Cisco Connects the Dots: Aligning Leaders with a New Organizational Structure

BARRIE NOVAK

Cisco's global Technical Services division used a solid change management strategy to implement a new organizational matrix. Ultimately, aligning leaders around the new vision/strategy, executive dynamics, governance, and mind-sets and behaviors essential for collaboration in the new structure came down to confronting subtler aspects of change— including trust and relationships. The transformation initially focused on vision and strategies, organization design, roles and accountabilities, governance, selection, performance linkages, metrics, and communication. When a postproject assessment surfaced some problems with organizational adoption and alignment, all the leaders convened for a summit to gain alignment, build trust, and lay the foundation for stronger working relationships. © 2008 Wiley Periodicals, Inc.

Cisco began with a love story. The company was founded in 1984 by a young husband-and-wife team who ran different portions of Stanford University's computer operations. Frustrated that they couldn't send e-mails to each other because their departments used different computer systems, they and some of their colleagues developed a multiprotocol router that enabled computers to communicate regardless of their network protocols. Today, Cisco hardware, software, and service offerings are used to create the Internet solutions that make networks possible, providing users with easy access to information anywhere, at any time. Without Internet Protocol (IP) networking, the IT, telecommunications, and entertainment industries would be much less significant; we wouldn't be able to communicate instantly with family and friends across the globe; and there wouldn't be revolutionary business models such as eBay and Google.

From the beginning, Cisco has been passionate about ensuring the success of its customers. Current CEO John Chambers often says, "Every strategic decision Cisco makes is guided by customer input." Customer success is rooted in the DNA of the corporate culture—so much so that a significant part of employee bonuses is based on how well we serve our customers.

The part of the company that has primary responsibility for after-sale customer satisfaction is Cisco Services, a full-function organization within Cisco, with operations, marketing, business development, IT, HR, and other staff. At more than $5 billion in revenues, Cisco Services would be a Fortune 200 firm were it a stand-alone company. About half of its 5,000 global employees work in the Technical Services (TS) division, which is responsible for ensuring that our customers' networks operate efficiently. It is here that our latest story takes place.

Technical Services operates in more than 120 countries, which in 2005 were organized into five regions, or theaters: United States and Canada; Europe, the Middle East, and Africa (EMEA); Asia Pacific; Latin America; and Japan. Each theater had two TS departments for service "delivery":

- The *Technical Assistance Centers* (TACs) provide 24/7 "help desk" support to customers. The centers are staffed with experienced network engineers whose job is to diagnose and resolve customers' computer network problems. The eight major TACs, in conjunction with local service partners and Web-based self-service, resolve more than 50,000 service cases (requests) per month.

