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**DESIGN**

FALL 2016

**Meetings:** 4 tips to save them

**Next:** What leader is on deck?

**Org:** Always evolve your design



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# Designed with Intention

*By Josh Epperson*



My home is full of modern design. I have works inspired by Rothko, prints of Matisse and books full of Gehry. These artists fit the modern art caricature. Their creations are stark, abstract, minimalistic, and even cold at times. And while these words may be ok for things hanging on your walls, it is the stark, natural, simplicity of modern furniture that I love the most.

The husband and wife team of Charles and Ray Eames designed the most well known modern furniture. Their idea of design was to simplify things to make them more human. They once described the design process for their famous Eames Chair as the ultimate attempt to design a chair the way “God intended a chair to be.” But for Charles and Ray it was not just about furniture.

In one interview Charles and Ray were asked “What is your definition of design?” Charles replied, “One could describe design as a plan for arranging elements to accomplish a particular purpose.”

“And what are the boundaries of design?” the interviewer followed up quickly.

Charles, without pause, “What are the boundaries of problems?”

“Design” is an oft-used word. There is interior design, fashion design, graphic design, industrial design, architectural design, and the list could go on. In the corporate world “design thinking” has been a mainstay for the last ten years in an attempt to introduce creative thinking to routine work. But perhaps we have placed unnecessary boundaries around what is possible through design. Maybe Charles is right. Maybe every problem is an opportunity for design.

The overuse of the word and its traditionally technical applications have left a lack of understanding of its application to the daily lives of our organizations and leaders. Anything that is built can (and should) be designed. Whether it is a meeting agenda, a financial algorithm, the way an organization fits together, or a physical office space - it all needs to be intentionally crafted with a specific desired outcome in mind.

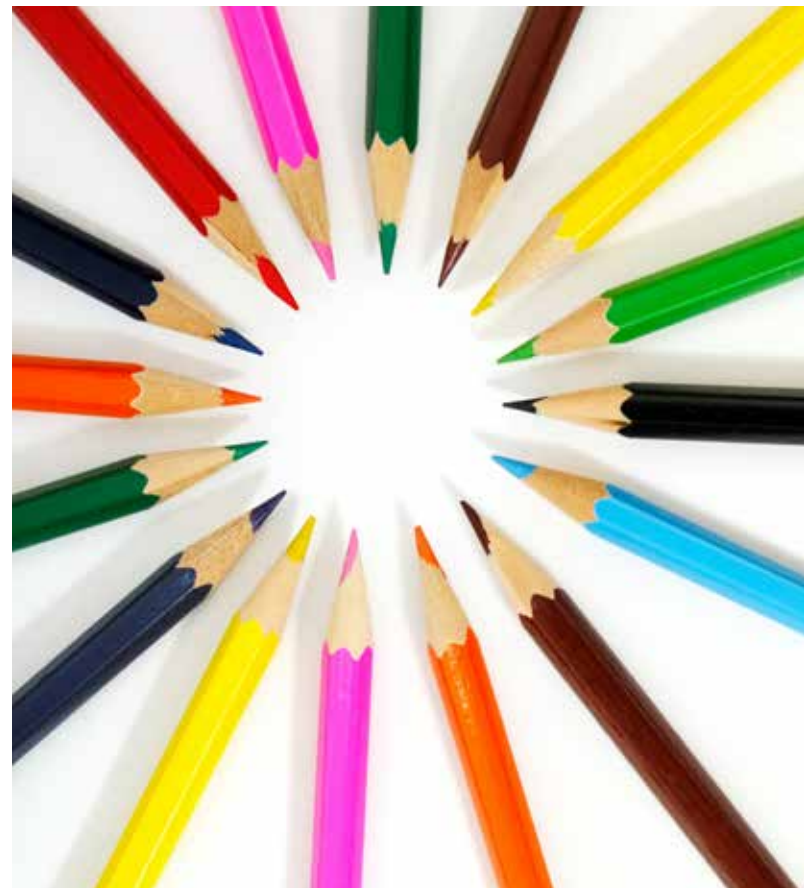
Have you ever thought to yourself about your organization or one of its processes that passes through your work, “This thing is badly broken – why do we keep doing it this way??” Or have you ever walked out of a meeting and thought, “That was the biggest waste of my time?” (who hasn’t, really). And what about the infamous ineffective budget process or the insufferable performance review?

Recognizing poor design or even the absence of design comes easy. Anytime you’ve asked yourself, “What on earth were they thinking?” you’ve stumbled onto poor or non-existent design. Same is true when you are delighted by something, especially unexpectedly. Inspired by a great presentation? Impressed by a new method introduced into your professional field? Excited to use a new app that makes some part of your life easier or more fun? Yup – somebody had to

think about that. Someone had to think about you to create it in such a way that you so favorably reacted. Someone had to design it.

