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New Research Shows Why Focus On Teams, Not Just Leaders, Is Key To Business Performance



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I analyze corporate HR, talent management and leadership.

Deloitte just launched a study of people challenges in [business](#), [Deloitte Human Capital Trends 2016](#), and the results were striking. Among the 7,000+ companies who responded (in over 130 countries), the #1 issue on [leaders](#) minds is "how to redesign our organizational structure" to meet the demands of the workforce and business climate today.

The conclusion, after almost a year of study, is that today's digital world of work has *shaken the foundation* of organizational structure, shifting from the traditional functional hierarchy to one Deloitte calls a "*network of teams*." This new model of work is forcing us to change job roles and job descriptions; rethink [careers](#) and internal mobility; emphasize skills and learning as keys to performance; redesign how we set goals and reward people; and change the role of leaders.

The research, which identifies the top ten human capital trends for 2016, shows that most of the issues facing companies today

(employee engagement, culture, time to market, innovation) are tied inextricably to this new way of working. And 92% of the companies Deloitte surveyed cited "redesigning the way we work" as one of their key challenges, making this the #1 trend of the year.

What Is A "Network of Teams" And Why Now?

If you look at the research, you find that companies already operate this way. Only 24% of large companies (>5,000 employees) claim to be functionally organized and only 38% overall. We naturally run our businesses in sales teams, manufacturing plants, retail stores, product groups, service teams, and geographically independent operations.

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Uber, who is well known as one of the most disruptive and innovative companies in transportation, sets up city managers who run their local operation with local marketing, government relations, staffing, and operations leaders.

The problem we face, however, is how we coordinate and align these teams, how we get them to share information and work together, and how we move people and reward people in a company that no longer promotes "upward mobility" and "power by position" in [leadership](#).

As the trends above show, the new organization of today requires us to rethink the leadership strategy, focus on culture and engagement, deliver on-demand organizational learning, and provide information centers, analytics, and digital HR tools to help people operate, share information, and work together well.

I have had the opportunity to talk with dozens of companies about this over the last year, and I believe this is a profound new way of thinking about business. We have to think of companies like "Hollywood Movies" - people come together and bring their skills and abilities to projects and programs, they build and deliver the solution, and then many of them move on to the next "movie" later.

The research identified four keys to success in this new organizational model:

1. Shared values and culture. As people operate in geographically dispersed teams which are closer to customers, they need guidelines and value systems to help them decide what to do, how to make decisions, and what is acceptable behavior. This is driven by mission, culture, and values - hence the tremendous interest in understanding, measuring, and aligning culture (86% of companies rate this as important). The trend entitled "Shape Culture, Drive Strategy" and the article "[Why Culture is the Hottest Trend in Business Today](#)" describe this topic in detail.

2. Transparent goals and projects. People operating in teams and small groups have to work with other teams, and they can't do this unless goals are clear, overall financial objectives are well communicated, and people know what other people are

working on. The research on [next generation performance management](#) and "[The End of the Bell Curve](#)" describe this in detail

3. Feedback and a free flow of information. As teams operate and customers interact with the company, we must share information about what's working, what isn't working, what's selling, and what problems we have to address. While local [management](#) and team leadership (i.e. a plant manager or sales leader) should take immediate responsibility for errors, others need to know what problems are taking place, so they can respond to support the team. This takes place today in digital information centers, analytics dashboards, and free flowing feedback systems that have replaced annual engagement surveys and performance reviews. Solutions require a focus on open and transparent feedback, digital information centers, and building an open and inclusive culture. The research on "[Feedback is the Killer App](#)" and the article "[Why Inclusion is A Critical Business Strategy in 2016](#)" describe this in more detail.

4. People are rewarded for skills and contribution, not position. Finally, the network of teams rewards people for their contribution, not their "position." The days of "positional leadership" are going away (i.e. "I'm the boss so you do what I say.") to be replaced by growth and career progression based on your skills, alignment with values, followership, and contribution to the company as a whole. The chapter "Leadership Awakened: Generations, Teams, Science" describes the findings here.

These HR and organizational changes have been taking place for years, but are now accelerating because of the widespread use of digital technology, a demanding younger workforce, and the need

for more rapid business innovation. Artifacts like organization charts, job descriptions, performance appraisals, and career paths are being reinvented, redesigned, or even thrown away before our eyes.

The Research: Top 10 Trends Discovered

The title of the report, "The New Organization: Different by Design" came from a detailed study of global trends.

This is Deloitte's fourth year conducting this research, and this year there were more than 7,000 respondents in more than 130 countries. It analyzed and sorted the data by industry, company size, and geography and found that the trends highlighted are both global and important to companies of all sizes.

Here are the ten trends.

