The Nine Critical Questions Managers Should Ask – A Proposal for Evaluating Organizational Efficiency

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This article presents a practical solution to the manager's need to evaluate the performance of their organization. Current conceptual approaches to organizational performance provide a rich history of means centered principally on customer satisfaction and financial performance. However, these approaches do not always relate directly back to the relationship between the central concern of matching resources to the business requirements. This article focuses on answering that core relationship by way of a practical set of specific questions that managers should consider.

INTRODUCTION

The main purpose of this article is to propose a framework with which to evaluate the efficiency of an organization. A secondary purpose of this article is to correct a huge shortfall in the academic discussion of the concept of organizational efficiency (OE) relating to production and resources. A search of recent academic research on this subject shows a significant preponderance of literature on topics relating to corporate social responsibility and OE, employee commitment and OE, leader-member exchange and OE, and employee development and OE, etc. However, little literature exists on the relationship between the inputs and outputs and planning production, such as discussed by Lisboa, Gomes, & Yasin, 2012, and that is the focus of this article.

At the heart of every organization is it's *purpose or mission*. This purpose is the very reason for the existence of any organization; this is fundamental. However, what is not always clear, though, is the actual efficiency of the organization. Much of our current body of knowledge of organizational efficiency is really about *organizational effectiveness*. Although these two concepts are related, there is a tremendous difference in their frame of reference. Also related to effectiveness and efficiency is the concept of *differentiation* (Fugate, Mentzer, & Stank, 2012). Differentiation of products and services certainly adds attractiveness to the customer but will not figure into the core discussion of efficiency advanced in this article.

Organizational efficiency, for the purposes of this article, is the *relative efficiency* by which an organization carries out its mission. This efficiency is a measure of the *internal mechanisms of value creation in the conversion of inputs into tangible outputs.* This concept relates to the relative *ease or difficulty* in how an organization goes about its value-creation business. The intent being, of course, to be a relatively efficient producer of value in the competitive arena, so as to ensure the firm's survival.

To begin with, we need to review the basic definition of efficiency in the first place to ensure our mutual understanding of the concept in the context of this article. For this purpose, efficiency is the ability

to produce something of value without waste, in terms of either materials, time, or energy. It is the quality or degree of being efficient.

This definition contains two elements; first is the production and the *absence of waste* and second, it introduces the concept of a *relative degree of efficiency*. Both of these elements will come into play later in this article. In evaluating organizational performance, outputs are typically examined and measured. These outputs are the products or services of value for a customer or consumer. Outputs could range from hamburgers to ocean liners; it is all the same from a conceptual point of view. Closely related to measuring the outputs of an organization are *the financial metrics* of the organization such as sales, profits, return on investment, inventory turns, turn-around and throughput times, and others. These metrics are true performance metrics and of paramount value to stakeholders of a firm. However, these metrics are not the focus of this article. It is also suggested that a company's ability to generate profits not be necessarily a direct indicator of its organizational efficiency. This assertion may seem counterintuitive, but a simple example is worth mentioning. A company can generate enormous profits in a given time period by taking actions unrelated to its means of production. A company selling off assets, for example, could appear to make the firm 'successful' for a time period whereas it is shedding its means of means of future production. Consequently, this article will be examining how smoothly an organization gets its mission accomplished sans profit implications.

It is proposed that the relative 'smoothness' by which a firm accomplishes its work is an important indicator of performance, in itself. However, should the 'smoothness' really matter to a stakeholder? Is that some new, amorphous, 'feel good' concept that adds little to the bottom line or the future of the firm? Not really. This article forwards the idea of *organizational friction*¸ as an indicator of organization efficiency. Organizational friction here is akin to the term friction as it is used in the hard sciences. Friction in the physical science world is a force that resists the movement of one solid object over another object. With this definition in mind, it can be asked in the context of this article; "Do we have solid objects that interact with one another," in a business sense? This situation is considered next.