This NQ7 looks at the core components of all good design - listening, intentionality, creativity, forethought, and asks how all of us can look at our lives, relationships, and organizations as canvases for such design. We will also discuss the patience, tolerance for risk, and long term vision required to give good design the effort it needs to be successful.

The places we spend 2/3 of our waking life and form some of the lasting relationships that accompany us through life, deserves the most thoughtful, creative, forethought we have. If we want our daily experiences of life and work to bring us joy, a sense of meaning, and the gratification of making a difference, we need to design them to do so.





## *Organizational Nip and Tuck:* 4 Reasons Your Org Change Efforts Failed *By RON CARUCCI*

Most executives can sense when their organization isn't working effectively. They see the classic symptoms of poor coordination, cumbersome decision-making, and once-promising initiatives stalling. Few know what to do about it.

So leaders shift boxes on an organization chart, bolt on more resources that were lobbied for by a zealous executive, or begin cutting costs across the board. These are some of the first organizational levers of

change that leaders reach for. Like the person addicted to cosmetic surgery, they conduct endless "nips and tucks" over several years, until their organization looks as gruesome and incoherent as the face of the person whose had a few too many nips and tucks of their own. Worse, the inefficiencies, mayhem, and underperformance that result from these impulsive organizational changes (intended to produce the opposite outcomes) leads to levels of cynicism that make subsequent change efforts much harder.

For many executives, the concept of “organization design” is an oxymoron. They have neither the patience nor the skill to understand the importance of configuring the precious assets of their organization into a defensible way to execute strategy. But in today’s markets, where agility is needed, customers are demanding engagement, and technological disruption impacts everyone, executives must start taking how their organizations are designed far more seriously.

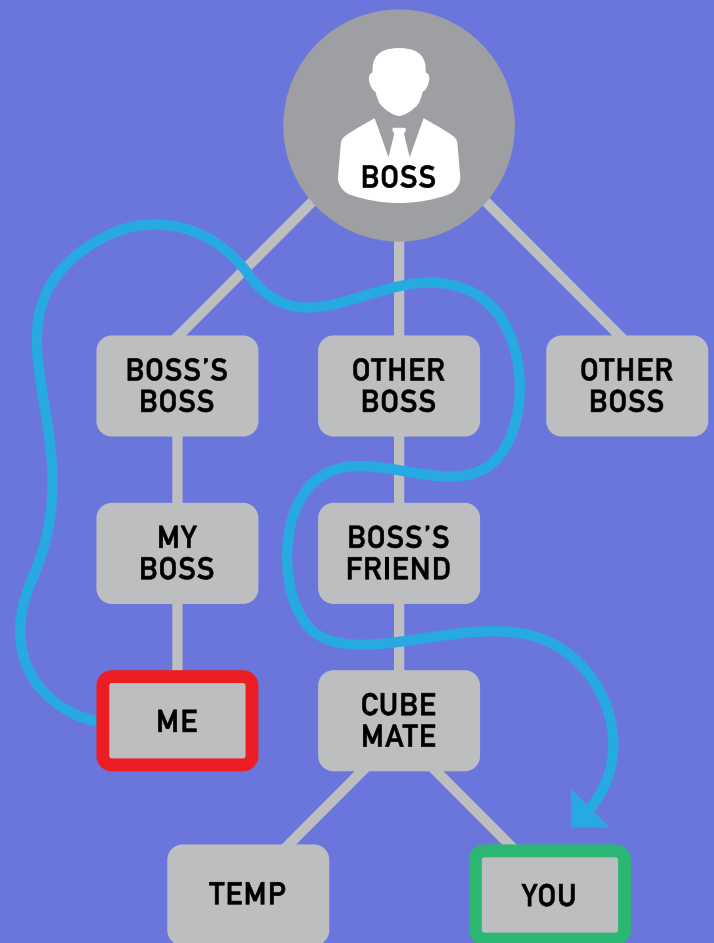
Over this two-part series, I want to lay out some of the common pitfalls to substituting meaningful organization design work with counterfeits, and the costly consequences that result. I will also lay out a meaningful and elegant approach to designing organizations in a holistic and strategic way that actually gets the results leaders want.

*Here are four common mistakes we’ve seen executives make when trying to improve their organizations:*

**CONFUSING THE ORG CHART FOR THE ORGANIZATION.**

**1** Whenever I ask executives, “How are you organized,” I get very interesting responses. “Some odd combination of regions and functions” or “in silos” or “a funky matrix nobody can figure out” are among recent responses. Notably, one said, “here’s our org chart.” Many leaders confuse the org chart with “the organization.” The “org chart” is nothing more than a depiction of hierarchy – vertical reporting relationships that display who sits where. It tells nothing of how the organization actually works. The cultural nuances, core processes, governance systems of decision-making, competitive assets, and critical capabilities of the company are not represented. So when leaders start moving chunks of the organization around on the org chart, amputating from one place and bolting on in another, how the work gets done is brutally tampered with. The result is that the ability to resolve conflict, clarify roles and decision rights, and make sure workflow is efficient and allocates resources is worsened, not improved. And the “after we move it, all that stuff gets worked out” mentality is the reason most “re-orgs” fail to deliver much of anything other than headaches and weaker performance.

