Rethinking the Organizational Architecture

By Robert M. Tomasko

Getting the organization right is an issue likely to preoccupy executives throughout the 1990s.

This is a difficult time to work in, manage, or change a corporation. Although downsizing and restructuring have become widespread, their purpose has usually been merely to chip away at old structures and practices. *Too* few businesses have been guided by a clear vision of the kind of corporation they want to be when they emerge from all this turmoil.

This is also a time of quick-fix solutions, gimmicks, and loosely thought-out recommendations. Too often these are directed at trying to get the organization chart right. This is a difficult undertaking. What may be right for your competitor or your peer in another industry may be precisely the wrong architecture for your business. One size seldom fits all.

When you examine alternative organizational architectures, it helps to keep in mind that the reality of an organization is not expressed in the charts, organograms, and job descriptions that attempt to describe it. The true bottom line of any structure is visible only through the kinds of actions and interactions, the attitudes and behaviors it promotes. So it can be a worthwhile exercise to take stock of these beliefs and actions from time to time. The results of this self-examination may be surprising. Whether conducted through a systematic program of confidential interviews, or an informal series of discussions after work over drinks, it is likely to indicate that many problems that appeared rooted in the „invisible hand" of corporate culture are actually employees' rational responses to the organizational architecture surrounding them.

The Dirty Dozen

While the unwritten rules that emerge will be different for every company, our experience working with organizations in a variety of industries throughout the world suggests that 12 common issues plague many corporations. How many of these issues might be uncovered in yours?

1. The Straw Boss Syndrome. „We always need to go to our bosses' boss to get any kind of decision made. Our manager is really a straw boss; every issue – no matter how trivial – is referred to his boss for resolution."

Unintended consequences: Widespread beliefs like these about the managerial impotence of one's immediate boss can have a devastating effect on a company. Decision-making on matters both trivial and strategic is slow; top executives are often overwhelmed with detail. Morale is often low as employees lack confidence in their managers. Few are willing to take risks. Checking things out before acting is the corporate norm. And, to compound matters, companies with the „straw boss syndrome" usually have much higher than necessary expenses to manage each dollar of worker payroll.

2. The Black Hole Phenomenon. „Decisions never seem to get made around here. I keep making recommendations, but never hear what has been decided. Requests for help or additional resources are never turned down, they're just ignored. It's hard to get my job done when they just keep me waiting..."

Unintended consequences: „Black hole" companies suffer from low morale, burnout, and lack of clarity about what management really expects, as well as diminished confidence in the company's ability to survive in turbulent times and widespread unwillingness to „go the extra mile" when necessary.

3. One-Way Career Development. „The *only* way to get ahead in this organization is to become a manager – and then try to manage more and more people. This doesn't make sense for me; I'm best at dealing with ideas and technologies, not people. But if I want any of my innovations to see the light of day, I need to get in a position of power, i.e., join management."

Unintended consequences: This narrow road to success leads to frustrated and misused employees and too many managers with weak skills and without the motivation to manage effectively. Eventually, one-way career development creates more levels of bureaucracy than are needed to run the business. In many instances, this produces „part-time managers," whose real value to the company is the work they perform as individuals rather than their management abilities.

4. Nobody Managing the White Space on the Organization Chart. „Everyone in middle and senior management is concerned only with protecting and growing their particular piece of turf. All their attention is going to managing today's businesses, selling today's product line, and serving today's customers. These are all important considerations – but our organizational structure forces us to focus on them exclusively. We don't have any powerful positions that are *not* defined by the existing business turf."

Unintended consequences: Managerial tunnel vision causes missed opportunities, especially in mature markets where the greatest enemy of future performance is today's success. The strategic blinders engendered by myopic attention to the lines and boxes on the organizational chart – rather than the issues that fall between them – often encourages talented and creative professionals and managers to quit, taking their new ideas to broader-minded competitors or start-ups.

5. The Lost Future. „Our management structure seems to be the victim of some sort of 'thermal inversion' – all the long-range thinking is being done by people on the bottom half of the hierarchy. Top management, the people with the power to promote new ideas and businesses, are mired in short-term operating decisions and day-to-day detail."

Unintended consequences: Limited attention by top management to the long term often leads to truncated corporate futures. Operating issues get resolved poorly because they are decided too far away from the action, middle managers constantly feel second-guessed, and those with the time to think about the future are those least able to do anything about it.

