MANAGEMENT

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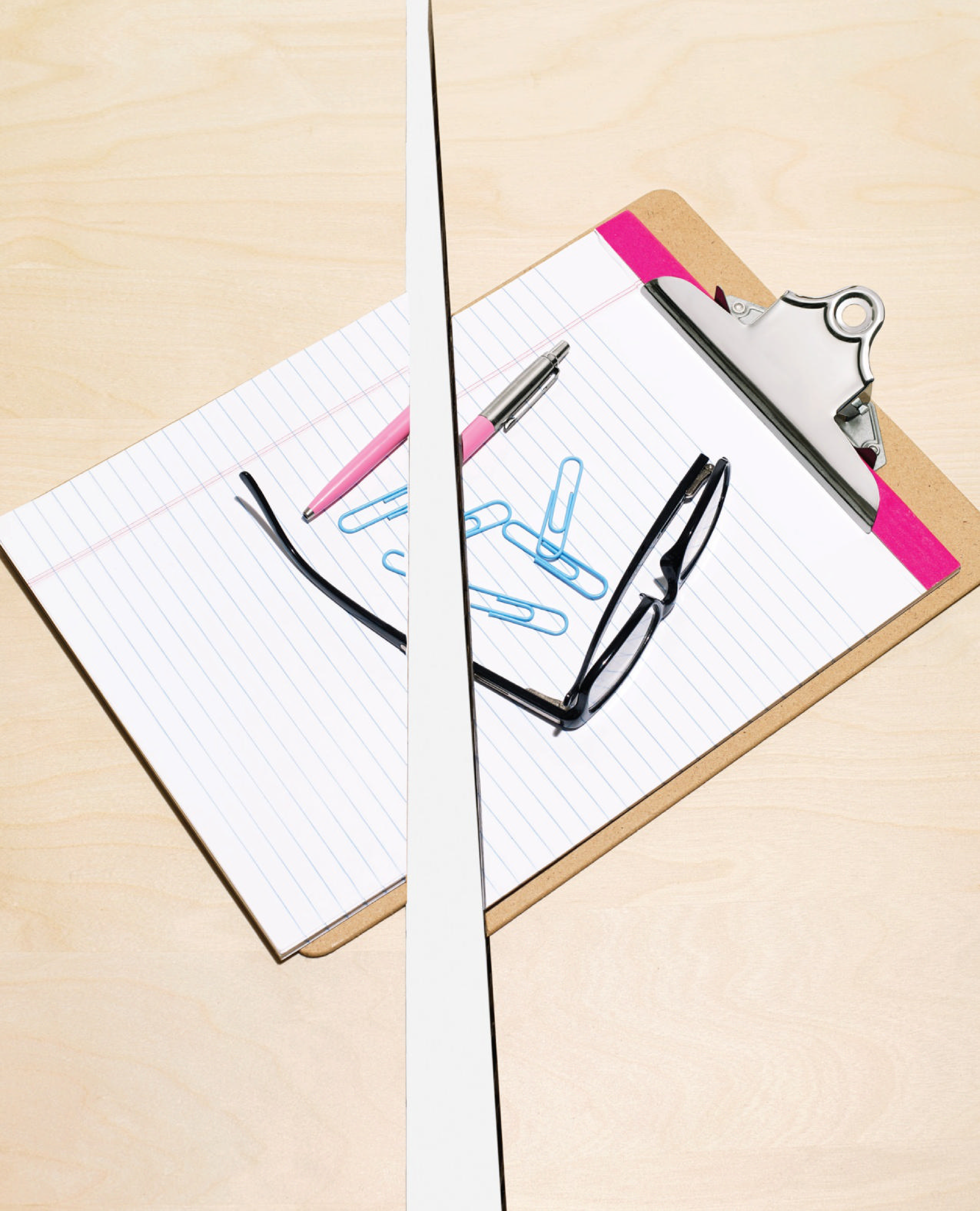
MANAGERS CAN'T DO IT ALL

It's time to reinvent their role for the new world of work.



