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READINGS IN GLOBAL ORGANIZATION DESIGN

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TEAMS CAN'T BE BETTER STRUCTURED THAN YOUR ORGANIZATION: HOW ROCHE CANADA CREATED HIGH PERFORMING CROSS-FUNCTIONAL PRODUCT LAUNCH TEAMS

by Charlotte M. Bygrave

Extracted from the book, Organization Design, Levels of Work & Human Capability: Executive Guide; Editors: Ken Shepard, Jerry L. Gray, James G. Hunt, and Sarah McArthur, 2007 - pp. 269- 280. You may purchase a printed copy of the book at Amazon.com or download a free digital copy of the book at Globalro.org

One of the strengths of the requisite organization concepts is their ability to make "competing theories" more effective. Consider, for example, the popularity of the team approach that was proposed as an alternative to hierarchical arrangements. Many of the forays into "team management" failed because of problems with authority and accountability, so another fad passed away. Used properly, however, teams can be a very effective management tool. Charlotte M. Bygrave, a strategic human resource management consultant, tells the story of how Roche Canada implemented requisite concepts to design product launch teams and develops the more general conclusion that teams cannot function well in an organization that is not properly structured. Roche Canada built an RO-based management system and was able to product extraordinary results in improved cross-functional team projects.

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Teams Can't Be Better Structured Than Your Organization: How Roche Canada Created High Performing Cross-Functional Product Launch Teams

Charlotte M. Bygrave

WHAT'S IMPORTANT

This article shows that high-performing teams can only be established in a well-structured organization.

Enabling high-performing teams requires:

- Clear accountabilities and authorities of team leaders and members;
- Clearly defined role relationships between teams and the rest of the organization;
- Selection criteria and processes for team leaders and members;
- Processes for delegation of authorities; and
- Guidelines for applying human resource management policies in areas of personal effectiveness appraisals, rewards and recognition, training and development, and other types of team support.

Celebrations were held and rewards and recognition granted. Dr. Jaques's principles were turning out to be useful and practical 'stuff'.

This article examines how Roche Canada, the Canadian affiliate of F. Hoffmann La Roche Ltd., solved what appeared to be the intractable problems of getting the best results from product launch teams. The senior management applied the requisite organization principles to create teams that produced results far greater than those that would have been achieved by one functional silo "throwing a project over the wall to the next," or with highly capable and committed teams facing barricades to performance.

The requisite organization principles placed Roche Canada on the path to creating high-performing teams, reducing time-to-market, and saving millions of dollars. The requisite organization approach is a total management system. Roche Canada adapted it to the existing culture and business, and entitled it the Roche Management System. This system enabled the creation of the conditions under which all employees could be more successful and managers could, in a fair manner, be held accountable for the results of their staff.

While this article focuses on the establishment of product launch teams, Roche Canada implemented the entire requisite system. This full-scale implementation is described in an article on the GO Society website.

Background

The pharmaceutical industry has long been one of the world's most complex industries. This complexity began accelerating in the early 1990s at a spectacular rate and as a result the critical issues, such as patent expirations, price pressures, drug development challenges, and regulatory and political pressures, grew in intensity.

F. Hoffmann-La Roche, Ltd, a leading global, research-oriented healthcare company, headquartered in Basel, Switzerland, responded to these issues with mergers and acquisitions, improved manufacturing processes, licensing-in of new drugs, and strategic alliances. "Roche" articulated new directions, which included managers acting as coaches and mentors, the elimination of "turfs" and organization silos, and the building of a stronger goal-and-process orientation throughout the company.

The president and CEO of Roche Canada, the Canadian operating center, and his management team searched for ways to maintain and achieve more success in this unprecedented business environment. Roche Canada generated approximately $500 million (CDN) in sales annually, or three percent of the company's worldwide profitability. It was a mid-size operation that served a sophisticated and demanding medical market and ranked with the company's larger affiliates as a member of its "international business board."

The Canadian team wanted to be well prepared to achieve the anticipated benefits of a recent and major acquisition (Syntex Inc.) and effectively positioned to regain its place as one of the top three pharmaceutical companies in Canada within ten years. The strategies to achieve these ends were in place and it had good people. What the team needed was an optimal organization structure, and the best managerial leadership practices to enable talented people to deliver the results.