*FOR MANY EXECUTIVES,  
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IS AN OXYMORON.*



2

**BOLTING ON RESOURCES FOR SHORT-TERM PERFORMANCE GAINS.** When organizations struggle to deliver results, executives find ways to work around the organization rather than fix it. The proliferation of task forces and special project groups, or adding “bodies” to deal with challenges that come up becomes the band aid silver bullet leaders’ use for triage. Unfortunately, these temporary fixes commonly take on lives of their own, replicating like a bad flu, and then have to justify their existence by making up work, whether or not the original issue they were aimed at gets resolved or not.

3

**MOVING ORGANIZATIONAL COMPONENTS TO ADDRESS LEADERSHIP SHORTFALLS.** Executives use organizational surgeries in response to leadership deficits to great detriment. It’s not uncommon for us to hear things like, “Let’s give marketing to Susana since Bill can’t handle it,” or “Let’s start grooming Elise for COO, so we can combine the Western manufacturing region with all of distribution to start stretching her.” When leaders make moves like this, similar to the consequences cited in #1 above, they set people up for failure and compromise the organization’s ability to execute. Rather than strengthening leadership, they hamstring leaders with suboptimal organizations.

4

**BLANKET COST CUTTING.** When headwinds hit, organizational bloat goes from a sluggish annoyance to a lethal threat. In small companies, even making payroll becomes a risk. In large companies, cash gets hunted to replenish low reserves. So when pronouncements of “15% cuts across the organization” get made, the gaming begins. Hyperbolic appeals for why certain sacred cows can’t be slaughtered, or budgetary shell games that shift or hide resources get played to outmaneuver the cost cutters. The most dangerous outcome is that leaders end up cutting competitive muscle, not just the fat. As I’ll discuss later, not all work is created equal. Sometimes market headwinds are the time to invest heavily in critical competitive muscle while cutting fat in bloated functional groups that do little to drive results. Or courageously trimming the portfolio of products or businesses that are no longer relevant or profitable.

In our next post, we’ll discuss the alternative to these haphazard approaches to organization design. In the meantime, reflect on the past few organizational adjustments, or “re-orgs” your organization has attempted. What were the results? What was the aftermath? Can you calculate the cost of a suboptimal or failed attempt to improve the organization? It’s likely far greater than you may imagine.



# Design the Relationship to Match the Conversation

By Jarrod Shappell



## Does your relationship warrant the conversation you're about to have?

If yes, don't read any further, just go have the conversation. Chances are it won't go perfectly, but a perfect conversation isn't what matters – it's the relationship between you that matters. Great relationships are capable of weathering the worst conversations. Or at the very least set you up for a 'do-over', which is often more critical when pursuing a desired outcome than getting it right the first time.

But what if you answered no to the above question? Or what if you aren't sure?

In order to determine the depth and quality of a relationship required for a given conversation, you need be clear about what you want the conversation to accomplish. For example, imagine a conversation between a supervisor and direct report. The direct report wants to confront their supervisor on their frequent canceled one-on-one's and their passive aggressive communication style. I think we'd all agree that the direct report would be more effective and

the conversation more productive if they have a stellar relationship with their supervisor. But what stellar looks like depends on the history between them and the extent to which the conversation will stretch the current state of the relationship.

We often underestimate the complexity of our conversations and overestimate the strength of our relationships. This sets up moments in which we attempt conversations that our relationships cannot bear. So what can we do to strengthen our relationships?

**Care.** The success of the conversation between these leaders is predicated on the extent to which they believe the other leader cares for and about them. The supervisor must believe that their direct report cares enough about the future success of the business and their leadership of it to give them the gift of difficult feedback. Similarly, the direct report must believe that, if acted upon, the feedback will positively impact their leader's results and business outcome. In order for a difficult conversation to go well, there must be reciprocal care.



**Credibility.** Care apart from credibility is nothing more than warm-fuzzies – a good feeling lacking true value. In a confrontational conversation, like the scenario above, credibility is determined not by the confronter, but by the receiver – in this case, the supervisor. Do you as the direct report have credibility with your supervisor on the topic? Do you have a track record of offering them credible feedback? Do they seek your input and counsel on difficult decisions? Have they ever asked for your feedback about their leadership? These are the types of questions you’d want to ask before you go knocking on their door.

brought to your attention anticipated difficulties in our upcoming product launch. It didn’t seem like you cared and I am not sure why. Best I see it, those challenges are still unaddressed”).