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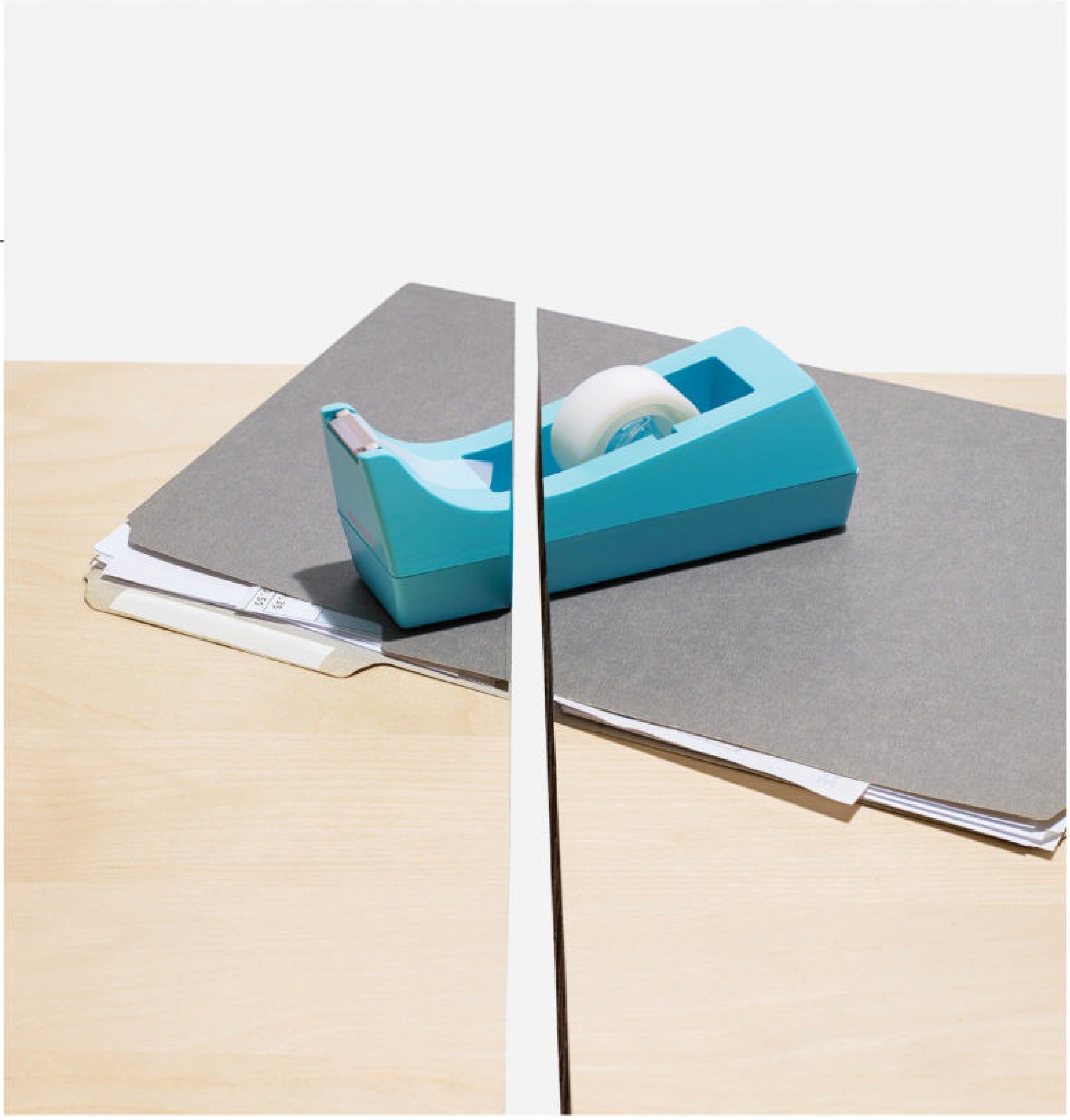


IDEA IN BRIEF

THE PROBLEM
Managers are the lifeblood of organizations. In recent decades, as the workplace has changed, they've been asked to take on new responsibilities and demonstrate new skills—and are struggling to cope. This threatens productivity, employee well-being, and brand reputation.

THE NEW REALITY
Change has come along three dimensions: power (managers have to think about making teams successful, not being served by them); skills (they're expected to coach performance, not oversee tasks); and structure (they have to lead in more-fluid environments).

THE WAY FORWARD
We need to do everything we can to help managers adapt. The three companies featured in this article have deliberately—and successfully—transformed the role of manager so that it better meets the demands of 21st-century work.

Jennifer stares at her upward-feedback report and wonders how she got to this point. How could a veteran like her, someone who was once celebrated as manager of the year, receive such negative ratings? She used to enjoy her role, but now everything feels out of control. Her job has been reshaped so constantly—by sweeping process reengineering, digitization, and agile initiatives, and most recently by remote work—that she always feels at least one step behind.

