westMONROE | POINT OF VIEW

Your organization's siloed structure is inhibiting your digital future

Collaboration between departments is crucial to solving today's issues and capitalizing on opportunities

Departments serve an important role across companies. They ensure focus and expertise in key functions needed for success—from sales and marketing to product development to HR—and maintain accountability for progress against their specific mandate.

But in today's market, the traditional department mandate is quickly evolving. Why? Major business issues and opportunities, from DEI and ESG, to cybersecurity and digital transformation, don't sit within just one business function, and addressing them requires a holistic view and collaboration across the organization.

> **The problem is many large enterprises—especially those operating in traditional industries—don't experience or encourage the level of collaboration needed to tackle today's top issues.**

Why is collaboration such a strong pain point?

In our experience, it's an accumulation of several characteristics that are innate to large, multifaceted organizations:

- inefficient and complex processes—sometimes across time zones
- outdated technology or systems that inhibit teamwork
- resistance to change
- lack of alignment on goals or objectives across departments

We get it—organizational siloes exist in nearly every client organization we partner with. But the opportunity from increased collaboration is real: Our research also shows that **collaboration is one of the top four drivers of organizational performance.**

So how do you get all your departments working together toward common goals? How can you break down siloes to innovate faster? And how can you improve reputations so that all departments are seen as enablers instead of blockers?

Read on for a blueprint, with specific action items, that increases collaboration across the enterprise.

Collaborate or crash: The missed opportunities that cost you business

Data clearly indicates that the highest-performing organizations have a culture of collaboration. They intentionally support this through rewards and incentives, agile workflows, and a flexible structure.

90%
encourage and/or recognize employees for working collaboratively

83%
say their organizational conditions support agile workflows, cross-team collaboration, and decentralized decision-making

63%
have an organization structure that enables individuals to collaborate across functions with ease

60%
have an organization structure that is highly flexible and can adapt as needed

Yet too often, we see the opposite, leading to unforced errors and negative business impacts. In one example, a manufacturing company was managing supply chain issues that caused delays. After months of managing complaints from customers waiting for their order, the product was finally available to ship, but there was just one problem—there were no boxes to put them in. While the supply chain delays were outside the company's control, the boxes weren't. Communication had broken down across departments, and this caused further issues.

In another example, a PE-backed, direct-to-consumer cosmetics company was focused on creating more value in their supply chain, but was missing a much simpler opportunity to create customer loyalty. By connecting data from the sales team on the most common repeat purchases to inform new product bundles for the marketing team to promote, and working with developers to add a personalization quiz with recommendations on the website, the organization significantly increased customer lifetime value and drove an additional $10M in EBITDA—all without having to make a single shift in their supply chain.

Simply connecting dots across the organization made a major impact.

Mistakes and miscommunications happen in any company, but collaboration across departments helps capture more value and avoid potential issues.

Risk management and policies are essential, but in a modern workplace, both must evolve to support the business strategy. When it comes to HR, too many companies still have a one-size-fits-all approach and lack agility to adjust rewards and incentives to align with new goals.

As a result, shared services functions such as HR and compliance can often be perceived as inhibitors to growth if they're not effective in enabling core business functions to execute on their goals.

Our research also shows that high-performing organizations support a risk-taking culture, but risk is still viewed as a four-letter curse to most HR and compliance departments.

Instead, HR and compliance departments should serve as effective partners and collaborators to advance business goals. On the HR side, this may mean developing business-centered HR leadership that is flexible to align incentives and rewards to support digital or revenue-generating goals.

HR should also be viewed not just as conflict managers but also as bridge builders—becoming key influencers and facilitators of collaboration across departments.

Why HR and Compliance Get a Bad Rep—and How to Fix It

	Advances	Inhibits	Not sure
IT	68%	30%	2%
Customer Services	61%	33%	6%
Finance	61%	35%	4%
C-Suite	61%	34%	6%
Marketing	59%	36%	5%
Sales	59%	36%	5%
Research/Analysts	58%	35%	7%
R&D	54%	41%	5%
Risk-Compliance	51%	44%	4%
HR	48%	44%	8%

HR and compliance teams, according to our research, are most likely to be viewed as inhibiting a company's digital vision.