In a large organization, the individual business units or organizational segments can be thought of as 'solid objects' for this discussion. In their daily interaction with one another, one may well see forms of organizational friction present in organizational interactions. This friction will be covered in detail later in this article. To illustrate the point of organizational friction, consider walking across a carpet, and instead of picking up one's feet to move forward, one *drags their feet* along the carpet surface. The dragging effect causes *friction that generates heat* that, in this case, is an indicator of the relative inefficiency with the manner of propulsion. The greater the drag effect present, then the higher the heat will be, which is an indicator of a higher level of wasted energy. The organization's goal then should be to seek the *least amount of organizational drag or friction* in the business. In preparation for this discussion on friction, the nature of the organization is discussed next.

THE ORGANIZATION

What is an Organization?

There are some definitions of the term, organization. However, these definitions seem to agree on these salient points; an organization is an entity that:

- Is composed of multiple people (a talent base) joined for a purpose using some combination of other resources such as materials, machinery, money, methods, and infrastructure.
- Has an agreed-upon purpose for its existence. This purpose can be of a specified duration, such as in a project, or a recurring business process for on-going business concerns.
- Can be part of a larger entity, as in part of a 'whole' organization or associated by some community of practice.
- Typically has a standard set of doctrine, procedures, and culture to guide its accomplishment of its mission.

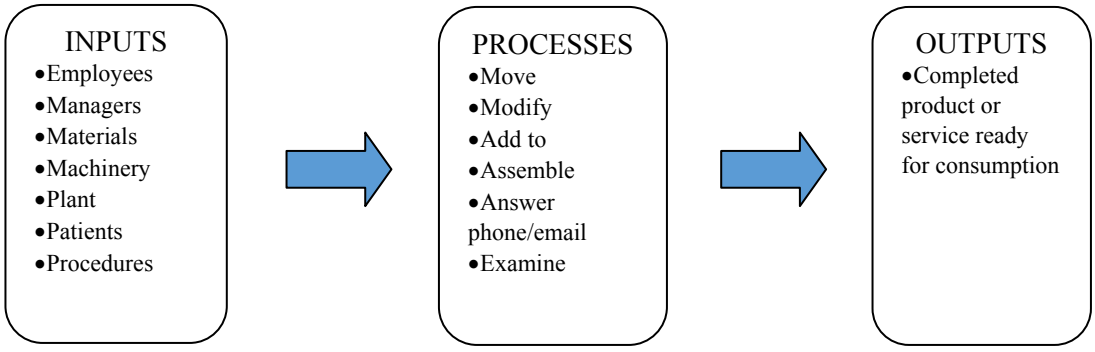
- Can and should have performance measures, metrics and standards by which to guide behaviors towards some targeted level.

What are the Components of an Organization?

For an organization to do its work, it must acquire resources of various types, then perform a set of *value-creating tasks*, in the creation of *discrete products or services of value* for customers. These customers can be either internal to the organization or external, but the principle is the same.

The process of value creation is illustrated in the below example showing the linkage between the *inputs* to a process; the *tasks* performed to create value in that process, and finally to the *outputs* produced for the customer. In many organizational and process improvement initiatives, these three elements are coupled with Suppliers preceding the Inputs and Customers, following the Outputs, to create what is referred to as a SIPOC diagram, in this case (Okes, Westcott, & Editors, 2001). The SIPOC diagram is a useful tool to visualize a company's value stream, and this diagram adds to the understanding of the whole process. The below boxes contain a short list of the most common components of each of the three elements; Inputs, Processes, and Output. A more all-inclusive view, though, is appropriate. For Inputs, this involves any material or non-material item that contributes to the production process, that is, any form of labor or talent, and machinery or consumables, and any policies and procedures. The Processes block below is a short list of the most common components of processes. A process in this context is any form of action that creates values based on the Input components. Verbs are typically used to denote these Inputs such as, 'assemble', 'calibrate', 'design', 'program', 'weld'. Finally, the Output block is the finished product or service, and it typically denoted by nouns. The customer is paying for the Outputs of the process. Examples include; 'a completed insurance policy', 'cheeseburger and fries', 'a stay in a hotel room', 'a pair of running shoes'. Figure 1 below shows the basic model of all business process, from Inputs to Outputs.