We have closely observed the changing job of the manager, and we can report that a crisis is looming. The signs are everywhere.

The amount of change that has taken place in just the past few years is overwhelming. The management layer above her was eliminated, which doubled the size of her team, and almost half the people on it are now working on cross-division projects led by *other* managers. She and her team used to meet in her office for progress reviews, but now she has no office, and if she wants to know how her people are doing, she has to join their stand-ups, which makes her feel like an onlooker rather than their boss. She no longer feels in touch with how everybody is doing, and yet she has the same set of personnel responsibilities as before: providing performance feedback, making salary adjustments, hiring and firing, engaging in career discussions.

Not only that, but she's being asked to take on even more. Because her company is rapidly digitizing, for example, she's responsible for upgrading her staff's technical skills. This makes her uncomfortable because it feels threatening to many of her team members. When she talks with them about it, she's expected to demonstrate endless amounts of empathy—something that has never been her strong suit. She's supposed to seek out diverse talent and create a climate of psychological safety while simultaneously downsizing the unit. She understands why all these things are important, but they're not what she signed up for when she became a manager, and she's just not sure that she has the emotional energy to handle them.

What happened to the stable, well-defined job that she was so good at for so long? What happened to the power and status that used to come with that job? Is *she* the problem? Is she simply no longer able to keep up with the demands of the evolving workplace? Is she now part of the "frozen middle"—the much-maligned layer of management that obstructs change rather than enables it?

Jennifer—a composite of several real people we have met in our work—has no answers to these questions. All she knows is that she's frustrated, unhappy, and overwhelmed.

As are managers everywhere.

One of us, Lynda, is an academic researcher and consultant to corporations, and the other, Diane, was until her recent retirement the chief human resources officer at IBM (in which she still owns stock). In those roles we have closely observed the changing job of the manager, and we can report that a crisis is looming.

The signs are everywhere. In 2021, when we asked executives from 60 companies around the world how their managers were doing, we got unanimous reports of frustration and exhaustion. Similarly, when the research firm Gartner asked 75 HR leaders from companies worldwide how their managers were faring, 68% reported that they were overwhelmed. Nonetheless, according to Gartner, only 14% of those companies had taken steps to help alleviate their managers' burdens.

The problem isn't hard to diagnose. The traditional role of the manager evolved in the hierarchical workplaces of the industrial age, but in our fluid, flatter, postindustrial age that role is beginning to look archaic.

The irony is that we actually need great people leaders more than ever. Microsoft has found, for example, that when managers help teams prioritize, nurture their culture, and support work/life balance, employees feel more connected and are more positive about their work. The consulting firm O.C. Tanner has likewise found that weekly one-to-ones with managers during uncertain times lead to a 54% increase in engagement, a 31% increase in productivity, a 15% decrease in burnout, and a 16% decrease in depression among employees. Meanwhile, according to McKinsey, having good relationships with their managers is the top factor in employees' job satisfaction, which in turn is the second-most-important determinant of their overall well-being.

Conversely, bad managers can significantly hurt retention and engagement: Seventy-five percent of the participants in the McKinsey survey reported that the most stressful aspect of their jobs was their immediate boss. As the saying goes, people join companies and leave their managers.

Something is clearly broken. If managers remain essential but their traditional role has become obsolete, then it's obviously time for a change.

In this article we'll make the case for redefining and even splitting the role rather than simply continuing to let it evolve, which is a potentially costly and disastrous course of action. But first let's briefly take stock of the waves of innovation that have brought us to this crisis point.

FOUR DEFINING BUSINESS MOVEMENTS

The first wave, *process reengineering,* began about 1990 and lasted until the early 2000s. It focused on eliminating

Digitization democratized access to both information and people, but in doing so it undermined traditional sources of managerial power.

bureaucracy and boosting operational efficiencies. With the help of consulting firms, which developed practices around this kind of work, companies globalized and outsourced their processes, flattened their hierarchies, and in many cases put their remaining managers in "player-coach" roles that required them to take on workers' tasks. These changes reduced costs, but they also made life a lot harder for managers. They now had wider responsibilities and significantly larger teams to supervise and were also expected to dedicate themselves personally to projects and customers.

