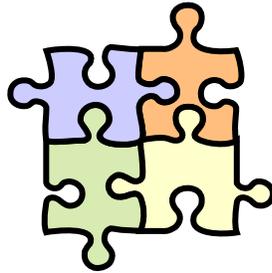


**Making the Pieces Fit:
Aligning Organizations to Achieve Results**
Ed Fuller
Rick Goldstein

Finding the best organizational structure to support strategy execution has emerged as one of the most important focus areas for business leaders. Reorganizations have become quite common despite the fact that they tend to distract employees and disrupt core processes related to satisfying customers. The underlying assumption appears to be that improving performance is possible by rearranging the organizational puzzle pieces in a different configuration. While this is sometimes the case, far more frequently the real challenge is how to get the pieces to fit together.



Integrating a Major Acquisition: Reorganization or Alignment?

Marriott's International Lodging Division has grown over the past thirteen years from 18 hotels and \$300 million in revenue, to 300 hotels with sales of \$3.5 billion in 72 countries around the world. Marriott' overseas operations have expanded through a combination of organic growth and a major acquisition, which occurred in 1997. In 1998, approximately one year after this acquisition, Kensington Consulting Group, Inc. was brought in to assess the effectiveness of the organizational structure that was put in place to support the expansion of the International group. The goal of this initiative was to validate or change the organization to ensure that the regional and corporate support structure was in place to drive business results and growth of international hotels over the next five years.

While reorganizing was an option, our assessment revealed that the organization structure was a good fit to the business requirements, and addressed the primary dynamics of operating a large and growing number of complex hotels around the world. Our view was that the key need was to improve how people performed within the structure. We saw an opportunity to create clarity and agreement on how each position could contribute to the success of the whole business. We also believed there was a need to simplify and streamline the decision making process.

Normal, day- to- day management of hotels around the world requires a high degree of interdependence across functions, management levels and geographies, with coordination of decision making and action. Kensington conducted interviews with managers from all functional areas; they identified a number of areas of concern. Decisions took too long and often involved too many people, requiring excessive consensus building and politics.

Managers at all levels expressed frustration with excessive bureaucracy, in contrast to the smaller organization they had been accustomed to prior to the acquisition in 1997. There was a desire for greater speed and simplicity in getting things done.

At the time the Lodging International organization had a matrix structure based on geography and functions. There were four regions (e.g. Continental Europe), each led by a Senior Regional Vice President (SRVP) who reported to the President. Regions were further divided into Areas, which grouped hotels in neighboring countries together to provide a manageable span of control. Each SRVP had 1-3 Area Vice Presidents (AVP) based on the region's size. Hotel General Managers reported to one of the AVPs.

Senior Vice Presidents (SVP) heading each functional area, including Operations, Finance, Sales, Revenue Management, Marketing, Human Resources and Engineering also reported to the President. In each region the functional leaders reported to their respective SRVP and on a dotted line basis to the SVP responsible for the function (Exhibit 1).

Having been part of many role and responsibility exercises, we knew that this was unlikely to resolve the key questions. One of the biggest challenges Marriott's international managers faced was to move away from an activities focused orientation where individuals have long lists of things to do that were defined in plans and actions. We agreed that the organization would perform better if we could support people in shifting to a results focused way of working.

Defining and Aligning for Added Value

To do this we set out to define and make explicit the way in which each management position above the hotel level was intended to add value. We also wanted to streamline the decision making process by clarifying authority for key types of decisions. The intent was to enable people to work in a disciplined and interdependent manner, with a clear understanding of what was really most important in each position that guided and supported the hotels.

This led us to the development of what we now call the Organizational Alignment Process. The results have surpassed initial expectations. The process and resulting organizational alignment document has:

- Made explicit what is often invisible, in terms of decision-making authority and the bottom line expectations for each senior management position. This has significantly reduced confusion about how international lodging works, and has eliminated the majority of the power struggles that used to occur
- Clarified the role of line management vs staff. Place authority clearly in each line management position above the General Manager (Area Vice President, Regional Vice President, President) to drive the P&L, customer satisfaction,

employee satisfaction and other expected business results. Defined how each of the staff/functions played roles in support of the line.