Exhibit 1. Former Technical Services Organizational Structure
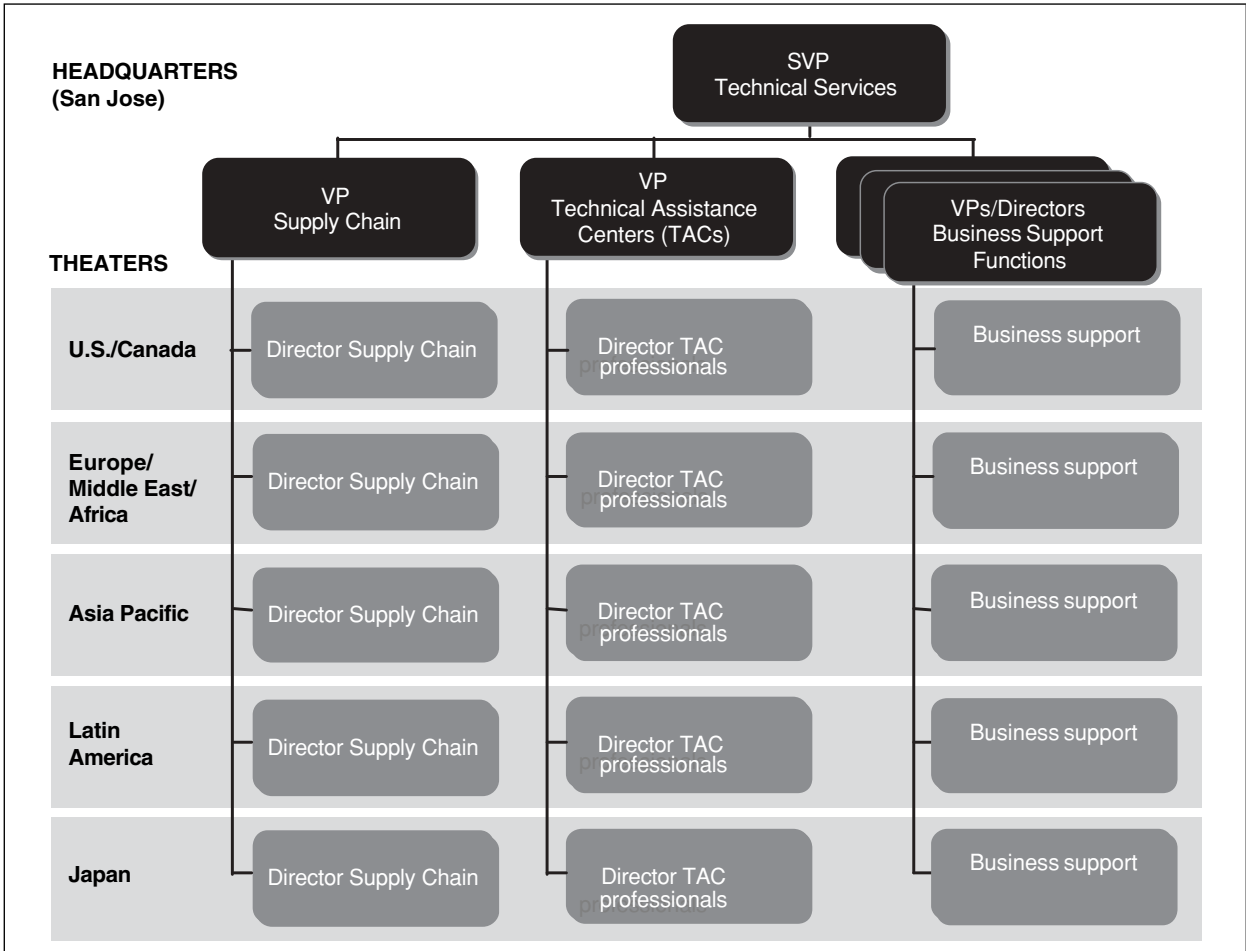
- The *Service Supply Chain* group delivers more than 700,000 new and replacement parts to customers annually through its more than 900 fulfillment depots around the globe.

The TACs in each theater reported to a director, who in turn reported to the vice president of Technical Assistance Centers at the headquarters in San Jose, as shown in **Exhibit 1**. The same was true for the Service Supply Chain groups, whose director in each theater reported to the vice president of Supply Chain in San Jose. Co-located with the service delivery departments in each theater were business support professionals in marketing, business development, finance, HR, and other functional groups, who reported to their respective heads in San Jose.

Assessing Capabilities for Future Success

In the fiscal year that ended July 31, 2005, Technical Services' revenues exceeded goals, margins were strong, and customer and employee satisfaction scores were high. But customer satisfaction began to dip, there was a significant variance in customer satisfaction scores among global centers, and customer feedback told us we needed to improve in

a number of areas. There were other signs as well that the business might not be well positioned for the future.

The senior leadership team—the senior vice president of Technical Services and his direct reports—came together for a daylong offsite meeting, an organizational diagnosis workshop, to do a current-state assessment and gap analysis. During the workshop, they identified gaps related to strategy and organizational alignment, lateral processes, skills, measurements, and leadership, which pointed to a number of organizational needs, including:

- a single point of responsibility in each theater for delivering the customer experience;
- a globally consistent customer experience;
- more decision-making power shifted from the corporate to the theater level in order to empower the theaters to make the right decisions for their regions;
- a greater focus on longer-term strategies to balance the strong operational focus;
- greater collaboration and stronger internal partnerships among TS functional groups, and among the theaters, to increase revenues and expand the services business;
- accountability, processes, and governance to support critical corporatewide business initiatives such as those in emerging markets and advanced technologies;
- competencies in change management and project management to drive strategic initiatives;
- stronger general management capabilities and business analysis and development skills;
- alignment of leaders' behaviors and rewards through shared business goals; and
- elimination of resource duplication in several functions to help preserve margins and optimize resources.