The next wave of innovation, *digitization*, arrived in about 2010. Promisingly, it democratized access to both information and people, but in doing so it undermined traditional sources of managerial power. CEOs and other senior leaders could now communicate directly with their entire workforces, sharing strategies, priorities, and important updates and responding to concerns. No longer a necessary part of the information loop, managers began to feel a loss of power, control, and status.

Then came the *agile movement* and its process changes, which companies began to adopt in the mid to late 2010s. It aimed to shorten timelines and turbocharge innovation by using internal marketplaces across whole organizations to match skills to work and to rapidly assemble project teams on an as-needed basis. As a result, managers started to lose touch with their reports, who now spent much of their time under the rotating supervision of the project managers they were temporarily assigned to. And because candidates could be matched to openings online, managers lost the power and authority involved with brokering career opportunities for their people.

Finally, a fourth wave arrived in 2020 with the pandemic, when companies and employees were forced to embrace the possibilities of *flexible work*. This was a watershed moment. It dramatically altered how and where work was done. Once employees were no longer tied to a physical workplace, managers lost the close control that they used to have over employees' performance and behavior—and employees began to realize that they could tap a greater range of job options, far beyond commuting distance from their homes. These changes were liberating, but they placed even more of a burden on managers—who now were also expected to cultivate empathetic relationships that