Why? It starts with their mandates, both of which are rooted in risk and policy to protect the organization.

Your Collaboration Blueprint: These steps improve cooperation at scale

Silo-busting is a simple concept, but it can be challenging to execute. It's a wholesale change management effort that must influence every part of the organization.

And while approaches may vary, there is a roadmap to establishing a mandate for and culture of collaboration, followed by setting up the systems and structures that will make it a reality.

In the most successful companies, organizations are structured around customer wants and needs to provide the best solution in the most efficient way. That includes a roadmap for collaboration with these key features.

A company's ability to achieve any goal begins at the top. Starting with the CEO and extending to the entire C-suite, organizations need to have a clear vision, strategy and mandate to collaborate to achieve it.

VISION

- Set a clear vision for collaboration across the organization that is endorsed—and practiced—by C-suite
- Communicate the vision clearly and repeatedly to reinforce the message
- Orient teams around a product vs. a project

It works best when the terms are crystal clear.

Communication of that mandate is also critical. Executives often feel that the vision has been clearly communicated after it was shared once at a leadership meeting or a company townhall. But that's like placing one billboard on a highway and expecting every driver to understand and internalize the message. Professionals are busy, distracted, and managing a lot, and they need multiple channels and reminders to understand the goals and expectations.

> Vision matters. In one company we worked with, the biggest cheerleader of their digital vision was the CEO, who made clear to the full company that this transformation was the future—and that departments or professionals not on board were actively working against the company and would be on the way out.
>
> **ANDY JOHNSON**
> *Partner, Mergers & Acquisitions*

From this foundation, the next question is how to tactically make this collaborative vision a reality. While there is no magic bullet structure, it's important to have systems that reinforce a culture of collaboration.

For example, teams have traditionally been organized around a project, but collaboration works better when they are organized based on a product, service or shared goal.

What's the difference? A project is something that is targeted to an outcome, with a clear start and end state. But the most successful organizations aren't thinking only about completed projects, they're thinking about the implications for the customer and product. Product-oriented teams have a steward and it's an evolution. There can be multiple projects against a product.

> Too many companies orient around project because it's easier to staff, scope, budget. But if you lean too far into that—you get too predictable and miss opportunities to work side by side with other departments.
>
> **COURTNEY HEMPHILL**
>
> *Partner, Product Engineering & Experience Lab*

Once the vision is set, every team member should have a clear line of sight for how their role enhances customer value and contributes to the vision and business outcomes. This gives team members a North Star against which to make decisions, prioritize, and collaborate within and across teams.

From there, collaboration at the team level requires intention and bringing stakeholders together from the beginning.

ROLE

- Build multidisciplinary teams (representatives from different functions) with clear roles and responsibilities
- Create product development pods with engineers, customer service, security and sales team representation
- Establish "dotted line" accountability across departments to create responsibility for collaboration

For example, when it comes to product development, the team should include not just the engineers or developers who will build the solution, but also the customer success team who can share feedback, the risk and compliance team who can ensure security is built in from the ground up, and the sales team who can begin strategizing on the go-to-market approach.

This also helps teams with different skill sets learn what each brings to the table, as well as building empathy and relationships—it's difficult to value someone if you don't really know what they do. IT departments benefit from understanding the business narrative driving their work and product teams benefit from seeing the security risks and importance of controls firsthand from IT's perspective.

Collaborative teams may still report to their respective departments but also have a matrixed structure with a dotted or direct line to their collaborators. The outcome is a shared mandate and shared responsibility to meet it. It eliminates turf battles between professionals because they are on the same team with responsibility to support each other.

Collaboration in Action: The Crisis Task Force

In 2020, every company was faced with a new challenge: how to respond to a major health, economic and financial crisis from COVID-19. Ineffective companies spun up multiple task forces siloed in different areas of the business—and had to spend time reconciling or responding to the priorities of each group. Strategic companies, on the other hand, realized the pandemic would impact every area of their business and acted accordingly, creating consolidated COVID-19 task forces and PMOs with representation from HR, finance, risk, sales, operations departments and more.