The team had been introduced to Dr. Elliott Jaques's approach to organization design and management, requisite organization, and in 1995 asked him to help build the capabilities of the organization. The ideas presented in the book *Requisite Organization* were consistent with Roche's values and presented what the team considered a practical approach to achieve the company's vision, mission, and strategic objectives.

The president and CEO, Vic Ackermann, asked me to take on the role of project manager and work with Dr. Jaques and Nancy Lee, president of Requisite Organization Associates, to develop a plan to achieve the benefits to be gained by making Roche Canada a requisite organization.

Working Across the Functions

Before describing how we solved the issues of the product launch teams, it's best to describe how we first established the context of better working relationships across functions.

Dr. Jaques, Nancy, and I held workshops with function managers to identify the cross-functional working relationships that were hindering the quality and speed of cross-functional work. This work involved two or more people not in a manager-direct report working relationship who needed to work together to each get their own work done. Neither was to be accountable for the other's outputs, but each was to be accountable to his or her own manager. These situations often lack clarity.

We assisted the accountable managers in learning how to define clear cross-functional accountabilities and authorities, establish dispute resolution mechanisms, and set the context for dispute resolution. They learned that they needed approval of the accountabilities and authorities from their *cross-over point managers*, the first manager whom two people, who do not have the same immediate manager, have in common and the first manager accountable for integrating the work of these two people, departments, or functions.

For example, producing marketing brochures generated a great deal of confusion between the functions involved in getting this work done. The work slowed down when several vice presidents, each accountable for some aspect of producing marketing materials, could not agree on which one of them had the authority to make a final decision.

The president clarified the accountability and authority that he wanted these vice presidents to have in the development of marketing materials. He gave the vice president of regulatory affairs, the group accountable for securing government approval to market drugs, the authority to monitor and audit all materials for scientific and medical accuracy, including the final decision about the scientific and medical contents of all marketing materials. The vice president of clinical research had the accountability and authority to provide input/advice to regulatory affairs. The vice president of marketing retained the accountability and authority for the final production of medically and scientifically accurate marketing materials. With these clarifications, the marketing, regulatory affairs, and clinical research functions could work more efficiently together.

The greater clarity of accountabilities and authorities between roles and functions also lessened organizational silo-ing and the lack of collaborative efforts thought to be due primarily to negative "politics" and "personality conflicts." It replaced the vague or ill-defined integration mechanisms often used by organizations, such as "matrix organizations," "dotted-line relationships," "liaison task forces," "sponsors and champions," and committees. It allowed people to get on with their work in a more effective way, reducing conflict and inefficiencies and releasing employee energy, initiative, and creativity.

The HR team and I found ourselves busy helping managers prepare new role descriptions to clarify and communicate cross-functional accountabilities and authorities that would facilitate more collaborative work among individuals and functions.

Establishing High-Performance Product Development and Launch Teams

Before starting this initial organizational design work, the president had already established six or seven cross-functional product launch teams. He had previous experience working with these types of teams and knew their value to the timely launch of new products. He had assigned accountability and authority for the teams to the executive committee. The teams were accountable for analyzing the medical, scientific, and financial potential of new drugs in the Canadian market, recommending to the executive committee the inclusion of new drugs in the Canadian portfolio, and developing and implementing product launch plans for the approved drugs.

We were quite excited about these teams and very pleased with their performance. They were "leaping high hurdles" and "running obstacle courses" to achieve outstanding results. It should have been obvious to us that they could not sustain this pace for long. Soon, dissatisfaction was brewing within the teams. The director of new product development (assigned the role of coach to the teams) came to me to discuss their concerns. We decided to bring in an external consultant to help review team processes and identify issues. The teams identified the following issues and presented them to the executive committee:

- They were quite pleased to be team leaders; however, several members of the committee were assigning tasks to them. This extra workload, along with their product launch team work and the regular work assigned to them by their functional or "home-base" managers, put the team members into overload. Soon, it would be impossible for them to continue performing well. Our analysis indicated that they had too many priorities and too many bosses to please. Could the executive committee help them resolve this problem?
- The home-base managers still expected their direct reports to fully meet all of their work standards, whether or not they were also assigned to one of these special teams. Who would decide the work priorities? Who would help the team members mend the deteriorating work relationship with their real or regular managers?
- Team members had concerns with performance appraisals and compensation for the two jobs they were performing. What effect should their team work have on their annual overall performance appraisal and compensation awards? Who

would appraise their "team work" and decide on rewards and recognition?

