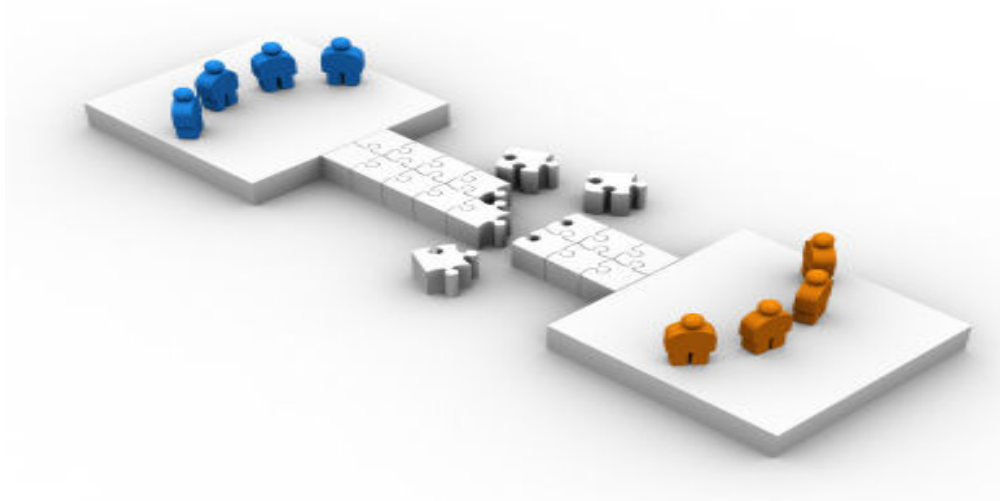


Competitive Advantage through Internal Leverage

Learn to Get Horizontal Work Done

Have you wondered why different groups in your organization can't easily share their work? These opportunities are often present but seem too hard to leverage. Imagine the competitive advantage that finding better internal synergy in the leverage of work might enable.



There are many forms of work in any organization that cross organizational boundaries. The term “horizontal” is used here to describe cross-department work that either one department does for others or they do together in some fashion.

Consider the many activities that a company performs for its customers that involve multiple departments who operate according to some institutionalized business processes. Examples include the process of taking orders and delivering on them or specifying, developing, and delivering new products to customers. While very important to optimize, the flow of such standardized activities are not the sole focus of this paper.

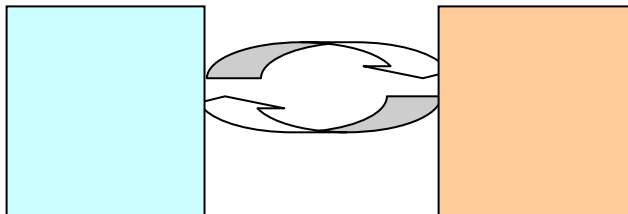
Our focus is on work that doesn't necessarily have an institutionalized business process to specify how departments get what they need from one another. For firms considering how to make interdepartmental “sharing” work or are moving to a model with high leverage “centers of excellence”, it's important to consider how to do this effectively. The decision to undertake this kind of initiative and then what model to use should be a purposeful one. Understanding how to get horizontal work done in the inherently *vertical* world of an organization is vital to success.

When a department considers how to get its work done, the choices are to make it themselves, buy it elsewhere or to partner with someone to produce it (make it, buy it or ally to achieve it). “I'll just do it myself” is often seen an easy or expedient answer. That shouldn't always be the optimal answer because of capacity, capability, opportunity cost or any number of other considerations. That reality creates the opportunity for one department to deal with other departments in either a “buy” or “ally” mode.

Horizontal Coordination

When organizations coordinate which departments produce what work products to reduce or eliminate overlap and duplication, they are coordinating horizontally. This is analogous to “buy”, whether it is dollars, services or good will involved in the transaction. This approach requires very tight coordination of what the departmental work products are. The primary interface is at the level of documented, agreed deliverables between departments which need to be specified in terms of attributes, performance, timing, cost etc. Resources are not shared in this model, deliverables are. Any interdependencies need to be well understood and preferably documented as deliverables. If all of that is done, accountability is clear and stays within the vertical hierarchy for meeting commitments. This approach can be effective in servicing more than one internal "buyer" as well. Keep in mind that this approach can prove ineffective in a high change environment unless you have a sophisticated approach to deal with the overhead of constantly modifying the intra-company commitments because deliverables are constantly in flux.