It may take a few conversations, but in this example, the direct report can guide the relationship to a place where it’s okay to discuss feelings of not being heard and better understand how to make their voice count in the future.



Care and credibility between leaders can seem like such ‘soft’, undiscussable topics. However, if you as the direct report see a lack of either care or credibility between you, that is exactly what you should bring up. For example, in your next one-on-one, you may need to say, “It’s really hard to share difficult feedback with you because I don’t feel like you care about it.” But be advised, you better have tangible examples to follow up with (“Last quarter, on three different occasions, I

But what do you do when care, credibility, or any number of other relational requirements aren’t present, you don’t have time to build them, and you still need to have the conversation?

- 1.** First seek to understand how your history impacts (positively or negatively) the current requirements of your relationship. To what extent, and how, will the conversation stretch your relationship?



**2.** Determine how quickly you can move your relationship from its current state to where it needs to be to have a successful conversation. Sometimes you're two to three conversations away from the conversation you want to have.

**3.** If you're more than one conversation away, be clear on what those conversations are and what each of them needs to build in the relationship between you.

And if all of this feels too soft or you feel like those you are in relationship with are never going to offer care or grant credibility, remember...

**...every conversation is an opportunity to strengthen your relationships.**

- Take the time to acknowledge how your working relationship is/is not where it needs to be. Be clear on what you hope for and from your working relationship. Work to align on the aspects that will make it more effective and productive.

- Keep your conversations focused on the value you create together. Remind yourselves how you're working together toward a common outcome. Let the past be the past; focus on what's required for the future.

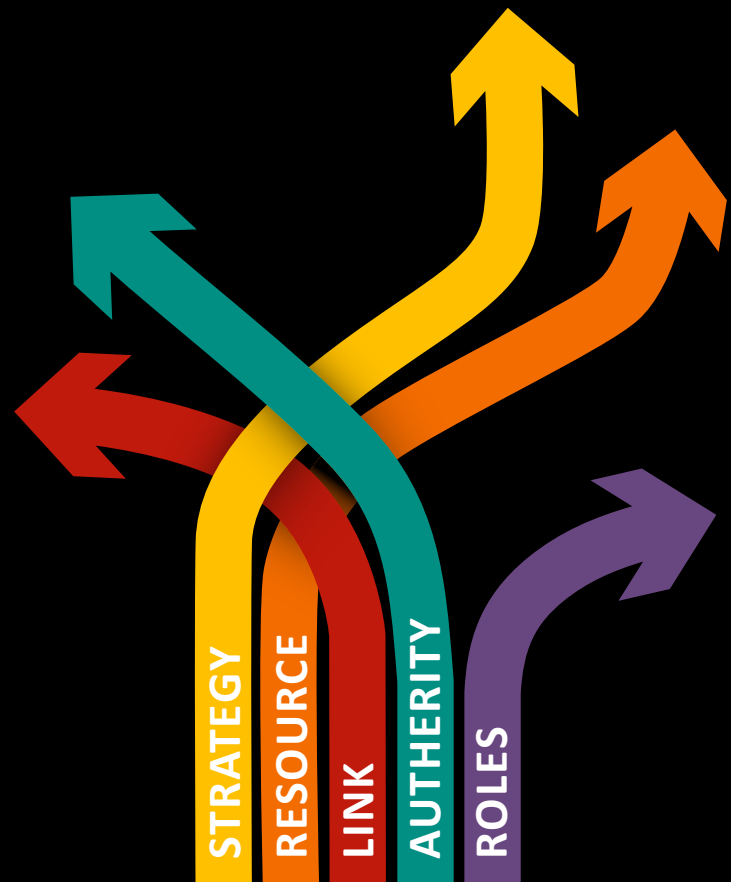
- Learn first. As a leader, curiosity is one of your greatest assets, especially when it comes to strengthening your working relationships. Use your conversations to learn as much as you teach.

Effective conversations are a basic element of a leader's daily success. The value those conversations seek to realize run the gamut from water cooler to board room. Make sure you have the relationships required to make each of them count.



# 5 Steps to Continuously Improve Your Organizational Design

By Ron Carucci



Organization design is not a static, one-time event. It is an ongoing management discipline, no different than the stewardship of any resources – team, people, or even a manufacturing plant. Much the way those must be continually attended to and fine-tuned, so must your organization be refined and continuously improved.

There is an enormous difference between intentional fine-tuning and impulsive “tinkering.” As markets shift, competitive requirements emerge, or through the normal course of growth and maturation, ongoing adjustments to your organization must be driven by strategic criteria, reliable fact bases, and systemic wisdom. In our [first article](#), we explored counterfeit approaches to organization design and their costly consequences. In this part, we will look at the continuous organizational improvements executives need to be ensure success.