It was essential for decisions and actions to consider all stakeholders and business functions, and these multidisciplinary teams could act more urgently and thoughtfully together. Companies have continued to leverage this cross-functional task force model to address other major issues, from inflation to supply chain to digital transformation.

> Fail fast requires not just measured risk taking, but also urgency so that companies don't spin wheels on an initiative that won't add value. Teams should set milestones, celebrate wins and move on from missteps quickly—all in terms of days and weeks vs. months and quarters.
>
> **KRISTIN IRVING**
> *Senior Partner, Healthcare & Life Sciences*

ENVIRONMENT

- Build a risk-taking and "fail fast" environment
- Ensure leaders practice authenticity and vulnerability to set tone at top that failure is not just OK, but expected
- Turn failures into positive learning opportunities

Building multidisciplinary teams is a critical step, but the environment must be right for those teams to thrive.

The most successful organizations pair collaboration with a risk-taking, "fail fast" environment.

What does that look like in action? When leaders are clear that missteps won't be penalized, professionals feel freer (and safer) to share ideas and try new things without fear of mistakes that lead to reprimand or termination. It fuels innovation and collaboration without the finger-pointing and face-saving that burns productive time.

This is not to say that mistakes aren't analyzed. High-performing organizations still invest time in team retrospectives to discuss failures and shortcomings, but turn them into positive learning opportunities rather than punitive discussions about mistakes.

Leaders play a critical role in realizing this approach. Fostering authenticity and vulnerability across leadership helps create an open environment for colleagues to share their thoughts and engage in healthy conflict. In fact, this is a key practice for a "fail fast" environment exhibited by high-performing organizations.

It's all in the execution.

Gamification is also a creative strategy to bring the collaborative, risk-taking environment to life. When we worked with a medical services company to merge two sets of technology systems, we worked with the client to create a mountain climbing metaphor with clear milestones for reaching the "top." Each step was celebrated as though the team had made it to the next Everest base camp—even including victory flags—and the "no team member left behind" mantra helped reinforce the collaboration.

It was clear the team was going to reach the summit or descend together, and in the end, they succeeded.

INCENTIVES

- Establish collaboration KPIs
- Align individual and team goals to KPIs
- Ensure reward structure incentivizes and holds teams accountable for collaboration

The adage "what gets measured gets done" remains true, and that's why organizations must back up their collaboration mandates with clear measurement and accountability.

We see a very common mistake play out time and time again with companies who have multiple products or are building a platform.

In one example, a company was working to become an enterprise software provider, but divided each product into a business unit with its own P&L. They were very measurement-focused and had access to the data they needed to access performance. Each product had sales goals, KPIs and engaged leaders.

There was just one problem: Their go-to-market strategy required cross selling, but goals and incentives were not aligned to reward cross selling.

People were not talking to each other across product lines to facilitate those opportunities. The company needed a bridge between their "one company" strategy and their "many company" structure and incentives to bring the integrated sales approach to life.

> Every individual can have their own KPIs, but it's the shared goals and shared KPIs that hold teams accountable for collaboration and make sure there is a direct connection between targets and program management.
>
> **RANDAL KENWORTHY**
> *Senior Partner, Consumer & Industrial Products*

Companies should consider structuring incentives and rewards that cross departments—for example 50% of an employee’s annual reward might be based on their performance in their specific department, and the other 50% may be based on outcomes that impact the enterprise or connect to their cross-functional team.