On the topic of structure, the research found that only 26% of large companies (> 5,000 employees) are functionally organized today (ie. sales, marketing, finance, engineering, service, etc.) and 82% are either currently reorganizing, plan to reorganize or have recently reorganized to be more responsive to customer needs. The issue of structure is quite dynamic as we all know: among these companies *only 8% believe their structure is optimized and only 4% have no plans to change.*

As Deloitte talked with companies and explored this issue, it realized that the drivers of this trend are digital technology, information transparency, demographics, and business disruption. Cisco, GE, Cleveland Clinic, and most of the other companies interviewed told of stories about how their functional structures were obsolete, and that this new "team-based"

structure was one that appealed to Millennials, drove innovation and customer service, and was now possible to manage well because of the widespread use of digital technology to share information.

Many of us remember the old fashioned "matrix organizations" which were popular in the 1980s. Well today the "matrix" makes a company look more like a series of Hollywood movies, where people take their skills and functional expertise, they work on a "project" or "team" or "program" to get work done, and as they learn and the company adapts, they move into another team over time.

While there are still senior executives in the company, leadership now becomes a "team sport," where leaders must inspire and align the team, but also be good at connecting teams together and sharing information.

General Stanley McChrystal, in the book *Team of Teams*, describes how this structure helped the US Army during in the war in Iraq. He had to dismantle the functional structure in place, build these teams, empower team leaders to take charge, and build a digital information center to help these teams coordinate. This story of "coordinated but distributed operations" is what's happening in almost every company surveyed, but the talent and HR practices are still behind.

Leadership: More Important Than Ever, But Viewed In A New Lense

As the data in the trends chart shows, the second issue companies now face is leadership - an even bigger problem than in the 2015

study. 90% of companies cite leadership a major problem and the percent that rate the problem "urgent" went up to almost 2/3 of all respondents.

Why is leadership such an issue? Quite simply because the leaders we need today must be agile, they must learn fast, and they must be connected throughout the organization. The customer service team, sales teams, or marketing teams in your company are often led by mid-level leaders, many of which have grown up in the function. They must have hands-on leadership skills and they must both lead the team and interoperate across teams, a set of skills not always present in the old fashioned hierarchical organization.

I had a meeting with the CEO of one of the fastest growing companies in India last Fall and he put it clearly:

"We have no room for 'general managers' any more. If our leaders aren't functional, hands-on leaders, I don't need them around. Information flows easily from team to team and city to city, I don't need managers in the middle to generate reports and tell me when one team is behind or problems are taking place."

In his case, the company is designing its business around digital information centers, shared goals, and mobile platforms that help employees communicate and share information instantaneously. In most companies that kind of infrastructure is just being built, so the shift from "the hierarchy" to "the network" is very much a work in process.

The big change in leadership is the movement away from "positional leadership" (ie. I am the leader because I am the VP) to team leadership through expertise, passion, energy, and

empowerment. Leaders in the new organization must create "followership" - inspiring the team to perform, connecting the team to the broader mission, and connecting teams to each other.

The Importance Of Culture And Engagement

One of the biggest drivers and facilitators of the "new organization" is the need to drive culture, employee engagement, learning, and feedback throughout the company. The third and fourth most important trends were culture (86% rated important) and engagement (85% rated important).

This makes perfect sense. Millennials, [which now make up more than 50% of the workforce](#) (more in many countries), are looking for mission and values at work, and when they work in small teams they need a shared culture to ensure that strategies, programs, and compliance takes place in a consistent way. Deloitte has done many studies of compliance programs, for example, which always show that building a "culture of compliance" is far more effective than giving people tools or processes to make sure they do as they are told.

What is culture and how do you measure and manage it? This topic is on the minds of CEOs, investors, and business leaders around the world. The research tries to unlock the secret of building a high performing culture, and I would encourage you to read the section "Shape Culture, Drive Strategy," or the article "[Why Culture is the Hottest Topic in Business](#)" to understand ways to help you define, monitor, and better align your culture.

Coupled with culture, the topic of employee engagement continues to be urgent as well.

As Deloitte wrote about last year and I describe in the [Simply Irresistible Organization](#) research, we also know that employees today operate more like "volunteers" than like indentured servants or "employees." They are busy and often "overwhelmed" with work (read the article on [The Overwhelmed Employee](#) for more), they are active on social networks (where they can browse for new jobs or receive job offers), and they openly share information about your company and their boss. If they are not inspired and engaged at their work, they drift away and you may find yourself with a large organization operating with low performance or inconsistent customer service.

The issue with employee engagement today is that we have to build an "always on" listening process, one that opens up streams of feedback and concerns in a way that helps leaders immediately spot problems and design solutions that make employees more productive, aligned, and engaged at work.

