



The CEO Challenge for February 2010

The Cost of Chaos

During the first week of the new year, when we tend to gaze optimistically at the road ahead, a headline from the Associated Press announced “Americans’ job satisfaction lowest in 22 years.”

The article then went on to say “That is the lowest level ever recorded by the Conference Board research group in over 22 years of studying the issue. If the job-satisfaction trend is not reversed, economists say, it could stifle innovation and hurt America's competitiveness and productivity. It also could make unhappy older workers less inclined to take the time to share their knowledge and skills with younger workers.”

Well, that got my attention! Of course there are many reasons for the decline, including the worst recession since the 1930s and the fact that downsizing has created more work and more demands on the workers who’ve survived the cuts. That doesn’t change the fact, however, that such a decline has somber implications for businesses, and executive teams need to address this issue in their organizations.

SOFT ISSUES, HARD IMPACT

Much has been written about the effect morale, culture, and what’s frequently referred to as the “soft issues” have on an organization. If you’ve read the articles or experienced a negative culture, you know that the effects are anything but soft. Lost productivity, poor teamwork, tension, a dearth of ideas and innovation, doing just as much as required and nothing more ... all of these problems dramatically impact the bottom line.

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The monthly CEO Challenge is published by The Revenue Game, a revenue consultancy that helps clients generate predictable, profitable growth. To get in touch with us directly, please contact Jane Adamson, CEO, at (866) 356-8979 or janeadamson@therevenuegame.com.

Need proof? In their book [The New Corporate Cultures](#), Terrance Deal and Allan Kennedy calculated the average performance of culturally robust companies and their weaker counterparts. They found that

- Over a span of 11 years, “culturally strong companies” averaged **571% higher gains in operating earnings** than those they deemed “culturally deprived.”
- Companies with highly-rated cultures averaged **417% higher returns on investment** than their less culturally-robust counterparts.

At The Revenue Game, we frequently use the term “cost of chaos.” This concept came from our work creating revenue strategies and aligning organizations to execute on those strategies. We’ve seen firsthand that the staggering lack of alignment in most organizations has real financial cost. But today, let’s talk about the human cost – the cost of poor alignment on people and their outlook about their work.

Some of you may object to the word “chaos” when we’re talking about organizations that are out of alignment. You may say, hey, we’re not perfect, we have problems, but “chaos” is much too harsh. We argue, however, that the word choice is appropriate and weighted accurately.

THE HUMAN COST OF MISALIGNMENT

Human beings, especially in today’s economy where the necessity of brainpower is so acute, desperately want to do things **because they matter**. They want to be part of something **bigger than themselves**. It’s the motivational driver behind **engaged workers**, behind **innovation**, behind **passion** and **commitment**. In order to feel that intrinsic motivational pull, employees need to be **pulling in the same direction and not at cross-purposes**. (On that note, I highly recommend this 20-minute TED lecture by Dan Pink on “[The Surprising Science of Motivation](#).”)

For example, here are three common examples of misalignment that cause frustration, anger, confusion and, eventually, disengagement.

1. **Sales reps are judged on and rewarded for bringing in revenue while manufacturing/engineering/ operations teams are judged on and rewarded for efficiency.**

This misalignment directly and frequently impacts a company’s bottom line. After all, when there is no alignment on the type of revenue or projects sales should bring in, reps will bring in anything they can find. Manufacturing/engineering/operations teams end up with a slew of different projects with different expectations from different customers with different needs.

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Sales reps walk around patting themselves on the back for the revenue they've brought in, but the delivery folks gripe about sales because the projects coming into the company make efficiency impossible. Sales reps become confused and frustrated, and the most talented ones often leave the company for greener pastures. Operations teams become equally angry. And guess what -- customers see this tension and eventually take their business elsewhere.

2. **The company's revenue goals depend on a few sales heroes who get all of the recognition, pay, and perks.** The support group behind those reps works hard but receives little recognition for contribution.