- The teams did not know how to respond to questions from their peers regarding how one got chosen to be on a team, and especially appointed team leader. Employees knew that the selection criteria were not written down and concluded that the decisions were political.

There were other conflicts to be dealt with, too:

- Escalating interpersonal work issues: Once the team leaders had exhausted their best influencing and persuasive skills, who would resolve problems within the teams or between the teams and other functions and departments?
- What accountability and authority did team leaders and members have?
- How were the team leaders and coach to solve problems, such as members not attending important team meetings or a member performing below standards?
- Who could initiate the removal of a member from the team (when removal was warranted)?
- How should the teams and functional departments interact?
- Were the home-base department managers in any way accountable for the teams' success and performance?

The executive committee members were shocked. They had no idea of the extent of the teams' problems. Of course at this point without the concepts, theories, and language of the requisite principles, we were not able to correctly diagnose the root causes of the teams' problems and identify appropriate solutions. Our solutions were not comprehensive, integrated, or coherent. They included the following:

- Giving the teams more "down time" or a break from their work. This, however, would not solve problems long term, since the workload issues and other frustrations would remain.
- Controlling the flow of work to the teams through a single identified committee member was a good start, but would not fully resolve their complaints either. The conflicts between the teams and functions would remain.
- Requiring home-base managers to support their department staff placed on the launch teams.
- Providing team leaders with training, particularly in leadership skills and problem solving.

Analysis

When Dr. Jaques and Nancy Lee arrived, we presented the teams' issues to them. We eventually formed a small senior management task force, with Dr. Jaques as the external consultant and me as the internal advisor to review the issues.

How to structure and manage six or seven critical teams (the number growing due to several new products in the pipeline) was an organizational design problem that brought a furrowed brow even to Dr. Jaques's face. While we learned from him and Nancy Lee that we could apply the organization design principles to select, establish, and manage project or coordinative teams, he eventually realized that product launch teams at Roche presented a special case.

He realized that each product launch required two very different types of teams. Project teams were needed to analyze and recommend a product's inclusion in the portfolio. If the executive committee approved the recommendation, then a coordinative team was needed to plan and execute the market introduction of the new product.

Although the two teams might have many of the same staff, their accountabilities, authorities, and role relationship to the rest of the organization were very different. Clarity about the types of teams Roche needed and how to build and connect them to the organization was the foundation needed to solve the teams' issues and sustain their motivation and performance.

Resolution

The Roche launch process was now logical, coherent, and transparent. We developed the accountabilities and authorities of team leaders and members for both project and coordinative teams. The project team leader would have managerial authority with respect to the team members. The leaders were accountable for the outputs of the team, and therefore were given the authority to veto the appointment of someone to the team (based, of course, on sound evidence), define and assign tasks to the team, judge the performance of team members, and determine special awards, within company policy.

Project teams had all the resources needed to get their work done. The procedure to request the completion of work by someone not on the team was well defined. If the teams needed someone outside the team to complete a special piece of work, the team leader made a request through the normal managerial process to the appropriate function/department manager. Other than this special request, the work of the project team did not commit others outside of the team to do anything.

The project team morphed into a coordinative team perhaps with the same or new members. Member changes were task- and resource-driven. The accountabilities and authorities of the coordinative team leaders and members were very different from those of the project teams. The coordinative team coordinated the timing and resourcing of several departments and/or functions needed to achieve the stated objectives of the new product launch.

Unlike their counterparts on project teams, these team leaders did not have managerial authority but coordinative authority with respect to the members on the team. That is, they had the authority to call members together, make suggestions about how the work should be approached, and help overcome problems or setbacks.

Members of the coordinative teams were representatives of their departments or functions. The department (home-base) manager retained accountability for the performance or outputs of his or her people on the team and granted special awards or recognition within policy. This made the team members' working relationships much like that of any cross-functional working relationship between individuals reporting to different managers. Of course, both project and coordinative team leaders worked under the authority of an accountable executive manager.

Given the number of such teams and their importance to the organization's success, we communicated to all employees the nature of the two different teams and how they were attached to the structure of the organization. Clear criteria and processes for selecting team leaders and members were documented and made available to all employees.