The executives emerged from this working session with a clear problem statement: "The organizational foundation is not in place to optimize the customer experience and support the transformation of our business." In response, they called for a new initiative, the Technical Services Organizational Transformation (TSOT), with the objective of implementing critical governance processes, a new organizational structure, roles and accountabilities, and leadership teams to support Technical Services' growth and customer strategies. The senior vice president told the executive team, "This is my number-one initiative, and so therefore it is yours."

> The executives emerged from this working session with a clear problem statement: "The organizational foundation is not in place to optimize the customer experience and support the transformation of our business."

Phase 1: Designing and Implementing a New Organization

What the TS division needed most was executive ownership for the total customer experience in each geographic theater, while ensuring economies of scale and consistent processes. The senior leadership team workshopped several high-level designs, sought input from stakeholders, and settled on what was clearly its first-choice design.

New Organizational Structure

The new structure, shown in **Exhibit 2**, dismantled the functional silos in favor of a matrix that both strengthened the theaters and linked them to two new global functions that would ensure cohesive strategic execution, consistency, and greater efficiency:

- Each theater is headed by a vice president, in a newly created position, who is responsible for overseeing the total customer value chain for that theater, including all service delivery, customer satisfaction, and financial results, as well as advocating for the theater's unique needs. Reporting to

Exhibit 2. New Technical Services Organizational Structure
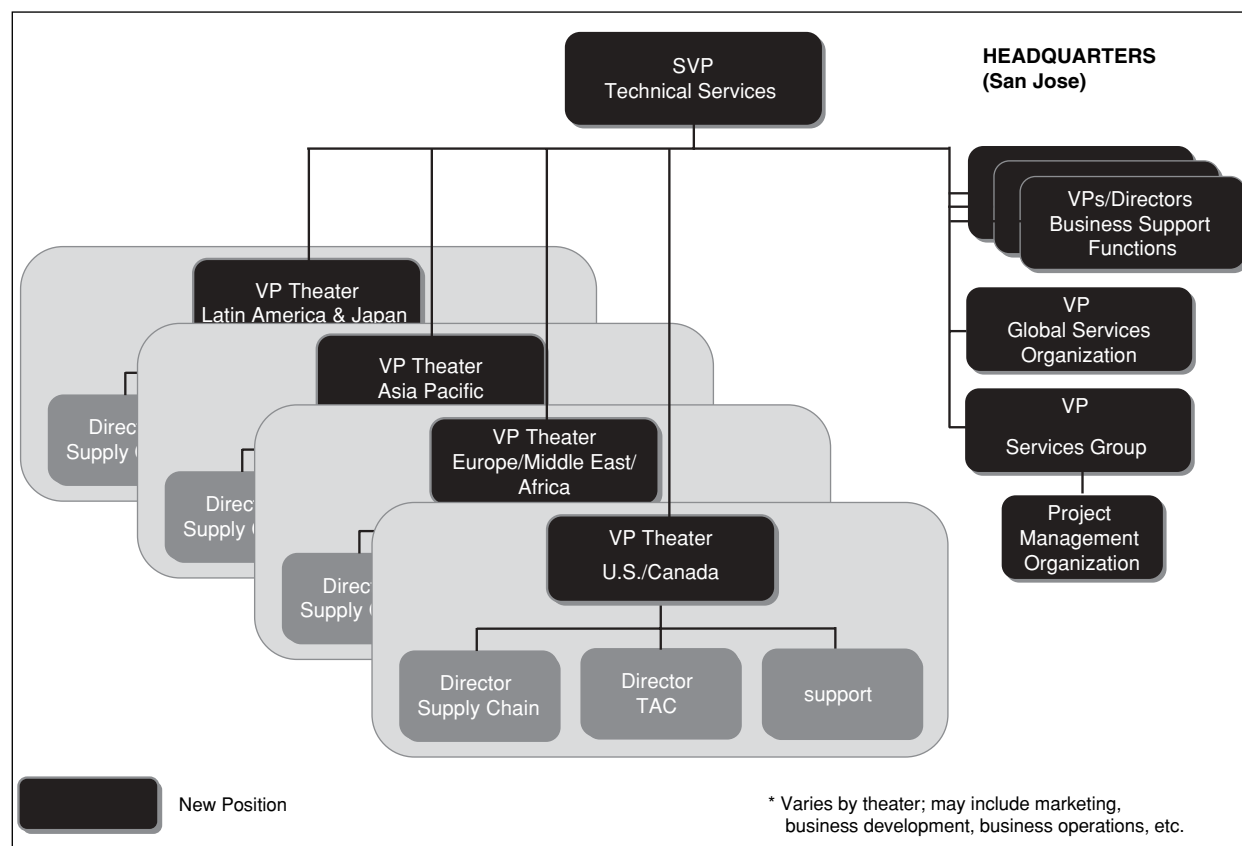
the theater VP are the Technical Assistance Centers, the Supply Chain group, and various business support professionals.