What makes this scenario even worse is that company leaders will get up in meetings and talk about teamwork, but employees experience a far different reality – one that tells them some team members are better than others. Resentment is rampant.

3. **Everyone knows the company's revenue goals, but the strategy for achieving those goals is either non-existent or known to only a few executives.** Everyone does the best they can, but with a limited view of the strategic whole, their efforts are frequently ignored, unappreciated, or even disparaged.

If employees think what they're doing is right, but then they're shot down for their efforts without understanding why, the natural reaction is disengagement.

Is it any wonder that job satisfaction is so alarmingly low?

ACTION PLAN

1. **Develop a clear revenue strategy that maps out HOW you will achieve your revenue goals.**

Every functional area of the company should be represented in the development of the strategy so that each representative understands the rationale behind the strategy, the revenue principles the strategy is based on, and what the key elements to success are. Ensure that the communication then flows from the strategic development team to all corners of the company. The goal is to paint a very clear picture to every single employee of where you're going, why you're going there, and how individual employee's work contributes to the company success.

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The plan itself should clarify:

- The specific niche the company wants to dominate
- A profile of the perfect customer
- The promises the company is making to that customer
- The problems that customer has that the company's offer will solve
- The offer deliverables to the customer

With that information in hand, individual employees will be able to stay in alignment with the strategy as they make small daily work decisions.

2. Build high-performing teams that understand and want to support the big picture.

It's not enough to just communicate a revenue strategy and plan at the beginning of the year. Your management teams need to continually communicate the vision and lead your organization to execute on those goals each day.

A big part of that leadership is to break down silos and rally your employees around the customer and solving the customer's problem. Silos intensify when people either don't understand dependencies or they're rewarded on silo-based metrics. It's up to your management team to monitor silos and address any disconnects immediately.

Remember, humans want to do a good job. The goal is to show them exactly how they help each other -- they will make the system even better.

3. Give your team the resources they need to succeed.

Nothing discourages employees faster knowing what the goal is, but not having the resources to achieve it. It's the root of most accountability problems and many morale issues that -- as we said earlier -- have human and financial costs for your business.

If your revenue goals are worth achieving, they're worth the appropriate investments in people, processes and technology. If you can't justify the investments, then you probably need to lower your goals so they're achievable.

4. Make sure that your compensation plan supports your alignment.

Comp plans that reward a few sales stars with hefty commission, generous expense accounts and lavish trips can absolutely kill the alignment in your organization. You're sending a message to the entire team that only a few players in one functional area -- sales -- are highly valued and that individual performance is more valuable than team accomplishment.

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We're not suggesting that commission and bonuses are wrong. We do recommend that your sales reps are rewarded for profitable, successful projects rather than just revenue. That way, their goals are aligned with the company's revenue strategy and the goals that all functional areas share.

The same philosophy holds true for other functional areas – make sure their incentives and bonuses are tied to the company's goals so that they are rewarded for working together rather than in silos. In addition, high performers in all areas should be recognized for their contributions on a regular basis. Don't let the sales team walk around patting themselves on the back without publicly recognizing the rest of the talent that brings the company's vision to life. Not everyone wants the stress of sales, but they do want recognition for their achievements.

5. Create positive metrics for your revenue plan.

Your team wants to celebrate success, so structure your metrics so they're positive, not negative. For example, instead of the negative "reduce our current error rate of 20%," say "improve our 80% accuracy rate." That small shift allows you to celebrate small steps as you approach the goal and then surpass it! Celebrate 79.9%, 80%, 80.1%, 80.2%, and so on. The celebrations will motivate, re-energize, and keep people focused on the right things.

CONCLUSION

Win The Revenue Game by cutting out the "cost of chaos." Give your employees the joy of being engaged and committed to something they understand and know they can affect. In order for that to happen, employees need to be pulling in the same direction and not at cross purposes. Let's not let year another year go by without addressing and improving that employee satisfaction statistic!

What do you think?

Please share your thoughts and experiences with us here!

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