The Chief Commercial Officer at one client of ours had a reputation for making abrupt changes to the organization – adding new functions, moving pieces around to new reporting areas. Sometimes he would tell a few specific people, other times he’d make blanket announcements. He became known as the mad scientist, and eventually people just checked-out in order to cope with his impulsivity. In recounting her experience through tears, the head of one function said to me, “The other day, a guy walks up to me and says, ‘Hi – I’m your new head of advertising – nice to meet you.’ I had no idea he’d been hired and he had no idea what his job was.” You can imagine the havoc that gets wreaked when leaders show no regard for the enormous ripple-effects of such actions.

**Organization design, and the continual refinement of those designs, should be done for three reasons:**

1. To realize the benefits of scale, bringing together sets of individuals or groups who perform similar work to create greater value.
2. To ensure information can move easily across the organization; ensuring that decision-making and knowledge enhancement happens in an unencumbered way.
3. To shape behavior – ensuring people are motivated to perform and contribute as the organization requires, participate in the social fabric of the organization in productive ways, and are empowered to make the appropriate decisions and constrained from counterproductive behavior.

**For executives to build a high performing organization that can translate a strategy into great results, here are five things they need to do...**

**1.** Build an organization around a viable strategy that articulates where you will differentiate to win. Organizations must answer critical questions of identity – in which markets will, and won't, we compete, what will distinguish us from competitors so that our targeted customers will choose us, and what are we trying to accomplish within those segments and for those customers? It may sound obvious that organizations should be shaped around these choices, but it's astounding how often that doesn't happen. Frequently organizations create divisions, silos, cumbersome bureaucracies and cultures that impede rather than enable acting upon these choices. If your critical source of competitive advantage is responsiveness or speed, the organization must be built for that. If it's quality and service, that's a different configuration. A narrowly defined set of well-constructed choices is the foundation of a good organization design.



Your organization must  
be continuously  
refined and improved.

**2.** Group and resource competitive work disproportionately to necessary work. Not all work is created equally. There is work that directly drives, or supports, the ability to compete. That work should be organized for effectiveness. This is the work you have to be better at than anyone else, and that you believe investing \$1 in will return \$5. Necessary work, tasks that you have to do on par with anyone else, or in compliance with regulatory work, should be organized for maximum efficiency. Problems happen when competitive and necessary work get too close, or intermixed, and the urgency of the everyday tasks undermines the strategic work of remaining competitively focused. There are many options for grouping work. You can create boundaries around geographies, functions, customer segments, service or business lines, or a combination of them (a matrix). Again, those choices must be driven by strategic requirements as noted above. How executives group work forms the foundation of the organization (which is why haphazard tinkering with the organization leads to such chaos). Within these boundaries, organizations allow for smooth coordination, deepening expertise, and execution of a defined set of activities. The challenge with any set of boundaries is that they create the need for coordination between groups. Without planning for how work will be coordinated and integrated, the grouping decisions become meaningless. Which leads to the next important activity...

**3.** Link work so that coordination is seamless, decision rights are clear, and value created at seams is protected. The vast majority of an organization's competitive muscle will reside across units more so than within them. Great service sits at the intersection of sales, customer service, and supply chain. Product innovation sits at the intersection of R&D, marketing, and business intelligence. Cost competitiveness sits at the intersection of manufacturing, logistics, and operations. Global reach sits at the intersection of multiple geographies. Where these seams come together, work must be tightly linked to ensure coordination is not encumbered by the boundaries between groups. Work can be linked by well-defined core processes that define repeatable standards by which work is executed. Hierarchy is a linking mechanism that defines clarity of vertically integrated tasks. Creating parts of roles like a liaison across organizational boundaries or coordination with counterparts in other parts of the organization is also a way to link work. Of particular importance is the careful definition and placement of decision rights – which groups of leaders have which authority and resources to guide the organization. This is the organization's governance.

**4.** Design governance so decision rights, authority, and resources are distributed to, and by, the right people. Regardless of whether you lead a start-up, a small to medium sized business or a large publicly traded company, well designed governance defines and promotes desirable behaviors in your organization and helps avoid negative ones. It helps clarify leader's expectations, their spheres of power, appropriate performance measures, relationships among key stakeholders and how they intend to function. Think of governance as the set of authority structures, roles, accountabilities, and processes by which critical aspects of the organization are managed, and the various groups of leaders who gather to make and execute the decisions vital to those critical aspects. "Critical aspects" include things like, strategic prioritization, resource allocation, and performance measurement around the enterprise strategy, the planning and building of P&Ls

and budgets, managing the portfolios of products, clients, and talent, and the long-term financial and strategy processes that plan for results. The ultimate value of well-defined governance is synchronization. Governance creates a predictable "cadence" to a business so that all of the interconnecting gears are working in coordinated fashion and the strategy is being executed and monitored appropriately.

