure they have the right tools.”

– Catherine Langreny, SVP Global Procurement, Lafarge Group SA

SO WHAT?

HOW DO THESE FINDINGS help you? Talking with our C-suite colleagues helped us to distil a few 'fundamental truths' about effective organizations – our themes. You probably recognize them; these are the things we all see and feel immediately when it's working. Sometimes, that 'hum' is felt during a project or as part of a particularly remarkable team; more rare is when that 'hum' permeates the organization. Yet once felt, the 'hum' is hard to let go; it becomes almost a holy grail, worthy of a grand quest.

We've created this point of view because we are in the business of helping our client organizations on their quest to become more effective, and to find their 'hum'. We don't have all the answers, it's definitely still a work in progress. There is no simple answer or methodology we can trot out; our approach and work with our clients is highly customized – they all have different starting points and destination points on their individual journeys to become more effective organizations. However, we've created a simple diagnostic to help you quickly assess your organization and to help you to think about how you could be more effective against the four key themes. To what extent can you define and measure organizational effectiveness for your organization? Are you actively managing the 'white spaces'? Do you know how you personally contribute to overall effectiveness? Can you feel the 'hum' as you walk about and talk to your managers and leaders? The outcomes from the diagnostic give you a sense of the 'hum', and the relationship between its constituent parts.

In this point of view, we've tried to distil the 'hum'. We've started to codify what's unclear or ambiguous about organizational effectiveness. And we have offered a simple diagnostic to help you assess your organization's effectiveness and identify its key drivers. In our follow up points of view we will address more detail on how to improve issues within the four key themes.

If your organization has a discordant 'hum' then call us to discuss; perhaps we can help.

ORGANIZATIONAL EFFECTIVENESS ASSESSMENT

Name:

Date:

Section / #	Question	Answers	
		Agree	Disagree
Section A	Defining Organizational Effectiveness		
1	I am clear on the mission for my organization		
2	I can translate that mission into the goals and results required		
3	I can translate those results into what I need to do in my specific role		
4	I can translate the mission into leadership and team behaviours required of me		
Section B	Measuring Organizational Effectiveness		
1	I am clear on the performance objectives and standards for my function		
2	I am clear on my decision making authorities		
3	I understand 'what good looks like' for my function		
4	I am clear on my roles and responsibilities and accountabilities		
5	I am clear on who I need to collaborate with to be successful in my role		
7	My teams feel 'empowered' and supported to make decisions		
8	We follow through on promises and commitments to next steps		
Section C	Managing the 'White Spaces'		
1	The operating culture supports solving root causes not just symptoms		
2	I would describe my function as 'implementation oriented'		
3	Priorities for immediate action are clear		
4	We build time and forum for assessing and embedding learning		
5	There are mechanisms in place to formally support collaboration		
6	I have developed a personal network that I collaborate with		
7	I can channel my ideas and creative thoughts to those who make the policies and decisions		
8	You can feel the 'hum' in my function		
Section D	Describing My Effectiveness		
1	I would describe myself as an 'implementer'		
2	I would describe myself as 'planner'		
3	I am consulted on matters outside of my formal role/job		
4	I have a high level of confidence in my ability to make the right decisions		
5	I know where to find the information I need		
6	I am working a level above my current roles and authorities		
7	Others recognize the passion that I have for what I do		

WHAT IT ALL MEANS...

THE ROAD TO ORGANIZATIONAL EFFECTIVENESS is not a casual journey along a one-way, well-marked autobahn. Rather, it's fraught with bumps, twists, turns, and often, a few 'wrong ways'. Once you've set the direction (strategy), you must ensure the mechanics are in place and well-oiled (structure, work processes, flow of information, and talent). Still, that takes you only part of the way; the rest comes via the 'hum' – that marvellous sound or feeling that tells you that the engine is running well. It's more than culture; it's reflected in the linking elements between the 'white spaces' (embedment, engagement, networks, 'hot spots', influence, and invitation).

Our diagnostic gives you a sense of where you are on the journey. For example:

A Chequered Flag

You agreed with at least 24 of the statements overall. Your mission now is to continue traveling at a consistent rate past the chequered flag. Take the victory lap, then gear up quickly as you approach the starting line again (since the next road is waiting to be travelled). Monitor your processes; check in regularly with your teams; consider what you are doing to annoy your employees or customers – and fix them. Consider what you are doing to delight your employees or customers and embed those actions in your journey planner.

The Yellow Flag or Caution Sign

You agreed with at least 15 of the statements overall. Next, look within the categories; where are the greatest sources of pain (disagreement) and thus, the largest potential opportunities? Is it your direction (strategy)? Or have you missed one or two elements? Is the 'hum' limited to specific projects or initiatives, or does it permeate more fully throughout the organization? Are certain individuals or teams being left behind in the race? Use this tool to monitor regularly and identify where you are 'crashing', losing momentum or not taking the curves as tightly as you could. Use the tool to anticipate improvements and if the gaps persist you will be in a better (poll) position to respond.

You're Going the Wrong Way!

Disagreeing with 20 or more of the statements suggests you've stalled or taken a wrong turn. More than likely, your business performance ('end-of-process') metrics have already alerted you to a problem; you're not currently meeting expectations or perhaps, results are trending downward. It's time to regroup; make a pit stop to check all systems, processes, and information flows. Start with your strategy and describe what it means for your organization to be effective. What would it take for you to change your assessment to 'Agree'?

Have your whole crew answer the questionnaire – your leadership team, your managers, your customers, even your external partners. Develop the new game plan with actions, responsibilities, and clear priorities to answer: 'what's the right sequence to get back on track?'



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