Leading When You’re Not the Boss

How to Get Things Done in Complex Corporate Cultures

—

Featuring a Story of Situational Leadership in 4 Acts

—

Roger Strathausen

Apress®

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About the Author

Roger Strathausen is a business consultant with expertise in leadership, organizational design, process modeling, corporate universities, talent strategy, coaching, and functional team building whose clients are chiefly multinational companies. He was previously a senior manager at Accenture and an employee at SAP. Dr. Strathausen lectures at the Technical University of Berlin and the Berlin School of Economics and Law (HWR). He previously lectured at the University of Heidelberg and the University of Kaiserslautern. Strathausen took his PhD from Stanford University while on Fulbright and Stanford Dissertation Fellowships and his MA from the University of Tuebingen. His website is: www.strathausen.com

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Preface

"So, who are you, and who do you want to be?"

A friend asked me this question in 1996, after I had told him I was looking for work. I had just finished my Humanities Ph.D. at Stanford University when I decided to move back to Germany to find a job in business. I had come to Germany absolutely convinced that, with my doctorate degree from a world-famous university, it would not be difficult to find a job.

It took only a couple of weeks to learn the opposite was true. I wrote about 30 specific and well-researched applications to a variety of companies, from travel agencies to business consulting, and got 30 rejections. Every week my applications were returned to me in big envelopes, and with standard cover letters: "Thank you for your application. After a thorough review, we are sorry to inform you that your skills do not fit our job requirements." So once again, *my skills didn't fit.*

When I still had not found a job a couple of months after my return to Germany, I remembered my friend's question and started re-thinking my approach. It wasn't really about finding a job, it was about finding out what I really wanted: *the right job for me, one that matched my strengths and talents!*

At the age of 30, I started focusing on one of the things I have always been good at and enjoyed doing: teaching. I taught English lessons at private institutions, for ten dollars an hour. When I told my friend about my work as an English teacher, he suggested that I teach English to the employees of his company. He employed about 15 people and dealt with hardware storage and disc arrays—a very innovative and lucrative business at the time.

During the English lessons, I came to know the company, and the employees liked me. One evening, when everybody else had already left, my friend asked me to have a chat with him. "I have been observing you," he said. "You learn quickly, you are enthusiastic about new ideas, and you can get people excited. For quite some time now, I have been thinking about adding a software division to the hardware business, but I can't do it by myself. I believe you would be perfect for setting this up together with me. Are you interested?"

There it was: leadership at work! My friend did not have a job opening that quickly needed to be filled. Rather, he saw talent and created a job he knew would benefit both sides, his company, and me.

I accepted my friend's proposal, and I never regretted it. In fact, none of the jobs I have had in my professional career ever were the result of official applications to an HR department. Even after I went on from the small hardware company to work for a large software house, and later for an even larger consulting firm, I always got hired because people realized my skills and more or less created a position that would enable me to make use of these skills.

My fascination with the topic of leadership arose while working in large corporations. The buzzing of ten- and even a hundred-thousand people working together can be thrilling and motivating. But it may also make you feel small and insignificant once you hit the first walls and understand that the chance of turning your ideas into reality are limited by the position you are in.

How can you secure the support of others when you are not their boss, if all you have to offer are your ideas and skills?

When we read about leadership on company websites and in internal memos, we find the term applied almost exclusively to managers and top-level executives officially running big teams or whole organizations. Yet is it true that leadership only happens on executive floors and in board rooms? What about normal employees? Is there really no leadership taking place on the ground floor and at the front lines, where the majority of corporate work actually happens day by day?

I believe leadership not only exists for people without official management functions, but actually is more important here than anywhere else in the organization. For many years now, I have been an independent consultant, leading client teams without possessing formal authority over them. Clients accept my leadership because they believe that the team and the whole company will benefit from our joint work.

My attitude toward leadership may best be described by a fairy tale my mother used to read to me and my brother when we were kids. It's called *The King and the Shepherd*:

Once upon a time, there was a king who vowed that anyone should be allowed to marry his beautiful daughter if he could only answer one particular question the king had. However, if the suitor did not know the answer to the king's question, it would cost him his head. So many princes and noblemen came to the castle, but no one could answer the king's question, and they all got beheaded. Until one day a poor shepherd went to the castle, and he stood in front of the king, and the king asked his question: "Where is the center of the earth?"

And the shepherd lifted his staff and hit it right down to the ground and said: "Here!"

The king shouted: "Prove it!"

And the shepherd said: "Prove the opposite."

The king couldn't, so the shepherd married the beautiful princess, and they lived happily ever after.

This story has fascinated me ever since I first heard it because it shows an essential quality that leaders must possess: the courage to take the initiative. We all can be and should be leaders! We should not be afraid to take a stand when we see that things can be improved, even if we don't have a perfect answer and if we don't have an official mandate to make changes. If in doing so we receive feedback from others that what we have said or done can be done even better, that's great! Then, together with others, we can continue improving things as a team.

Apropos "team": By the time I write this, it has already been over a year since Germany won its fourth title at the Soccer World Championship 2014 in Brazil. Sure, measured by the number and quality of chances, the 1:0 victory over Argentina in the finals was a bit lucky, and the score might have easily been reversed. But seen over the course of the whole tournament, it is certainly fair to say that the best team won, especially after the historic 7:1 triumph of Germany over the five-time champion Brazil in the semi-finals! Many other countries had better individual players than Germany, but the German coach composed the best team, sometimes putting stars on the bench because they did not fit a specific team design. It's the interaction of the whole team that wins titles, and not the stellar performance of single players!

This book has been some six years in the making, and many of the ideas presented here have been developed and refined in talks with clients and colleagues. I have also discussed *Leadership* for some years now with my students at the Technical University Berlin and the Berlin School of Economics and Law.

Leading When You're Not the Boss is written for three audiences: First and foremost, it is written for business leaders around the world. Second, it is written for anyone seeking meaningful work in large organizations. Finding meaningful work not only is a matter of discovery, it also is a matter of creation. Regardless of where we stand in the organization, each and every one of us can contribute to a leadership culture in which personal growth benefits the whole enterprise, and vice versa. And finally, the book is written for academics, consultants, and practitioners interested in the topics of human resources, organizational design, and the future of work.

—Berlin, Germany, November 2015

INTRODUCTION

I

Zombies at the Workplace

I will never forget the first interviews I conducted as an internal auditor in the US service department of a global software company. We spoke to employees on three hierarchy levels: to call center agents, to first-line managers, and to the Vice President of Services. The VP was eager to explain the long-term business strategy to us, and the first-line managers discussed resource and scheduling issues, costs, and so on. However, it was the call center agent interviews that fascinated me most and stuck in my mind. These colleagues looked at us auditors as if we came from outer space. They did not seem to comprehend most of our questions, much less answer them. Time and again, we heard: "They don't tell us these things." "Who are 'they?'", I asked. The answer was: "Management."

To me, these call center agents appeared like zombies—seemingly alive, but dead inside. We do not want to pass judgement on people's interests or abilities. Everyone is different, and for some individuals, acquiring and retaining a simple job in which to execute routines may be a success and all they want or can hope to achieve. But the vast majority of employees are capable of so much more, and using only a fraction of the workforce's ability to create value actually is a waste of company resources.

How can we foster people's ability to create value? How can we enable front-line employees to tackle work problems where they arise: in daily operations, along the value chain, at the interface of (internal) supplier and (internal) client?

Crises and Change

Today, these questions are more pressing than ever. We live in a world of constant change. In the past century, more people have been born and more inventions made than in all the previous millennia of human history. Species are becoming extinct at such an accelerated rate that we are very likely in a period of mass extinction. The Great Recession following the financial crisis in 2007–2008 has deepened the economic divide not only between nations, but also within single countries. US republicans and democrats are fighting bitterly over state finances, healthcare, and welfare costs, and the perceived segregation of Western societies in 1% "rich" and 99% "others" bears a high risk for social unrest.

In the Euro Zone, the near-bankruptcy of small countries like Greece and Cyprus, and the huge state deficits even in large Euro members like France, Spain, and Italy not only reveal the conceptual flaw of a currency union without a unified banking system and a truly supra-national government. The financial crisis also revives the fundamental conflict in economic esprit: While encumbered countries call for a New Deal, arguing for a Keynesian policy of deficit spending, financially stable countries like Germany preach austerity and demand national reforms of inefficient government structures and costly social welfare systems.

In spite of nationalistic parties springing up in many European countries, most European politicians and populations are still willing to bail out struggling Euro member states and to move forward toward more political integration. The export world champion Germany, for instance, has benefited tremendously from the unified European market and the Euro zone, and it also stands to lose the most from its disintegration. The current Euro crisis is more a political crisis than an economic one. The European vision is much larger than the Euro. After centuries of war, the European Union has enabled 28 sovereign nation states with their own language and culture to coexist peacefully for over 50 years. It remains to be seen if Europe really possesses the political will to save the Euro zone from disintegration.

Meanwhile, the strong economic growth of the BRICS states (Brazil, Russia, China, India, and South Africa) during the last decades indicates that trade and global markets offer big opportunities for everybody. Globalization will continue to increase the standard of living for billions of people in emerging economies and, at least in the long run, is likely to lead to a democratization of authoritarian states like Russia and China, because the upcoming middle classes will not remain satisfied with economic success and will start demanding more political rights. As always in human history, though, the same technological advancement and globalization that leads to the economic rise of some professions and social groups will also lead to the descent of other professions and groups. When the automobile arrived, coachmen lost their jobs, and the same happened to secretaries at the advent of the personal computer. Similar changes take place in the relations between nations: Parts of the middle class in established economies will face social descent if the jobs they perform can be done better, faster, or for less money in other countries. Some redistribution of wealth between established and emerging economies seems unavoidable, and seen from an ethical perspective, this is a good thing.

What's crucial for everybody to keep in mind, though, is that economy is no zero-sum game and that business usually creates win-win situations. When market demands shift and certain skills, products, or even whole professions lose their value, we need to adapt to the change instead of trying to hold on to the status quo and our personal comfort zone. Unfortunately, many people perceive economy primarily as a question of distributing rather than producing wealth. They believe that the gain of others equals their own loss.

Take, for example, the refugee crisis that is currently happening in the European Union (EU): Haunted by civil war and poverty, hundred thousands of refugees from Eastern Europe, the Middle East, and Africa are trying to enter the EU. The number of asylum requests in Germany alone is expected to quadruple in 2015, from approximately 200,000 in 2014 to over 800,000.[1] Migration, which in late antiquity was a slow process and took hundreds of years, now, in the twenty-first century, fueled by social media and modern means of transportation, only takes a couple of months.

There is no simple solution to complex problems. Yet sadly, 25 years after the fall of the Berlin Wall and the end of the Cold War, politicians are once again contemplating building a fence, this time not to prevent their own population from leaving, but to hinder migrants from coming in. Such shortsighted actions are unlikely to be successful—a fence around EU soil would only increase the number of refugees who try to reach the EU via the Mediterranean Sea. In the past years, thousands of migrants have already died during this dangerous voyage, many of them children. Yet the simple solution to build a fence caters to the fears of many European citizens who believe the migrants will "islamize" their countries and take away their jobs. Fear of the unknown is part of the human condition, but experience and statistics tell us that migrants are more likely to boost than drain the European economy. Germany, for example, struggles with an aging and shrinking population, and the influx of young and ambitious workers is likely to improve the job market in the long run. In other words, today's migrants are tomorrow's neighbors, co-workers, and customers!

I am mentioning the current EU refugee crisis because it provides an example of the fundamental belief embodied in this book: the belief that change is inevitable. Change is coming faster and more radically than ever—not only in the socio-political realm, but also in the economic and business realm, in the

[1]Source: Swissinfo (www.swissinfo.ch)

way companies are built and work is organized. No matter how loud politicians and corporate executives keep crying for *simplicity*, globalization, and with it rising complexity, cannot be stopped. Countries and companies alike will have to take new approaches to complexity and constantly shifting frames of reference.