- A new headquarters group, the *Global Services Organization*, is led by a vice president responsible for creating a consistent customer experience and achieving economies of scale through global strategies, operating models, and standards, as well as for allocating budgetary funds among the theaters. The VP is also the point of escalation on global issues.

- A second new headquarters group, the *Global Business Services Group*, is led by a vice president with a clear mandate for driving strategic initiatives in the business and interfacing with other parts of Cisco Services and with Cisco overall.

As part of this group, a new project management organization employs professional project management and change management skills to ensure the appropriate execution of strategic initiatives.

Detailed Design and Implementation

The high-level design developed by the senior leaders was the starting point for an ambitious project to design the rest of the structure in detail; plan the implementation of the new roles and the operating principles of the transformation; and assure adoption by the Technical Services division. This became the charter of a newly formed Design Team: 14 business operations and HR leaders from the major theaters and function groups, as well as several part-time

communications and change management consultants, and, importantly, a full-time project manager. The director of human resources and organizational development (the author) served as both the business sponsor and the leader of the Design Team, while a member of the senior leadership team served as the Design Team's executive sponsor.

Members of the Design Team worked in four parallel tracks to orchestrate the transformation: organizational design, transition into the new structure, executive alignment and governance, and change management. Since many change efforts fail not in the planning phase but in the implementation, the Design Team invested significant effort in embedding a strong change management approach in the transformation initiative to ensure organizational adoption of the solutions developed in the other three work tracks.

The Design Team's deliverables included the following:

- recommendations for the directors' roles—the leadership level below the vice presidents—in the theater and global units;
- clarification of roles under the new structure, especially the differences between the theater and global roles (see **Exhibit 3** for an example);
- detailed RACI charts for key decisions, which specified the roles involved and the level and type of participation in the decision making;[1]

- competency models, including required skills and behaviors, and selection criteria for the roles;
- in conjunction with senior leaders, assessment and selection of the best people to fill the key roles;
- performance objectives for each role, in order to align rewards (incentives) with accountabilities and competencies; and
- new governance structures, such as councils and task forces, with clear charters and processes to improve the quality and productivity of decision making within the governance bodies.

Metrics and Measurement

The Design Team developed a portfolio of metrics for tracking the progress and effectiveness of the transformation, as well as its own productivity:

- *Business impact* measures gauged the transformation's effect in four areas: financial results, customer satisfaction, operational excellence, and employee productivity.
- *Adoption metrics* determined the degree of understanding and support for the change throughout the organization (this is discussed in more detail later).
- *Design Team metrics* helped the team to judge its progress in meeting project commitments and to monitor its own group dynamics in order to ensure role clarity, team-member engagement and motivation, and productive decision making and conflict management.

Exhibit 3. Comparison of Accountabilities for New Theater and Global VP Roles	
VP Theater	*VP Global Services Organization*
• Responsible for customer satisfaction and a unified customer experience	• Create globally consistent customer experience
• Optimize local financial results: Accountable for headcount, budget, revenues, and margins in theater	• Optimize global operating model
• Deliver against global standards	• Allocate budget among theaters
• Create point of escalation for customer issues	• Serve as point of escalation on systemic or TS transformation issues
• Grow services and address market opportunities with TS theater VPs	• Create global strategy in support of TS transformation

The team conducted informal interviews with key stakeholders on a regular basis and solicited feedback from the senior leadership team at monthly review meetings. At the end of the initiative, the team conducted a postproject assessment (discussed later) and a sponsorship effectiveness survey.