6. The Frozen Middle. „Top management has gone to war with those of us in the middle. We are blamed for everything that's wrong with the company; we are constantly accused of being 'resisters of change.' Nobody seems to understand the pressures we are under. We always give more than our fair share in each round of corporate downsizing."

Unintended consequences: Blaming the middle creates deeply self-protective, hunkering-down behavior on the part of the beleaguered middle managers. They become unwilling to take risks, instead paying meticulous attention to procedural correctness. They may give superficial lip service to new corporate initiatives, but wage undercover guerrilla warfare to resist them and achieve some degree of stability and control.

7. Teams as Corporate Window Dressing. „Cross-functional teams are the official modus operandi around here. Unfortunately, few are achieving their promise, and some are actually making it harder and slower to get anything accomplished. We all acknowledge the value of teamwork and cross-departmental cooperation, but we also realize that – in the end – we get judged and promoted on the basis of what we produce as individuals and how loyal we are to our home-base departments."

Unintended consequences: The matrix effect created when teams are overlaid on a corporate structure built around individual jobs and functional departments breeds confusion, cost, and conflict. Widespread use of teams has put many managers and employees into a difficult double bind. On one hand, they want to support this new direction; however, most of the company's unwritten rules discourage collective effort.

8. Not in My Job Description. „All the talk about employee involvement and empowerment here sounds nice, but means very little. When all the smoke clears, I'm still responsible for doing what I'm supposed to be doing. It's not my fault if it's something that doesn't really need getting done, or if other people's jobs could benefit from my input. Don't mess with my job; it's my only source of security."

Unintended consequences: Narrowly defined jobs – and the myopic beliefs they reinforce – create very brittle, change-resistant organizations that tend to break rather than adapt. It is difficult to build a strong structure from weak components. Over time, such narrow definitions can destroy employees' self-confidence and motivation to grow.

9. No Real Concern About the Customer. „Relatively few employees here have direct customer contact. We try to be customer driven, but much of the information we have to go on is second-hand, at best. My real customer is my boss – it's always very clear what he wants. In this company, more time and priority goes to preparing for senior management meetings than to visiting with real customers."

Unintended consequences: High overhead costs are a short-term result of too many employees spending too much time doing business with each other, instead of with actual external customers. In the long run, this distortion of focus will make it difficult to anticipate and meet changing market needs.

10. No Eyes on the Ball. „Priorities here have gotten out of whack. We're spending all our time and money on parts of the business that don't really add anything special to our customer service – all at the cost of ignoring the competencies that underlie our real competitive edge. Our elaborate product development process has produced few victories in the marketplace. All our successful new products were bootlegged by a band of corporate renegades who put them together on their own time, at their own risk."

Unintended consequences: Off-the-books new product efforts make for great reading in management bestsellers, but tend, after a while, to demotivate many less adventurous employees. Successful guerrilla tactics should serve as indicators that the company is misallocating resources. This problem should be dealt with head on – not through ongoing bureaucratic short-circuiting.

11. Unending Turf Wars. „I guess every company has these, but they seem especially brutal here. Despite top management's constantly imploring us to work together, departmental walls are almost insurmountable. We talk a lot about process redesign and reengineering, but decision-making and control still rests mainly with our large, functional departments.“

Unintended consequences: Trying to manage a company through business processes while organizing around traditional departments is as dysfunctional as trying to use teams to get things done in a business oriented to an individual’s efforts. It’s like trying to be half pregnant, a situation difficult to achieve and even harder to sustain.

12. Checking Brains at the Plant Gate. „We’d never publicly admit it, but most of our factory jobs are designed around the lowest common denominator of workplace skills. We don’t pay much, but we don’t demand much either.“

Unintended consequences: Narrow, fragmented, low-skill jobs eventually become self-fulfilling prophecies. When companies don’t mandate and pay for ongoing skill development, they end up with a poorly educated, inflexible work force unable to cope with the challenges of quality and productivity improvement programs.