Innovation and Creativity

For Europe and the United States to sustain prosperity, we must find ways to stimulate economic growth. Such growth is unlikely to come solely, or even primarily, from increased productivity. The economic success of BRICS states is due to their gigantic populations and labor forces which enable them to focus on consumer goods. It will take a while until each of the 200 million Indian households is equipped with a refrigerator and a washing machine. And while investors have become more careful since 2009, there is still a lot of foreign capital flowing into these large and growing markets.

The established economies of the United States and Europe are in a different situation. For us, growth is more likely to come from innovation than from increased productivity. Companies need good ideas to stay competitive. Of course, productivity and innovation are inter-dependent. Technical innovations lead to higher productivity, and higher productivity creates resources for more innovation. Yet there is always tension between *the new* and *the existing*. Optimizing what already exists is where management has proven to be a very successful organizational paradigm in the last century. The separation of work planning and work execution along vertical positions realizes economies of scale and increases efficiency, but also is bureaucratic and resistant to change. Management creates structural knowing-doing gaps,[2] and we need to reinstate employees as natural units of thinking and acting. Such a new, post-management approach would increase organizational innovation and agility.

True innovation, the forming of something new that is viable on the market, involves trial and error, and innovation thus consumes resources without immediate payback. For large organizations, it makes economic sense to hand the innovation challenge down to each and every employee and to enable short feedback loops between diverse groups of people. The more people contribute ideas, regardless of their hierarchical level, the more likely it is to find the best solution to a problem. Business scholars like Vijay Govindarajan and Chris Trimble in *The Other Side of Innovation* are convinced that, due to the global economy, "the organization of the future will be much more adept at simultaneously delivering efficiency and innovation."[3]

[2]See Jeffrey Pfeffer, *The Knowing-Doing Gap*, 1999

[3]Vijay Govindarajan, Chris Trimble, *The Other Side of Innovation*, 2010, page x (preface)

The depth and breadth of already existing know-how and the social means to reproduce and expand knowledge through public education are competitive advantages of established economies. Established economies need to tap into the one resource that is supplied by nature and produces more value that it consumes: *human creativity*. Creativity is a distinct feature of intelligent life. Machines are better and faster at executing prescribed routines, but machines are not creative. Human creativity often requires time and a certain form of leisure—good ideas come to us at the strangest moments and places. In a culture based on the management ideals of moremoremore and fasterfaster-faster, creativity is unlikely to appear.

Whatever companies do to promote creativity, one aspect remains crucial: *People become creative when confronted with problems*. We need to encourage and enable employees at all levels of the organization to tackle and solve problems directly where they occur, instead of passing them up the ladder and waiting for the bosses to decide. When I speak to clients and students working on the ground floor in big corporations, they report the indecisiveness of their managers as one of the biggest challenges in their job. First-line managers are especially hesitant to make any decision without a blessing from above. And understandably so because, like every other employee, even a manager's professional future depends on his or her boss.

Leading When You're Not the Boss is no call for anarchy. It is, however, a call for employees to put their work, their internal clients, and, in fact, their conscience for the whole organization first, and to put their manager's interests second.

Whenever in human history people have been given more freedom, be it the freedom to vote, the freedom to travel, or the freedom to follow their religious belief, such liberties have been accompanied by the fear of abuse. And yes, there always have been, and probably always will be, some people who abuse the freedom they have been given for their own interests, and at the expense of others. But this is not the rule. In any social setting, the vast majority of people does not behave egoistically, but collaborates with others to create benefits for all. In fact, this communal spirit is what defines us as human beings, and it also exists in business and private companies. The idea that employees can set their own salary and elect their managers, as implemented by the Brazilian entrepreneur Ricardo Semler[4] in his own company, seems unthinkable, but it works! Freeing people of bureaucracy and stifling hierarchies is more likely to result in innovation and productivity than in chaos. Work is much more than gainful occupation and a means for survival; it is an expression of ourselves, a way to develop our innate potential. We come to ourselves through work, by changing our environment according to our ideas. In other words, we are what we do.

[4]Ricardo Semler, Maverick!, 1993

As important as economy is for our prosperity, we must always remember that being human comprises much more than the production and distribution of material wealth. Economics cannot replace ethics, and numbers cannot replace ideas. Money and profit are means to an end; they are no ends in themselves. Economics must continue to serve people—real people, and no theoretical constructs of self-conscious agents always making rational decisions to optimize their interests. Of course rational agent and other economic theories are useful. We just need to remember that they presuppose well-defined settings and only explain a small subset of human behavior.

Holistic Thinking

Nobody knows the future. While we rely on personal experience and on statistics to predict what tomorrow might bring, we can never be sure. As individuals as well as a species, we continue to be surprised about the unexpected things that happen around us.

Because the future is unpredictable, and because companies operate in different contexts, the traditional consulting approach of telling management war stories generates little valuable insight. The same companies and executives presented as role models by management gurus today may turn out to be performing poorly, or even corrupt, tomorrow. Consulting studies developing performance or innovation indexes based on management interviews, arguing that companies doing x, y, and z are n times more innovative than others, strike me as circular in nature. First, these studies select overall successful companies to start with. Then, they arbitrarily identify certain characteristics that these successful companies have in common. And finally, the studies claim that it actually was these very characteristics that made the analyzed companies successful in the first place. Such studies may create publicity for the portrayed organizations as well as for the authors, but they are only a shot in the dark. Without looking at the specific situation of each company, and without setting up real experiments over time with comparison groups, we have no way of knowing for sure that any companies' success is indeed the result of doing business in the proclaimed way. Their individual success may, in fact, be due to a set of other and completely unrelated factors. Management war stories are based on hindsight, and they sound convincing because the output they produce is the same as the initial input: Successful companies are successful, and unsuccessful companies are unsuccessful.

If we want to avoid such circular thinking, we must look at things from different perspectives and engage in what we call *systemic* or *holistic thinking*. When looking at a situation systemically or holistically, we focus on the interaction between constitutive elements, not on the elements themselves. We see how one action counteracts or reinforces other actions, and how everything functions together. The whole is more than the sum of its parts. When a person dies, all the bodily parts are still there, but the specific way these parts interact to create a living organism is gone.

Yet while I advocate the idea of *holism* throughout the book, we also need to keep in mind that *the whole* is always a construction. There is no whole that is not perceived from the outside. No set can contain itself as an element. Every insight originates from a particular standpoint, and this standpoint determines what can be seen—and what cannot be seen. The more someone insists on knowing it all, the more critical we must become and simply ask ourselves: "Who is talking?"

Let's take business corporations (for our purpose here loosely defined as publicly traded and profit-oriented companies) as an example for how perspective and interests determine what is perceived as the whole. It does not surprise us to hear chief executive officers (CEOs) talk about what is best for the whole company. After all, the CEO represents the corporation, and being at the top, he or she has a privileged vantage point. But what is the whole company, and within which frame of reference does something appear to be best?

From a business perspective, all companies consist of different functional areas or so called lines of business (LoB), such as research and development, marketing, and sales, which interact with each other to ultimately deliver products and services to customers. In this perspective, what's best for the customers should also be best for the whole company. From a financial perspective, a publicly traded corporation simply is its value, as expressed in the stock price. In this perspective, a higher stock price would be best for the whole company. From a social perspective, a corporation is an employer of thousands and sometimes even hundreds of thousands of people, and in this perspective, high wages and meaningful work could be regarded as best for the whole company. The most holistic perspective on companies is a stakeholder perspective, because it considers not only what's best for customers, owners, and employees, but also for all other groups without which the company could not exist, such as investors, suppliers, partners, governments, and the public at large.

Content and Structure of the Book

In this book, we adopt a business perspective on companies, that is, we focus on the interaction of internal lines of business along the value chain that ends with the customer. This one-sidedness is intentional, because we are not primarily interested in companies per se, but in leadership and the benefits of non-hierarchical work structures in complex organizations.

And in this regard, *Leading When You're Not the Boss* represents a holistic system in its own right, with observations, reflections, and stories bound together by the thematic focus on leadership and post-management. The eight book chapters alternate between discursive texts (Chapters 1, 3, 5, and 7) which put forth logical arguments, and aesthetic texts (Chapters 2, 4, 6, and 8) which present a leadership story with the fictitious protagonist Dave at the center. The subtitle *How To Get Things Done in Complex Corporate Cultures* points to leadership as a crucial means to achieve results even in difficult and unclear business situations, and such leadership situations are exemplified in the twists and turns of Dave's story.

Stories provide an aesthetic experience which often facilitates cognitive insights where logic and rational discourse prove to be less productive. The art of story-telling has been practiced since the beginning of mankind. As children, we experience stories as an effective means to bundle information and convey a message through contextualization. Even the adult mind constantly seeks to build storylines from isolated information in order to make sense of the world and create meaning.

The case studies, which are based on my consulting projects, and the personal anecdotes are intended to illustrate the theoretical concepts and ideas put forth in the chapters in which they appear. The four episodes of the fictitious leadership story are thematically aligned with the main chapters, and each of the episodes present a leadership challenge at the end.

The discursive chapters combine insights from various academic disciplines such as philosophy, politics, economics, art, natural sciences, psychology, and pedagogy. In Chapter 1 "Change, As Planned and As Happens," we use the example of the Great Recession to analyze how individual actions, such as the desire to maximize profit (change as planned) within complex dynamic systems can generate unforeseen and unforeseeable effects (change as happens), in this case the near-breakdown of the whole financial system. We will trace key concepts of neo-classical economics such as market equilibrium and the homo economicus back to underlying assumptions of Western rationality and control, and we will call for a new kind of economics that consciously puts human values at the center of thinking about the economy.

Chapter 3, "Management Unplugged," defines management as an organizational paradigm that separates work planning and work execution along hierarchical positions. We review management practices as they exist today in large organizations, and demonstrate that these practices have become dysfunctional in our increasingly complex world. Hierarchies, bureaucracy, and silo-thinking preserve the status quo, hamper innovation, and frustrate employees. If leadership is supposed to happen on all levels of the organization, and not only in management offices and board rooms, then a general re-thinking of work processes is required. We identify basic characteristics of a new post-management paradigm with regard to organizational structure, resource allocation, and value production.

In Chapter 5, "Let Talent Lead," we define leadership as an organizational paradigm that enables talent-driven self-organization of work along the horizontal value chain. We describe four roles of leadership, namely manager, expert, coach, and intrapreneur, maintaining that the first two roles work best in simple business environments, while the latter two work best in complex business environments. Instead of viewing leadership primarily as a personal trait, we emphasize situational leadership, claiming that every employees can emerge as leader in a culture of lines which is characterized by free information, open communication, and transparent rules.

Chapter 7, "Guiding Lost Giants," describes how Human Resource (HR) departments can foster situational leadership. We contrast traditional HR transformation programs aiming at efficiency increase and cost reduction through shared service centers with a post-management view of HR as a holistic set of capabilities providing value through people. We examine the interaction of HR strategy, processes, and IT systems, and present a maturity model for each of the five talent processes: recruiting, performance, learning, succession, and compensation. While many organizations have already begun to develop process- and project-oriented structures and use communities of practice to enable fast interactions of self-organized groups across departmental and geographical borders, HR processes still follow the old approach of matching jobs to people, instead of matching people to jobs. We discuss Guiding Lost Giants and Polishing Raw Diamonds as two different HR strategies, and we suggest companies should primarily look for value in employees' existing talents and create corresponding positions, rather than only selecting and assessing employees according to pre-defined job requirements.

