

Accountable leadership

The key ingredients of strategic leadership programmes are a platform of clear accountabilities coupled with differentiating competencies, which identify those leaders who have the potential to climb into higher levels of accountability. By **Brian Dive**

Most HR directors and their colleagues think that strategic leadership development starts and ends with the size of their training budget allocated to leadership items. Sadly, this is a widespread myth. Successful leadership development depends upon three inextricably linked components: a job with clear accountability; an organisation's structure of the minimum number of such jobs; and a competent individual.

Most companies neglect the first two components of this equation. They spend all their time, money, effort and attention on ensuring the individual is competent and has the right skills to perform his/her current job. They rarely, if ever, give any thought to the substance of the job and the context of that job. Is it a real job? No-one, no matter how competent, can perform successfully in a 'non-job'.

The top executives of companies delude themselves into thinking they are building leadership competence but it is impossible to perform in a hollow job. A leader cannot be assessed reliably in such a job. And yet that is the basis of much so-called strategic leadership development today.

"We have a capability problem"

A case in point is a major international financial services company that recently ran into trouble. After some internal debate, top management decided that one of the main reasons for the firm's malaise was a significant human resource problem: a shortage of leaders. This was expressed as "We have a capability problem."

In this case, the company decided to get an independent assessment of its capabilities with a view to identifying any deficiencies. The first step was a detailed analysis of the company's management structure. The results showed that the company had 12 layers of hierarchy. No organisation can have 12 layers of hierarchy and remain effective.

A number of factors had a direct negative impact on performance. First, there were too many layers of hierarchy (more leadership roles than were required). Worse, even if the company had known this, it could not have fixed the problem as it had no idea how many layers it needed or which layers in the reporting chain from the front line to the CEO, to the top of the organisation – the spine of accountability – were failing to add value.

Second, grading of jobs (meaning job evaluation and job classification) was an issue. Nearly every layer of management was given a separate grade, but then, at the top of the organisation, the most expensive and senior layers of management were all in the same grade.

Finally, the company could not identify its top 100 jobs, there were no reliable career paths for developing leaders, and spans of control – the number of people an individual managed – were smallest in middle management: the company was carrying millions of dollars of excess cost.

A problem of accountability

This company offended the first of the three requirements of strategic leadership development: it did not have clearly defined accountable roles. As its managers were not held to account, they therefore could not lead.

The problems actually discovered were different and unsuspected, at least from the organisation's perspective. The company had plenty of jobs without apparent purpose, which subtracted rather than added value. (And a job without purpose, understandably, impairs the person in that non-job from being able to lead effectively.) As the company's leaders were not clearly held to account, it was impossible to assess their true impact. If leaders cannot be held to account they are in a non-job (it is impossible to perform in a non-job, either well or badly). Therefore, the company could not determine whether it had a capability problem or not.

As a result of being unable to identify accountable jobs, the organisation's structure was defective. In this case there were too many roles in the hierarchy. Clear accountability is the key to an effective organisational design. As the company had not paid sufficient attention to the effects of its own organisational architecture it was not aware of the negative impact its structure was having on leadership and performance. Since it did not have a method of assessing the levels of accountability of management roles, it could not identify where non-jobs were located. Therefore, it was not possible to tell which individuals were capable of top performance and which were not.

It had apparently not occurred to the company that the root cause of its performance issue might be faulty organisational design (clearly it had occurred to the executive who initiated the project). Its plans for rejuvenating the management team with an aggressive hiring and firing regime would have failed to resolve that basic issue.

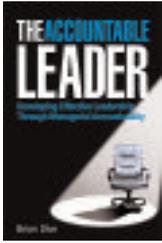
The company had inadvertently built a cadre of bonsai managers. A bonsai plant is one that is capable of growing to its full height but remains stunted and undeveloped because it is kept in a small container that stops it from growing. A bonsai manager is one who is unable to grow to his/her full potential because he/she has been placed in a cluttered, top-heavy hierarchy of hollow jobs.

This offended the three fundamental requirements of successful leadership: accountability was not clear; the structure was suboptimal; and it therefore had no way of assessing the true capability of its management. It needed a key to unlock this situation and move into the foothills of strategic leadership. The first step was to identify the true levels of decision-making accountability within the company.

An organisation's genetic code

Every organisation has a discrete number of different decision-making levels. These are its levels of accountability and constitute an organisation's genetic code. Fieldwork in many industries, in both the private and the public sectors around the world, has revealed that each discrete decision-making level above the front line needs only one layer of management. Thus the genetic code is the key to the height of the structure.

“Each discrete decision-making level above the front line needs only one layer of management. Where organisational structure is not like this, demotivation can set in.”



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But when there are one or more managers reporting to another manager in the same level of accountability then individuals tend to be most frustrated. The more talented the individual, the greater is the stress as they are unable to achieve anything that is ‘theirs’ and ‘make a difference’. Demotivation sets in and often the best talent leaves.

The key to resolving this situation is being able to unlock an organisation’s genetic code. Returning to the case of the company discussed above, this is what was found (see figure 1).

Implications for leadership

The analysis reveals significant compression – more than one layer of hierarchy where only one was needed. Compression is the opposite of empowerment and is a waste of talent. This company therefore did not know whether or not it had a capability problem.

The planned firing of ‘underperforming’ managers or leadership training for the survivors would not overcome the inherent problems caused by the lack of accountability coupled with faulty organisational design. It had created a cadre of bonsai management and had no way of accurately gauging their true potential. Strategic leadership was impossible.

The first step in the path to strategic leadership was to rectify the shortcomings in the structure. To do this the company needed a way of reliably identifying the accountability of management jobs. The next key step would be to design a valid set of differentiating competencies to identify those leaders who have the ability to progress through the various levels of accountability.