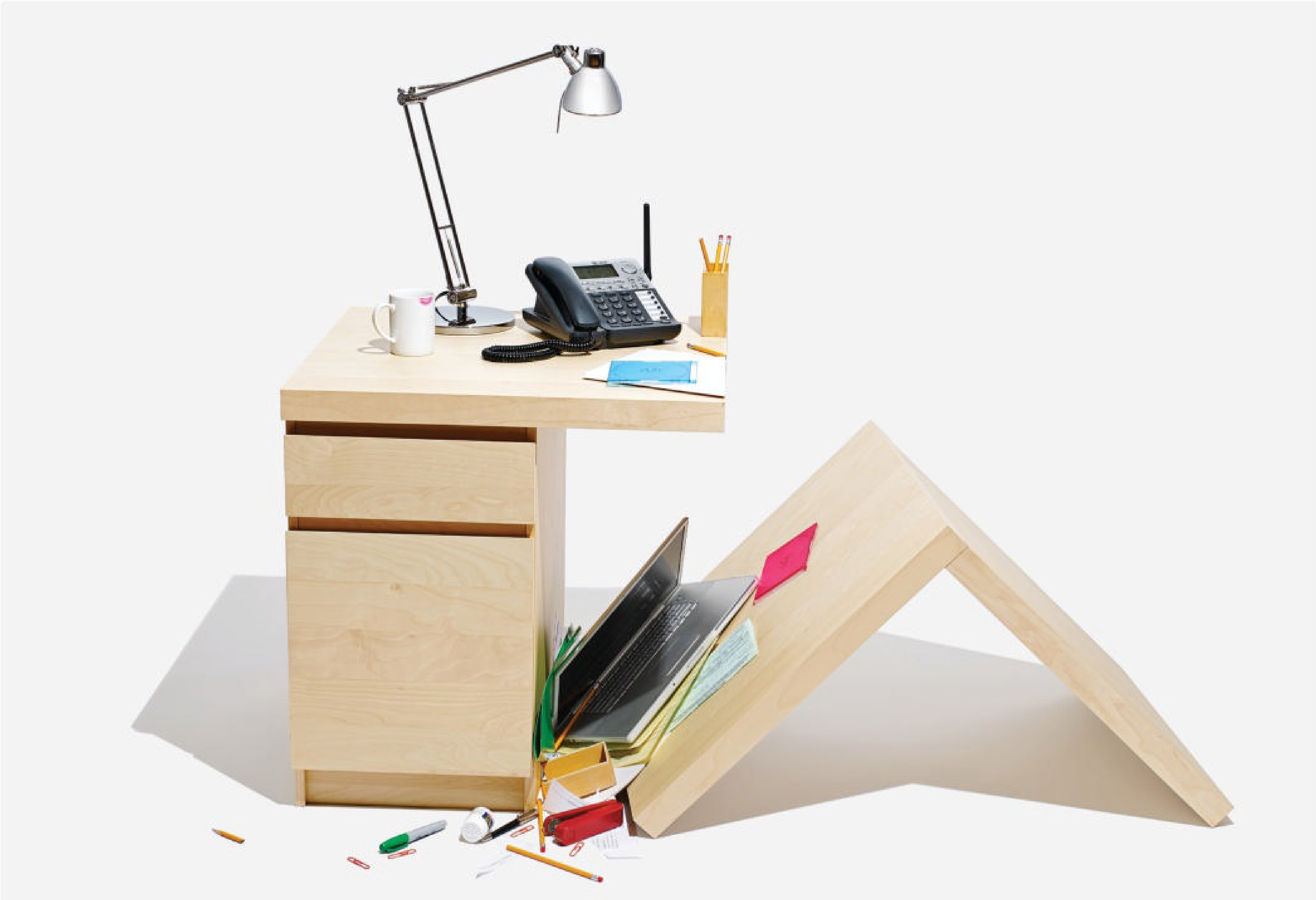
From Manager to People Leader

Three fundamental shifts in the role of managers today

A power shift: from "me" to "we"		
My team makes me successful.	→	I'm here to make my team successful.
I'm rewarded for achieving business goals.	→	I'm also rewarded for improving team engagement, inclusion, and skills relevancy.
I control how people move beyond my unit.	→	I scout for talent and help my team move fluidly to wider opportunities.

A skills shift: from task overseer to performance coach		
I oversee work.	→	I track outcomes.
I assess team members against expectations.	→	I coach them to achieve their potential and invite their feedback on my management.
I provide work direction and share information from above.	→	I supply inspiration, sensemaking, and emotional support.

A structural shift: from static and physical to fluid and digital		
I manage an intact team of people in fixed jobs in a physical workplace.	→	My team is fluid, and the workplace is digital.
I set goals and make assessments annually.	→	I provide ongoing guidance on priorities and performance feedback.
I hold an annual career discussion focused on the next promotion.	→	I'm always retraining my team and providing career coaching.



would allow them to engage and retain the people they supervised.

These waves of innovation have changed the role of the manager along three dimensions: *power, skills*, and *structure*. In a power shift, managers have to think about making teams successful, not being served by them. In a skills shift, they're expected to coach performance, not oversee tasks; and in a structural shift, they have to lead in more-fluid environments. (See the exhibit "From Manager to People Leader.")

These changes have empowered employees, which of course is a good thing. But they've also altered how managers drive productivity. Organizations are starting to recognize this. When we asked the executives in our 60-company survey to list the most important areas that managers need to focus on today, their top answers were coaching, communication, and employee well-being.

NEW MODELS OF MANAGEMENT

Some organizations have taken deliberate steps to reimagine the role of the manager. Let's take a look at transformative shifts that have been made at three very different companies in banking, tech, and telecommunications.

Building new skills at scale. Most companies think of their top leaders as the people who make change happen—and are willing to spend millions on their development as a result. The layers of management below the top, the theory goes, are frozen in place and will resist change. But the executives at Standard Chartered—a retail bank, headquartered in London, with more than 750 branches in 50-plus countries—recently chose to think differently. Their 14,000 middle managers, they decided, would play a central role in the bank's growth.

Rather than wholly redesigning the job, the executive team began with some basic steps: changing the role's title, creating an accreditation process, and strengthening the sense of a managerial community. Managers became "people leaders," an acknowledgment of how important the human connection was in their work. Meanwhile, the new accreditation process evaluated future-focused capabilities such as driving growth, building trust, aligning teams, and making bold decisions. And the executive team worked to

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The company needed its managers to lead retraining, adapt their styles to agile methods, and get all employees engaged in the journey.

strengthen community by applying the local experiences of people leaders to problems across the whole company. For example, when in the course of filling 10 positions, one cohort of people leaders failed to hire anybody from an underrepresented group, the executive team didn't single the group out for criticism but instead seized the opportunity to ask the whole community, "How can we support you in making your teams more diverse?"

Next the executive team decided to focus on coaching, which has today become a crucial management skill. (See "The Leader as Coach," by Herminia Ibarra and Anne Scoular, HBR, November–December 2019.) Coaching, in fact, plays a key role in each of the three shifts we described earlier: When managers coach they're making a power shift by moving from instruction to support and guidance; a skills shift by moving from the oversight of work to the continual giving of feedback; and a structural shift by engaging with their people in a way that's dynamic and constant rather than static and episodic.