This is a major trend sweeping through HR departments around the world, bringing the world of I/O psychology, survey and feedback technology and People Analytics together. I recently talked with a large insurance company who is looking at employee engagement data, pulse survey data, exit surveys, performance ratings, and job mobility in an integrated new system. They expect this new platform to give them immediate insights into operational problems throughout the organization, help them design better employee benefits and reward systems, and identify management problems quicker than ever before.

What is the relationship between Culture and Engagement?

While many vendors are mixing the words somewhat randomly,

the research shows that they are directly linked, but not the same thing:

If you take the time to define and align your culture, you now have a set of tools to help measure and manage engagement. Together these new practices in HR give you a dashboard and set of alignment tools to make sure your "network of teams" is operating well around the world.

Learning: The New Fuel Of The Organization

The topic of learning, which 84% of surveyed companies rated important, *increased in urgency by 10% over last year.*

The research shows two important shifts here:

- First, today learning is "owned by the employee," so companies have to provide a rich set of learning experiences on the job, enabling employees to continuously train and educate themselves. The [adoption of MOOCs and advanced video learning more than doubled from 2015](#), as the corporate training department shifts from one of "education" to one of "building a learning experience" at work.

- Second, there is a major trend toward career development, professional development, and upskilling in the workforce. As I like to describe it, today "The Learning Curve is the Earning Curve," and people now flock to companies that can give them the opportunity to grow and develop. There is an urgent rush to skills around the world, forcing high performing companies to provide professional skills, technical education, and career development in order to attract great people. Most major retailers, for example,

now offer tuition reimbursement for hourly workers and early career management programs are becoming popular again.

In today's "network of teams" organization, skills and capabilities are the currency of success. The corporate learning industry is trying to adapt, as we provide an "always on," high fidelity learning experience through all phases of an employee's career.

Design Thinking Takes Center Stage

This new organization, which empowers people through shared goals and a team-centric structure, has to be *designed to help people get things done*. This is why the next trend identified is the huge interest and need for design thinking, in areas like HR, learning, performance management, and the entire work experience.

As Deloitte wrote about recently in the article "[HR for Humans](#)," people today don't just "do what's best for them" at work - they behave as humans, and we need to make work simpler, easier, and more developmental in every way. This leads to a whole new way of designing HR, learning, and talent programs - based on simplicity, a focus on only what's important, the use of mobile apps, and a core of user-centric design. The old days of building an end-to-end process for recruiting, onboarding, performance management, or career development are going away. Now we look at each employee's role in the company and we design "curated experiences" that help them learn and progress.

A New Model For Management

Coupled with the change in organizational structure and talent practices is *major shift in management thinking*. Every decade

or so we rethink how management works, and right now we are entering a new era.

Today, as the chart below illustrates, we no longer think of executives as "kings," but rather as facilitators, strategists, and team leaders who can inspire and empower teams to succeed. This new concept, which has become fundamental to management books and practices over the last few years, is coming from a realization that the old fashioned, hierarchical leadership models just don't work today.

There are many implications of this shift: what high performing leaders do, who we promote to top leadership, and how we design reward and alignment systems to help leaders contribute. But the biggest symptom of this change is the enormous trend to reinvent performance management.

People keep asking me "how should we reinvent *performance* management?" and what I tell them is "think about how you want to reinvent *management*!"

The old fashioned once-per-year annual review is going away, to be replaced with a more open, transparent, "always-on" process. Deloitte [research shows](#) that over 70% of companies are simplifying the process, and there is a dramatic shift away from "forced ranking" and "numeric ratings" toward programs to facilitate feedback, encourage coaching, and evaluate people on contributions broader than their individual numeric or project goals.

As leaders of teams and networks, we have to promote practices that bring people together, help people develop, and also focus on

topics like onboarding (people change teams regularly), work-life balance, career transition management, and wellness. These practices of HR are hot growth areas today because companies are realizing that if we can't help people operate in the team, transition from team to team, and stay healthy - we can't perform as a business.

Do Away With The Organization Chart: Help People Build Careers

One may ask, does this "*New Organization: Different by Design*," even need an org chart? Of course people need to know how the company is organized, who is in charge of what, and where to go for information and decisions.

But as the research shows more and more, the days of the "org chart" are starting to disappear, because the organization itself operates more like a sports team or consulting firm, and less like a top-down bureaucracy than ever before. What we really need today is a "network analysis" of the company ([the discipline is called ONA](#)) that tells us who to call for what, regardless of where they work. (I believe Organizational Network Analysis is an important new trend and a valuable tool for HR and management as we learn to manage in the network model.)