Change Management

Technical Services officially launched the structural changes and other elements of the transformation at the beginning of fiscal year 2006, which triggered several additional change management activities to prepare the organization and then monitor the adoption of the desired changes.

Communication. The change management team developed and implemented a strategic communication plan to ensure that employees received and understood the information essential to organizational adoption. The plan included closed-loop feedback vehicles as well as one-way communications, including road shows, e-newsletters, executive roundtables, conference calls, Web-site updates, and employee focus groups.

Organizational Conflicts. As organizational conflicts presented themselves, the change management team immediately devised remedies. For example, it became clear that new governance bodies (councils, task forces, etc.) were popping up without adequate charter or sponsorship. The executive sponsor was brought in to help champion appropriate interventions.

> As organizational conflicts presented themselves, the change management team immediately devised remedies.

Organizational Adoption. To assess the degree to which the organization understood and embraced the changes associated with the transformation—

including the effectiveness of the communications plan and other change management levers—the team developed and conducted a formal organization adoption survey of all TS employees. The baseline survey and follow-up surveys, conducted 6 months and 12 months later, included such items as the following:

1. I am getting all the information I need to effectively do my job.
2. I believe the new organizational structure will help drive globally consistent practices.
3. The executive team is addressing the most important business issues.
4. The new structure will allow us to better support customers in our theater.
5. The difference between the theater and global VPs is clear to me.

Where survey results and period-to-period changes pointed to problem areas, the change management team implemented course corrections.

Assessing the Transformation

By the fourth quarter of fiscal year 2006, it was clear that the transformation had been a tremendous success. A postproject assessment documented much evidence:

- Contract savings, a consolidation of multiple functions, smaller growth in headcount, and a reduction in rework costs added $9 million to the bottom line (without the need to eliminate any staff).
- Cisco's brand was enhanced when we became the first global services organization to win the coveted JD Powers Award for quality—an achievement that surely would not have been possible under the old, more fragmented configuration.
- Already-high customer satisfaction scores increased from 4.21 to 4.31 (on a 5.0 scale).
- Revenues and margins were higher than ever.

- More than 50 percent of TS leaders were thriving in new roles.
- Fourteen new rotational opportunities were enhancing the development of TS leaders.
- TS leaders were building their general management skills.

However, the assessment also shed light on some areas of concern:

> While Technical Services had a compelling, high-level vision in place, that vision was not yet well understood below the senior leaders.

- While Technical Services had a compelling, high-level vision in place, that vision was not yet well understood below the senior leaders. Execution "on the ground" was strong, but employees lacked a clear sense of where the division was headed.
- The new matrix structure had improved efficiencies and had begun to create a foundation for greater accountability; however, leaders viewed the governance process as more complex and confusing now that the balance of power had shifted to the theaters. How were decisions that required input from both theater and headquarters to be made?
- Although we had made much progress in clarifying the respective responsibilities of the global and theater teams, there were still numerous organizational conflicts and some continued confusion around roles.
- The senior leadership team was functioning well and was mostly characterized by high levels of respect. However, members still needed higher levels of trust, an expanded capacity for productive conflict, and greater clarity around how the TAC and Supply Chain functional strategies integrated with each other and with the strategies of other TS functions. They were still feeling out

their new roles and had not explicitly decided how they would run the business together.

In short, we had more to do to further the organization's adoption of transformation principles and changes.

### Phase 2: Optimizing the Structure and Aligning the Leaders

The Design Team recommended and then undertook a second phase of the TSOT, which focused on creating stronger leadership alignment and collaboration in order to optimize the new organizational configuration.