I would be hard-pressed to name a theoretical concept in this book that is radically new—except for the term *post-management* which, in Google, only returns entries on managing postal letters. The call to revolutionize corporate culture in production industries and to organize work as interaction of self-organized groups has been made by Hans-Juergen Warnecke, the former director of the Fraunhofer Institute, nearly twenty years ago.[5] And ten years later, Thomas Malone, a business professor at MIT, in *The Future of Work*[6] called for shifting the organizational mindset from command-and-control to coordinate-and-cultivate. Since then, many companies have implemented process-oriented production models like "Lean," and the use of IT-based communities and social media is also already on the rise and in little need of additional promotion.

As a reader, your main take away from the book should be the importance of context and mindset for leadership. I do not believe one can present a new leadership culture in a programmatic way, as a ready-made set of rules and recommendations. Instead, readers have to use the modules in the book as

[5]Hans-Jürgen Warnecke, *Die Fraktale Fabrik*, 1996 (in German)
[6]Thomas Malone, *The Future of Work*, 2004

stimuli and as means to actively create the form of leadership that works for them. The book presents holism and leadership as part of a personal ethics: Look at your life (your job, your company) and see if it makes sense. And if it doesn't, change it. This is why throughout the book, I relate my own personal experiences and always present thoughts in a particular context.

So while from an academic perspective, *Leading When You're Not the Boss* is an assemblage of previously discussed ideas, I nonetheless hope this book may enable *you*, the reader, to gain the post-management edge and reap the payoffs of a holistic work culture!

CHAPTER

1

Change, As Planned and As Happens: A Plea for Human Values

We want to approach our topic of leadership in complex business organizations by first looking at the economy as a whole. In widening our view to an environment which is infinitely more complex than even the biggest corporation, we hope to gain insights that can inform our later discussion of business interactions in more confined contexts.

Economic Rationality

Economy can be defined as the production, distribution, and consumption of goods and services through money as a medium. Within the constraints of national and international law, today's economic processes happen quasi naturally, driven by autonomous actions of many different players such as companies, consumers, investors, and so on. Historically, however, the economy as such a self-regulating system only came into being with the transition from the Middle Ages to what, in the widest sense, we can call our modern times.

In the Middle Ages, in pre-modern Western societies, all social practices like politics, science, art as well as trade and the economy were dominated by religious norms. For example, money lending was not permitted to Christians, which led to the financial prosperity of Jews. Or consider the physicist Galileo Galilei (1632) who was threatened with torture by the Inquisition so he would recant his theory that the Earth revolves around the Sun.

Starting with the Renaissance and its focus on the individual, with the industrialization in the 18th century and with Enlightenment's call for reason as the guide for human action, Western societies became modern in the sense that they are functionally differentiated. Functional differentiation means that the various social practices like politics, science, art, and economy are now allowed to develop and follow their own norms and are no longer forced to observe religious norms. This functional differentiation is rational because it allows for a higher productivity and better outcome of the various social practices. Scientists, for example, are more successful in finding natural laws and enabling technology when they are not afraid of being executed if their findings contradict a religious belief. Trade between different groups and nations flourishes better when it is not subjected to church doctrines, and so on. Figure 1-1 compares pre-modern societies to functionally differentiated modern societies.

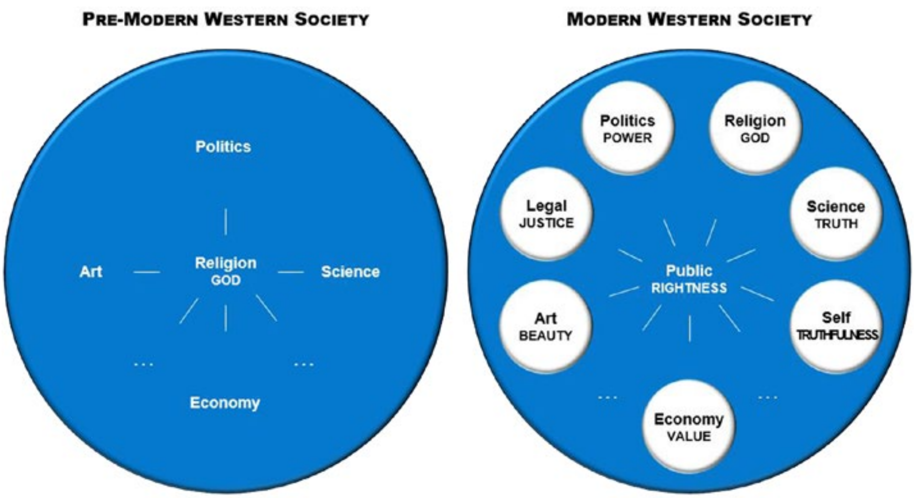

Figure 1-1. Functional Differentiation in Modern Western Societies

In our functionally differentiated world, there are no more absolutes, precisely because each social subsystem has its own specific absolute, the fundamental concepts without which it cannot operate. Science searches for objective truth by means of experiments and deductive reasoning; art creates beauty without practical purpose; nation states try to secure political power, and so on.

Social unity is guaranteed through legal constitutions and through constant communication in the media and the public sphere. Communication is a conscious act and as such always embodies the claim to universalistic norms with regard to outer reality (truth), inner feelings (truthfulness) and social rules (rightness). If we believed that others did not adhere to these norms, that is, if we believed they lie to us, we would not communicate with them at all, or else the communicative act would represent what the German philosopher Jürgen Habermas calls a performative contradiction.[1] Of course, it often happens that people hold different beliefs about what actually is true, truthful, and right, but because all sides must presuppose universalistic norms as such, it is, in principle, possible to come to a mutual understanding. Language and social media thus facilitate the parallel existence of individual life-worlds with contradictory views of right and wrong.

The economy has benefited tremendously from the functional differentiation in modern Western societies. In fact, we can say that the separation of a *desired end* from the *means to achieve this end* represents the core of economic rationality itself. Economics, the social science developing theories on economy, focuses on means-end relationships and analyzes rational choices for maximizing personal utility—no matter what this utility is. One person wants to buy a fancy car, a second wants to build a company, and a third wants to retire with the age of 40 and become an artist—whatever your desire, economics will tell you the rational way to achieve it.

The Great Recession

The historic excursion on modern society teaches us an important lesson on complexity: The more complex and internally differentiated a system is, the less it can be controlled and steered from a central point. The collapse of the former Soviet Union and other socialist states at the end of the 20th Century provides a rather recent example for this thesis. Subjugating the economy to a governmental five-year planning proved to be less productive for growth and prosperity than letting markets develop according to internal laws of supply and demand.

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[1] Jürgen Habermas, *Theory of Communicative Action*, 1981

This leads us to a second crucial insight, namely the importance of markets for mastering complexity. It is not surprising that, already before the collapse of many socialist states, and even more so afterwards, neo-liberal theories calling for free and unrestricted markets were dominating economic debates. But, as often happens in the course of human history, when revolutionary events bring about radical change, it takes a while until some kind of balance is restored. This also applies to economic theory, where in recent decades the pendulum may have gone too far to the side of free markets, and now needs to come back a little to the side of more regulation to create a healthy economy.

I want to support my claim that free and uncontrolled markets can become counterproductive by examining the recent Great Recession. It is not even ten years ago that the world experienced this worst economic downturn since the Great Depression in the 1930s. The Great Recession was followed by the financial crisis in 2007–2008, when large financial institutions went bankrupt and had to be bailed out with tax money by national governments to prevent a collapse of the whole financial system. Millions of jobs were lost, equivalents of trillions of Euros capital, many people's life savings and pensions vanished, and the economy entered into a global recession.

On the surface, the financial crisis was caused by the collapse of the US sub-prime real-estate market. After World War II, the US financial market had been rather strongly regulated, with safeguards restricting speculations. But when US President Nixon ended the linking of the dollar to gold and thus the whole Bretton Woods system, the government and economists started de-regulating the financial markets. Investment banks, which formerly had been small and elitist add-ons to consumer banks, could now split off and grow. Under both Republican and Democratic administrations in the 1980s and 1990s, cheaper money for home purchases and dramatically expanded consumer credit generally led to significant growth of personal debt, effectively resulting in the privatization of deficit spending. Increasingly, credit and even mortgages were readily available when consumers had little or no capital or collateral of their own.

The investment banks started issuing and trading derivatives which until then were deemed speculative in the United States and had been highly regulated. A derivative is a financial contract that derives its value from an underlying asset and makes a bet on the future. Originally, derivatives were an instrument for investors to insure (hedge) against a particular risk. For example, an investor might believe that the price of rice will decrease in the future. To insure his investment in rice, he finds another investor who believes the opposite, namely that the rice harvest will be bad and the price will go up in the future. They agree on a fixed price for rice in the future, and this derivative contract (a future exchange of rice for a price agreed on today) reduces their respective risks. Thus, the opposing beliefs on the future create a kind of equilibrium, which is why investment bankers and many others believed that derivatives, that is, bets on the future, are actually good for the economy and reduce risk.

Yet in the real estate market, derivatives developed in a different way. In the early 1970s, economists developed an algorithm for predicting the future prices of houses. Analyzing empirical data from the real-estate market and using statistics, this algorithm allowed investment banks to calculate the risk of falling real-estate prices into the price of the derivative. In other words: The real estate derivatives had changed their nature and function. They were no longer an insurance against an unknown future, but themselves became risky objects of trading and speculation.

The investment banks then packaged these derivatives containing sub-prime mortgage loans with other kinds of loans and products, including, for example, high-quality treasury bonds, and these packages were then re-sold again, and so on. So now the financial products being traded were no longer simple derivatives; they were derivatives of derivatives of derivatives, very complex products with obscure connections to the underlying asset. And the increased use of computers and electronic high-frequency trading meant that these derivatives could be sold much more quickly than before. The global market for derivatives grew tremendously from the 1970s onward, reaching almost 500 € trillion in 2008.[2] Since the investment bankers received bonuses primarily on the volume of financial transactions, the trading of these extremely scalable and yet seemingly secure financial products created a lot of profit for them.

The rating agencies had a financial interest to support the trading of derivatives and gave the highest rating, AAA, even to products including sub-prime mortgage loans. Consumer banks could get cheap bank loans and offered mortgages to people with very little or even no capital. Banks then invested the mortgage payments they received from their clients, the house owners, into the derivatives offered by the investment banks, because these derivatives promised a low risk and high returns.

Finally, the consumers wanted to live in their own house and since they were told by the banks that they could afford it even if they had little capital of their own, people started buying more and more expensive houses. So, between the 1970s until 2006, the real estate prices went up, and everybody was happy.

However, starting as early as 2006 in some areas, there were too many houses on the market, and following the law of supply and demand, the real-estate prices started dropping. This should have been no problem, because the statistical risk of falling house prices had been considered in the price of the derivatives. However, it turned out that the house prices fell more than expected, and this created a devastating ripple effect.

All mathematical models of reality rely on assumptions. One assumption that underlies the price calculation of sub-prime mortgage derivatives was the "normal distribution" which assumes that extreme events (e.g., extreme price

[2]The Economics Book, 2012, page 265

fluctuations in houses) are very unlikely to occur. Yet they can happen and produce what Nassim Taleb calls a Black Swan,[3] an unforeseeable or at least highly improbable event with exponential impact.

Such a highly unlikely and yet extremely consequential event occurred in 2006 and 2007. The US house prices fell more than assumed in the derivatives and set-off the burst of the real-estate bubble. Since the estimated value of the houses was the security against which the mortgage rate for the house owners was calculated, the lower real-estate prices led to an increase in mortgage payments for the house owners. The under-capitalized house owners could not pay the higher mortgages and defaulted on their loans, taking the consumer banks down with them. When their derivatives became worthless, the investment banks collapsed. Lehmann Brothers went bankrupt in September 2008 and sent shock waves through the whole economy. The US government realized it had to bail out banks and insurers like AIG to prevent a financial meltdown.