**5.** Design clear and meaningful roles. It's common fare in organizations for people to respond to the question, "So what do you do here?" with something like "Well, there's what my job description says, and then there's what I do every day." Jobs, like organizations, must be carefully crafted, not around people's preferences or idiosyncrasies, but around needed work and outcomes. The "mitosis" factor of organization growth usual has jobs "divide" the way cells do as humans form. It's one of the worst ways to scale an organization. It creates costly redundancies, and worse, boring, narrow jobs. Over time, organizations bend the necessary work of a role to fit the employee within that role, diluting what needs to be done and settling for what can get done. Roles should be designed as widely and largely as possible so people are challenged, continually learning and fulfilled. Stretching people's skills sustains a feeling of personal growth and making vital contributions. It also enables great organizational breadth, something vital for when people are ready for expanded leadership responsibilities.

***The best executives are listening and watching for the roles that need refining, governance that needs to be clearer, and how the strategy can be better articulated. But beyond noticing and merely tinkering, the best executives know to design their organizations continuously and thoughtfully.***



## *The 4 "C's" of Well Designed Meetings*

*By Mindy Millward*

Economist Thomas Sowell jokes, “The least productive people are usually the ones who are most in favor of holding meetings.” And sometimes those unproductive people are the highest paid! Have you ever been in a session where people are covertly tallying up the amount of salary in the room? In organizations today, this is the current state of meetings.

***But it doesn't have to be that way.***

There is still value in bringing together employees and leaders and building shared understanding and support for the work ahead. And in order for those sessions to not be a waste of time and investment, design is critical. Most of us agree that successful meetings begin with a well-designed agenda, but productive meetings need more attention than that. Successful meetings require design before, during, and after you gather together. In our experience, both within our firm and with our clients, here are four things all meetings need to ensure productivity and impact.

**1. CONTEXT** – where we often find meetings go astray is that there is more thinking and planning about the venue and whether lunch will be served, than there is about the context of the meeting. What current events are impacting the general morale and subconscious of our workforce at this point in time? Will we use this meeting

as a general update, decision-making mechanism, or a launch of greater change? And ultimately, why are we making the investment of time and money to gather people? Context is defined as the interrelated conditions in which something exists or occurs. It's critical that you understand your meeting exists in a larger organizational world and therefore the connections to that world have to be planfully acknowledged and nursed to ensure your audience participates and takes from the meeting the things you intend.

**2. CONTENT** – have you ever gone to a three-day session, returned to your desks and then felt unsure of what you learned, gathered, or gained from that big investment of time. The “faux content” meetings which bring together a set of employees or leaders and stich together an unrelated set of 30 minute presentations all in the name of an “annual meeting” or “fiscal year kick-off” end up doing more damage than good. The intent may be noble – to bring together our workforce in the name of sharing and learning – but without real content and the appropriate time and mechanisms to digest and metabolize, it can be detrimental to relationships, credibility, and performance. There is nothing more likely to discourage talent in your organization than wasting their time. So, whether the meeting is 5 minutes or 5 days, make sure to have content that matters to the people there.

**3. CONGRUENCY** – even when understanding the context and being purposeful on the content, a meeting can fall short when the two are not done in tandem. Often one set of leaders or meeting designers does a great job on the context for a session, then leaves the actual content to another well-intentioned set of people to design. Imagine the meeting designed to introduce a new externally hired CEO, her vision for the company and allow her to build relationships with those who she will depend on to help dramatically change performance. Imagine that same meeting with an agenda that focuses on prior year earnings, this year's financial targets, an incentive plan revamp and compliance training. Not very inspirational is it? Ensuing congruency between context and content will allow for intended impact to be reached. Warren Buffet famously scheduled his meetings one day in advance. Why? Because he wanted to make sure that the content of his conversations best fit the context of his business. While scheduling one day in advance may sound like insanity, his practice remains a helpful reminder of the principle of connecting context with content.

**4. CONTINUITY** – quite often the end is in site when the agenda has “closing remarks” scheduled. But if we truly understand a meeting to be just one gathering in a process of alignment, education, engagement, or decision-making, then we can focus not only on what happens during the session, but more importantly what happens next. It is rare that real work actually happens “in” a meeting. Meetings are a good mechanisms for creating shared voice and vision but addressing critical issues usually happens in the follow-up. Having a detailed plan of attack for what happens afterwards is a critical as the upfront planning to pull it off.

Perhaps Thomas Sowell is correct and that most of our meetings are not productive. Don't have those meetings. If you feel like your time would be better spent other than in your next meeting, cancel it now, and spend that time where you can have the most impact. The truth is that if we take the above four things to heart, not only will we have more productive meetings, but we will likely have less meetings. And I think we all agree that could be a good thing.





## Designing Your Organization to Support Your Matrix

*By Mindy Millward*

When you hear the word “Matrix” you either 1) think of Morpheus and Neo or 2) cringe at the bureaucracy caused by your company’s matrix management structure. And while nothing can be done to keep your mind from wandering to the Wachowski brother’s trilogies, we do believe that good design can be done to ensure an organization’s matrix structure succeeds.