The Alignment Mapping Tool

To understand the root causes of the counterproductive dynamics highlighted above, the Design Team partnered with a consulting firm, The Trium Group, and developed an Alignment Mapping Tool, a diagnostic for assessing the degree to which the TS leaders' actions were—or were not—aligned with four key areas of the transformation: vision and strategy, executive dynamics, governance, and mind-sets and behaviors:

1. The tool posed a series of questions in each area (24 in all), such as the following:
   - Vision and strategy: Is there a clear and shared end-state vision for TS? Is it clear how the strategy translates to theater priorities?
   - Executive dynamics: Is there a shared model for making trade-offs?
   - Governance: Are the working bodies (councils, task forces, etc.) well chartered and organized in a way that makes sense?
   - Mind-sets: Do we have the right behavioral agreements to optimize the transformation? Is there commitment to abide by those agreements?
2. For each question, the vice presidents and directors rated the degree of alignment—either "Fully aligned," "Not quite fully aligned but getting

Exhibit 4. Example of Analysis from Alignment Diagnostic
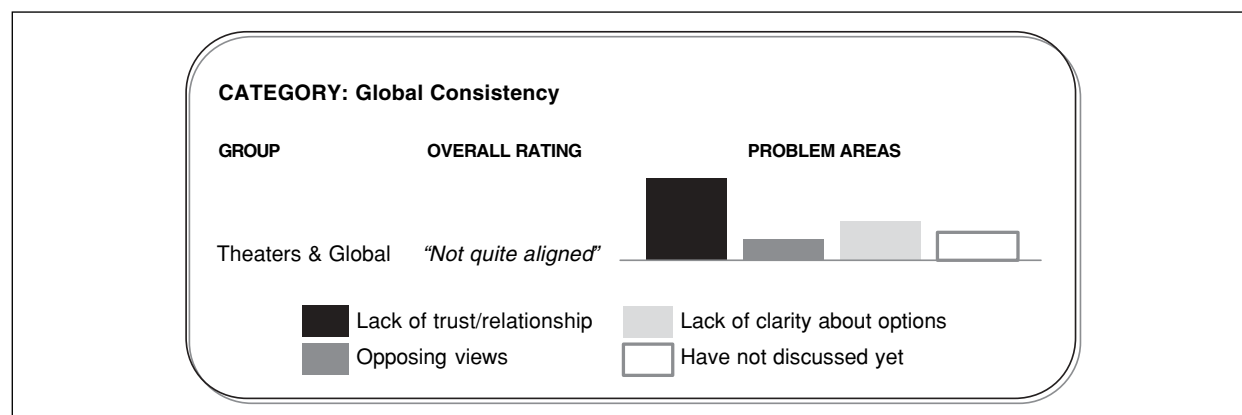
there," or "Not aligned at all"—for three distinct groups:

- between the theater and the global groups,
- between the senior leadership team and the next level of management, and
- among the senior leadership team members.

3. For any case where a group was not rated as "Fully aligned," respondents were asked to select one of the following four factors as the primary cause:
   - a lack of trust or relationship,
   - opposing views,
   - a lack of clarity about options, or
   - has not been discussed yet.

Analysis of the responses to the Alignment Mapping Tool allowed us to not only pinpoint areas of misalignment but also understand *where* in the organization it existed and *why*, as the example in **Exhibit 4** illustrates.

