

## Management Team Inefficiency: The Hidden Barrier to Productivity

*You cannot continuously improve interdependent systems and processes until you progressively perfect interdependent, interpersonal relationships.*  
— Stephen R. Covey

Executives rarely think of inefficiency in terms of their own management team. Most think of it in terms of assembly line throughput, inventory cost, or product development cycle time. While these can be very costly to an organization, they may only be symptoms of a larger problem.

What if slow throughput, inventory turns, or product cycle time are the result of behaviors encouraged (inadvertently or not) by the management team? What if the interactions and dynamics of the team are not effective? Most likely, the results of this friction resemble the concentric circles formed by throwing a pebble into a pond: The farther from the source, the larger (and more costly) they become.

Think of the effectiveness of a management team in terms of a simple equation:

$$CE = CI - CD$$

CE: the team's Collective Effectiveness;

CI: the team's Collective Intelligence;

CD: the team's Collective Dysfunction (i.e. the team's inefficiency or friction).

It follows that there are two ways to increase the effectiveness of an organization: Increase the intelligence or decrease the dysfunction.

Increasing the Collective Intelligence can mean extensive retraining, but more often it entails replacing or adding to a management team. Either way, these efforts can be expensive in terms of both time and money. Decreasing the Collective Dysfunction involves developing the team as a group and aligning it around the behaviors necessary to ensure that everyone in the organization is working toward the company's strategic objectives – not only a less expensive approach, but one with longer-lasting results and greater returns.

Why is this important? *Because like any other inefficiency, the dysfunction caused by a misaligned management team is expensive and may be destructive.*

Dysfunction, or friction, will manifest itself both “vertically” (from CEO to department head to staff) and “horizontally” (between the department heads and between their respective staffs). Examples of vertical dysfunctions are:

- Unhealthy attitudes toward risk
- Slow decision-making
- Breakdowns in communication
- Lack of follow-through on initiatives

Examples of horizontal dysfunctions are:

- Unhealthy internal competition
- Lack of trust
- Insufficient collaboration
- Criticism, sarcasm, and negativity

Consider the example on the following page where we have constructed a fairly simple organization with three levels and a reasonable salary structure. As we move down the organization, the amount of dysfunction will increase (remember our pebble analogy). Let's conservatively estimate the “cost of dysfunction” at 1% of the CEO's salary, 2% of the department heads' salaries, and 3% of their staffs' salaries. Lastly, each “dysfunctional interaction” is assumed to have a cost on both parties involved (measured by the indicated percentages of their salaries).

The results are astounding. Most people would agree that this appears to be a very efficiently functioning team. (What's a couple of percentage points, right?) However, in this example, **the dysfunction within this “well-functioning” team is costing the company over 16% of salaries!** (Your company's figures could vary depending on structure, salaries, and the amount of inefficiency within your team.)

But don't just take our word for it. Go to <http://www.avantttconsulting.com/tools.asp> to download an Excel spreadsheet where you can input your salary structure and the dysfunction percentages you think are relevant for your organization.

Over Please

What if we include the cost of dysfunction within each department, or assume the amount grew geometrically from level to level, or there are more levels or more departments within the company? Since each employee could have some amount of inefficiency with every other employee with whom he or she has contact, *in a truly dysfunctional organization, the cost could grow to be a substantial portion of total payroll.*

This simple example highlights why the interactions and dynamics of the executive team have such a significant impact on the organization.

To improve management team alignment, executives must focus on the critical factors of effective team behavior:

- **Communications:** Understanding how each member communicates and how to resolve conflicts within the team
- **Personal behavior:** Understanding one's personal behaviors and how those behaviors affect the team's Collective Effectiveness

- **Team profile:** Understanding the specific composition of the team and how the team works to move an idea to an efficiently implemented result

Many management teams attempt to improve their effectiveness by sending individuals to assorted "self-improvement" seminars. However, by addressing the issue as a team, the group can identify and ingrain the behaviors necessary to implement your company's growth strategies, establish measurement points to encourage long-term behavior change, and provide the communication tools to drive sustainable changes into the organization as a whole.

Your management team sets the tone for the entire organization. *If your internal dynamics create inefficiencies, it's virtually certain those same inefficiencies will ripple throughout your organization in ever-increasing amounts, adding costs throughout your organization and making it more difficult to reach your growth objectives.*

For additional information see [www.avanttconsulting.com](http://www.avanttconsulting.com)

**Example of Cost of Dysfunction Within Management Team**

<b>Salaries:</b>		<b>Dysfunction %:</b>	<u>Vertically</u>	<u>Horizontally</u>
CEO	\$150,000	CEO	1%	
Department Heads (each)	\$100,000	Department Heads	2%	2%
Department Staff (total per department)	\$300,000	Department Staff	3%	3%
<b>Total Payroll</b>	<b>\$2,550,000</b>			
Number of Departments	6			
<b>Cost of Dysfunction:</b>				
<b>Vertical</b>				
CEO / Department Heads	\$21,000	(CEO's salary x CEO Dysfunction % + Department Heads' salary x Dept. Heads' Dysfunction % multiplied by the number of Dept. Heads)		
Department Heads / Staff	\$66,000	(Dept. Head's salary x Dept. Head Dysfunction % + Department Staff's salary x Dept. Staff's Dysfunction % multiplied by the number of Depts.)		
<b>Horizontal</b>				
Between Department Heads	\$60,000	(Dept. Head's salary x Dept. Head's Dysfunction % multiplied by the number of combinations - in this case 15 or the sum of 1 to n-1 where n is the number of depts.)		
Between Department Staffs	<u>\$270,000</u>	(Dept. Staff's salary x Dept. Staff's Dysfunction % multiplied by the number of combinations as described above.)		
<b>Total Cost of Dysfunction</b>	<b>\$417,000</b>		<b>Dysfunction as % of Payroll</b>	<b>16.4%</b>