The burst of the US real-estate bubble surprised the investors; it did, however, not surprise the investment bankers because they had been secretly betting against their own financial products. So while on the one hand, Goldman Sachs and Co. had been praising and selling derivatives containing sub-prime mortgages as a secure investment to their clients, they themselves had been betting on the default of these derivatives and thus they made a profit on both ends. While this behavior might not be outright criminal, it certainly strikes me as unethical.

On the other side of the Atlantic, the Euro Crisis was set off by the collapse of the US real-estate market, but also developed its own dynamic. EU member-states had introduced the Euro in 1999, and Greece, whose economy actually was never up to par, joined in 2001. The combination of high interest rates, low taxes and lacking control in southern Euro states attracted a lot of outside capital. The governments then overinvested in expensive infrastructure projects, and when the US housing crisis reached Europe, the already under-capitalized banks in Ireland, Portugal, Greece, and Cypress broke down and had to be rescued with billions in tax money.

Hindsight is 20/20. It is a natural inclination to blame others when something goes wrong. If we now criticize banks and financial markets, we must do so in a fair way. We must understand what exactly happened, why it happened, and what we can do to reduce the risk of it happening again. Investment banks serve an important economic purpose—they help allocate capital to where it is needed and where it produces economic growth. Stigmatizing bankers and the whole investment industry is dangerous for society because it creates a climate of envy and hatred. Many other institutions and groups also

[3]Nassim Nicholas Taleb, *The Black Swan*, 2007

played a crucial role in the financial crisis: Governments set wrong economic expectations and failed to control the banking industry; the rating agencies did a poor, but self-serving job in assessing the risks of derivatives; and, last but not least, the consumers; so we all are also to blame! When things go well and the economy booms, we consumers don't ask what or who created this boom; we simply take advantage of it. We love our inexpensive, high-quality flat screen TVs, fancy cars, and designer clothes. We love to fly across Europe for 50 Euros and complain if on-board drinks are not included in the ticket prices. We want t-shirts for five Euros, we want internet access wherever we are. In fact: we want it all, and ideally at no cost. I believe economic crises are also a chance for consumers to think about what is really important to us, and how much we are willing to pay for it. If we can buy a pound of meat for less money than a head of lettuce, our economic sense should tell us there probably is something wrong.

Markets

One lesson to be learned from the financial crisis is that global markets need to be regulated beyond fiscal and monetary policy, that is, beyond the mere setting of taxes and central interest rates. Neo-economic theory claims that the self-interest of the individual market participants creates benefits for all, going back to Adam Smith's famous *invisible hand* which always brings the market into equilibrium. The financial crisis has shown that this assumption is actually much less helpful for understanding markets than was previously thought. In fact, economists in general are doing rather poorly in explaining economy, let alone in predicting certain economic events. Basically what happened in the last seven to eight years is that a whole industry, investment banking, destroyed itself through greed, and the economists did not see it coming. Note that most investment banks are now a part again of consumer banks, and no longer an independent industry. Even Allan Greenspan, the former head of the US Federal Bank and free-market advocator, acknowledged in 2008 that the free pursuit of self-interests does not always automatically produce the best result for all: "I made a mistake in presuming that the self-interests of organizations, specifically banks and others, were such that they were best capable of protecting their own shareholders and their equity in the firms."[4]

If there is indeed an invisible hand creating market equilibrium, then the owner of this hand must be suffering from the Parkinson's disease—the invisible hand is shaking and trembling. It makes more sense to assume there is, in fact, no invisible hand, and that the normal state of markets is dis-equilibrium rather than equilibrium. Economy is no game. Crises like the one we just witnessed

[4]In the *New York Times*, October 23, 2008 (`http://tinyurl.com/ncy8xkp`)

directly affect our well-being and the future prospects of entire generations; they actually cost human lives. It makes sense for us as a society to invest resources in developing theories that can better explain economic effects and reduce the risk of financial crises like the one we just witnessed.

Thomas Piketty in his 2014 bestselling book *Capital in the 21st Century* maintains that the financial return on capital tends to increase faster than overall national income, thus enlarging the gap between the rich and the poor.[5] One does not have to agree with Piketty's recommendation that the introduction of a progressive capital tax is the best means to remedy the situation. After all, governments are at least, and probably a lot more, prone to corruption and waste than private people or organizations. The long list of financial disasters around large public projects is proof of the limited ability of governments to invest capital wisely, even if these governments are democratically legitimated and supposedly controlled by independent agencies. It's always a lot easier to spend tax payer's money, especially in high-risk situations, than spending one's own money. Looking towards the rich for solutions to financial problems is a common attitude among voters and in the media. Yet when it comes to paying taxes, the rich are always the others. The workers point to the managers, doctors, and lawyers and the top ten percent of earners and their heirs and call them rich; the managers, doctors, and lawyers point to the millionaires and the top one percent of earners and their heirs and call them rich; and the millionaires point to the billionaires and the top one-tenth percent of earners and their heirs and call them rich.

The success of Piketty's book shows that the public grows increasingly critical of the claim that capitalism is always for the greater good and benefits all of society. Yet neither Piketty nor anybody else in his or her right mind wants to give up economic rationality as such. We want to reduce the risk of big economic crises, but we also want to continue driving efficiency in areas where it makes sense. Economic growth overall is a good thing. Seen over the past 200 years, empirical data shows that global economy has made all people, including developing countries, healthier and wealthier, albeit in varying degrees.[6]

Yet our analysis of the Great Recession has also shown us that, to a certain degree, markets need to be controlled in order to avoid that profits through speculation are privatized, while the much larger financial losses of these speculations are socialized and have to be covered by the tax payers. Economic rationality, left to its own devices, tends to produce contradictory effects. Remember that the Great Recession was caused by a financial product, namely derivatives, which originally was believed to reduce the risk of crisis.

[5]Thomas Piketty, *Capital in the 21st Century*, 2014

[6]See Hans Rosling's video "200 Countries, 200 Years, 4 Minutes - The Joy of Stats", 2010 (http://www.youtube.com/watch?v=jbkSRLYSojo)

Humanist Economics

Such contradictions and paradoxes are characteristic of the complex world in which we live. It is a world I describe in terms of two forms of change, namely *change as planned* and *change as happens*. Change as planned is about using economic rationality and instrumental reason to achieve a goal, something we all do a lot every day. By the time you leave your house in the morning to go to work, you have already produced dozens of changes as planned: You got out of bed, showered, got dressed, and ate breakfast. Usually these every-day life things work out well. However, occasionally things do not go as planned. You miss the bus on your way to work, or even worse, you may have an accident with your car. This is change as happens, not planned by you, and often not desired. In the economic realm, the huge profits of investments banks during the US real-estate bubble represented change as planned, and the ensuing economic crisis that nearly destroyed the whole financial system represented change as happened.

CLASSROOM EXPERIMENT: SIMPLE AND COMPLEX CHANGES AS PLANNED

In my university lectures, I sometimes conduct a two-part classroom experiment. I intend to illustrate to the students that achieving change as planned is getting more difficult the more complex the situation is that I want to change.

In the first part of the experiment, I tell the students that I plan to turn on the light in the classroom, and I ask who of them believes that I will be successful in bringing about that change as planned. Usually, all students raise their hands (and those who don't either are general sceptics or have not been paying attention). I walk over to the light switch, flip it, and so far in all experiments, the classroom light has always turned on. However, I then point out to the students that this success is not trivial. My plan to turn on the light contained an expectation about the future, and thus it was risky. A lot of things could have happened between my decision to turn on the light and the action itself. For example, while walking over to the light switch, I could have had a heart attack and collapsed before reaching the switch. Or a meteor could have hit our Earth and burned everything up. Or I could have indeed flipped the light switch but the room could have remained dark because of an electrical short circuit or bad wiring. Now, the students probably considered these possibilities, but deemed it very unlikely that any of the above incidents would happen. So they used previous experience, calculated the risk and decided that in 99.9% of all cases, I will succeed in turning on the light, and they were right.

In the second part of the classroom experiment, we examine a change that is more complex because it involves many independent decision-makers. I tell the students that I plan to make all of them stand up on my command, and I ask who of them believes that I will be successful in bringing about that change as planned? This time, only a few hands go up, and indeed: When a moment later, with my most authoritarian voice, I tell them: "Everybody, please stand up! PLEASE STAND UP NOW!" Only very few students get up immediately; others look around first, and then slowly rise to their feet, while the majority of students simply remains seated and does not move at all, even after the second and third request to stand up. The reasons for this outcome could be manifold. Some students may not have been listening. Others may have thought this exercise is nonsense, and they may have remained seated as a sign of protest. Still others may have hurt their leg, but most students were probably surprised about my request, even though I announced it beforehand. Students simply are not used to actively doing anything during a lecture. The fact is, I did not succeed in my goal to make the students stand up on my command, and I could not deliver the change as planned. If I repeated the experiment and told the students that everybody who is not on his or her feet three seconds after my command will fail the class, the outcome would probably be better. On the other hand, an unintended effect of this approach could be that some students write a letter to the university administration complaining about my teaching methods.

The classroom experiment shows how difficult it is to achieve change as planned if other people are involved, in this case about 30 to 50. Now consider changing a company with 100,000 employees, or improving a national economy with a 100 million people. Our own actions and planned changes are just drops in an ocean of interacting natural events and human behavior—an ocean that is constantly moving and changing, never standing still.

Because unchecked economic rationality and utilitarian thinking in means-end relationships are likely to produce undesired effects, I call for a *humanist economics* and a reintroduction of human values in the way we think about the economy. As the economic Nobel Prize winner George Akerlof suggests: "Economists have to start adding norms and motivations back into their models!"[7] Of course, such norms must not be crude decrees that directly suspend market laws of supply and demand, for example by limiting the income of corporate executives to a particular amount of money. Rather, a humanist economics should be built on abstract principles, which, similar to the constitution of modern democracies, facilitate discussions among stakeholders on the best course of action in a particular situation. Again, the actions resulting from these discussions are not only going to produce change as planned. Things will go wrong, and change as happens will happen. But a humanist economics would at least enable the international community to react more quickly to existential crises like the Great Recession we just witnessed.

One principle of such a humanist economics could be that we let empathy, our ability to feel the sufferings of others as if they were our own, serve as a moral compass when making economic decisions. Humanist economics would

[7] In *Adbusters*, 2009 (http://tinyurl.com/ycbedsa)

thus look at people how they really are, namely complex behavioral beings, instead of viewing them only as rational-choice machines. The assumption of a homo economicus, on which many traditional economic theories are built, may be helpful to understand basic economic behavior, but it is not sufficient to explain *all* forms of economic behavior. Behavioral economics has shown that in certain situations, most people make choices driven by emotions, for example the fear of loss.[8] It makes a lot of sense to assume that people behave differently, also in economic terms, depending on their culture, their gender, their social status, their age, and also on the emotional state they are in. And thus it makes sense for a society to award public funding not only to economists researching mathematical descriptions of very specific economic issues, but also to those looking at the economy as a whole from an ecological or a feminist perspective.

MEN AND WOMEN

In a corporate leadership training I once attended, the trainer separated male and female participants into two groups and played the classical game of secretly choosing to cooperate or not to cooperate with the other group. For each group, the outcome is highest if it chooses not to cooperate while the other group cooperates. Conversely, the outcome is worst for each group if it cooperates and the other group does not cooperate. Finally, the outcome for each group is better if they both cooperate than if they both do not cooperate. The group decision on whether or not to cooperate was taken secretly. The women were done quickly. They chose to cooperate in order to achieve the best possible outcome for both groups. The men took longer to decide, mainly due to my insistence on cooperation, but I was outvoted in the end. The alpha males anticipated that the women were going to cooperate. By convincing the group not to cooperate, they managed to achieve the highest possible return for us, the men, leaving the women with the worst possible outcome. When the result was revealed, the men burst out in a triumphant cry and congratulated each other. The women were shocked. The discussion that followed become intense, and at some point, one of the men said: "Look. It was a game, a one-time event. The goal of the game was to win. We won." And a woman answered. "We understand. You won the game. Yet you also lost something: I don't think any of us will want to cooperate with you again in the future."