The authorities of team leaders and teams were documented and we developed processes for the delegation of key accountabilities and authorities. We decided, for example, that the president was ultimately accountable for the teams, but obviously it was not appropriate that he manage these teams directly. While he retained accountability for the teams, he delegated his authority to a manager. The manager could, in turn, delegate accountabilities and authorities to the coach for the teams, for example, helping a coordinative team leader and home-base manager resolve a team member performance issue.

We developed guidelines for applying human resource management policies, personal effectiveness appraisals, rewards and recognition, training and development, and other types of team support. It was recognized that fair rewards and recognition were important aspects of establishing and sustaining effective teams. Team leaders and members received bonuses and other softer forms of recognition (special awards dinners, plaques, etc.). Dr. Jaques warns against the disadvantages of predictive criteria-based bonuses for which the bonus criteria are expected to drive or determine the individual's initiative and efforts. However, bonuses and bonus amounts decided after determining how well the individual worked toward achieving the expected results is most appropriate.

We reviewed, revised, and documented guidelines for establishing and maintaining the teams. The new team design and infrastructure reduced team frustration, increased morale, and enabled the teams to get on with their work, including reducing launch times. Multiple bosses were eliminated, workloads were reasonable, intra- and inter-team collaboration and cooperation increased, and teams completed work faster and with higher quality.

Celebrations were held and rewards and recognition granted. Dr. Jaques's principles were turning out to be useful and practical "stuff."

Requisite Rewards and Recognition

Before concluding, it would be useful to briefly touch on how we implemented requisite rewards and recognition, as it is relevant to our work in the product launch teams.

We took an approach to rewards and recognition that was far "outside the box." The usual bonus systems were rendered ineffective due to the complexity of Roche's work and the unpredictable and unanticipated obstacles employees face in the progress toward their goals. This unpredictability was especially inherent in the complex work of the higher level roles.

Traditional performance management systems are based on predictive criteria. They make no allowance for actual performance conditions that vary significantly from the predicted conditions, rewarding employees for achieving a certain level of results or outcomes, which is usually quantitative. This directs employees to focus on achieving the numbers that could require behaviors that are inconsistent with doing the right thing. Also, one employee might get a lower bonus even though he or she accomplished higher quality work under more difficult circumstances, but with lower quantitative results than another with less complex work under less difficult circumstances.

At Roche Canada, the bonus programs sometimes caused poor morale, precipitated employee behaviors outside of acceptable standards, and created poor relationships between management and employees. Employees would often ask, "What does the bonus reward me for? Doesn't the company expect my full commitment and best performance for my base pay?" These difficult questions and the dissatisfaction of employees and their managers with bonus results led us to examine our assumptions about bonuses.

Each of the three Roche Canada business divisions had the authority, however, to decide what they felt was best for their business, whether to retain or eliminate bonus pay schemes. They decided to roll incentive pay into base salary. Two divisions retained incentives as a small part of total compensation for sales and marketing staff.

Special awards, reviewed by the manager and human resources to ensure consistency, could still be granted to any employee for exceptional performance. However, these cases were determined after the fact at the end of the performance period.

The human resources department worked hard reviewing the impact of this change on salary-driven benefits programs and particularly on the defined benefit pension plan. It was a change affordable for the company.

The entire compensation program was reviewed to ensure pay ranges were linked to organization levels and levels of complexity of work. Clearly defining roles' accountabilities and the alignment of work complexity with organizational levels reduced employees' concerns about equity and fairness in performance assessment and increased managers' consistency and reliability in judging performance. Managers were able to make more accurate judgments and to recommend fair merit increases.

We replaced the five performance appraisal categories, which ranged from "outstanding" to "unacceptable," with six performance categories which enabled more accurate judgments of an individual's performance against the requirements of the role. The new categories asked the manager to judge where in the range of the role an individual was performing. For instance, were they at the top or bottom half of the role, and within these halves at which of three levels (high, medium, low) were they?

The manager-once-removed (the manager's boss) reviewed the performance ratings and recommended merit increases prepared by his or her managers to ensure each was applying a standard, fair, and accurate rating process to all employees.

Performance appraisals and merit increases, two highly emotionally charged issues, could now be handled more efficiently and effectively.

Employees understood that the changes meant the "performance bar" had not been lowered; it had been raised. They agreed this exchange was fair.