FIGURE 1
INPUTS-PROCESSES-OUTPUTS



Next, the concept of organizational efficiency is reviewed in context to the production capacity and the business requirements.

ORGANIZATIONAL EFFICIENCY

The Current Framework

The evaluation of organizational efficiency can be accomplished by viewing the *artifacts of performance*, that is, those measurable elements that are present as a result performing some activity. This concept of organization efficiency is akin to what some writers refer to operational performance (Zelbst, Green, Abshire, & Sower, 2010). The focus here is on the relationship of the inputs to the organization, with the outputs.

The artifacts of this relationship includes:

- Profit (or loss). This metric is typically the most commonly used metric in the for-profit arena. However, it should not be considered out of context to numerous other variables that impact profit. These include the overall health of the economy, the trend line within any segment of an economy, changes in the competition, and other factors. This was mentioned above in this article.
- Return on investment/assets/equity, etc. This metric is key to many businesses in that it can be easily used to make investment decisions among competing choices. For example, one could compare the percentage of ROI among three possible alternative investments to make the most rationale decision by selecting the highest percentage of return for any given possibility.
- Throughput times of a process – the time that it takes to complete processing of an item or a service.
- Cost of materials, labor, waste, etc.
- First pass yield – the likelihood that an item will be produced satisfactorily during its first run through a process.
- Customer satisfactions levels

Certainly, these are effective measures of performance in that they do enable a solid understanding of the performance of the individual processes and the organization. They can easily be used to determine the relative success or failure of a process of an organization over a period as well. However, these are all *lagging indicators of performance*. What can be of great help to managers also is to determine some *leading indicators of organizational performance*. That is, to identify the factors that a manager can influence in some proactive manager to help assure the success of their organization. This proactive view can give the manager the *critical performance lead-time* needed to strengthen their organization's competitive position.

The Proposed Framework

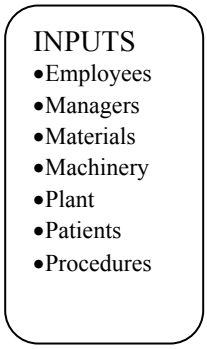
At the heart of all business relations and the attendant supply-demand cycle, lies this foundational equation to help determine organizational efficiency:

Resources = Requirements

This equation states that the optimal state of an organization is achieved when the resources a firm uses to create value, is equal to the requirements that it needs to satisfy the customer demand. **Where this equation is violated, there is *disharmony and organizational friction*.** This formula suggests that the key role of management is to *acquire and align the firm's resources with the requirements* as defined by customer demand. Once this equilibrium is reached, management's role becomes one of continuous refinement. This article suggests an approach to evaluate the relative effectiveness by which a manager is aligning their resources to their requirements. In particular*, this article will start at the value creation process, the skills of a talented workforce*, and how these talents are aligned to the customer fulfillment proposition.

Resources, in this context, are all those factors that contribute to production. These include all of the items listed about in the Inputs box of Figure 1; shown here again, Figure 2 shows a list of typical Inputs to business processes:

FIGURE 2
EXAMPLES OF INPUTS



Requirements, in this context, are simply the demands levied on the system by the consumer. Note that this is very different from the *capacity* of an organization. The capacity at times bears little relation to the actual demand cycle of the customers, this is a common problem and is at the heart of the problem with many organizations. Either, firms can have more than enough resources to meet customer demand, and thereby inviting economic losses, or, they can have too little resources to *meet the potential customer demand.* The most successful firms, of course, are ahead of the demand wave and create their internal capacity before the demand wave 'hits the beach', and can realize extraordinary profits margins. Of course, this later condition is transitory in nature but, these are the 'fields of gold' that all strategic managers must seek out in the first place. As a company finds itself in a condition of high profitability, it will not likely last long as competitors will quickly seek to gain access to that same market and profit potential as the market leader firms.

So given that there is a need to produce in order to meet customer demand, organizational efficiency then, is the most *direct and harmonious alignment* between the customer demand and fulfillment cycle. The concept of direct alignment starts at the very beginning of the demand fulfillment cycle and ends with the delivery of that product or service. It evolves using the *right people* in the *right way* to produce the *right product* at the *right time*. We will focus our discussion first on using the *right people in the right way* factors, mentioned above. The 'right product at the right time' is another matter, having to do with marketing and order fulfillment. Certainly this marketing misalignment is a serious problem for a firm but, it is a problem that is not in the realm of organizational friction and is not the focus of this article.