We have dwelled on markets because they provide a means by which the sum of individual choices, rather than a central control function, determines economic developments. The degree to which we believe people's actions should be controlled to achieve a particular outcome will also be a key aspect in our reflection on leadership in business corporations.

[8]See Daniel Kahnemann, *Thinking, Fast and Slow*, 2011

Anticipating a central idea of the following chapters, we hold the position that we need less market and more regulation in the interactions *between* companies, and more market and less regulation in the interactions of people *within* companies, in order to stimulate economic growth and support human needs. In the next discursive chapter, Chapter 3, we will look at individual creativity as a primary source of value in complex organizations. And we will criticize hierarchical management structures for limiting this value creation of employees.

Yet before we continue with argumentative logic, I invite you to share an aesthetic experience. Chapter 2 presents the beginning of a fictitious leadership story that illustrates many of our core ideas. In this story, the protagonist Dave, a Global Account Director at a software company, must overcome a number of challenges to realize his vision of what is best for the company and its clients. He must balance short- and long-term goals, leverage a variety of professional and personal skills, reconcile conflicting interests, and lead others without formal authority. Enjoy!

CHAPTER

2

Leader, Know Thyself

Dave felt tired, almost a little nauseous, as he exited the Changi airport and hit the hot humid Singapore air. The truth was, he didn't like this whole trip, necessary as it was. In fact, it was Dave himself who had called for a meeting of all parties involved in the EPLE account—one of the world's largest consumer goods companies with almost three hundred thousand employees and over $72 billion in revenues, and Dave's client. Working as a Global Account Director (GAD) at XAM, the market leader in mobile software, Dave's served as EPLE's advocate within XAM and balanced short- and long-term interests in developing the account.

Waiting in line for a taxi, Dave thought about the impetus for calling this meeting. It had been his clash with Jerry, one of XAM's account executives in Hong Kong. Jerry was young and eager, and had apparently just created a 10-million-dollar license opportunity for XAM's new LTE-S solution at EPLE China. Dave, who was based in the United States along with EPLE headquarters, was surprised he had not heard anything about this from his own contacts. Not even George, Dave's boss, had had it on the radar. When Dave first received an e-mail from Jerry requesting that he and the whole EPLE Virtual Account Team (VAT) get behind Jerry's "deal of the century," for which he already had "the full support of top management," Dave immediately knew this meant trouble.

"I can't believe you are even considering not supporting this deal!" Jerry said into the phone, incredulous. "This opportunity is huge. It's clearly in the company's best interest!"

"Which company?" asked Dave, "EPLE or us?"

"Both," responded Jerry, almost defensively.

"Relax," said Dave. "We are both doing our jobs here. Of course it's great we have this opportunity, and I understand you want to close the deal as soon as possible. But as GAD, it's my responsibility to think strategically about the entire EPLE account. Our service department has been working on a system consolidation proposal for months. It is absolutely necessary to reduce EPLE's total cost of ownership. Besides, once the systems are consolidated, we will have a great foundation for growing the account long term. You've seen the business case, Jerry!"

"Yeah, I have seen it. A lot of assumptions and estimates, if you ask me…"

"Your deal will still go through. It will just be next quarter," said Dave, lighting a cigarette.

Jerry was growing agitated. "Who knows what will happen once the system consolidation is under way. It's uncertain. You know that, and I know that. We may never get the chance for this mega-deal again, Dave. Let's be smart and take it now!"

Dave waited a moment before dropping his own news. "So, I guess you haven't heard then…"

"Heard what?" asked Jerry.

Dave inhaled deeply and blew smoke out of his nostrils, a technique he had learned from his father. He actually smoked rarely, only on trips and in confrontational moments.

"LTE-S development is delayed. They have to postpone the release date for at least three months, maybe even six," Dave finally said.

Jerry hadn't heard. "Are you sure? How do you know?"

"I talked to Mike, the product manager. It's not official yet, but the board will approve the delay tomorrow."

"How come I didn't know about this?" asked Jerry.

"Well, I am telling you now. Actually no one really knows. I just happened to run into Mike last night at the office. We're old colleagues."

"Well, maybe the board won't approve the delay…"

"Jerry, the product is not ready. Do you want us to launch another unfinished product? We've all seen how that goes." The last product launch had been enough of a disaster to see the CEO replaced a year ago.

After a lengthy pause, Jerry jumped in. "It doesn't matter. If we get your team and everybody else working on it, and push the lawyers, we can get this deal closed in the next two or three weeks, and definitely before the end of the quarter. Who cares if delivery is delayed!?"

"For one, you won't be able to recognize the revenue," Dave offered.

"Deferred revenue or not," said Jerry, "we will get the signature this quarter, and that will make a lot of people happy, including me!"

"Say, Jerry, has EPLE actually declared us vendor of choice yet? I mean, are you even sure we're going to win this LTE-S deal? You told me yourself OTR is still in the race." OTR was XAM's biggest competitor.

"We will win this deal if I get the resources I need," Jerry said firmly. "You know Linda is our champion. She will push the deal through."

Linda was EPLE's sales president, reporting directly to Don, the CEO. Dave knew there were conflicting opinions even within EPLE about the right course moving forward. George, Dave's manager, had brokered a call with Don, who had made it clear that he would not sign two separate XAM deals this quarter, and that he expected Dave to present a clear three-year roadmap for EPLE.

"In any case," Dave continued, "we have to tell EPLE about the delay." He kept silent for a while. "For the system consolidation, we actually are vendor of choice. You know that, right? If I turn around and convince the account team to support your opportunity in the next couple of weeks, the consolidation project will fall apart…"

There was a long silence on the phone. "Do what you think is right, Dave," Jerry said dryly and hung up.

That was when Dave had decided to send out a meeting request to bring everyone together in person in Singapore, to talk everything over and make a joint decision.

In the interim, there had been no shortage of good advice from all sides. "For me, this is a no-brainer," Nikki had said, after she had played him into the ground again with her unmercifully hard and precise serves. Nikki and Dave not only played tennis together, they also both worked at XAM. "We should go for the big deal."

"This system consolidation is important, Nikki. It will integrate all loose ends and create a solid basis for building up EPLE systematically in the next three years. And if we don't do it before the LTE-S implementation, we'll only further fragment the system landscape they already have. First the consolidation, then the LTE-S implementation. It's the only sound and lasting solution."

"Stop dreaming, Dave," said Nicki. "We're a software company. We sell licenses. You're working in sales now, not services. What you call 'short-term thinking' is what pays our salaries, Dave, and yours too. It's the job."

"It's not my job", Dave said indignantly. "My job is to develop EPLE strategically in the right direction, and that's exactly what I intend to do."

When Dave entered the taxi, he told the driver to go directly to the office. The meeting would start soon. There was no time to go to the hotel first and freshen up. He turned on his phone and found voice mail and SMS notifications blinking for attention. The voice mail was from Ted, a U.S. expatriate in Hong Kong, and Jerry's manager. Dave liked Ted. The two had worked together before and developed a reciprocal respect.

"Hey Dave, it's Ted. Listen, what's going on between you and Jerry? He just called and was quite upset, telling me we might lose the EPLE deal because of you, and if we do, he will leave with the account? He wouldn't say any more than that, just told me to call you. So, Dave, give me a call back, this is important. Jerry is my best guy in the field. We can't afford to lose him or the EPLE deal… Call me—thanks."

When it rains, it pours, Dave thought to himself. Then he read the SMS. It was from his girlfriend Susan. "Did you land okay? Miss you already… S." Then again, Dave sighed with a smile, there shall be sunshine after the rain. He quickly typed an SMS back: "All good here. Miss you too! D."

When they arrived at the XAM Singapore office, Dave took his luggage out of the taxi and deposited it with reception before taking the elevator up. As he walked into the oversized board room, the others were already present. There was Woo, the China country manager, who was talking to Grace, the Asia-Pacific-Japan (APJ) Regional President. Jill, the CEO, had created the position for all XAM regions as soon as she had officially taken over last year.

Dave knew exactly where Woo stood on the issue, in fact, on any issue. He simply wanted to secure as much of EPLE's revenue for China as possible. There had been some trouble with Woo about the compensation plans last year, but George—with Jill's support—had developed a global compensation model which all country directors now seemed to accept, even Woo. Of course, that was before Jerry's big deal appeared on the radar, and Woo was known for sudden changes in position.

Country directors were very powerful. Dave knew that. A country head with good sales numbers was like a king in his own little kingdom, with the emperor a distant ruler. It actually happened in Dave's old company that one country manager, after some disagreement with the CEO, simply went to the competition—taking half his clients and the best people with him.

Dave wasn't worried about Grace. The one time Dave had met Grace, she had struck him as someone like Jill—what Dave would call a pragmatic visionary. If Grace had an agenda for this meeting, it probably was to get the issue resolved as quickly as possible, one way or the other—"to get the cow off the ice"—as a German colleague once said. (This expression stuck with Dave as he found it amusing yet incredibly appropriate.)

And there, on the other side of the room, was Jerry. Dave nodded his head to greet him, and Jerry did the same. Dave approached Grace and Woo and shook their hands. "So, George is not coming?" Grace asked.

"No, I will speak for him," Dave said, and noticed both their quizzical looks.

Dave had met George at the Frankfurt airport the night before, Dave on his way to Singapore, and George traveling from the U.K. to India. "So, Dave, to get this out of the way," George had said as they walked toward the bar, "as far as I'm concerned, EPLE is your account, and all those resources belong to that account, so they also belong to you. Whatever you determine is the best way to use them is fine with me!"

That was typical of George, to talk in terms of "resources." Of course these "resources" did not "belong" to Dave. They were only a part of his virtual account team. And while it was their job to support Dave—and they had been working together very well for the past year—he had no formal disciplinary means at his disposal to "manage" them. They were valuable experts in their fields but with different reporting lines determined by their respective departments. But George had little experience (and little interest) in this world of lateral leadership that Dave lived in. For George, the old management world of "command and control" still worked just fine, even though he delegated a lot and left operative decisions to his staff.

"Of course," George added with a smile, "if word comes down from The Lady, we will have to yield…"

The Lady—that's how some of Jill's male reports had come to refer to her. Dave had once seen The Lady ending a conflict between two of her managers. The straight-forwardness of her decision, and the way she communicated it, left him suitably impressed. Jill was a business woman through and through. Since she had stepped in as CEO of XAM, Jill had reduced the portfolio, streamlined development, and aligned the regions. These were all good things in Dave's eyes, but last quarter analysts appeared to have been disappointed about the revenue growth during the transition. As a result, the XAM stock price was stagnating, and George observed that Jill appeared nervous about the approaching end-of-the-quarter call with the analysts. She needed good sales news, and a $10-million LTE-S license deal was great news, infinitely better than a service deal for less than one.

"Yeah, I know," said Dave "Jill is worried about the stock price…"

"Anyway," George said, picking up his burger, signaling to Dave that the business part of the meeting was over, "do what you think is right, and I will back you 100 percent." George would keep his word, Dave knew that.

Like George, Dave had been a "real" manager at XAM for several years, with actual profit-and-loss responsibility for a small service line of business. However, being a manager and having power over employees wasn't always fun either. For one thing, Dave's team kept asking him for things he couldn't give them even if he wanted to, mostly because his manager wouldn't give it to him, either—and so on and so on, all the way up the ladder. Worse yet, Dave still remembered the first time he had to lay off some of his staff—a duty he had taken seriously (as always), but certainly had not enjoyed. And then all that administrative work—approvals and appraisals and other bureaucratic red tape—no, Dave did not miss being a manager.

Dave's thoughts drifted to the last time he had visited his mother, who still lived in the country. He loved it there. Strolling through the garden, the trees reminded him of his childhood.

