

Raising the Performance Bar

*The value of cross-functional work groups
and the effectiveness of matrix organisations*

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Overview

1. Why are Cross Functional Work Groups So Critical
 1. “Triple Convergence”
2. Silo thinking
3. Cross-functional work groups (CFWs)
4. Leadership qualities for success
5. Decision Making Frameworks
6. CFW case studies at IAG
7. Questions/Discussion

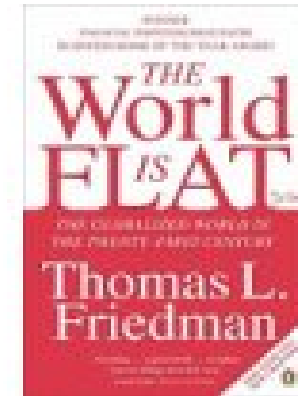


“Triple Convergence”

1. **World Flatteners** eg Internet, Band Width, Wireless, Workflow Software

2. **Behavioural Changes** Silos breaking Down
-Internal
-**External**

3. Extra 3 billion people competing



Need to drive **horizontal** collaboration

Reference: Friedman, Thomas. The World Is Flat



What is silo thinking?

- Silos are an unwanted outcome of decentralised management
- They occur when departments or teams within an organisation stand alone and do not interact effectively with other departments or teams
- Each silo may be operating quite effectively in their own right
- But they don't work together to create an optimal performance for the organisation



The warnings signs

- Lack of co-operation and destructive internal competition
- Focus on protecting internal 'power base' instead of positive business and customer outcomes
- Corporate strategy and goals are subsumed by silo-focussed objectives
- Emphasis on structure and formal 'controls' as opposed to effective collaboration
- Breakdown in organisation-wide communication



Why is silo mentality such a problem?

- Abandoning decentralised management is not the answer – authority has to be delegated
- Co-operation is essential within diversified businesses
- Silos reduce efficiency
- Silos hinder shared services, skills and efficiencies across business units
- Silos do not encourage best practice and increase unproductive tension



Eliminating silo-based thinking

- Nurturing, building and communicating trust and clear group-wide objectives
- Managers must share, respect and work towards the overall goals of the organisation and trust each other
- A successful divisional head must balance the sometimes conflicting drivers for their division with the overriding objectives of the organisation
- Using effective cross-functional work groups (CFWs) within a matrix organisation

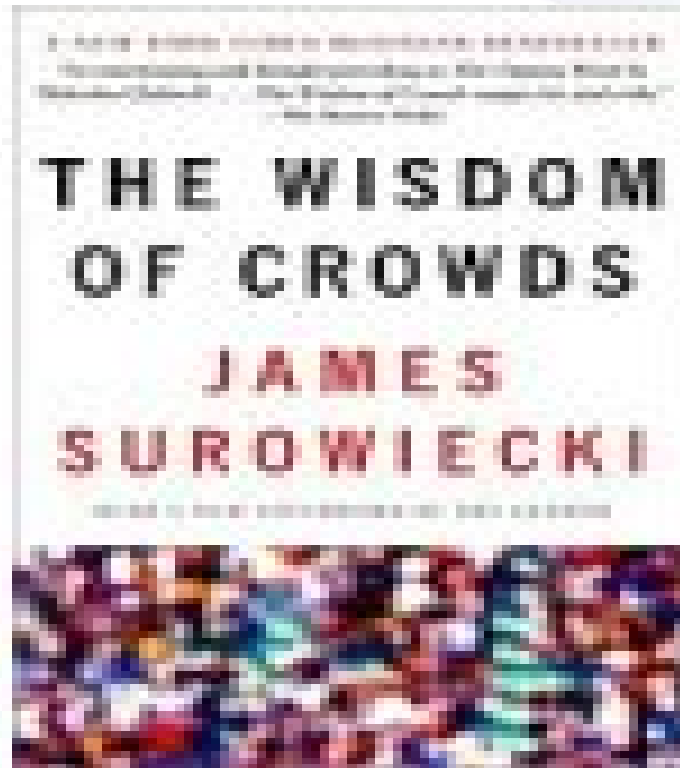


Why is this difficult?

- Performance is generally measured by internal business targets such as sales
- Inter-business co-operation is not easy to quantify and measure
- Promoting mutual trust is more difficult during tough times and when performance targets are ambitious
- Departmental heads sometimes 'jealously' guard their turf and authority



Value of Diversity



Cross-functional work groups (CFWs)

- A group of people from ***different functional*** areas of a business brought together for a ***specific objective***
- Bring specialists from ***different areas*** together to overcome the silo mentality
- Equally relevant for both short-term projects and as a permanent part of organisational structure



The value of CFWs

- Deliver greater business alignment and customer focus
- Foster cooperation – making it easier to achieve customer satisfaction and corporate goals
- Bring different perspectives and expertise to an issue
- Improve coordination and integration, span organisational boundaries and can speed up effective decision-making
- Create a small team focus within a larger organisation