Common faults

Most large organisations have grading systems. These were originally designed to help deliver equitable pay. But over time they have been corrupted to serve as the basis of organisational design and leadership development. They are not equipped to do that.

Most organisations treat grades as if they represent a real promotion (a move from one level of accountability to another). At best they offer an ‘administrative promotion’, which is a move from one grade to another but not a move to another level of accountability. That helps to undermine strategic leadership programmes.

Consider another organisation (see figure 2) where the grades were all split between more than one level of accountability. This is not uncommon in

Figure 1: What the genetic code revealed and the proposed options

Layers	Current hierarchy (12 Layers)	Work level	
1	Group CEO	7	
2	Division CEO	6	
3	MD	5	
4	COO Head Risk Ops/Collections	4	
5			Director Group Fraud Head Card Fraud Ops Fraud Senior Manager
6	3		
7		2	
8	Fraud Manager, Detection		
9		Fraud Mgr, Aftercare Team Leader Team Clerks	
10	1		
11			1
12			

Layers	Healthy option proposed (7 Layers)	Work level
1	Group CEO	7
2	Division CEO	6
3	MD	5
4	COO	4
5	Head Risk Ops/Collections	4
6	New Fraud Ops role	3
7	Fraud Manager, Detection	2
8	Team leader	1
9	Operatives	1

private and public sector organisations (the main exception to this trend is the military, which has identified its seven battle echelons, or levels of accountability, and it seems many public sector organisations have copied the military's 19 grades without clarifying where their respective 'battle echelons' reside). This inability to identify real promotions undermines leadership development.

For example, in this company a person could be steadily promoted from grade A to B, to C, to D without leaving the second level of accountability (the blue segment). Similarly, an individual could move from grades C to D, to E, to F and not leave Level 3 (the green segment). Thus a series of supposed promotion steps could occur and yet all still be within the same level of accountability. These would be merely administrative or paper promotions.

In a worst-case scenario, a person could be promoted from grade D to grade E, which could represent a jump from Level 2 to Level 4. This is a recipe for disaster for the individual concerned. There is robust evidence to suggest that you cannot successfully skip a level of accountability. The problem for companies like this is they do not know where their true decision-making levels reside. This company was not aware of the problem it had.

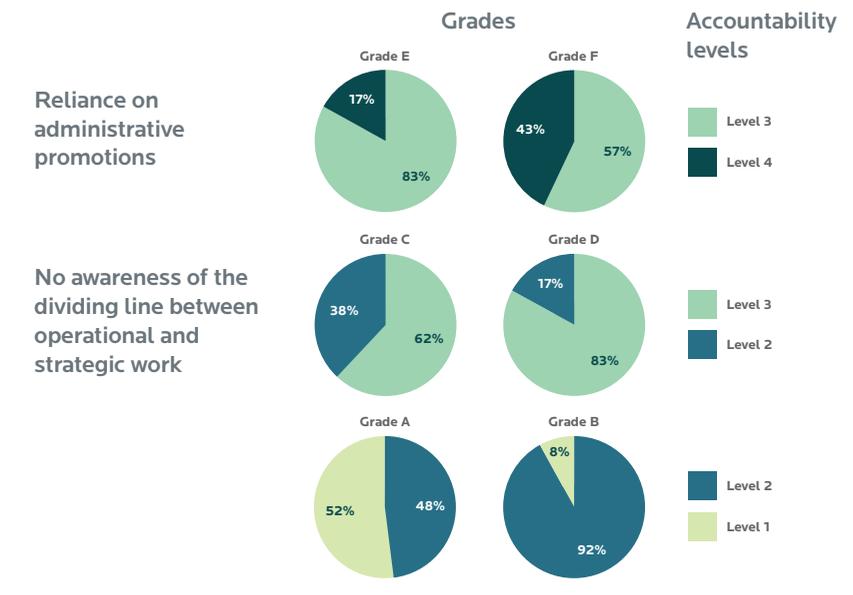
When individuals associate grades with promotions, a grading obsession soon develops with managers chasing grades by constantly switching jobs across the organisation. This churn can be unhealthy for the individual and the company. This company, as with the first company discussed above, was carrying millions of dollars of unnecessary cost in its management structure.

Identifying leaders

Potential in this context means the ability to move to a higher level of accountability. It has been shown that companies cannot identify true differences in accountability. They then compound this felony by using flawed so-called competency models to assess which individuals should be promoted.

Different levels of accountability identify what decisions have to be made in different jobs. It is then important to

Figure 2: Why grading systems undermine strategic leadership development



identify how one needs to behave when making those decisions. This moves beyond measuring merely technical competence. We all know the best maths teacher does not necessarily make the best school principal. Why? The answer lies in identifying how behaviours change at the different levels of accountability.

Some companies promote on the basis of 'living the values'. Values are important, but they are badges of belonging. If a value is 'integrity' you don't promote people who demonstrate that value, you fire those who do not. Others rely exclusively on evidence of good performance in the current job. But good performance in one level is no guarantee of ability to perform well at the next level of accountability.

Too many so-called leadership development schemes are little more than a game of chance. They are unreliable barometers of leadership talent, which produce forests of bonsai managers. This is because they lack the two key ingredients of strategic leadership programmes: a platform of clear accountabilities coupled with differentiating competencies, which identify those leaders who have the potential to climb into higher levels of accountability within the organisation. ■

ABOUT THE AUTHOR

Brian Dive is founder and CEO of DMA Consulting and is the author of *The Accountable Leader*, published by Kogan Page, hardback, 272 pages, £18.99. To order a copy, visit www.koganpage.com.

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