Standard Chartered had been working for decades on developing its top leaders into coaches. But now the challenge was scaling that effort up to 14,000 people leaders. The bank did this through a variety of initiatives—by using an AI-based coaching platform, for example, and by developing peer-to-peer and team coaching across all its markets in Africa, the Middle East, and Asia. It also launched a pilot project in which it offered to help people leaders pay for formal training and accreditation as coaches (by outside organizations approved by the global governing body for coaching). Those who accepted were expected to coach other employees; the goal was building what Tanuj Kapilashrami, the bank's head of human resources, describes as "a deep coaching culture." So many participants reported a boost in skills and confidence that the bank organized further rounds of training and accreditation, each of which was oversubscribed, with hundreds of people taking part around the world.

Rewiring processes and systems. In 2013, as IBM's new chief human resources officer, Diane realized that to support the massive transformation that had been launched by then-CEO Ginni Rometty, the company needed a different kind of manager. IBM was changing 50% of its product portfolio over the next five years, moving into several growth businesses (among them the cloud, AI, cybersecurity, and blockchain), and migrating from software licensing to software as a service. At a worldwide town hall, Rometty announced that all employees would be required not only to develop new skills but also to learn to work differently. The company would build a culture optimized for innovation and speed—and needed its managers to lead retraining efforts, adapt their management styles to agile work methods, and get all employees engaged in the journey.

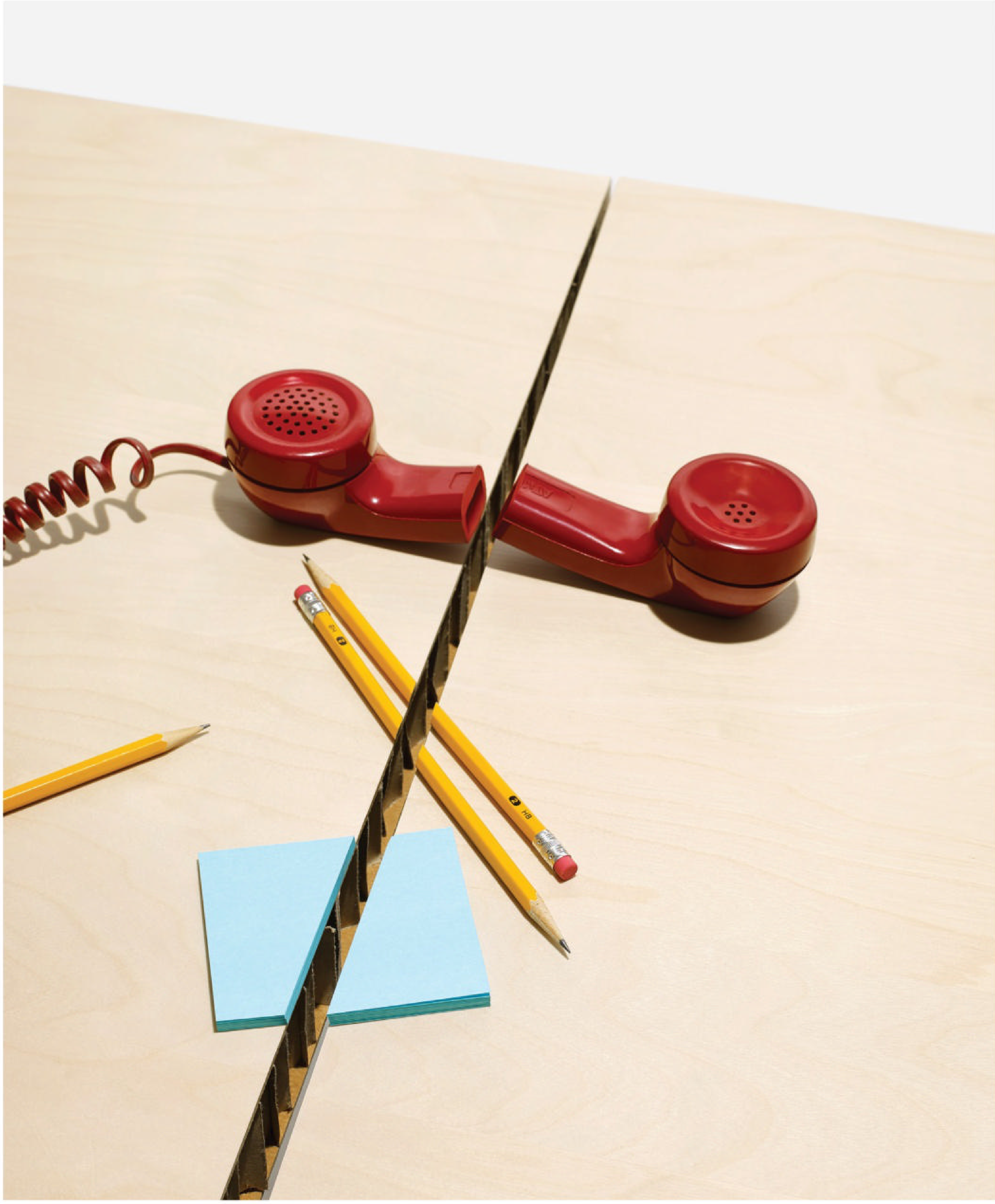
That meant doing three things: freeing managers up for additional responsibilities by digitally transforming their work; equipping them with new skills; and holding them accountable through a metrics-driven performance-development system. Their most important goal was employee engagement: Managers account for 70% of the variance in that metric.