Performing effectively in an interdependent environment is a hallmark of successful organizations. That means that at least some portion of your organization likely needs to function in a horizontal structure, where resources are shared and associates report to multiple managers. This is the matrix. Setting up a matrix can help your organization achieve goals like breaking down existing silos or relieving pressure

on internal resources, and it can be a catalyst for working together across departments to achieve organizational-wide objectives, such as maximizing customer segment profits and distribution channels and maintaining functional excellence.

But a matrix isn’t going to work just because you set it up. Too often, matrix structures fail before they ever get off the ground because organizations lack the foundation needed to support the horizontal structure. To succeed, matrixes need to be underpinned by strong interpersonal relationships, well-defined decision making processes, and, most importantly, trust.

Here’s how your organization can lay the groundwork to give your matrix structure its best chance for success:

1. **Make sure your senior leaders are aligned.** Your senior leadership team isn’t necessarily part of your matrix, but they do need to set the example for the rest of the organization by modeling what it looks like to work together. Visible joint leadership is crucial, and your senior team needs to lead by example, showing how they link arms toward a common end. After all, if you senior leaders can’t play nice with each other, how can you expect the rest of the organization to collaborate effectively?



2. **Clearly define roles, and stick with those definitions.** The more clarity you can bring to people's roles, responsibilities, and what they will be held accountable for, the more likely people will reach the performance levels you envision. Continuity in a role is also important, so avoid the temptation to change things up at the first sign of trouble. Remember that people need time in their roles and reporting relationships to build skills and develop the confidence to perform well in a matrix environment.

3. **Stop assuming the worst.** A matrix environment depends on trust. So you need to encourage a belief in benevolent intent. Instead of assuming associates are out to undermine each other, your culture should support respect, positive regard for others, and genuine care for each other's agendas. Creating this type of culture can be easier said than done. But it starts at the top, with leaders showing how they work with, instead of against, each other to get the job done.

4. **Expect conflict; don't avoid it.** Conflicts over priorities, resource allocation, and differences in opinion come with the matrix territory. And your organization needs to learn how to manage it in a healthy way. It's important for everyone to feel comfortable expressing dissenting opinions. But at the end of the day, people need to clearly understand the decision making process and their role in that process. In other words, they need to know when a decision is theirs to make, and when it isn't.

5. **Understand the whole.** There is the iconic scene in which Morpheus offers the red pill to Neo, saying that if he takes it he will understand "just how deep the rabbit hole goes." In a similar way, the matrix structure can broaden perspective and understanding. It's important for the people working in the matrix to see the broader landscape of all that is happening at their company. When they do, they can more easily stand in their colleagues' shoes and see things from others' perspectives. Seeing the big picture also helps people better understand with whom they need to share

information and who should be involved in decisions. When people are aware of the way their area affects other areas in the system and vice versa, the parts work more successfully and productively than they would have alone.

6. **Learn from experience.** Organizations that make the matrix work spend a good deal of time reflecting, questioning, and being curious about why things failed. Your organization needs to give the people involved in the matrix the space and freedom to analyze their experiences, both individually and collectively, and the flexibility to retool when necessary to put what they've learned to work.



Clearly, a successful matrix structure takes work and commitment to succeed. But it can deliver significant benefits for your organization, not least of which is getting everyone aligned and working together to move your business forward. If you invest the time to ensure your organization has what it takes to support a matrix, you'll be rewarded with a business where people truly do have each others' backs, and where your people successfully work together toward the common good.

# ENSURING FUTURE SUCCESS

through  
effective  
succession  
planning

*By Eric Hansen*



Roughly 10,000 Boomers are expected to reach retirement age every day between now and 2030 . With 10,000 seats emptying each day, who will fill them?

When we ask the executives we work with about succession planning, we usually hear strong support. But while they emphasize its importance, the majority also confess that they're not doing enough to prepare for their future leadership needs.

Our anecdotal experience is supported by research published in 2014 by The Institute of Executive Development and the Rock Center for Corporate Governance at Stanford University . The study concluded that most companies don't connect the future competencies and experience demanded by evolving business and market conditions to their leadership succession and development efforts. They study found that companies use succession only to mitigate downside risk versus identifying strong and appropriate leadership for the future. Moreover, most companies fail to implement a disciplined process, and avoid altogether the uncomfortable conversations required for naming and transitioning the highest-potential leaders. Companies treat succession planning and talent development as distinct activities rather than taking an integrated approach – a big miss.