ORGANIZATIONAL INEFFICIENCIES

The Nature of Inefficiencies in an Organization

In this section, the nature of how *inherent inefficiencies* are built into organizations is discussed. As a point of distinction, this is not referring to *inefficiencies in a business process* but inefficiencies inherent *in an organization itself*. That is, how well the organization is organized and led towards creating value in the leanest and most waste-free manner it can.

There are several ways that one could define organizational inefficiencies, but the focus of this article will be the inefficiencies at the beginning of the value-creation process. This focus involves the alignment of the *right talent during the value-creation process*. The issue of the right talent has been shown to be a factor in organizational productivity. The 'right talent' though, often only comes through a structured human resource (HR) development program (Okoye & Ezejiofor, 2013). Akhigbe (2013) went on to say that this HR development effort is only possible through a comprehensive HR planning process as all of the elements of HR planning are interdependent. Another aspect on the HR side is the element of focusing on core functions and freedom from organizational distractions, which can impede an individual's

productivity (Dance & Service, 2013). This concept of 'distractions' is related to the organizational friction as proposed in this article.

The Sources of Organizational Inefficiencies

To help understand the nature of organizational inefficiencies, we need to identify some of the key sources of organizational inefficiencies. Although there are many ways to look at this question of sources, perhaps a solid start in this identification is to use the McKinsey 7-S framework, shown below. The 'Hard' elements are related to the physical dimensions of the firm, its' structure and procedures. The 'Soft' elements pertain to those that are more aligned with the organization's culture. The McKinsey framework is a qualitative method of examination and can provide insight on the *relative* distances between a company's *current reality* and its *potential reality* in aligning to the 7-S framework. While the current reality reflects the current fulfillment with respect to McKinsey's seven categories at any given time, the potential reality is the highest degree of evidence of a company's fulfillment of McKinsey's seven categories. The greater the difference between the current and the potential realities for any category in the 7-Ss, therein lies the category that is in most urgent need of attention.
Table 1 shows the various elements of the Mckinsey 7-S model.

TABLE 1
MCKINSEY 7S MODEL

Hard Element	Soft Element
Strategy - of the organization	Shared Values – as reflected in the core values of the organization
Structure - of the organization	Skills – the skill set of the team members
Systems – the procedures used by the organization to get the work done	Style – of leadership of the organization
	Staff – the current employees in the organization

With the 7-Ss in mind, one could evaluate their level of *organization capability* by examining their distance between the optimal levels of the above 7-Ss and the current reality. This insight provides an excellent starting point for assessing whether a firm is capable of delivering its products/services to real effect. This approach also takes into consideration the quality of work life (QWL) which is said to be a factor in organizational efficiency by Singh& Srivastav (2012). The soft elements can not be overlooked in this regard as friction and conflict within the workforce is a definite detriment to productivity (Gross, Hogler, & Henle, 2013). Again, these factors are related to the organizational friction construct as proposed in this article.

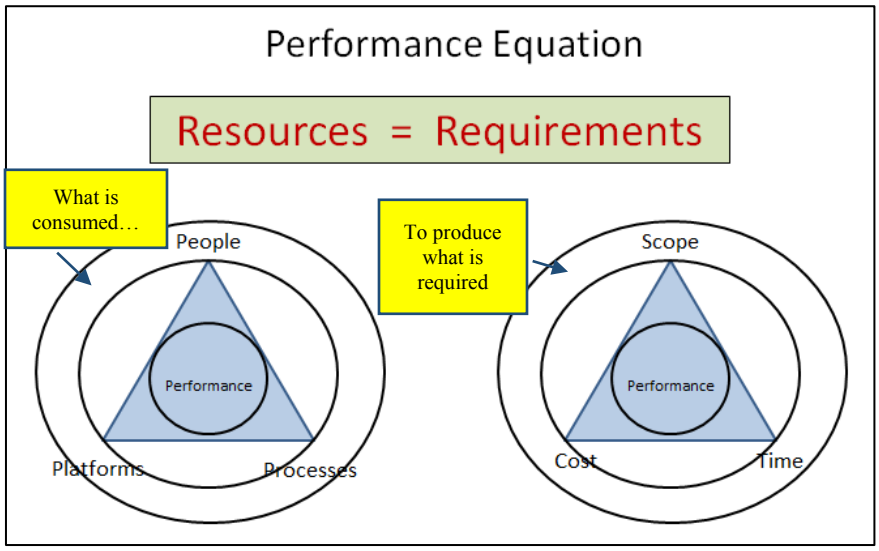
THE PROPOSED FRAMEWORK OF ORGANIZATIONAL EFFICIENCY