Coordinated Cross-Departmental Model

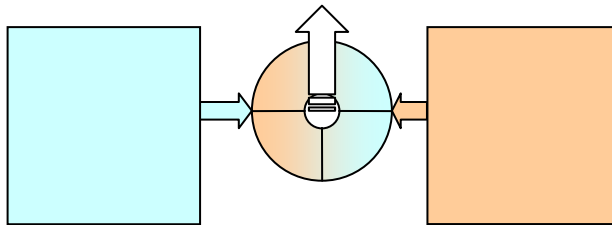


- Manage through clear deliverable expectations by each side
- Independent ability to produce intra-company deliverables
- Accountable for department deliveries
- Clear expectations
 - ◊ Planning
 - ◊ Specifying
 - ◊ Understanding dependencies
 - ◊ Building trust by continually meeting expectations
- Developing framework between the ‘supplier’ and ‘customer’
 - ◊ What services are to be delivered?
 - ◊ What performance levels and how tracked?
 - ◊ How will changes and problems be managed?
 - ◊ Who is paying for what and for how long?
 - ◊ What obligations does the customer of the service have?

Horizontal Collaboration

When resources, work and/or decision making are integrated across departments, this is horizontal collaboration. This is analogous to “ally”. It is more of a cross departmental teaming approach which shares resources. This approach is very helpful for corporate deliverables and managing in a high change environment since it is more dependent on the team working together to achieve objectives than formal interdepartmental commitments. This approach has more ambiguity around accountability since it is operating in more of a matrix and is not as tightly linked into its supporting vertical structures. Leadership skills in this model are particularly crucial to success. Gaining the appropriate trust and securing collaboration takes time and energy.

Collaborative Cross-Departmental Model

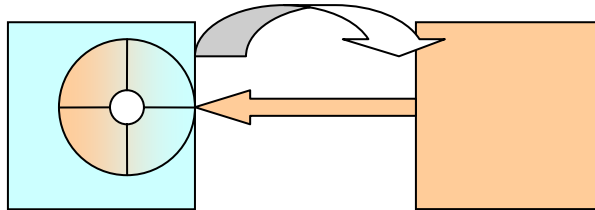


- Form (then disband) Teams for joint deliverables
- Share resources (People, \$s)
- Interdependent production of corporate deliverables
- Shared framework within team and with customers
 - ◇ Shared understanding of fact base and key issues
 - ◇ Clear goals and results
 - ◇ Clear roles and accountability
 - ◇ Planning and reporting
- Keys to Mobilizing teams
 - ◇ Leadership
 - ◇ Teamwork
 - ◇ Shared view of success
 - ◇ Developing trust

Hybrid Model

When resources are integrated across departments, work and/or decision making are largely within a single department and the work output is taking place to benefit the resource contributors you have a hybrid between the coordinated/collaborative models. In this model, considerations from both approaches described previously apply including the clear expectation setting of the coordinated model and the leadership and teaming characteristics of the collaborative model.

Hybrid Cross Departmental Model



- One group contributes resources in exchange for deliverables.
- Production predominantly from one group.
- Use of Service Level Agreements to ensure expectations are met (as in coordinated model)

Common Attributes of these Models

Departmental Leadership

Departmental leadership needs to be supportive of the model being employed and understand that there are times when decisions are made with the greater good in mind. Objectives that cascade through the organization to support 'greater good' behavior may be a useful tool in driving the optimal behaviors.

Leadership needs to be thoughtful about what model to apply where. Key factors might include the number of customers for the work product, how likely and how frequent changes may be, what maintenance obligations will accompany the work product, who has a business case to fund the investment into the work product, and where the champion(s) reside.

Making Support Systems Work

Many of the support systems we have in place including databases, enterprise software systems, financial management systems, accountability frameworks, as well as budgeting, audit and evaluation functions work against activities that span departments. More attention is needed to create support systems which match the work flows that create value for our customers. Failure to find reasonable ways to view these activities will create or maintain barriers that work to prevent leverage. An example of this might be internal business case accounting practices that favor outsourcing of integration work because of general burden rates that don't capture the true costs of the incremental work required if done internally. The optics need to be fair to make good decisions.

Gaining Credibility through Small Successes

In any model, trust and credibility are vitally important for decision makers to begin to trust in other departments for critical deliveries. If people are seen to be playing one side against another or using relationships to achieve a hidden agenda, then the distrust engendered can prove fatal. It can be very easy for the internal customer to decide that “I have to do it myself” or that the “grass is greener somewhere else”. Top leadership needs to be vigilant and recognize those perspectives as part of human nature. Departmental leadership needs to try to overcome that by demonstrating credibility and competitiveness.

Credibility is won through the accumulation of a series of small and simple actions. Honoring small undertakings builds the confidence that larger commitments will be respected. Ensuring credibility is key and can be supported by diligent adherence to verbal agreements, timely responses to requests, and regular communication of information. Doing this also has the effect of motivating participants and augments the visibility of the project. This strategy helps to gain the resources and support needed and provides participants with tangible evidence of the benefits of horizontal cooperation.

Dialogue Is an Essential Element of Trust

Trust and the linking of differing attitudes and priorities depend on ongoing dialogue among key stakeholders. Leading a dialogue requires the ability to listen carefully, to communicate messages persuasively to different constituencies, and to mediate conflict. A central task of leadership is to facilitate a deeper exchange of views and ideas on (sometimes controversial) subjects crucial to the success of the initiative. Communication across departments and with corporate leaders should be open and transparent.