- Led to conscious, effective empowerment of managers at each level, as a result of clearly defining the authority and corresponding performance expectations that have been delegated to each position
- Made navigating the organization easier for people at all levels, from the CEO and COO, to managers at all levels within international lodging, to related other Marriott organizations (e.g. Legal) that had critical roles and frequent interaction with international lodging
- Provided an organizational model that could be benchmarked and measured through a survey process highlights organizational effectiveness

What is Results-Based Organization Alignment?

Results-Based Organizational Alignment is a methodology borne out of sound business management principles. We outline the steps here and follow with a more detailed explanation. The elements that make up the approach include:

1. **Guiding Principles:** A conceptual overview that describe how the organization is designed to function
2. **Assessment:** Interviews and analysis to look at each function within the organization and determine the key work that is done at each management level
3. **Approvals:** The key decisions that reside with each position
4. **Accountabilities:** For each function and each management level, a summary of the key expectations for what outcomes each position is expected to produce, how it adds value
5. **The Alignment Process:** Gaining consensus on approvals and accountabilities and agreement on how to create coordinated action and effective implementation
6. **Measurement:** Assessing organizational effectiveness through a regular survey process, in conjunction with review of business results

The framework rests on development of a set of organizational guiding principles and a detailed set of approvals and accountabilities for each key management position across all functions and levels. The resulting document serves as an organizational blueprint or map that enables the entire organization to understand the organizational design.

The process of developing the framework document is highly interactive, combining analysis, discussion, negotiation and consensus building that enables individuals to develop a whole system perspective to understand how each position contributes to overall success.

Guiding Principles

The starting point of this process is to articulate the underlying assumptions that govern the structure, with a focus on two questions:

- What is the purpose and role of each management level (area, region, corporate) of the organization? Why is it needed and what is it expected to contribute to the overall success of the business. For example “The Area Team guides and supports the properties, links them to the company and ensures standards compliance.
- What are the overall ground-rules for how we want people within the organization to manage the business, particularly concerning roles and the sharing of information and decision making authority. An example is the guideline “Decision making resides at the level closest to the hotel, within the parameters of corporate policies.”

The guiding principles we developed are listed in Exhibit 2. Recognizing the value of limiting the number of guiding principles to the most important few, we developed nine for Marriott International Lodging that served to provide overall direction for the detailed work that was done in each function.

Approvals and Accountabilities

Approvals are listed to indicate who has the sign off or veto on a particular issue. While collaboration and teamwork remain vital, it is important to be clear on who has the authority to make the final decision. Approval authority generally rests with one position. This maximizes accountability and supports efficient decision making processes.

Accountabilities describe the ends, not the means. *They are descriptions of the outcomes and results that each position is designed to produce, rather than a list of the activities performed by each position.* (This is a fundamental difference to the roles and responsibilities approach). In general, each level of the organization has distinct accountabilities that are complementary to other positions. We seek to avoid duplication.

Many of the approvals and accountabilities have some inherent ambiguity. Judgment and dialogue are needed to address the gray areas. The resulting Organizational Alignment document summarizes the approvals and accountabilities across all management levels and all functions and serves as a framework for future growth.

Implementing the Alignment Process

An interactive process is critical for gaining agreement on guiding principles and the approvals and accountabilities required. While the documents are an important record of how things are supposed to be done, it is the face-to-face discussions and negotiations

that create the common understanding and agreement for things do be done in a certain way.

Consultants worked with the President and the Senior Vice President responsible for each function to produce an initial draft document. The drafts were then circulated within each function to begin to create dialogue and to complete and make changes to the approvals and accountabilities. This began to get world wide leaders in each area of the organization talking to each other to develop a common understanding of what they needed to produce, how the roles were distributed, and who was the final decision maker on each key decision.