"Come on, Dave, come inside," his mother had said, "Such a thinker, always has been. I can't imagine what kind of a company you are managing."

"Mom, I've never managed a whole company. In fact, I am no longer a manager at all." Dave had said.

"What?" asked his mother, "So you're no longer important?"

Dave took offense. "What do you mean, no longer important?"

"Well, I thought all important people at companies were managers."

Dave sighed.

When the new GAD roles were advertised, Dave had seized the opportunity to get out of management and into this lateral leadership position. It was a move he never regretted, even though—or rather because—soon after he had come into his new GAD role, the company was shaken up with the sudden dismissal of the old CEO and Jill's arrival. Things became especially challenging from that moment on. The GAD boot camp was cancelled, and Dave had to set up his own "Introductory Call" with other GADs in order to learn about the job and exchange ideas. That call had turned out to be very enlightening. The tension between short- and long-term goals, the difficulties of networking and managing a large and dispersed virtual account team, and the imponderability of executive relations—these challenges appeared to be the same for all GADs, regardless of the specific industry or account. Of course, industry knowledge and a detailed understanding of the client's business were crucial. And yet, the GADs he had talked to all came from different backgrounds, bringing various strengths to the job. The GADs who had been account executives at XAM exhibited solid understanding of sales processes and tools, but sometimes lagged in strategic thinking. GADs plucked from pre-sales had excellent knowledge of the products, but were less experienced in negotiations and deal closing. Still others had come from outside strategic or IT consulting firms, and entered without the benefit of an internal XAM network. Dave realized from his first years with the company how much more difficult it could be to get things done without such personal connections.

Paradoxical as it may seem, what Dave had missed while working as a manager was the entrepreneurial challenge it presented. When you can't just command someone else to solve a problem for you, when you have to take care of things yourself and make do with whatever you are given, you have to become a problem solver, an innovator. It's sink or swim.

Dave actually appreciated those complexities. Processing lots of information, moving targets and shifting priorities—all this kept him on his toes and made the job more interesting. He had often been commended for his ability to look holistically at complex issues, and he was proud of that. In fact, Dave had found throughout his professional career that constraints were often the source of creative solutions. For Dave, time and budget restrictions—even political considerations—were neither good nor bad. They were simply pieces of the materials he was given to shape into something meaningful, like an artist creating an elaborate sculpture from lumps of clay.

Gnothe sauteon, Know thyself—that's what was written over the Apollo temple in ancient Greece. In Dave's view, it mattered less whether a person was big or small, smart or not so smart—what really mattered was that you had a clear and realistic understanding of your strengths and weaknesses, of what made you tick. That's the form of inner leadership most people struggled with. If you set the right goals for yourself, you are much more likely to achieve them than if you just copy goals from others, without breaking them down or adjusting them to your situation…

"Dave? DAVE!?" Grace repeated with some concern, effectively pulling him back into the moment.

"Oh, sorry, Grace, I was thinking…"—"No apologies," said Grace, raising one hand. "You must be exhausted from your trip. I just appreciate that you came."

"So, Dave," Grace said as the four of them took their seats at both sides of the huge table, "why don't you take the lead and kick this thing off." With a smile she added, "And who knows, maybe we can even be done before lunch?!"

"I hope so," Dave said, as he stood up and walked toward the podium…

CHAPTER

3

Management Unplugged: Modulating to a Post-Management Key

When, some years ago, I gave my first talk on the topic of leadership at the Technical University (TU) Berlin, I called it "Abolish Management," a title I chose because it was provocative. But, of course, the call for abolishing something immediately brings up the question: What is the alternative? If we don't manage any more, how do we organize work in large corporations and make sure that many people work together well to achieve one goal?!

Management Mania

Before answering this question, we must first acknowledge that we live in a time of management mania. Google returns millions of entries for management, and there appears to be little even in our private lives that is not being managed: We manage our personal affairs, in psychology we talk about anger management—in fact, Bob Sutton, a Stanford business professor, runs an *Online Asshole Management* blog, discussing how best to deal with a bad boss.[1]

There is good reason for this management mania, because at least in business, management has been a huge success story. Industrialization, mass production, and the higher standards of living in Western societies in the twentieth century would not have been possible without the tremendous increase in productivity and efficiency brought about by management. Most of us live in private homes or apartments. We have enough to eat, we get medical care, and we can send our kids to school. We have cars, flat screen TVs, and mobile phones. Chances are we would not live so well without the managed corporation that emerged at the beginning of the last century.

And because management has been such a great success story, it gives us a feeling of control. Management means we are in charge, that we can achieve our goals. Even our everyday speech reflects this feeling of control. "I'll manage" we say when faced with a problem, meaning that if we plan right and execute efficiently, then we will be successful—such is the promise of management.

I believe that this feeling of control is misleading. In order to illustrate what I mean by that, let me retell a brief story of failed good management which Clayton M. Christensen describes in his book *The Innovator's Dilemma*.[2] Christensen was interested in understanding why market-leading companies like Digital Equipment Corporation, a pioneer in developing computer hard drives in the 1970s and 1980s, suddenly declined. To explain this, Christensen differentiates two kinds of innovation, sustaining and disruptive. While disruptive innovations create new markets or value networks, sustaining innovations just evolve existing markets. DEC, for instance, continued to innovate for the established market by building better 8-inch disk drives with more capacity. Small start-ups, on the other hand, began building 5.25-inch drives which offered less capacity but also were sold at a lower price. DEC ignored this niche market because it offered lower margins than the established 8-inch drives. But the start-ups could survive and improve their products even with low revenues and small margins. When the mass-market for the 5.25-inch drives suddenly took off, the start-ups had good products available while DEC took too long to adjust to the new standard and was taken over by Compaq in 1998. By traditional management standards, DEC did everything right: it

[1] http://bobsutton.typepad.com/my_weblog/2006/08/online_asshole_.html

[2] Clayton M. Christensen, *The Innovator's Dilemma*, 1997

knew its business, it focused on what its customers wanted, it was efficient and innovative, but it disappeared nonetheless because it simply failed to anticipate a change of the market, namely the demand for improved usability and a lower price of computer hard drives.

The DEC story tells us that markets are complex and cannot be predicted. In fact, unpredictability is a core characteristic of complexity: A system or model is complex when its overall behavior cannot be predicted even if one possesses all information on its elements and their relationship to each other. Consider the stock market crash after the Lehman Brothers' insolvency in 2008. Complexity means that even though, in principle, economists knew everything there was to know about all the players in the stock market, and how these players interacted, they still couldn't predict the market crash. Of course, now, more than seven years later, analysts and market experts offer plenty of explanations for why the crash just had to happen. But the fact is that we didn't know before, we couldn't predict the event.

CASE STUDY: NEW PRODUCT INTRODUCTION

Companies cannot know for sure how new products will fare on the market, but they can certainly try to prepare product launches in an optimal way. The quality and speed of new product introduction (NPI) affects top and bottom line. The faster new products come to market, and the better the sales force is informed about their business value and distinguishing features, the higher is the potential revenue. In addition, the quality of the new product introduction process has an impact on service costs. Well-informed customers buy the new product with adequate expectations and correct use cases in mind. Such customers will not only be more satisfied and more likely to remain loyal to the vendor, but will also have fewer complaints and service requests.

These benefits of a well-rounded new product introduction were important to the global support unit of a diagnostics company. Over the years, both the hardware and the software components of the company's analyzer modules had grown more complicated, and the window of opportunity for marketing and selling new products had become smaller due to increased competition. The head of the global support unit requested a strategic proposal to align development, sales, and service departments for an improved NPI process. We created GOAL, a program for Global Organizational Alignment and Learning. Involving representatives from all affected lines of business, we conducted stakeholder workshops, developed a conceptual framework covering governance, process and infrastructure aspects, and calculated a high-level business case. The GOAL framework defined global, regional, and local responsibilities and laid the foundation for job definitions, learning maps as well as train-the-trainer and certification programs. The alignment of system and service documentations with training material reduced content redundancies and generated measureable synergies along the value chain.

If markets are complex and unpredictable, how do companies best deal with this complexity? That our world is getting more and more complex is a common experience in our daily lives. Through the Internet and mobile communication, we are constantly reachable and informed. We hear and read about natural disasters and social revolutions minutes after they have started. Today, at the office, at the university, and on the streets in Berlin, I often interact with people from many different cultures who would have seemed very foreign to my grandparents. We also have more social and political liberties than previous generations, we play more and more diverse social roles.

Because there are so many more options, because we know so much and can do so many different things, we also have to make more decisions. We have to select which of the information and options really matter to us. And while we thus perceive the world around us as increasingly complex, while we feel a constant pressure to choose, to decide, to act—we ourselves, our mind, body, and soul long for the exact opposite: we long for simplicity. We wish for nothing more than things to be easy, clear, and straightforward.

Why are smart phones so successful? Because they provide a lot of benefit and are relatively simple to use. I can have a live video conference with other people around the world without understanding the bits and bytes of the Skype or FaceTime application I use. I do not need to know what exactly my PC or router does. I just click on a button, and it works. Similarly, I can sit in my car and let the navigation system guide me to where I want to go, I no longer need to know the way myself.

Companies experiencing increasing complexity in their business have the same desire for simplicity as we private people do. They want to focus on what really matters for achieving their goal, and ignore the rest. I still remember a board member of a client corporation speaking to the project team at the kick-off meeting for an enterprise resource planning (ERP) software implementation: "I have three messages for you: Simplicity! Simplicity! Simplicity!" Yet much too often, simplicity becomes a dogma that compromises existing work processes. To put it bluntly: Simplicity as the result of mastering complexity is good; simplicity as a way to avoid and circumvent complexity is bad.

VANILLA FOR EVERYBODY

Standardization is key in most software implementation projects. Project sponsors may pay lip service to the idea of first analyzing regional and local requirements and describing the "as-is" and the "to-be" scenarios. But in the end, time and budget restrictions often force implementation teams to work with software vendor's standard systems (called *vanilla*) and to define one overall global process template. Top managers thus take advantage of software implementations to streamline the organization, create shared services, and reduce costs. I have personally witnessed such management-driven one-size-fits-all IT implementations many times in large corporations. Once I conducted a training workshop for regional and local HR representatives on a newly implemented learning management systems (LMS) in a large car manufacturing company. When I explained to them how the LMS had been set up, I was shocked about the participant's unfamiliarity with the new features and functions. Yet the participants themselves were even more shocked than I! They realized only then and there that the way they had worked before was no longer supported. Most of the regional and local input that had been collected in writing at the beginning of the project simply had not been considered for configuration, and the countries now were forced to adjust their daily operations somehow to the new global system standard.

More of the Same

One possible answer to the challenge of complexity and the desire for simplicity is more management. If globalization makes our business environment more complex, why not simply use the same well-established management techniques that made us successful in the past to master that complexity? For example, in a global economy, competitors can copy products and turn them into commodities much faster than before. Customer loyalty is decreasing, and there is a constant need to be innovative. The management answer to the challenge of decreasing customer loyalty is innovation management. In order to generate more differentiating products, companies define key performance indicators (KPI) and use them to manage the process of creating and implementing new ideas.

Besides high customer expectations, Figure 3-1 shows three more business challenges that apply to most companies: competition and cost pressure, demographic workforce shortage, and legal requirements and regulation. Management responds to each of these challenges in the same way: by trying to control the respective work processes. Operations management is intended to reduce costs because prices are transparent in a global economy which leads to more competition. With talent management, companies want to counteract the workforce shortage predicted by demographics. Finally, risk management has become the primary means by which corporations seek to satisfy legal requirements and be compliant.

