1) what are the problems diagnosed by Henry and the solutions he put forward?
2) what are instead the organizational design issues discussed by Carucci?
3) what is the difference in their approach?

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# 4 Organizational Design Issues That Most Leaders Misdiagnose

by Ron Carucci

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HBR Staff/Pexels

**Summary.** Competent leaders misdiagnose organizational problems all the time. This is largely because recurring performance challenges run deeper than they initially appear. More often, they are symptoms of a larger problem rooted in organization design. Four of the most common problems that arise as a result of this are: competing priorities (caused by poor governance), unwanted turnover (caused by bad role design), inaccessible bosses (caused by excessive spans of control), and cross functional rivalry (caused by misaligned incentives and/or metrics). **close**

During our first conversation, Henry, the CEO of a technology company, expressed frustration over his organization's inability to stay focused on and execute priorities. "We agree upon priorities at the beginning of each quarter," he said, "but when it comes time to review them, I'm told that urgent crises have prevented us from making progress. We never get anything done."

When I asked Henry what solutions he'd tried to refocus his team, he rattled off a litany of activities: weekly check-ins, protocols limiting excessive email, and online dashboards that display progress — or the lack thereof — against key initiatives. These solutions revealed that Henry defined their problem as one of accountability (frequent progress meetings and public dashboards) and capacity (attempts to curtail email traffic).

But my diagnosis revealed something different.

After spending some time at the company, I realized that Henry's problems were actually driven by a poor governance system. The "urgent crises" preventing his team from making progress were arising due to a lack of effective coordination between two key parts of his business. As a result, there was no forum in which leaders could productively resolve difficult tradeoffs.

Henry had misdiagnosed the problem. But he is not the first competent leader to make this mistake. After 35 years of consulting, I've learned just how easy it is to do, largely because recurring performance challenges run deeper than they initially appear. More often, they are symptoms of a larger problem rooted in organization design. When leaders misdiagnose symptoms, however, they waste a lot of time reaching for surface solutions that ultimately fail.

Four of the most common irritants I've seen arise as a result of ineffective organization design are: competing priorities, unwanted turnover, inaccessible bosses, and cross-functional rivalry. If you find yourself struggling with one or more of these issues, consider if the design challenges I discuss below may be the deeper cause. Doing so may help you pinpoint, and resolve, the real problem.

**Symptom: Competing priorities**
**Common Design Challenge: Poor governance**

Henry's company was designed as a matrix organization, meaning that most people had two bosses. In this case, they were organized around functions, such as marketing, sales, and engineering. They were also organized around three customer segments: enterprise platform users, small businesses, and individual software users. Each team was led by a functional head, as well as a division VP who was in charge of their assigned customer segment.

The problem was that the division VPs reported to the COO and the functional heads reported to Henry himself. When Henry's team met to set priorities within each function, the division VPs were not present to weigh in on how *their priorities* fit into the company's larger plan.

In short, Henry's company wasn't designed to govern a matrix. His company was designed to govern a vertically structured functional organization. In a complex organization design like a matrix, decision-making systems must be set up to govern the natural conflicts that arise around priorities and resources. Otherwise, those unaddressed conflicts will become dysfunctional, as was the case with Henry. Until he addressed this deeper problem, no simple fix was going to resolve the issue of competing priorities. Once he realized this, he added the customer segment VPs to his leadership team and began empowering the three customer segment teams to manage operational tradeoffs by allowing them to set near-term priorities for both segments and functions.

**Symptom: Unwanted turnover**
**Common Design Challenge: Bad role design**

Leaders often label unwanted defections as a retention problem, dispatching HR to incent people to stay. Stock options and bonuses are given, or new titles are fabricated to give the appearance of promotions. This may work temporarily if the defections are driven by overworked departments or toxic managers. But if they are widespread, chances are the culprit is organizational.

One organization I worked with struggled with increased turnover following several years of botched reorgs. The executives dismissed it as people's frustrations with too many failed changes at once. But that wasn't the problem. The real issue was that, in an attempt to reduce costs, leadership had used some of the reorgs to consolidate specific jobs — such as finance, accounting, and purchasing — into overly broad roles with a vast range of responsibilities. Other reorgs were used to shrink specific jobs so narrowly that many employees had to work closely with others to do their jobs. These poor role designs had some people stretched way beyond their bandwidth while others were stuck with mundane tasks that demanded too much coordination. For many, quitting was the best option.