All organizational leaders participated in an off-site meeting to continue this process. First, they discussed the guiding principles as a combined group. Many of the principles were clear and readily accepted, while others prompted discussion about the gap between the principles and the way in which the organization actually functioned at that point in time. The result of this dialogue was a common understanding of the ground rules that would apply world wide, across regions and functions, to support effective management practices.

Breakout sessions were held by function. The high degree of energy and interplay that characterized the dialogue reinforced the importance of these organizational issues to the ability of each individual to perform his or her role effectively. The breakouts led to a revised version of each approvals and accountability document. These were presented to the entire management team for discussion. Walking through each group's charts helped solidify everyone's understanding of how the International Lodging Group would do business, how the roles came together across functions on various areas of work, and how decision making authority was structured. There was a true sense of enthusiasm as a result of the openness and the give and take. People seemed visibly relieved that there was now a "blueprint" that showed how the organization would operate.

Measuring Effectiveness

Upon the completion of the Organization Alignment document and the process for building consensus around its contents, we set out to develop a measurement mechanism to determine how well the process of implementation was done, and how the framework was working in improving organizational effectiveness. We have just completed the fourth confidential online survey, and despite the challenging business climate of the past several years, the results once again are remarkably positive. 204 General Managers and Vice Presidents (91% response rate) from around the world have confirmed that the organization that is in place is working well. Compared to the last survey, all scores were improved or unchanged, with five of the 24 questions showing a satisfaction level greater than 90%. The three lowest scores, while showing continuing improvement over previous surveys, highlighted the areas in need of further work. The survey results are used in conjunction with business results to assess opportunities for improvement, and while the

overall structure has held up well, there have been adjustments to respond to issues that were highlighted in the survey process.

Broader Uses of the Organizational Alignment Framework

With five years of experience validating and refining this approach at Marriott, it is clear to us that it provides a solid foundation for successful organizational performance. Kensington Consulting Group, Inc. has begun to offer Results-Based Organizational Alignment as a service to other clients beginning in 2003, and early results are encouraging. The framework has proven effective across industries for helping management teams think through organizational redesign, and build detailed templates for new structures that enable entire management teams to understand how the whole company is intended to function to execute strategy and achieve business results.

Organizations are like puzzles. They consist of many elements that are intended to fit together cohesively. They are inherently complex, however, particularly as they become large. Whether the design of the structure is based on functions, geographies, or customer segments, the biggest challenge often lies in how to improve execution of organization structures. This involves the way in which the various functions, departments, divisions, etc. work together, dynamics frequently fraught with ambiguity and politics.

Today even more than in 1997, companies are growing through a strategy of acquisition. The result is often a drop in productivity due to confusion over who has the authority to make each decision, where the accountabilities lie, and how the organization will move forward with an integrated approach. Attending to a flurry of activities rather than results, many organizations never make it out of this stall. Successful growth happens when leaders take the time to step through a process of organizational alignment with a focus on results.

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Figure 1:

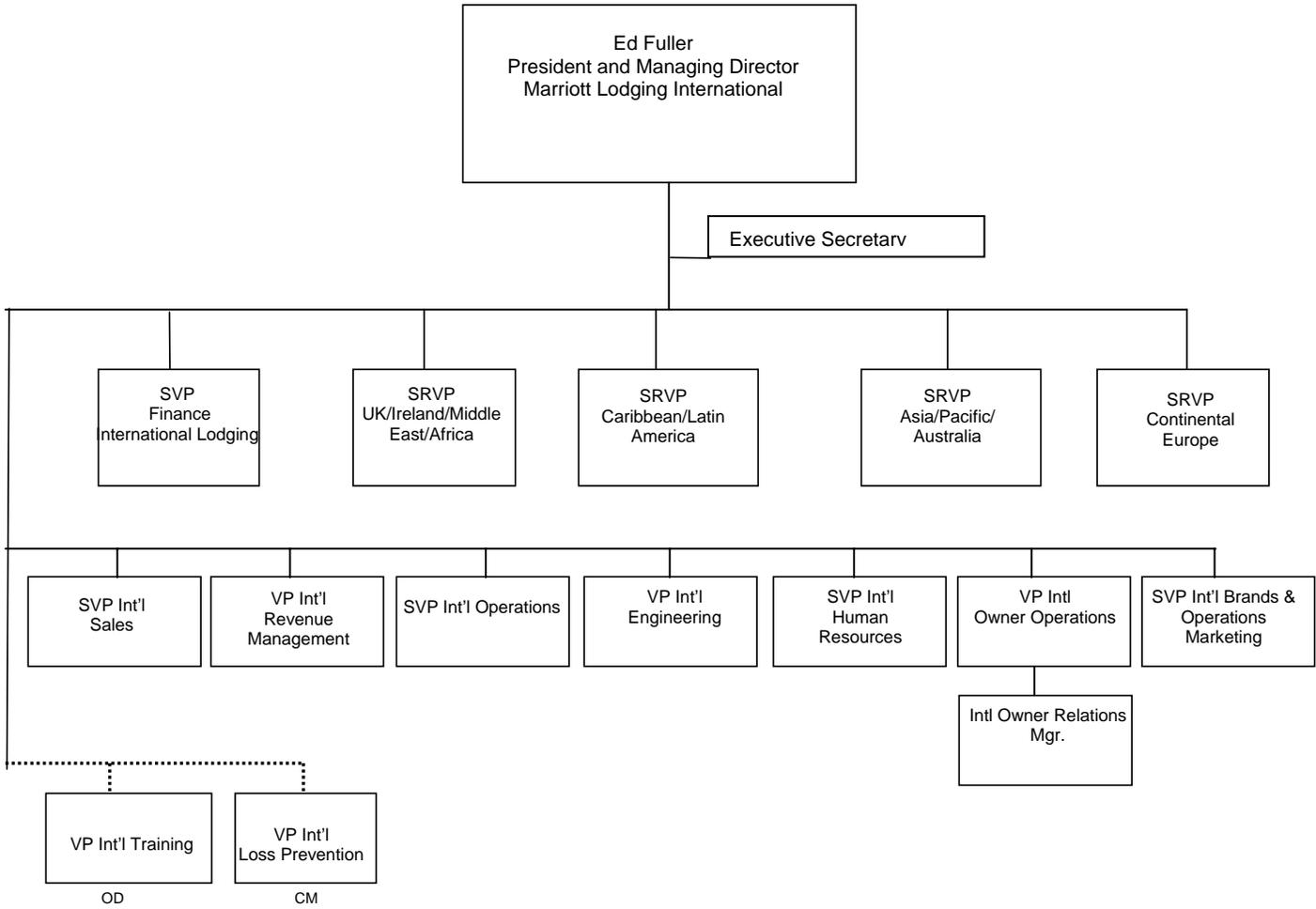


Exhibit 2

GUIDING PRINCIPLES

- International lodging corporate leadership drives global growth, provides overall strategic direction and is accountable to ensure effective execution is occurring at all levels and in all functions
- The region provides leadership and strategic direction to:
 - Drive growth, profitability and preference
 - Drive execution of approved programs and ensure hotel standards compliance
 - Manage owner relations to ensure owner satisfaction
- The area guides and supports the properties, links them to the company and ensures standards compliance, and works closely with owners to resolve specific problems
- The focus at each level is on accountability for results for owners and Marriott International, with an emphasis on revenue, margins, cash flow and ROIC.
- Decision making processes will be efficient and minimize bureaucracy
- Decision making resides at the level closest to the property, within the parameters of contracts, corporate policies and lodging international guidelines
- Area, region and corporate teams share responsibility with properties to develop managers to meet current and future needs
- International organizational structure for areas and regions is consistent
- Corporate communications and brand/core initiatives require input and leadership from line management