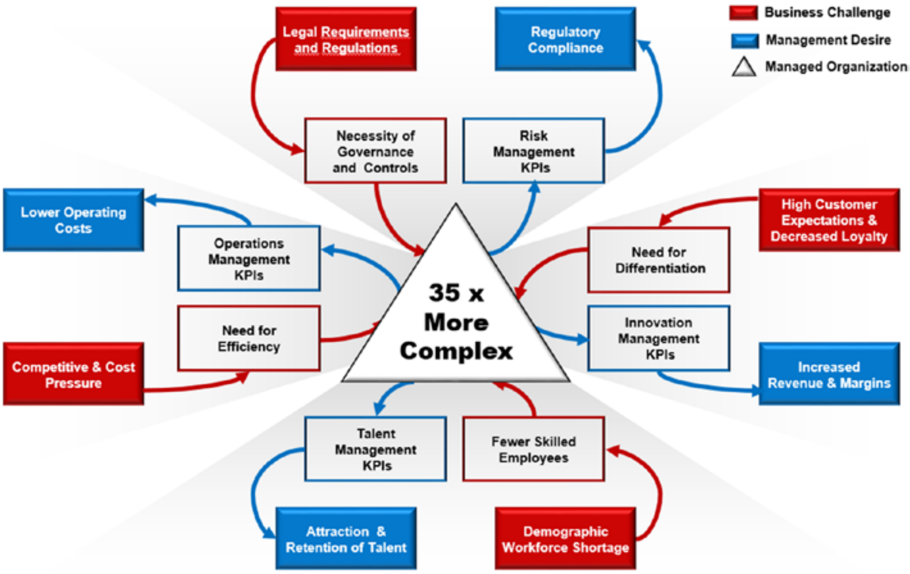

Figure 3-1. More Management Leads to More Complexity

Paradoxically, however, the very management activities that are supposed to make things simple actually increase the internal complexity of the company. Measured by the number of processes, interfaces, hierarchy levels, and necessary approvals, the complexity of today's companies is 35 times higher than it was in 1955.[3] And while many KPIs are readily available in dashboards and decision support systems, these KPIs only become meaningful in a specific context. Big Data may hold all the answers, *but to what questions?* In our complex business world, finding the right question has become more difficult than finding the right answer. If my dashboard tells me my company generates one million Euros of annual revenue, this information in itself provides little value and does not enable me to act because it lacks an application context. Without knowing my company's history, the state of the industry, and that of the economy at large, I still don't know whether generating one million Euros of annual revenue is a sign of strength or weakness. Should I continue doing business the way I have until now, or do I need to change something? Information only provides value and enables us to act if it is connected to other information and applied to a concrete situation. KPIs make it easier to manage pre-defined aspects of the business, but they can also make it overall more difficult to decide on the right course of action, particularly in the face of new, unforeseen, and unforeseeable requirements.

[3]Harvard Business Manager, Nov. 2011, page 46

OVER-MANAGED AND UNDER-LED

A client corporation decided to establish an additional global management board, a measure that one of the managers I worked with explicitly welcomed. "We need better coordination across countries, and the new management board will achieve this," he said over lunch. "Maybe," I answered. "But coordination can be achieved in different ways. In my experience, more management means one thing for sure: more people telling other people what to do. I have worked for this company for over 17 years now, in various countries and for all board areas. My impression is we do not need more hierarchies, but quite the contrary, we need to flatten the organization, empower people at the fringes and at the bottom. We need less management, and more leadership!" The manager looked at me with surprise. Yet since lunch time was over, we agreed to disagree, and went our separate ways.

Management, rather than being the solution, is itself part of the problem. In fact, the cry for more of the same reminds me of the reaction of the National Rifle Association (NRA) to the school massacre in Newtown, Connecticut, USA in December 2012. After a 20-year-old male had used his mother's legal guns to kill her, 20 elementary school children, six teachers, and finally himself, the NRA suggested to post armed guards at every school, arguing that "the only thing that stops a bad guy with a gun is a good guy with a gun."[4] So the NRA's proposed solution to the problem of gun massacres actually was *more guns*, not *fewer guns*.

Each country has some cultural fetish it holds on to, even though it seems crazy to outside observers. The German equivalent to the American gun mania is the Autobahn—the ultimate place to release stress in a Porsche, BMW, Audi, or Mercedes at 150 MPH. Even though statistics clearly show that speeding causes many fatal car accidents, the majority of the German population does not accept a general speed limit on highways, and all political attempts to establish such a limit thus far have failed.

Even in business, the belief in unquestionable norms can lead to paradoxical effects, for example when the management of a service provider puts its own aesthetics over the well-being of its clients.

[4]NPR. "NRA: 'Only Thing That Stops A Bad Guy With A Gun Is A Good Guy With A Gun'." December 21, 2012. http://tinyurl.com/ar9c8uj

GERMAN BUSINESS CULTURE

At the beginning of my freelancing career, I became a member of a group of independent consultants, from marketing to M&A, in order to offer a more comprehensive portfolio to potential clients. The association was led by a former KPMG partner who organized bi-monthly meetings. We met at the Frankfurt Airport Club, an institution providing meeting rooms and other business services. At one of those meetings, on a mid-summer day, it was extremely hot outside, almost 100 degrees Fahrenheit. The whole building was poorly air-conditioned, so many guests took off their jackets to feel more comfortable. When we entered our conference room, I saw a piece of paper lying on the table. It read as follows: "It has come to our attention that some of our members and guests lack proper business attire. Short sleeve shirts are not acceptable at the Frankfurt Airport Club! Please dress accordingly." The paper was signed by "Club Management."

The Management Paradigm

There are numerous management theories, and many more actual management practices in companies and corporations. Yet in general, I do not believe that more of the same is the right answer to the challenge of complexity. At the very least, I believe that in a globalized economy, this challenge is reason enough to go back and question some of our assumptions about how to best organize work.

Management We define management as an organizational paradigm that separates work planning and work execution along hierarchical positions.

A paradigm is a mental template we use to make sense of the world around us. For example, the images we see with our eyes are not the passive representation of some objective truth, but an active construction of our minds. Our sensual organs get stimulated by light hitting the retina of our eyes, and these physical stimuli create signals in the nervous system which are then interpreted by the brain.

The Neckar Cube in Figure 3-2 cannot exist in reality as drawn, it is ambiguous. One can either perceive a lower-left quadrant with imaginary lines, or an upper-right quadrant with imaginary lines. It is impossible for anybody to see both cubes at the same time. So consciously or unconsciously, our mind uses experiences and paradigms to make sense of the ambiguous image and interpret it in a consistent way. And because we each have different experiences, such as different personal, social, and cultural backgrounds, we can perceive the same image in a different way.

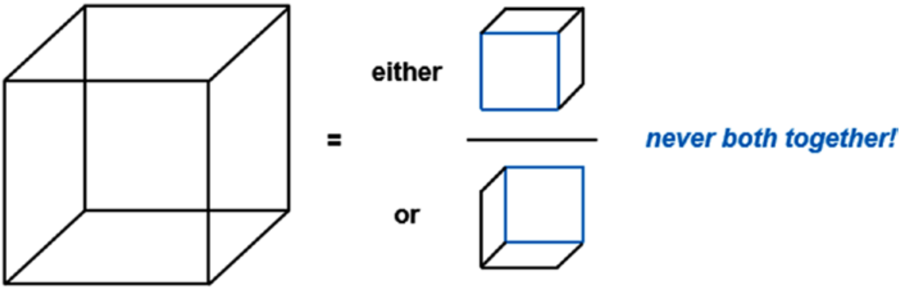

Figure 3-2. Neckar Cube

Business negotiations, for example, are very much about perceptions and the subjective feeling of success. Professional negotiators start the process by keeping the playing field open and maintaining a 50,000 feet view as long as possible. Experience has taught them that the other party, for reasons yet unknown to them, may be compelled to make far-reaching compromises in certain areas—areas they have to identify first in order to benefit from the other party's constraints. In complex situations, negotiators will thus try to steer the discussion away from any immediate bone of contention (e.g., nominal price) and instead try to understand the true underlying interest of the negotiation partner (e.g., best value). Anyone starting the negotiation by stating directly what s/he wants may forfeit these potential benefits and leave money on the table. In simple situations, however, negotiators may directly start with price discussions, but always ask a lot more than they are willing to accept, or offer a lot less than they are willing to pay.

START HIGH!

In a professional negotiations seminar I once attended in London, the moderator asked the participants to group in pairs of two. Within each group, one person played a buyer, and the other a seller, and each received a secret page with buyer- and seller-specific background information. I was a buyer in dire need of purchasing a truck to execute a client order. My partner was selling a truck, and although I assumed that he had received background information motivating him actually to close the deal, he opened the negotiations by requesting a ridiculously high price for the truck. At first, I did not take him seriously and simply wanted to break off the negotiations. But my partner kept a straight face and started making arguments for why the high price was justified. Looking back, I now realize that the moment I started engaging with these arguments, I was on a downhill path: Regardless of whether I defeated his arguments, the fact alone that I had let him set a price anchor and frame the negotiations put me on the defensive. The time and effort I had invested into the negotiations made it hard for me to let go of the deal—it would have felt like a personal failure. In the end, my partner came down from his ridiculous price, and I felt like a winner, although I had still paid more than I initially intended. When he then revealed that he would also have settled for half the price, I was deeply frustrated about my poor negotiation skills.

By defining management as an organizational paradigm, we want to point out that when working together, consciously or unconsciously, we bring the assumption to the table that someone, a single person, must be in charge and control the outcome.

MANAGEMENT MATHEMATICS

In my university lectures, I ask the students the following fun question: "From a management perspective, if two people want to work together in an organization, how many people have to be in the team? How much is 1 + 1 in Management Mathematics?" As expected, the first answer is "2." When I shake my head and say that 1+1=2 in school mathematics, but not in management mathematics, one of the students quickly gives the answer I have in mind. "1+1=3!" Under the management paradigm, two people cannot work together without being managed by a third.

Management creates two kinds of employees: a group of managers who have formal authority over budget and headcounts, who plan the work and make decisions, and a group of employees controlled by the manager who request resources, execute the manager's plans and decisions, and report results and issues.

Figure 3-3 describes the management paradigm in terms of vertical processes. While annual resource planning usually is based on the collection of information and requests bottom-up (represented by the small arrows on the side), the actual allocation of resources happens top-down (represented by the big arrows in the middle). In corporations, resource allocation is the fundamental means of strategizing. If headcounts and budgets in a hierarchical organization stay the same as the year before, it is unlikely that business will change much at all, no matter how individual people behave.

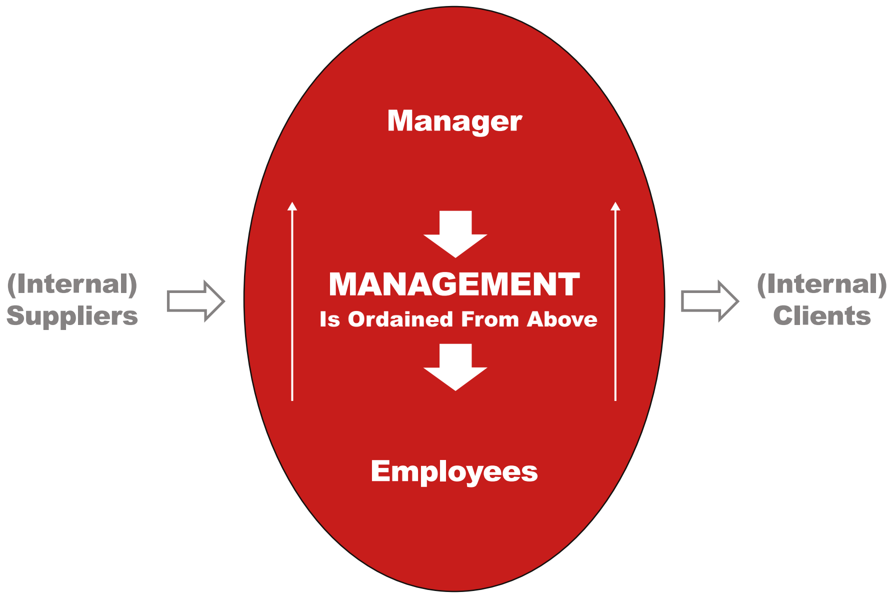

Figure 3-3. Management Paradigm

From the structural perspective of separating work planning from work execution, management already existed in ancient times, although it was not called so then. Instead of dealing with their slaves themselves, land owners in the Babylonian empire, in Egypt, Greece, and Rome created a privileged class of overseers who commanded, controlled, and punished the slaves. As Kenneth Cloke and Joan Goldsmith have shown in *The End of Management,*[5] this principle of giving power to a group of workers and making them run the operations can be found throughout history, from medieval serfs and stewards to industrial factory workers and their foremen right down to the office workers and managers of our modern times (see Figure 3-4).