The goal of any organization is to provide maximum effectiveness and efficiency in whatever sector it performs. This matters whether a firm operates in a for-profit, not-for-profit (NFP) or some hybrid configuration, such as a social enterprise that seeks to perform social good while attaining a profit. The same questions proposed below will apply anywhere on this continuum. On one end of the extreme, the for-profit organizations can use a single, vital metric to measure their performance, profit. The question of measuring effectiveness and efficiency in an NFP or one of the hybrid organizations is more complex, given the diverse nature of those organizations in the world today. However, as a very general rule of thumb, the organizational effectiveness and efficiency can be measured by referring to *some level of performance at some cost per transaction* performed and/or *the level of performance and cost of coverage*

of some service rendered. This concept of 'coverage' is appropriate for some services such as police and fire services and the like.

For the purposes of this article, organizational efficiency is defined *as the level of balance between the Requirements of the demand cycle, with the ability of a firm to satisfy those demands, by use of its Resources.* A state of disequilibrium in this equation would immediately suggest some level of inefficiency, depending on the severity of the disequilibrium. This disequilibrium is the point of *organizational friction* or imbalance as mentioned earlier. Colloquially, this is like trying to force a square peg into a round hole. The company's business may be getting done but, does it make sense to do so? Is it wasteful or cause needless organizational complexity or crowding for organizational differentiation?
This basic equation is shown below in Figure 3:

FIGURE 3
PERFORMANCE EQUATION



This Figure shows the basic elements of and relationships between Resources and Requirements.

This equation consists of two factors; the Resources needed to produce some product/service, and the Requirements as defined by the customer/client. The Resources side of this equation consists of three elements; People, Processes, and Platforms. In this context, the People dimension of all the people involved in the process. In this context, it is important to understand the relationship between the quality of the work life of the employees and organizational efficiency has been established to be a factor to consider (Soliman, 2011). It has also been found that employee turnover affects organizational efficiency, so this People dimension is not a static factor (Morrow & McElroy, 2007). It is recognized that the three elements of Resources are universal in nature; that is they apply to both manufacturing and service sectors, whether for-profit or not. The same Resource structure is multi-dimensional and applies to both one-time projects, and to on-going business processes. For example, these same three Resource elements are required for creating a product, such as a bicycle, or a service, such as completing an insurance policy. In either case, there is an expenditure of the three resources in the value-creation process. Likewise, in the field of project management, a project manager will be called upon to use these same three elements to plan and execute a project that is of a finite duration and scope. Project managers are managing the same three elements as a process manager.

The Processes are those all procedures, policies and guidelines that guide a worker's production or an executive's decisions. It is crucial to understand at this point that processes are not static. In fact, change is an absolute necessity for businesses to stay competitive and related to this is innovation, which is found

to exhibit a positive influence on organizational efficiency (Tajeddini, 2011). The third element in the Resources dimension, the Platform is a very broad term to describe any *physical or technical* dimension of the process. Many processes are wholly virtual, in the case of knowledge workers, so that the Platforms would consist of the hardware and software needed for the production, which is the creation of new knowledge. In a warehouse environment, the Platform may consist of the materials handling equipment and storage bins used in running the warehouse. One other aspect of Platforms is that the Platform dimension is technical by nature, and the knowledge and competencies are very perishable and sometimes organizationally-unique. It is imperative for an organization to ensure continuity of expertise in key technical competencies to ensure the sustainment of their organizational efficiency (Gong & Greenwood, 2012). Competency of the Platform's dimension must be nurtured to ensure that there is a steady pipeline of technically competent practitioners to ensure a sustainable Platform base for the business.
The Resources dimension is *viewed from the Input side of the Input-Process-Output framework* as indicated earlier in this article. The Requirements dimension is *viewed from the Output side of the Input-Process-Output framework.*