Major Findings

An analysis of responses to the Alignment Mapping Tool found the executives to be fairly clear on the strategy but not able to implement it as effectively as possible because of trust and relationship issues. This lack of trust was particularly evident when they had to make tough joint decisions or trade-offs. This in turn adversely affected the next level of manage-
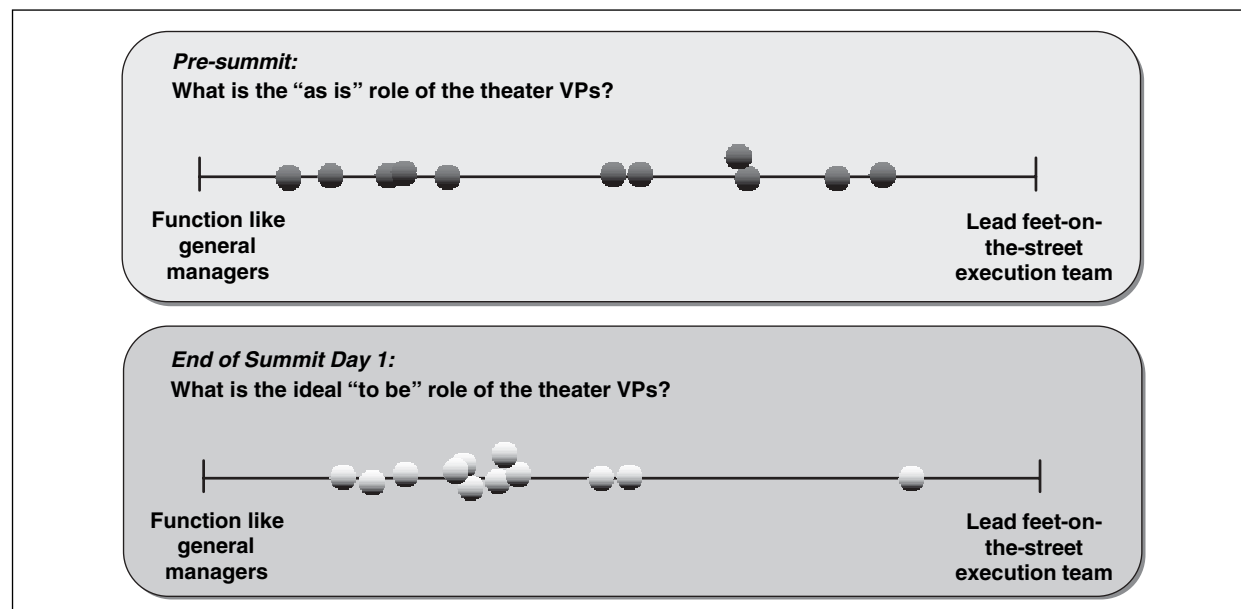
ment, the directors, with the overall result that leaders were maintaining their respective silos.

The lack of trust and solid working relationships had also fed a proliferation of governance councils and working bodies—everyone wanted to ensure that he or she was represented and had a say in decisions. It was difficult to keep track of all the councils, let alone ensure a clear communication loop about what decisions had been made.

Last but certainly not least, given the amount of change called for in the TSOT initiative, leaders were not yet equipped with the optimal mind-sets and behaviors to make the transformation work for the long term. While senior leaders led the change in their respective areas, they were not necessarily coming together to have a meaningful dialogue about the health of the entire business, and pockets of friction in their working relationships were growing.

As Trium conveyed to us, Phase 1 of the transformation initiative had dealt primarily with the tip of the iceberg—strategies and tactics, goals and success metrics, and roles and accountabilities, which it referred to as Level 1 issues. Still waiting to be addressed were less visible but equally important Level 2 issues of the transformation—its context and environment, philosophical alignments, and operating

Exhibit 5. Example of Working Through Senior Leaders' Philosophical Misalignments

Pre-summit:
What is the "as is" role of the theater VPs?

Function like general managers — Lead feet-on-the-street execution team

End of Summit Day 1:
What is the ideal "to be" role of the theater VPs?

Function like general managers — Lead feet-on-the-street execution team

models and principles—as well as Level 3 issues of trust, relationship, and mind-set, which are largely hidden from view but can capsize any major organizational change.

Working Toward Alignment

To strengthen the alignment of the entire leadership team, the Design Team organized an offsite "leadership alignment summit" that would bring together in a face-to-face session—for the very first time—all of Technical Services' more than 90 leaders from around the globe. Trium designed (and later facilitated) the two-and-a-half-day summit with the objective of building higher levels of trust, stronger relationships, greater empathy, and new mind-sets among the TS leaders.

Only the senior team attended the first day of the summit. The first part of Day 1 focused on Level 2 issues, including helping the senior team reach greater philosophical alignment about how the matrix structure should work, particularly the respective roles

and responsibilities of the theater and global staffs. For example, coming into the summit, senior leaders held widely varying beliefs about how the new theater VPs functioned—all along the spectrum shown in **Exhibit 5**, from operating like a general manager of the theater to focusing more narrowly on execution. The senior leaders openly discussed their differences in the summit and reached greater alignment regarding how the role *should* function—also illustrated in Exhibit 5—and were prepared to clearly articulate the differences to their own teams on Day 2 of the summit.

For the rest of Day 1, the senior leaders addressed Level 3 issues related to trust, relationship, and mind-set. They learned a new framework for understanding trust as being built on or diminished by a series of conscious and unconscious assessments—about someone's competence, reliability, and motives. They assessed their level of trust for each other and spent time in one-on-one trust-building conversations.