The HR function deployed AI to eliminate administrative work, such as approving expense reports or transferring employees to a new unit. Personalized digital learning was introduced so that managers could access support on their mobile phones—for, say, just-in-time guidance on preparing for difficult conversations. New AI-driven programs also helped managers make better people decisions and spot issues like attrition risk. An AI-driven adviser has made it easier for managers to determine salary increases: It considers not only performance and market pay gaps but also internal data on employee turnover by skills, the current external demand for each employee's skills (scraped from competitor job postings), and the future demand.

Now when managers have salary conversations with employees, they can confidently share the rationale for their decisions, help team members understand the demand for their skills, and, most important, focus on supporting them as they build market-relevant capabilities and accelerate their career growth.

Like Standard Chartered, IBM also introduced an accreditation for managers, built on a new training curriculum. The impact has been significant: Managers who have obtained this accreditation are scoring five points higher today on employee engagement than those who have not.

In addition, IBM requires managers to get "licenses" in key activities by undergoing an in-house certification program. Licenses to hire, for example, are designed to ensure that managers select candidates in an objective and unbiased way, provide them with a well-designed experience,



and ultimately make hires of high quality. The impact has been significant here too: Employees hired by licensed managers are 7% more likely to exceed expectations at six months and 45% less likely to leave the company within their first year than other hires are. Those numbers mean a lot in a company that makes more than 50,000 hires a year.

One major shift is the deliberate change from performance management to performance development. Not just about business results, the new system reflects the mindset and skills needed to manage in the modern workplace.

Feedback is at its core. Team members are asked whether their managers create an environment that encourages candid communication. Do they provide frequent and meaningful feedback? Do they help in the development of market-relevant skills? Are they effective career coaches? At the same time, HR gathers metrics on diversity and inclusion, regretted attrition, and skills development. The company then combines those metrics with its survey data and feeds the results into its Manager Success Index—a dashboard that allows managers to understand how well they're meeting expectations and to identify needs for both learning and "unlearning." Managers are invited to training programs on the basis of their specific development needs. Investing in these programs pays off: People who have completed at least one course in the past two years are 20% less likely to be in the bottom decile of the Manager Success Index, whereas those who have taken no leadership development courses are much more likely to be there.

IBM takes this idea seriously. Managers who do not demonstrate growth behaviors and who consistently underperform get moved out of managerial positions. The message to the company's managers is clear: Times have changed, and you must too. Your ongoing service as a manager is tightly connected to the continued growth and engagement of your people. We're here to support you in rethinking traditional practices, attitudes, and habits, and adopting ones better suited to new ways of working and the digital workplace.

Splitting the role of the manager. Telstra, a $16 billion Australian telecommunications company that employs more than 32,000 people, has made perhaps the boldest move. When Telstra's CEO, Andy Penn, decided to make the company more customer-focused, fast-paced, and agile, he and his chief human resources officer, Alex Badenoch, dramatically flattened its hierarchy, reducing the number of organizational layers to three.

Telstra's Dual Manager Model

To better cope with what it calls the new "equation of work," the telecommunications firm Telstra has flattened its hierarchy and split the traditional role of manager into two jobs: one devoted to people and the other to process. The two types of managers are equals and coordinate closely with each other.