Rethinking’s Remedies

While conducting background research for my book, *Rethinking the Corporation,* I found several companies that had achieved particular success in their restructuring efforts. They had all concentrated on their „enablers“ to avoid the 12 unintended consequences cited above. These firms’ organizational architectures provide more positive clues about how successful employees in 21st century companies will need to behave. Examples include such global giants as ABB, Toyota, and General Electric, as well as smaller firms headquartered around the world: Brazil’s Brastemp and Semco; France’s Carrefour and Club Med; Germany’s Braun and Claas; Japan’s Kao and Kyocera; Sweden’s Astra and Saab; and the United States’ Microsoft and USAA.

Let’s look at some of the practices these companies, and others like them, have put in place to avoid organizational structures that breed dysfunctional behaviors. While no one company uses all these structural elements, they are increasingly being used in combinations, as an architect might design a building from several complementary materials.

Minimize levels and make managers load-bearing.

Many companies are flattening their hierarchies by eliminating one or more levels of management. But relatively few have followed GE, Federal Express, and Toyota in really rethinking how the role of the remaining managers needs to change. These companies are adopting what I call the „load-bearing“ role for their middle managers: holding them responsible not just for their subordinates’ results, but also for what they contribute to these results. In these companies, managers focus more on supporting than controlling (Exhibit 1). They reflect the attitude of a Federal Express delivery clerk who said, when asked how many clerks worked for each supervisor, „Sorry, you seem to have it backwards. My supervisor works for the 12 of us to make sure we succeed in our jobs.“ Structuring jobs this way minimizes the „straw boss syndrome“ and the „black hole phenomenon.“

Provide two paths to the top. The problems of „one-way career development“ and „unmanaged white space on the organization chart“ can be mitigated by establishing a path for professionals, or knowledge workers, to advance in pay, title, and responsibility without forcing them to become managers. Some corporations do this now for their technical professionals, but it is too good an idea to limit to the techies; it should be available for all corporate professionals. Companies such as 3M and Ford are moving in this direction; some, such as Braun and Microsoft, make sure that their executive groups include senior individual contributors as well as line and staff managers.

Map time onto the hierarchy. Well-crafted organizational structures can minimize the chances that the „future will get lost“ and the „middle management will freeze“ by explicitly taking time into account when jobs are structured. Assign each level of the hierarchy a time horizon around which 75-80 percent of its occupant’s attention is to be oriented. For example, managers of critical business processes might be asked to focus one or two years out, while for group executives and top managers the focal range might be five to ten years out (Exhibit 2). Also, consider giving each manager a fixed-in-advance time period during which he or she will occupy that position. Set a multiyear mission for each job when someone is appointed to it. Let this mission give a shape and focus to the person’s tenure – something missing today in many management jobs, whose incumbents act as though they will go on forever. Don’t keep managers in place long after the reason they were selected becomes irrelevant.

Use the right-sized building blocks. Most corporate structures use inappropriately sized building blocks: jobs. Most work is either too small or too big for one job. Jobs are also very static entities – dangerous in the long run to the health of both the jobholders and the companies they work for. In many companies, jobs need to be eliminated completely – while retaining the workers.

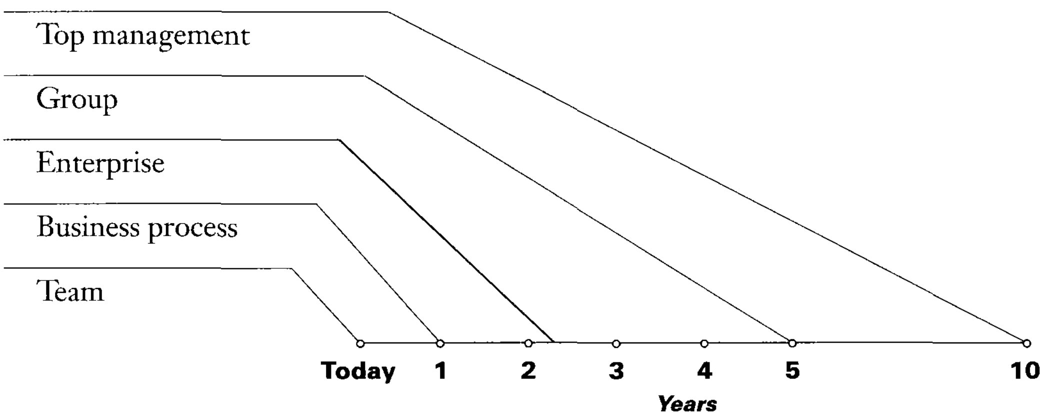
Exhibit 1

The New Breed of Manager

Less	More
A monitor	A motivator
A slow analyst	A fast synthesizer
A manager of details	A manager of exceptions
A punisher of wrongs	A rewarder of rights
A one-person band	A team player
A number cruncher	A behavioral technologist
A depender on subordinates	A truster of colleagues
A hider in a corner office	An enjoyer of visibility
A climber up the ranks	A cruiser around the spiral