The *Requirements side* of this equation consists of three elements that are used in traditional project management; Scope (Performance), Time and Cost (Kerzner, 2009). These are the traditional components of any project. By extension, these are also three essential elements of any business process in concept. For example; in building a house, the three elements can be:

- Scope - the size, features and amenities of the house as defined by the client
- Time – the agreed upon time for the completion of the house, and
- Cost – the negotiated cost of the house, considering the agreed upon Scope and the Time

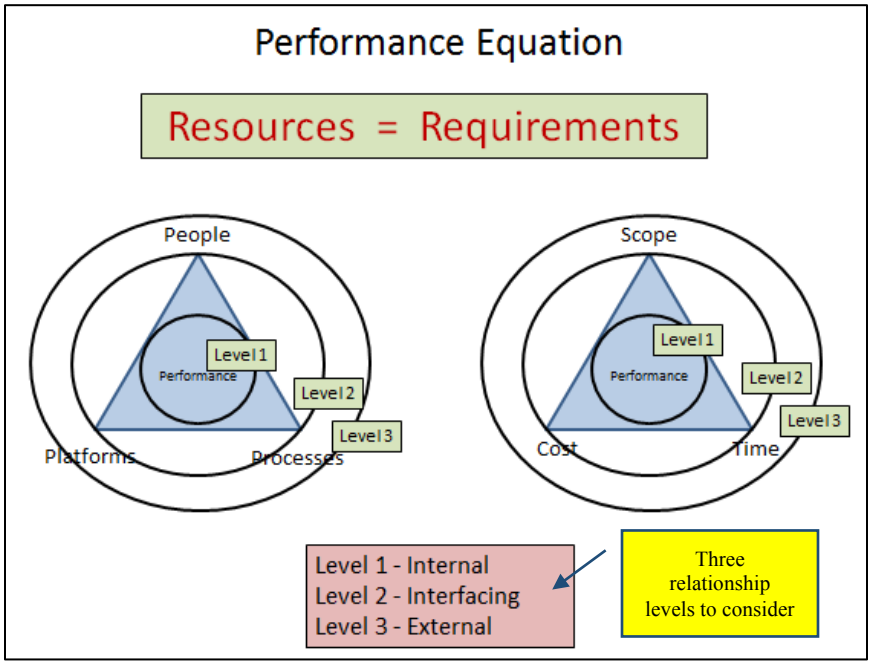
These same three elements can also be used in *process management*, as differentiated from *project management* as follows in an example of the process of *hamburger fulfillment* for a lunch order at a fast-food restaurant:

- Scope - the number of meat patties, with or without cheese, and the other amenities on the hamburger
- Time – the elapsed time from the time a customer pulls up to the take-out window drive-through line until the time the order is received, and
- Cost – the cost of an order is the correct amount

There is one other important feature to notice in the above figure, the three concentric circles emanating from the Performance core. This is a multi-dimensional model, and these concentric circles are at the *relationships levels* inherent in each of the Resource and Requirements figures as shown below:

Figure 4 below shows integrates the various levels of interfacing.

FIGURE 4
PERFORMANCE EQUATION LEVELS



An explanation of the Levels is shown in the following example. The interior cells of the table contain examples of each of the factors at each of the levels of Internal, Interfacing and External. The Level 1 Internal elements are those contained within the work center. The Level 2 Interfacing elements are those that are touched by the work center and may or may not be within the organization. The Level 3 elements are those furthest from the point of value creation, at the point of use or consumption of the product or service, at the end user. These Levels then can be thought of as the distance from value creation to the consumer (Di Gregorio, 2013). Examples follow in the below table using a housing construction company example.