LEADER OF PEOPLE	LEADER OF WORK
Leads a global chapter of employees with similar skills	Leads an agile project team drawn from chapters and external contractors
Owns the talent capacity, including personnel budgets	Owns the work, including project plans and budgets
Forecasts skills gaps and closes them through training and hiring	Forecasts demand for skills
Selects employees for projects	Bids for employees
Is responsible for employee engagement, career movement, and skills	Is responsible for project deliverables and business outcomes

Penn, Badenoch, and their team recognized that the restructuring provided a perfect opportunity to redesign the managerial job. "This change has been needed for so long," Badenoch told us. "We realized we had to separate work and management and create two distinct roles: *leader of people* and *leader of work*." With very few exceptions, this new model applies to the entire organization.

Leaders of people are responsible for similarly skilled employees grouped into guildlike "chapters"—one for financial planners, say, and another for people experienced in change implementation. Most chapters consist of several hundred people, but some are larger. Subchapter leaders one level below are responsible for 15 to 20 members with narrower specializations and are located all over the world. What people do—not where they are—is what matters most.

Leaders of people ensure that the employees in their chapters have the skills and capabilities to meet the current and future needs of the business. They also help chapter members develop pathways to other chapters, to broaden insights and avoid silos. "The role of leaders of people," Badenoch told us, "is to know people beyond their work, At no time in the past has the investor community paid such close attention to human capital in corporations—demanding disclosure of metrics such as diversity and turnover.

to understand their career aspirations, to feed their minds and create thought provocations." Their performance is judged by such standards as how engaged they are with the people on their teams (measured by Net Promoter Scores) and how well they fulfill requirements, among them the amount of time that their people are actively at work on projects, as opposed to "on the bench."

Leaders of work focus on the flow of work and the commercial imperatives of the business. They don't directly manage people or control operating budgets. Instead, they create and execute work plans and determine which chapters to draw from for them. These leaders' performance is judged by such standards as the clarity of their planning, the quality of their estimates, and whether their projects are on time and on budget. (See the sidebar "Telstra's Dual Manager Model.")

This bold experiment has been widely acclaimed internally. "You actually get two people out of it who are dedicated to your development," one employee commented. "Your chapter lead [leader of people] is there to talk to you about your growth, and you get to have some great, powerful conversations about the type of work you want to do and how to get there. You can be very honest and share your aspirations openly with them. They have an amazing network and can get you assignments that allow you to explore different roles. And your project leader [leader of work] is there on a day-to-day basis to provide you direction on the work you need to do and on the business outcomes that we're trying to deliver."

At Telstra neither group of leaders is subordinate to the other. Their pay ranges are the same, and they participate as equals in the senior leadership team. Together they determine what Badenoch calls "the equation of work," which reveals "who is performing well, and what the skill and capacity is." Leaders of people have a sense of the dynamics of their talent pool, and leaders of work have a sense of the dynamics of workflow. By coordinating with their counterparts, leaders of people can anticipate skills gaps and prioritize training investments, or forecast undercapacity and the need for hiring—all while being mindful of the commitments, health, and well-being of employees.

This bifurcated model of management isn't new. It's been used for years in consulting, where one often finds a division between practice leadership and project leadership. What is new here is the context. Telstra has proven that the model can work effectively and profitably across all functions in big companies that have adopted agile practices and flexible work arrangements.

LET'S STEP BACK and consider where we are. For roughly a century our approach to management was conventionally hierarchical. That made sense because work was organized sequentially and in silos, jobs were fixed, workspaces were physical, and information flowed downward. But that's no longer the case. In today's world of work, enabled by digitization, we prioritize agility, innovation, responsiveness, speed, and the value of human connection. All of that demands the new approach to management that we've discussed: one that involves shifts in power, skills, and structure.

We have to get this right. At no time in the past has the investor community paid such close attention to human capital in corporations—checking Glassdoor for signals of toxic work environments, demanding disclosure of metrics such as diversity and employee turnover. As the stewards of culture, managers are the lifeblood of organizations. The current state of overwhelmed, confused, and underskilled managers creates significant risk, not just to productivity and employee well-being but also to brand reputation.

Sometimes it takes a jolt like the new titles at Telstra and Standard Chartered, or the Manager Success Index at IBM, to signal that change is afoot. But in all cases the march to sustainable behavioral change is long. The Telstra experience shows us the benefits of a radical new organizational design, and the Standard Chartered and IBM experiences show us that at a minimum companies can take deliberate steps to shift managers' mindsets, energy, and focus. With these kinds of actions—which institutionalize change—we can ensure that people get the leadership they need in the new world of work.

HBR Reprint R2202F

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