Key Attributes of a "Coordinated" Model

Meeting Commitments

As stated previously in “gaining credibility through small successes” it is very important that people state and meet their commitments to one another or the basis for cooperation breaks down quickly. This is particularly true in the coordinated model where resources are not being shared so there may be less natural communication with stakeholders and the principles of “caveat emptor” apply. Internal, horizontal commitments cannot always be subordinate to external customer commitments because at the end of the chain they are often one in the same. Nothing will cause this model to fail more quickly than having no confidence in another group to deliver.

There are some key ingredients to being successful at meeting commitments to keep in mind. Those included: being realistic with plans and intentions (don’t “bid to win”); sufficient planning to be able to exercise good risk management techniques and specify dependencies; staffing for success; aligning the reward system to favor execution excellence; communication with stakeholders; the right leadership; and strong discipline in managing changing requirements and changing outcomes.

Developing a Shared Framework

The definition of a shared purpose is a very powerful tool. The specification of shared goals and shared results help overcome turf battles and help orient actions in relation to strategic objectives. A framework translates good will into action. To be effective a framework must be more than a business plan or an accountability framework on paper. It must be based on a shared understanding, a common fact base and an appreciation for the different perspectives and values brought to the initiative by all.

In a coordinated model, there are typically multiple internal customer/supplier relationships. One department that is supplying an end work product to another department would typically be thought of as the supplier while the recipient is an internal customer. However, that supplier is dependent (i.e. a customer of) on requirements, funding, sometimes components of the solution etc. Typically, there is a complex set of deliverable and interactions required to ensure success. Understanding those things and planning and documenting them for all to understand one of the keys to success in this model.

Service level agreements can be a very useful tool for doing this. These are typically agreements which cite clear expectations for flow of information, goods, services, people and dollars in all directions. The key elements in a service level agreement between departments would be:

- ◇ What services are to be delivered?
- ◇ What performance level and how tracked?
- ◇ How will changes and problems be managed?
- ◇ Who is paying for what and for how long?
- ◇ What obligations does the customer of the service have?

Key Attributes of a "Collaborative" Model

Leadership

We need project leadership that understands the powers of influence and persuasion, can make things happen through dialogue, can reside in any location in the organization, shares credit, and can produce shared commitment. Developing a supportive culture and building trust among participants is an indispensable element. The ability to persuade and motivate members in the absence of formal authority and vertical incentives and to rally people around common objectives is key.

In this model, the often times the classic tension remains between the leaders driving project activity and other leaders producing the functional capability to get work done. The notion of "Center of Excellence" speaks to functional capabilities in this model and functional managers exist to ensure their departments are more than just 'competitive' in their abilities.

Maintaining Vertical Contact

An important success factor involved with working horizontally in a vertical institutional setting means linking back to the vertical structure that is the source of funding and authority. Without vertical support, horizontal initiatives are vulnerable. One frequent and frustrating barrier to success can be having participants who lack delegated authority from home organizations to make decisions.

Mobilizing Teams

Without a spirit of teamwork, horizontal initiatives will not succeed. This makes the capacity to mobilize teams and networks indispensable. But teamwork is not sufficient. As initiatives progress from the framing of problems and the sharing of information to the sharing of resources and decision-making authority, more structure is needed. The spirit of cooperation and shared vocabulary can only be translated into real action and real results by putting in place a framework that identifies tangible goals and accountabilities.

Developing a Shared Framework

As mentioned earlier, the definition of a shared purpose is a very powerful tool. A shared framework is also vital to the clarification of accountabilities. It links initiatives back to the vertical world and connects them

to the broader decision-making universe. A shared framework does not deliver results on its own. It can help frame objectives and accountabilities, decision-making authority and work. It provides a means of accounting to key stakeholders for actions taken and resources spent.

Addressing the Accountability Challenge

Accountability is often viewed as a significant obstacle to horizontal management. The need to reconcile individual accountability with a collective sense of purpose and responsibility is one of the most significant tensions to be resolved in the management of a horizontal initiative. We try to work horizontally but at the end of the day we remain vertically accountable. This requires being very clear on outcomes, and how you plan to deliver and report on these outcomes.

To achieve a common understanding of the accountability framework, partners must determine how power will be exercised (how decisions will be made and by whom, what processes or structures will be used) and who will be responsible to whom for what. All stakeholders should understand and agree to the accountability framework.

Termination Strategies

Many collaborative initiatives have a fixed end-point when objectives have been achieved. This poses the challenge of dismantling structures since structures, almost by definition, have momentum of their own. Winding down an operation actually requires extra work and resources, and therefore needs to be planned.

Summary

In a highly competitive world, having the organizational capability to better leverage the efforts of your internal groups can provide you with a strong advantage by providing for an economical, efficient and effective means of getting things done. Being successful with horizontal work requires thoughtful leadership and capability development to help overcome the inertia of an inherently vertically oriented organization.