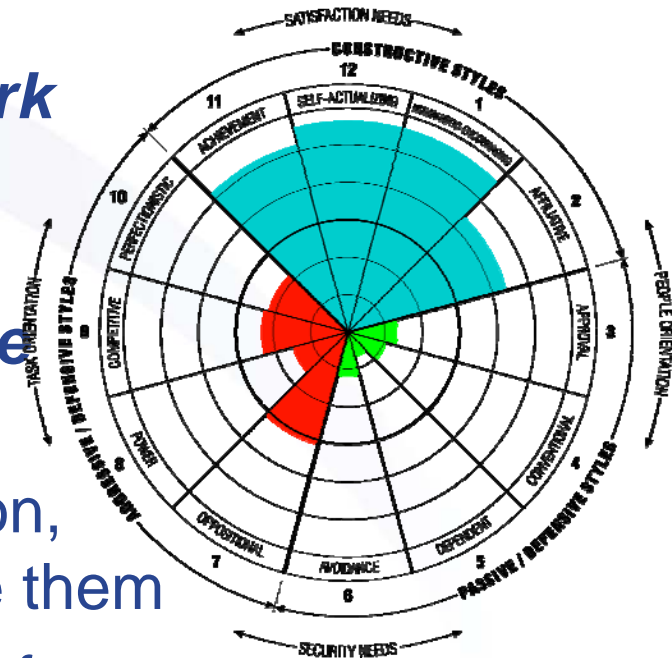
Effectively implementing CFWs

- Determine whether the broad organisational structure achieves the Group's strategic vision
- Only when it does, then determine where this organisational structure could potentially undermine the organisation behind it
- Establish a CFW to support and deliver in these specific areas
- Ensure that the CFW leader is empowered and not 'hostage' to a departmental head