Let me give you an example. A large, well-known technology company recently spent a day with Deloitte to help redesign their programs for career development, in their quest to change their culture toward that of innovation, creativity, and technical excellence. They found, after talking for several hours, that one of the biggest obstacles in the way was "job titles" and "job levels." The company had developed such a culture of "up or out" that

people were unable to move to important new roles (many of which were very strategic) because they felt they were not "promotions" and it would not "improve their level."

This kind of thinking, which we have institutionalized around the world for decades, has to go away. In today's digital workplace the value of an individual can be enormous, as long as they have the skills, passion, and network connections to do what is needed. Why would we penalize or hold back someone's ability to grow by telling them that only by moving "up" can you progress in the company?

Deloitte decided after this workshop that the whole idea of a "HIPO (high potential)" is now obsolete, and we have to empower everyone to grow through lateral projects and roles, continuous development, and challenging assignments. Yes there will be levels, but maybe we only need 5 or 6 in the company, not the 30-40 detailed levels they have today.

Growth In People Analytics and Emergence Of Digital HR

Which gets me to the final two trends: the emergence of People Analytics and what Deloitte calls *Digital HR*. People Analytics, a discipline that was labelled "stuck in neutral" last year, has started to take off. The maturity of this discipline doubled this year, and while there is still much work to do, this has become a major new discipline within HR and business.

My experience with analytics, after many years in this market, is that we have hit the "knee in the curve" and growth will greatly accelerate this year. If you're interested in this space, please read

the chapter People Analytics: Gaining Speed or look through the article "[Ten Things I've Learned in People Analytics](#)."

Deloitte couldn't write this report without taking a hard look at HR technology as a whole. As it looked across all the management, structural, talent, and leadership issues companies face, it found that HR is going through a digital disruption of its own. While cloud computing has radically changed the way we buy HR software and develop HR platforms, an even bigger change is happening in the way we design and build HR solutions.

Digital HR, as Deloitte decided to call it, is a new focus on building HR solutions that are experiential, designed for mobile apps, and built through design thinking and behavioral economics to help people get work done. We are shifting HR's focus away from "process and programs" toward "strategies and solutions" that help people get work done. This means HR departments have to understand and learn how to build feedback, coaching, goal setting, and development programs that look and feel like apps, are easy to use, and fit into the context of work.

Digital HR is not only a way to leverage new technology, it is really the next wave in our efforts to facilitate the new world of work. It's a new way of building HR solutions, driven by analytics and behavioral economics, reflecting the new model of work, new roles of leaders, and the way people now work together in a peer to peer basis. Deloitte developed a set of case studies in the research, and it will be talking much more about this new world in the coming months.

The New Organization: Designed For Us As People

As I reflect on the hard work Deloitte did to complete this research and understand the findings, I'm left with one final thought. The new organization we identify and describe in this research is not just an artifact of technology, disruptive change, or the demanding needs of Millennials.

It's more than that - it's a shift away from "corporations as institutions" to "businesses as collections of people:" designed to operate the way we as people like to work.

The new organization and talent models described are not just trendy, they're natural to us as people. I've found many studies which show that we as humans like to communicate, collaborate, and operate in small groups. We are essentially tribal animals, and we like to be part of something bigger than ourselves, connected locally to people we like, respect, and can enjoy.

([Google just published its research on teams](#) and it shows that we operate best when the organization builds trust, respect, and inclusion.)

The 1960's organization, which looked like a hierarchy or an industrial institution, with executives who have private parking spaces, executive washrooms, and thickly carpeted offices at the top of the building with expansive views, is becoming a dinosaur. Yes executives will always like power and luxury to compensate them for their hard work - but today if they want to succeed they must learn how to tap into the power of every individual, every team, and figure out how to bring the network of teams together, aligned to fulfill on the needs of customers and the organization as a whole.

Think about who really "runs" your company: generally, retail companies are run by store managers; sales teams are run by sales leaders; consumer goods companies are led by product leaders; consulting teams are led by strong consultants; manufacturing companies are run by plant managers; and software and technology companies are led by engineers. If you come to grips with the potential to empower teams, make the teams work, and bring the teams together - you'll find that your company, regardless of how large or small it may be, can flourish and grow like never before. It's human nature for us to love our work if we "own it" - so part of this new organization is to let every person "own their work" and contribute in their own special way.

This research identifies new models to drive performance, employee engagement, and business growth in every industry. The ten trends identified: structure, leadership, culture, engagement, learning, design thinking, Digital HR, analytics, and workforce management - come together to serve as a roadmap for your organization's journey into the future.

I recommend you read this report in detail, give Deloitte your feedback, and let's talk about these issues in the coming year. The digital world of work is here, and our ability to build this "new organization, different by design" is more important than ever for all of us.

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