Exhibit 2

Give Each Level a Time Horizon



In cases where the work is too big for any one individual, organize around *teams* instead. Don't also designate individual positions; you will just pollute the team concepts. Make sure team (not individual) performance is evaluated and rewarded. For teams to reach their full potential and not just be „window dressing," they can't be add-ons or overlays. They must be the basic unit of organization, as practiced throughout Kyocera and in Chrysler's highly successful new car development unit.

When most work comes in units smaller than the traditional job, replace employees' jobs with *portfolios of assignments.* Jobs get taken for granted, go on forever, and tend to come in eight-hour workday packages. Assignments have a sense of fluidity, with a clear beginning, middle, deadline, and observable output. They can more easily accommodate flextime and telecommuting. Sometimes the best way to eliminate the „it's not in my job description" lament is by eliminating the idea of the job.

Focus the structure on value. Too few corporate structures focus their resources on the aspects of the business that add real value to their current and future customers. Instead, most budgets and jobs tend to relate to how the company was successful in the past and what it needs to do to take care of itself (its overhead and administration). Correcting this imbalance requires a combined top-down and bottom-up reevaluation of all activities taking place in the business. Refocusing usually means simultaneously cutting outmoded activities, building new ones, and selectively outsourcing some types of work to maximize the number of employees with „direct lines of sight“ to the customer. Siemens, General Electric, Bankers Trust, and many of Germany's Mittlestand companies have blazed this trail with great success. Bankers Trust has outsourced a number of functions that it needs performed but that do not directly add value to Bankers Trust customers. These include payroll, phone answering, mail room, and print shop. They were contracted out not so much to save money as to allow managers to reallocate time spent overseeing „corporate housekeeping“ to tasks that more directly benefited the bank's external clientele.

Turn the pyramid on its side. In the final analysis, the only way to eliminate „turf wars“ is to eliminate turf. Don't expect a 19th-century functional structure to accommodate the needs of 21st-century business process redesign. Organize, as Astra Merck does, around the half dozen business processes that add real value to customers. Rather than structuring its operations around functional areas such as marketing, sales, and finance, the Astra Merck company is organized around key processes such as product development – an activity that cuts across many traditional departmental boundaries. Don't organize around or on top of functional departments – eliminate them. Find other ways to maintain functional expertise. And – to make all this work – reinforce all jobs that remain with healthy doses of skill depth, cross-training, and high expectations for employee self-control. Never allow your employees to check their brains at the plant gate.

Exhibit 3 summarizes the maladies and remedies discussed above. Making changes along these lines broadens the number of enablers a company provides. It also reduces the gap between the organization's unwritten rules and the behaviors it needs to encourage in order to achieve ongoing high performance.

None of these modifications to organizational architecture is a panacea in itself. But together they represent the kind of rethinking that is vital if corporate structures are to be tools that accelerate change, rather than obstacles that only resist and stall it.

Exhibit 3

Rethinking the Organizational Architecture

Maladies	**Remedies**
The straw boss syndrome The black hole phenomenon	Minimize levels and make managers load-bearing
One-way career development Nobody managing the white space	Provide two paths to the top
The lost future The frozen middle	Map time onto the hierarchy
Teams as window dressing Not in my job description	Use the right-sized building blocks
No real concern about the customer No eyes on the ball	Focus the structure on value
Unending turf wars Checking brains at the plant gate	Turn the pyramid on its side

Robert M. Tomasko, a Washington, DC. -based consultant to Arthur D. Little, specializes in helping businesses adapt their structures and management practices to changes in strategy. Additional detail about the organization structures highlighted here can be found in his recently published book: Rethinking the Corporation: The Architecture of Change *(AMACOM Books, 1993). He is also author of* Downsizing *(AMACOM Books, 1990).*