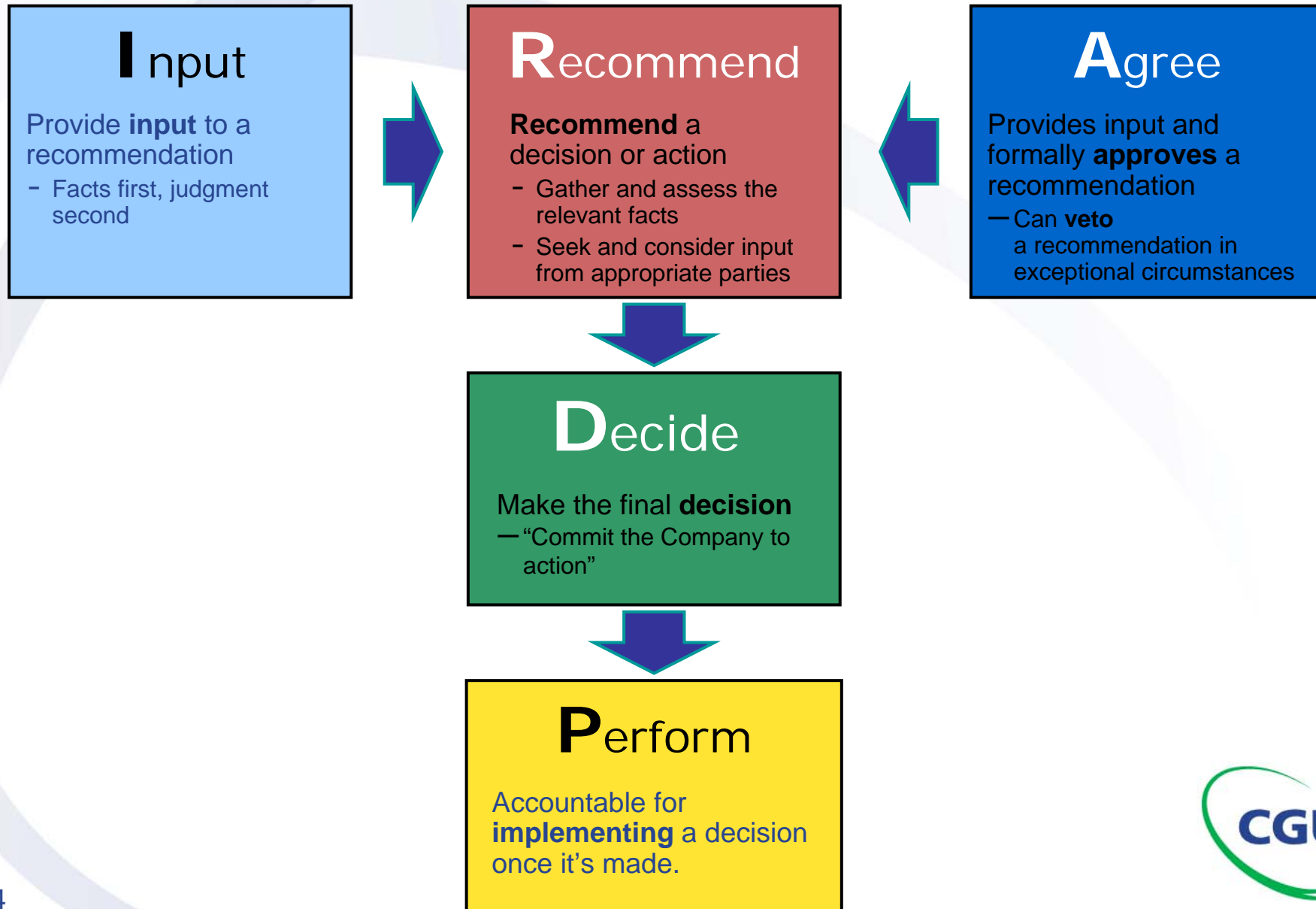


Important qualities for CFW leadership

- Must demonstrate and foster **teamwork** and **constructive behaviours** within the CFW and broader organisation
- Need to expect **behaviours to change** – utilising tools like LSI to monitor
- Have good overview of the organisation, its **goals** and the strategies to achieve them
- **Empowered** and given independence from departmental heads
- Departmental heads usually do not make good CFW leaders – often have more to lose than gain



Decision Making Framework: RAPID



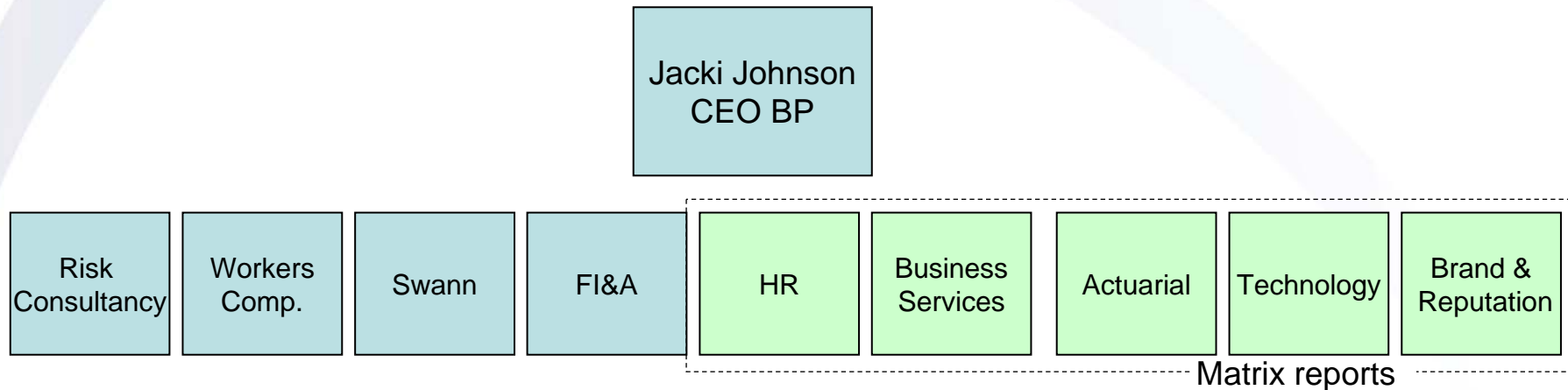
Potential problems with CFWs

- Power plays between leaders can diminish transparency of decisions
- Matrix structure has a vertical and horizontal component – the old functional organisation as a vertical silo and the new cross-functional organisation as a horizontal strata
- Divisional heads can retain their control and the cross-functional work groups are ‘hobbled’
- Can lead to uncertainty over who is leading
- Loss of ownership of CFW objectives and outcomes
- Disengaged employees



Benefits of CFW implementation at IAG

- IAG moved towards a matrix organisational structure and began implementing CFWs two years ago



- Already evidence of:
 - Speedier and more effective decision-making
 - Quicker response time in dealing with customer issues
 - Greater customer satisfaction
 - Greater staff satisfaction and commitment



Playing in a Team

“square table”



“round table”



- Problems are often given to individuals
- However need teamwork to resolve and action
- You need to know when to play as leader and when to play as a member of the team

Different mindsets

- **‘Round table’** – focus on what’s best for broader organisation
- **‘Square table’** – focus on the priorities of the area I represent



Case study: IAG disaster response



- ‘Major Event’ response spans across operating brands
- Leverage group-wide supplier relationships to ensure rapid response and repair capacity during disasters
- Shared resources – temporary repair centres
- Leverage new technology – paintless dent repairs





Case study: IAG state managers

- IAG State manager roles in SA, Qld, WA and Tas
- Provide leadership at a regional level – create a sense of being part of broader group
- Ensure we manage people, reputation, sustainability and performance across the brands in these states
- Result is a sum greater than the individual pieces





need a leader who is not afraid to dream incremental dreams

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Questions