Trium worked with the team to identify how certain mind-sets lead to certain actions and how breakthrough results can occur by shifting one's mindset. The senior leaders experimented with shifting mind-sets—for example, from needing to get *agreement* all the time (agreement defined as "It's my first choice.") to being comfortable with *alignment* ("Not my first choice but I can support it as if it were."). In powerful dialogue and experiential exercises, the team explored opposing mind-sets—for example, *victim* vs. *responsible* mind-sets, and *a team of leaders* (each focused on his or her own function) vs. *a leadership team* (focused on the broader organization and functional interdependencies)—along with the implications such mind-sets held for the alignment challenges facing the team.[2]

> Trium worked with the team to identify how certain mind-sets lead to certain actions and how breakthrough results can occur by shifting one's mindset.

All the TS leaders convened for the next day and a half of the summit. The senior leaders addressed some of the points of confusion and misalignment with the directors and discussed and modeled new ways of working with each other. The directors were given an opportunity to "walk in each other's shoes" and come to a much deeper understanding of their peers' challenges. The participants built and strengthened relationships, corrected misunderstandings, and agreed on new ways of engaging across organizational boundaries.

Afterward, leaders rated the summit at an average of 4.7 out of a possible 5.0. The statement, "The summit was a good use of my time," received a resounding 5.0 from all participants.

The summit was so effective that the senior vice president of Technical Services committed to holding another summit in six months, a practice that we are continuing. At these subsequent summits, the structure and content have evolved to address current business and alignment issues, and the top 100 leaders in the organization come together to focus on cross-functional problem solving as well as personal and team development.

The summits have had an immediate and sustained impact on the senior leadership team. The theater and headquarters vice presidents emerged from the first summit with a clear understanding of their roles, and they are now collaborating effectively, having built solid relationships and a foundation of trust with each other. They are also attending fewer meetings, additional evidence that they increasingly trust peers and delegates to represent their interests. Directors, who have also found the summits to be highly rewarding, are actively collaborating across functional and geographic lines and feel empowered to create informal networking forums in which they actively work to build alignment with each other and leverage each other's capabilities. Perhaps most telling is that the Technical Services division has developed a reputation within Cisco for the effectiveness of its leaders.

Summary

Strong executive sponsorship, effective processes and resources, and an appreciation for change management and "soft skills" development were critical factors in the sustained results of the transformation, allowing the Technical Services division to realize the full benefits of the transformation in less than two years without the costs and pain associated with many large-scale change efforts.

Beginning with a newly configured organization, the senior leadership team supported a transformation heavily weighted not just toward traditional design elements of structure but also toward organizational adoption and alignment, which included

aligning performance objectives, creating linking mechanisms such as councils and task forces, and developing new skills and mind-sets around trust and relationship.

Because the transformation had the status of a business initiative, it received attention and focus at the right organizational levels. A professional project manager and formal project management approach further strengthened the effort—as well as serving as a model for future strategic initiatives. And because people support what they help create, a high-engagement team model, with most of the Design Team coming from the business, helped to ensure adoption.

Meaningful metrics and well-timed measurements taken throughout the project, in conjunction with an aggressive change management plan, which included a continuous monitoring of and response to organizational conflicts, enabled us to make rapid course corrections and keep the transformation on track.

Within Cisco, the Technical Services organizational transformation received the highest rating of any business initiative in fiscal year 2006. Since then, TS leaders have insisted on applying the same prin-

ciples and frameworks to new business initiatives, and many of the change management activities that were designed for the project are now just part of how the division operates. For those of us who led the design efforts from an HR and organizational development perspective, this is perhaps the biggest success indicator of all—that good solid organizational design and change management are embedded in the business.

Notes

1. A RACI diagram shows what roles or positions are involved in accomplishing a particular task in a project or process, along with each role's participation—specified as one of four types: Responsible (those who do the work), Accountable (the one ultimately answerable for the work and its results), Consulted (those whose input and opinions are sought), or Informed (those kept up-to-date on progress).

2. Based on training and presentation materials developed by The Trium Group, San Francisco, California.

Barrie Novak is director of human resources for Cisco Technical Services, part of Cisco, in San Jose, California. She was the business sponsor for the TS Transformation Design Team and has led the organization design and change management for the transformation since March 2005. She can be contacted at bnovak@cisco.com.