For all of the activity and billions of dollars invested annually on leadership development, the return remains pretty dismal. In our 10-year study of executive transitions ([Rising to Power: The Journey of Exceptional Executives](#)), we found that:

- 76% said that the formal development processes of their organization were at best only minimally helpful in preparing them for their executive role
- 55% said that they had little, if any, ongoing coaching and feedback to help them perform effectively in an executive role
- 61% said they were unprepared for the roles they assumed
- 50-60% of executives fail within the first 18 months of their appointment

So, succession-planning is happening, but the activities most organizations employ aren't effective. So how can you know whether your organization is preparing fit-for-the-future leaders? Answer two simple questions:

1) Where does the process start, and 2) Where does it end?

### **Your strategy must underpin all leadership decisions**

Most succession processes are merely form-filling exercises. It begins and ends with whatever grid or mechanics were chosen by HR, and usually lands far short of substantive conversations about must-have competencies for the future. We're astonished at how many organizations don't tie succession and leadership development to their strategies. They tout great growth aspirations (acquisitions, product introductions, new segments, channels, and geographies, etc.), but rarely do they identify the requisite leaders demanded by those aspirations. The closest they come is when HR identifies "critical jobs" to focus on. Still, digging deeper into the criteria used to identify those jobs, we find at best only weak connections to strategy. Typically the criteria focuses on the size of the role, the iconic status of the incumbent and the cost of the talent acquired underneath them, or an incumbent that is perceived as a "retention risk," — all of which may, or may not, have anything to do with the organization's most strategic aspirations and longer-term potential.

### **Your succession strategy must be translated into key roles with clear success profiles**

If the first question is, "Which critical leadership competencies are demanded by our strategy (current and emerging), the next question is, "Which roles will contribute disproportionately to our success?" Frankly, key roles and the corresponding success profiles will be found scattered throughout the organization. The fact is that all work does not contribute equally to success. Some roles are more important to executing a strategy, and may have little to do with hierarchy.

So be holistic and inclusive when identifying key jobs and the employees who must be developed to drive growth. Be rigorous when defining and assessing the competencies they must possess to deliver the strategy, and be clear about the standards you will hold them accountable to. Armed with this shared understanding, you now have a solid foundation for succession discussions with teeth. Now you can develop comprehensive assessment tools to identify gaps. Now you can prioritize the development needs of your most promising leaders, while looking outside the organization where needed.


## Once an assessment is made, you must commit and direct the use of resources to their best advantage

As stated earlier, development spending continues to increase but without justifiable returns to the business. For some, the challenge still lies in actually committing sufficient resources. But for most it is poorly targeted use of the development resources available to them. There is clearly too much development activity occurring that does little to prepare the business for future competition. Since all roles don't contribute equally to business success, development should be prioritized disproportionately. Employees should be developed equitably, not equally. Development must focus on growth that will build true competitive muscle. Reduce programmatic "sheep dipping" development and reallocate your resources to roles and individuals who are expected to contribute disproportionately to the long-term competitiveness of the business.

## Ultimately, succession planning should actually prepare leaders

One of our clients lost their company's number-two leader in a sudden defection. This blindsided everyone despite warning signs, but in the face of this regrettable loss of talent executives boasted that their succession planning process worked because they "had a ready-now candidate, and were able to orchestrate a smooth transition of leadership." Sadly six months after he assumed leadership, the business was in turmoil. They learned too late that their successor had demonstrated "control issues" in the past. While he was running a single-line \$1.5B business it was less pronounced, but as he assumed a business 6X the size and with increased complexity his control issues shifted into overdrive. He quickly had the organization so hamstrung to act that critical bids were lost, product launches put at risk, and revenue targets missed. Of course, he had blame to share, excuses to make, and justifications for his actions, but the bottom line was that he clearly lacked the competence demanded by the job despite his "Ready Now" status. Candidly, he had potential, but little had been done to actually prepare him to assume a role of such a scale. Tragically, no one was surprised at what unfolded. Many who reported to him previously agreed, "We saw that coming!"

Now, with so much opportunity ahead to influence the future success of your business, how will you approach replacing your company's share of the retiring Boomers? Remember that an effective succession process is only complete when roles that are critical to future execution of the strategy are identified, prioritized and success profiles are written, and finally when tangible investments to actually prepare leaders for future roles have been effectively executed. It's insufficient to simply list leaders you believe could take on bigger jobs as potential successors. Aggressive, substantive investment must be made in that leader's preparation to ensure they have what is required to succeed — not in the role as it is today, but as it will likely be when they assume it.

Active and ongoing work must be done to deepen and broaden targeted leaders' abilities, and to surface and address any hidden pathologies that will most assuredly become more pronounced as responsibilities expand, complexity multiplies, and pressure and risk intensify. Short of that, there's really little point to putting anyone's name on any list unless you're willing to simultaneously draft their severance agreement. 

<http://www.pewresearch.org/daily-number/baby-boomers-retire>

<http://execsight.com/pdf/2014%20Senior%20Executive%20Succession%20Planning%20-%20IED%20and%20Stanford.pdf>

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