Table 2 below shows an example of integrating the concept of the Levels of interfacing:

TABLE 2
EXAMPLES OF LEVELS OF INTERFACING

Dimension	Level 1	Level 2	Level 3
Resources			
People	Workers in the construction site work unit	Construction teams and skills within the company	The available construction talent pool in any given area or region
Processes	Worker's procedures (methods) followed by the workers on the job	Construction policies and process used by the construction firm	Policies, ordnances or laws that govern construction
Platforms	Materials and machinery used in a particular house	Materials and machinery used by the firm in its construction business	Materials and machinery used in the construction industry, available technologies or products on the market.

Requirements			
Scope	The size and amenities of the house under construction	The portfolio of houses under construction by the firm at any one time	The potential market of all houses in any one region or area at a given time
Time	The construction timeline of the individual house	The management and alignment of company resources to the multiple projects a firm had under construction to support the portfolio timelines	The direction of the market at any given time interval, the long-term perspective.
Cost	The actual costs incurred during construction of a house	The cost management and allocation of all costs to meet a firm's profit goals	The cost competition in the market for a given area in a given time interval

Alignment – The Key to Organizational Efficiency

Based on the discussion above then, the idea of organizational efficiency can be seen as the *level to which the organization's resources are properly aligned to the firm's organizational requirements*. To help evaluate the extent of this alignment then, one could determine this level of alignment by asking the ***nine critical questions of organizational efficiency*** seen in the table below.

Table 3 below presents the ***Alignment-based Organizational Efficiency Framework***.

TABLE 3
ALIGNMENT-BASED ORGANIZATIONAL EFFICIENCY FRAMEWORK

	Requirements		
Resources	**A. Scope**	**B. Time**	**C. Cost**
1. People	Is there sufficient talent/ skills on the team/ organization to accomplish the requirements of the project/process?	Do the employees assigned to the have sufficient time available to complete the tasks in the project/ process in context to their other priorities?	Are the skills sets required of the project aligned to individual tasks in a competitive cost-competitive manner?
2. Processes	Does the team/ organization have experience in applying their business processes, practices and procedures to accomplish this new project/process with acceptable levels of variation?	Can the firm's processes create the value, the product or service of the firm, in a timeframe in order to match the customer demand signal?	Are the firm's processes lean and minimize waste and defects in order to create maximum value for the minimum cost?
3. Platforms	Does the team/ organization have the proper technology/ infrastructure to apply to this project/process?	Can the team's/ organization's technology/ infrastructure be applied to the new project/ process in a timely manner?	Can these platforms be applied to this new project/ process in a cost-competitive means?

Multidimensionality of the Alignment-Based Organizational Efficiency Framework

In reviewing the nine core questions noted in Table 3, note that for each of the factors, the resources and requirements, these factors are influenced by the multidimensional levels noted in Table 2. For example, consider how one could answer the question regarding the alignment of the Resource, People, with the Requirement, Scope, noted as question 1 A in Table 3 for referencing purposes. This single question of alignment then should be considered on the three levels of people available on the team, people available in the organization, people available in the marketplace in the short-term. One other factor is evident from this example; the closer the availability of the Resource, People, then the closer to a cost-efficient solution to the Requirement of Scope is for the firm. The further away from the source, as noted in Level 1 in Table 2 in this example, then the more costly and time-consuming is the solution for the firm. This situation is an *indicator of the relative degree of misalignment of resources to the requirements* necessitating an expensive solution.

An example of this above situation follows using Table 3. To enable ease of referencing, questions in Table 3 will use the same naming convention as used in popular spreadsheet software; the column heading followed by the row number. For example, the questions involving the intersection of the Requirement, Scope and Resources, People, will be referred to as question A1. A real-world example of a problem on question A1 was present at a large US military logistics agency. The division head in one of the departments was in charge of a section named "Research and Analysis". Consequently, the job titles of the employees in this section were primarily operations research analysts and management analysts. However, the division's responsibilities had grown to include the development and maintenance of several high-profile information systems that supported strategic-level decision-making. The development and maintenance of an IT systems call for special skills, and none of this division head's employees had the necessary IT skills to develop and manage IT systems. This situation caused much consternation on the part of the employees as they frequently complained about their expanded roles and were frustrated, a manifestation of *organizational friction.* The division head too was being held responsible for the inability of his workers from accomplishing their IT development tasks to meet customer demands. This organizational friction *indicates an imbalance* in the basic R=R equation and a misapplication of resources. In this case, the People component from the Resource dimension was not properly aligned to meet the technical requirements of the work center, the Scope component from the Requirements dimension.