The organization needed to realize that quality roles are designed around desired outcomes, and not around people. When companies build roles around people, they are unintentionally defining their value by the sum total of whatever the person in that role is capable of doing. As a result, a role is seen as important only when a superstar is in it — regardless of how vital it is to the company's performance. Similarly, a role is seen as inconsequential when occupied by a poor performer.

The problem is that not all roles are equally important within an organization. Effective design defines the value of a role by its impact on competitive performance. The organization I consulted learned that a role should be defined by the competencies someone in it would need to possess in order to deliver a set of defined metrics to the company at large. Only then should qualified talent be appointed to it.

**Symptom: Inaccessible bosses**
**Common Design Challenge: Excessive spans of control**

Too often, when employee surveys return low scores for metrics like "my manager is available when I need them," people assume it's because of a time management issue or because leaders don't make an effort to meet with their direct reports. When this happens, managers are given canned tools that tell them how to hold more effective one-on-one meetings or better prioritize their tasks. Training on empathy may get added to the leadership curriculum. Coaches may even get hired. But, in reality, this issue tends to reach far beyond individual leadership practices.

This was the case in one organization I worked with. Their employees complained that they never had enough feedback or direction from their leaders. Leaders, by contrast, complained they had to work through too many layers above them to get decisions made or secure resources, and had too many direct reports below them to give each enough time. The average middle manager had 12-18 direct reports. The organization, like many others, treated spans of control as badges of honor to "stretch" leaders — the more direct reports, they philosophized, the more important you must be.

However, for teams to run effectively, the number of layers within a hierarchy and the number of direct reports on a leader's team must be carefully determined based on two factors: the type of work people are doing and the amount of coordination that work requires. Highly complex or high-risk work — such as scientists running clinical drug trials or analysts interpreting sensitive data — often requires extensive coordination to execute effectively. Therefore, it makes sense to keep a manager's span narrow to ensure high-quality performance. Standard, more repetitive work — such as engineers writing technical code or teams working on manufacturing lines — typically enables employees to be more autonomous, which allows a manager's span to be wider. When these nuances are overlooked, however, a manager's accessibility can become severely constrained. However, as was the case with the organization above, it is unrealistic to expect any leader to effectively attend to 12 or more direct reports — no matter what work those people are doing.

**Symptom: Cross-functional rivalry**
**Common design challenge: Misaligned incentives or metrics**

When people struggle to work across silos, labels like "uncooperative," "bureaucratic," or "political" often get tossed around to explain why departments like sales and marketing don't get along, or why operations and R&D are at odds. Team-building sessions to strengthen trust are deployed, or workers are shuffled into liaison roles to bolster cohesion. But frequently, beneath divisional conflicts lie misaligned metrics and/or incentives that actually *encourage* rivalry.

Metrics and incentives are vital to aligning work across teams. They shape people's behavior by defining what's important to the organization, and synchronize tasks by ensuring that everyone is working towards a shared result. Misaligned metrics and incentives, by contrast, can act like grinding gears, pulling people in opposite directions and pushing them towards conflicting goals.

In one organization I consulted, two divisions of marketing met this fate. One was incented to drive online traffic to the company's website while the other was incented to convert that traffic to sales. This led to conflicting messages on landing pages, finger pointing, missed targets, and an aversion to sharing vital analytics despite being highly reliant on one another for success.

When two functions meet at a critical seam to produce shared results, they must be able to closely examine their individual incentives and metrics to ensure that they reinforce, not discourage, needed collaboration. The two divisions spent a day together constructing a plan to ensure that both traffic and conversion were not treated as mutually exclusive, and created joint access to one another's analytics so that they could collaborate before making plans for driving traffic and conversions.

Chronic problems have deeper roots than we naturally see, but they aren't random. I tell my clients, "Your organization is perfectly designed to get the results you're getting, even if they're not the results you want." Next time a persistent organizational irritant won't go away despite your best efforts, ask yourself, "What deeper organization design issue might this be a symptom of?" If you step back and and take some time to observe the factors perpetuating your problem, you will find a solution that works.