> Our data shows that collaborative companies are exceptionally good at developing their people. They have more opportunities to learn, grow and take risks in a psychologically safe environment. That opportunity and environment is huge for retention, a critical contributor to company performance in any economic market.
>
> **DAVE HILBORN**
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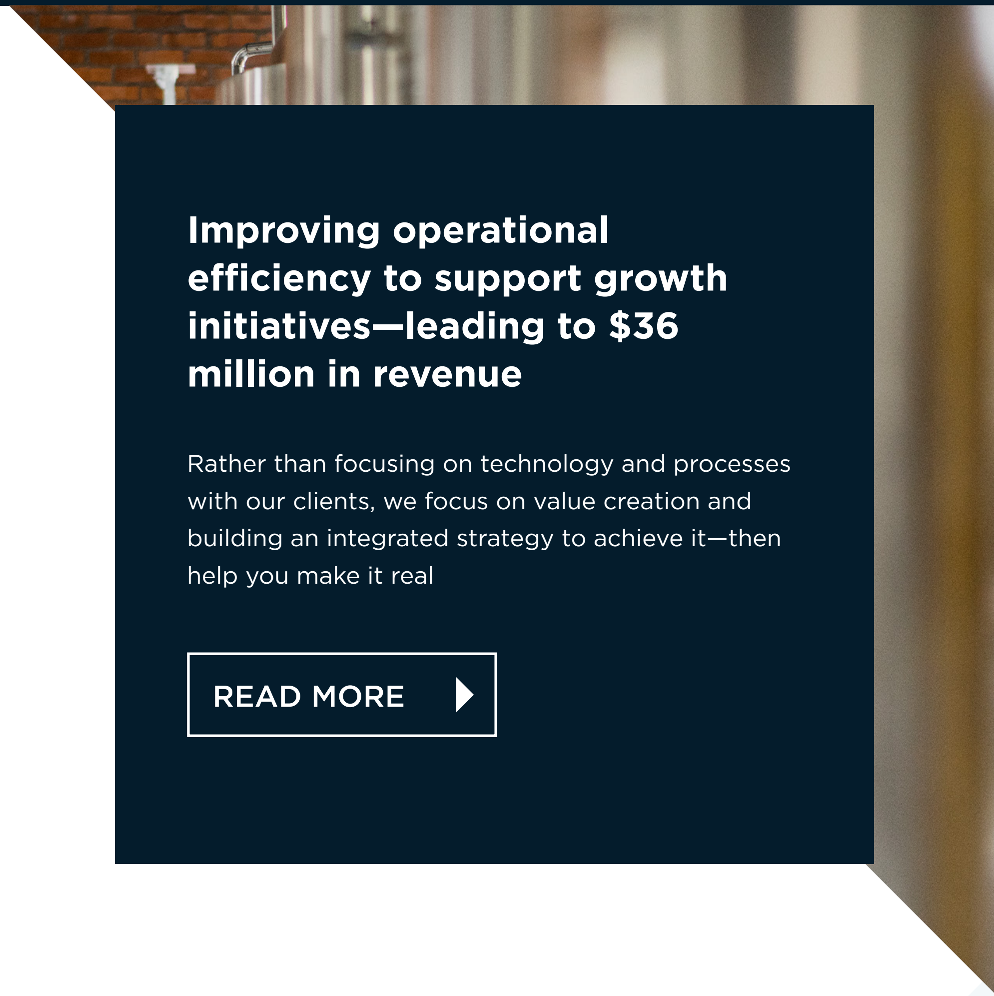
Conclusion: Candid Advice

It’s easy to talk about collaboration, but is another to make the difficult decisions to operationalize it—and hold people accountable. Companies and leaders may need to get comfortable with some short-term discomfort as they work to realign management practices, work with managers on new rewards and incentives, and set teams up for success.

It requires intention and the grit to see hard things through, and leaders can’t leave collaboration to chance.

But the benefits are clear—both to the bottom line and to the value for employees.



Improving operational efficiency to support growth initiatives—leading to $36 million in revenue

Rather than focusing on technology and processes with our clients, we focus on value creation and building an integrated strategy to achieve it—then help you make it real

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About West Monroe

West Monroe is a digital services firm that was born in technology but built for business—partnering with companies in transformative industries to deliver quantifiable financial value. We believe that digital is a mindset—not a project, a team, or a destination—and it's something companies become, not something they do. That's why we work in diverse, multidisciplinary teams that blend management consulting, digital design, and product engineering to move companies from traditional ways of working to digital operating models—and create experiences that transcend the digital and physical worlds. Connected by the 13 founding values that drive our culture, our 2,000 employees work collaboratively across the firm with the belief that your success is our success.

Visit WestMonroe.com to learn more.

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