Conclusions

From our experience, the key lessons for organization and management in the pharmaceutical industry include the following:

1. *High-performing teams can only be established in a well-structured organization:* An optimal organization structure provides the conditions under which good people can perform their best.

2. *Clear cross-functional accountabilities and authorities:* Clear cross-functional accountabilities and authorities (rather than the vague and confusing definitions of "dotted line or lateral relationships" and "matrix organizations") are essential to reduce organization silos and "turfs," and to create effective working relationships between functions that increase the flow and quality of work across the organization. The increasingly intense levels of interaction required between functions, corporate offices, and country-level affiliates, and across the supply chain, demands clear specification of accountabilities and authorities. Unclear accountabilities and authorities lead to extreme inefficiencies and acrimonious working relationships.

3. *Effective managerial leadership practices:* Capability or raw cognitive power is a necessary, but not sufficient, condition for effective managerial leadership. Clearly defined managerial leadership accountabilities, authorities, and practices are essential for good organization governance and performance.

4. *High-performing teams:* Well-established project and coordinative teams can accomplish the intense collaborative work required within and between the major functions of pharmaceutical organizations. To enable high-performing teams to function well requires the following:

- Clear accountabilities and authorities of team leaders and members for both project and coordinative teams;

- Clearly defined role relationships between teams and the rest of the organization;
- Selection criteria and processes for team leaders and members;
- Processes for delegation of authorities; and
- Guidelines for applying human resource management policies in areas of personal effectiveness appraisals, rewards and recognition, training and development, and other types of team support.

With good organization and management as one of its key initiatives, the pharmaceutical industry would be better positioned to regain credibility with customers, suppliers, and other key stakeholders. This would be an additional strategic resource to generate a robust future for an industry that creates critically important health-care solutions.

ABOUT THE AUTHOR

Charlotte M. Bygrave is the principal of Bygrave & Associates. Her firm specializes in working with clients to create optimal organization structures, facilitate strategic change, and implement a broad range of human resource management systems.

Prior to consulting, Bygrave was a human resource executive with a record of achievement in multinational firms such as American Express Co., Xerox Canada Inc., The Bank of Nova Scotia, and Hoffmann-LaRoche Ltd. She has also been a member of the boards of directors of the Wellesley Central Hospital and the Sherbourne Health Centre.

As vice president human resources at Hoffmann La Roche Ltd, Bygrave worked extensively with senior management and Dr. Elliott Jaques to implement a reorientation of the organization's structure, staffing, and managerial leadership practices. This work led her into the field of consulting. She has consulted in a wide range of industries and organizations including health-care, pharmaceuticals, financial services, manufacturing, and high technology.

She has presented with Dr. Jaques to organizations such as the Academy of Management and the Ontario Society for Training and Development on the topic of organization design. She has also worked with Dr. Jaques, as one of two co-authors of an article on strategic planning for *The International Journal of Organizational Analysis.* She holds a Bachelor of Science degree from the Pennsylvania State University.

GO Global Organization Design Society

GO SOCIETY PURPOSE AND VALUES STATEMENT

To support the organizing of work in a responsible, fair and healthy manner in which people are led in a way that enables them to exercise their capabilities.

The Society believes this requires applying a systems framework* emerging from reflective inquiry in which levels of work and capability are the initial paradigm and growth in human awareness is the essential process.

The benefits are organizational effectiveness, fulfilled people and organizations designed for value-creation, sustainability and social well-being.

** Note: inspired by the work of Wilfred Brown and Elliott Jaques*

The *Global Organization Design Society* was founded in 2004 to establish and operate a worldwide association of business users, consultants, and academics interested in science-based management to improve organizational effectiveness.

The GO Society fulfills its purpose by:

- Promoting among existing users increased awareness, understanding and skilled knowledge in applying concepts of Levels of Work Complexity, Levels of Human Capability, Accountability, and other concepts included in Requisite Organization and/or Stratified Systems Theory.
- Promoting among potential users of the methods, appreciation of the variety of uses and benefits of science-based management, and access to resources. The GO Society supports the learning and development of current and future practitioners by holding world conferences and professional development workshops, publishing books and a journal, and maintaining a resource-rich web site with related articles, monographs, books, videos, blogs, discussion groups, and surveys.

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