Another real-world example for questions A3 is provided here; in one US Navy logistics activity, a new information system was installed to expedite shipping and receiving of aviation repairables between US east coast and west coast locations. The system was designed so that in shipping an item from an origin, the bar-coded item would be decremented on the stock records of the shipper. At the same time, the stock records of the receiver were incremented. If all systems were working according to plan, the material was being loaded for shipment at the same time as the scanning was being done. However, occasionally, the item what was scanned in at the shipper site, did not make it on the last air shipment out from the origin. The material would remain overnight for the next aircraft out. By the next business day, there would be orders hitting the stock records in the receiving site for issues. However, the delayed material had not arrived yet, although the shipping records indicated the material was already on the shelves. The warehouse workers would note a 'not-in-stock' position for the material, which would feed into the daily exception reports. At first, senior management was convinced that the problem was poor supervision. Three warehouse managers were replaced before senior management acknowledged a fatal flaw in their new system, another example of organizational friction. A disharmony between the requirement and the system necessary to support it. Had management considered question A2, then they would likely have been searching for a corrective action plan regarding their systems, that is, their Platform, rather than the replacement of competent warehouse managers.

An example of question B1 from Table 3 happened in the financial management department of a major US military command that processed travel claims. The nature of the travel claim business is that the majority of movement of military personnel and their family have occurred during the summer months. This was intentional to allow for families with children to finish out their school year to prevent

academic disruption, whenever possible. The staffing level of the travel section was based on the annual average of travel claims processed. This situation resulted in a large backlog of travel claims every summer and the turn-around times for the travel claims increased to unacceptable levels, every summer. It was assumed by higher headquarters that the problem was based on the information system that command was using, and they had not considered the cyclic and transitory nature of the problem. However, before collecting data to establish the root cause of the problem, the higher headquarters bought a costly new system and mandated its implementation. The new system had *no bearing on the length of time of claims in the queue*, only at the back-end of the payment process, a very small fraction of the overall processing time. The time to input the travel claims for both the old and new system were about the same.

In this case, had management considered question B1 initially they would have seen that a new system would not solve the problem. They could have implemented a lower cost solution to the backlog problem relating to staffing levels and setting work priorities. Again, there was *organizational friction* in the misalignment of resources to requirements, and the new information system did not help throughput times of the claims. Management failed to solve the underlying problem and in fact, increased the complexity of the problem, by applying a Platform solution to what was essentially, a People problem.

A final example from Table 3 would be the alignment of the Resource category Processes, with the Requirement category Cost. This situation is question C2 in Table 3. In this case, based on the levels indicated in Table 2, the question can involve the cost of the processes within a particular process or project. Alternatively, it could be the cost of that program or project within the organization's total cost structure, or finally, the cost of one's processes based on the competition within the marketplace. The answer to this question can change as the competitive environment changes. For example, a firm may be price-competitive in the marketplace but still not be as cost efficient as it could be internally, based on its available resources and methodologies.

CONCLUSION

Sources of organizational friction are common, and their elimination or mitigation should be a critical priority for management. The Alignment-based Organizational Efficiency Framework presented above presents a structured series of questions to help examine and evaluate a firm's alignment of their Resources to the Requirements of their customers. Tables 2 and 3 can be used in conjunction to help identify the most critical areas of misalignment of a firm's resources in relation to their requirements. In answering these individual nine questions in Table 3, the multidimensional levels shown in Table 2 should be considered. The most efficient state occurs when there is the least amount of organizational friction and the least amount of resources are employed, using the least costly set of resources, to meet the customer's requirements considering the time requirements.

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