[5]Kenneth Cloke and Joan Goldsmith, *The End of Management*, 2002

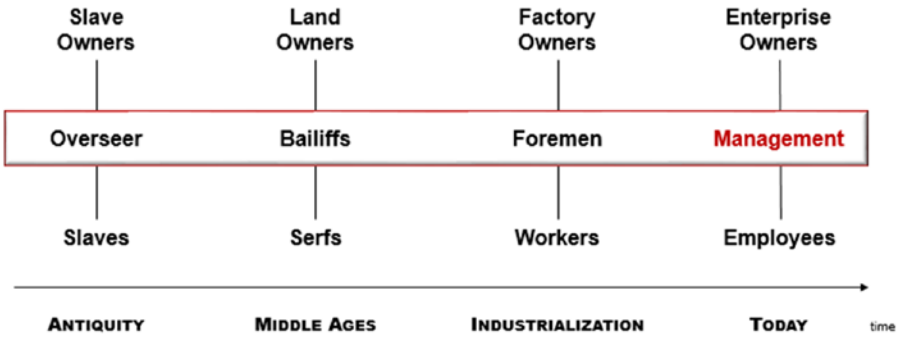

Figure 3-4. Historic Evolution of Management

Of course, no one wants to suggest that employees in today's corporations are exploited like slaves were in antiquity or serfs in medieval times. Modern management has to conform to national labor laws and to corporate culture. If employees are unhappy with their working conditions at a particular company, they are free to work elsewhere, or to found a new company themselves. Also, modern management positions are in principle attainable by everybody, they are supposed to be awarded based on skills and performance, independent of ethnicity, gender, and class.

Nonetheless, modern management still creates power structures that are ordained from above and are legitimized solely through property rights, and not from below, through the consensus of those over whom power is exerted. In small or family companies, where the owners are still active in the business, this legitimization of management power through property rights is obvious. In large public corporations, the property rights are executed only indirectly. The totality of shareholders, as the actual owners of the public company, elect the Board of Directors who appoint the Board of Management who, in turn, appoint or hire the second level management, and so on.

Management thus stands in a historical tradition of inequality. Managers hire, evaluate and fire their staff, but the staff does not hire, evaluate, or fire the manager. Managers can make the lives of their staff heaven or hell. If you have an idea for an improvement project, want to switch to a different department, or simply want different or more interesting work, your manager can give it to you, or not. If you want a home office workplace, or start and leave an hour later on Mondays because you have to bring your kid to school in the morning, or if you want to go on a three-week-long vacation, the manager can grant your request, or not. In fact, the manager may decide not to listen at all to what you have to say. It happened to me once that, while employed at a midsize German consulting company, I was making a suggestion to my manager when he interrupted me in the middle of my sentence and bawled: "Don't argue with me, Mr. Strathausen. Do as I said!"

Research and employee surveys show that the satisfaction of the employees with the overall company strongly correlates to the satisfaction with their manager: If people are happy with their line manager, they usually are happy with the company as well.[6]

TEAM LEADS

While employed at a consulting company, I had been assigned a so-called team lead. Managers often establish this intermediate hierarchy layer to alleviate their workload. Team leads usually have no official management position in the HR system, but participate in staffing decision and conduct performance reviews. My team lead did not guide me or contribute to my work at all; I just shared with her my ideas and plans, and as a courtesy sent her my work results, that was all. However, at some point I learned that my team lead had actually presented my slides and documents at a top management meeting, unaltered and under her own name only, without even informing me. This unethical behavior upset me so much that I sent her an e-mail, stating that I would not accept any such theft of ideas in the future, and that she should be ashamed of herself! I sent that e-mail on a Friday evening and thought that, come Monday, one of two things were likely to happen: Either, the problem would be solved, or I would have to start looking for a new job. My team lead must have forwarded my e-mail to one of the founders of the company, because luckily he intervened and after some discussion decided to let me work without a team lead, reporting directly to him.

In a globalized and complex business world, the management paradigm becomes dysfunctional and generates problems. First, hierarchical work structures lead to bureaucracy, making it difficult for companies and large organizations to be innovative and adapt quickly to changing situations. We already know that complex systems like the high-tech market can produce unforeseeable effects, such as the sudden desire of customers for more user-friendly user interfaces or smaller and less expensive hard drives. And since management organizes work vertically, in hierarchical positions, the primary responsibility of each employee and each manager is also vertical, towards the direct manager, and not horizontal along the value processes, towards internal and external suppliers and clients. Yet the need for innovation always occurs horizontally, along the value chain, where supplying and receiving units interact to ultimately satisfy a client requirement. If the employees actually working on the front line, where adjustment of plans is needed, do not have the power

[6]See, for example, research by The Chartered Institute of Personnel and Development, "Employee Outlook: Focus on managers," December 2014. http://tinyurl.com/nqu76td

to make decisions themselves, but have to report the problem and possible solutions upward and wait for approval from management, then there's little room for agility and innovation.

Management thus strengthens silos that develop around business function such as production, sales and marketing, service, finances, and HR. Often, these business functions are organized as separate board areas with a board member on top, and with cascading management levels beneath. The idea is that the bundling of specific know-how makes best use of limited resources. But in practice, because each function now has a monopoly towards all other functions in the company, they can easily turn into little kingdoms with slow and resource-intensive interfaces between them.

The experience of functional silos and blocked communication within one and the same organization is frustrating to employees and reduces their motivation. Especially in large companies, there often exists the unspoken rule that, while you may initiate communication with your peers and with your manager, you are expected not to communicate to your manager's manager or to other departments without approval. Managers are extremely sensitive when it comes to protecting their turf.

BEWARE WHO YOU CALL!

In one of my client projects, working for a software company in global marketing, I made a phone call to an employee in development to discuss a work issue. Unfortunately, I was not aware that the employee had already discussed this particular issue with a manager working in another marketing department. So after our call, the colleague in development complained about the redundancy in a mail to the marketing manager. The marketing manager perceived my action as an attack on his assignment, and me as a personal competitor. And although he could see my official credentials and contact data in the internal e-mail system, he sent an e-mail to all Senior Vice Presidents and Vice Presidents within marketing, so the second and third management level, stating that an "unknown contractor" had called development and that he suspects this could be a case of "industry espionage!" More e-mails were sent back and forth, and at some point my client, the person who had engaged my services, called me up and said: "Roger, this discussion of your call to development hurts me politically. If it doesn't go away within the next two hours, I have to cancel your engagement." Later on, my clients' manager sent a long apology e-mail on my behalf, explaining that I had meant well, and I could stay on the project and finish my work. Looking back, of course, I blame myself for the incident. As an external consultant, I should have been more careful. But regardless of any formal engagement rules that may have existed between the marketing and development department, it still strikes me as absurd that an innocent work-related phone call within the same company can create such a disturbance.

The last management flaw I want to describe is that management, while it is supposed to be a means to achieving company goals, has actually become an end in itself. As a manager, how can you move up the corporate ladder and make a career? Primarily by creating management positions below you. The more people report to you, the more management layers you can create, and the more management layers are below you, the higher you move up yourself. Management breeds management, it is a self-referential and often self-serving system.

WHAT'S IN IT FOR ME?

While working on a learning strategy for a global service department in a pharmaceutical company, I had unsuccessfully tried to solicit support from the corporate HR department. One day, my client and I ran into the HR director and his boss, the company CFO, in the canteen. We had lunch together, and the CFO made some comments on our project. The next day, the HR director called me and offered his support to move things forward. I gladly accepted and had already set up meetings with him and some of his direct reports, when a couple of days later, the appointments were cancelled again without a reason. I asked around and heard through the grapevine that the HR director simply had misjudged the CFO's interest in the topic. As soon as it became clear that the board was not going to allocate additional funding or resources to HR for our project, the HR director's interest in the topic vanished as quickly as it had appeared.

The self-reference of management not only shows in many managers' desire to simply add more financial and human resources to their own departments, regardless of the interests of the company as a whole. The lack of internal checks and balances can also seduce top-executives to take advantage of their privileged positions and to commit financial and other kinds of fraud. The so-called Enron scandal, the systematic falsification of the energy company's balance sheets in 2001, created one of the most complex bankruptcies in US history and led to stronger accounting regulations in the Sarbanes-Oxley Act; however, such high-profile cases are probably only the tip of the iceberg, and many smaller cases of management abuse remain undetected or are secretly corrected, without the public ever knowing about them.

Of course, fraud is not unique to management. I also do not at all want to suggest that managers are somehow bad people. Quite the contrary, I know from personal experience that most managers are dedicated and hard-working employees! In fact, managers are as much victims of management as normal employees. Managers are forced to work within hierarchical power structures, and the sandwich position that most middle managers find themselves in, with pressure from above and from below, is probably responsible for many cases of burnout and early retirement.

It is true, however, and has been empirically shown time and again that management is conducive to fraud and unethical behavior because managers have power that cannot really be controlled effectively. Some authors argue that one must simply accept power and understand how it works in order to be successful.[7] Nonetheless, history teaches us that if power is not checked or controlled from those who are affected by it, it becomes dangerous. As the saying goes: Power corrupts, and absolute power corrupts absolutely.

Other authors distinguish good management and good managers from bad management and bad managers[8] in order to explain the undesired effects of management. Yet the distinction between good and bad is generic and neither explains nor justifies a dysfunctional paradigm. Not only managerial tasks, but all tasks, everything we do, can be done well or not so well, judging by the quality of the outcome and the process to get there. We need to look beyond symptoms and understand how underlying structures actually produce good or bad surface phenomena. The problems with management are not due to bad managers; rather, they are of a structural nature. The separation of work planning and execution limits and often prevents employees from taking a holistic perspective on their work and from being creative to solve problems.

Still other defenders of management argue that the challenges of bureaucracy and lack of employee motivation have already been addressed by management theorists and practitioners. In most companies, managers get trained on how to empower, motivate, and develop their staff. Also, employees may receive only high-level objectives from their managers, and be given the liberty to decide themselves how best to achieve these objectives, as proclaimed by the laissez faire management style that is common in many corporations. I often hear employees praise their manager exactly for *not* being a manager. "My manager is great, she leaves me alone and lets me do my work without interfering!"

But if managers no longer command and control; if the primary function of managers becomes to empower, motivate, and develop their team; if decision-making is delegated down, then why create hierarchical positions in the first place? Why not simply give power directly to the working teams and let them decide how best to collaborate with other teams and achieve company objectives?

Stripped of their power to make decisions, all that remains of management positions is their administrative function. People need to be hired and let go, vacation and sick times need to granted, and the organization needs someone, a concrete person to be accountable. But this person does not have to be a manager who holds a higher position than other people in the team. Supported by software systems and workflows, administrative management functions for the team can be taken over by any designated employee.

[7]Jeffrey Pfeffer, *Power*, 2010
[8]Alan Murray, *The Wall Street Journal Essential Guide to Management*, 2010

The Post-Management Paradigm

Earlier in this chapter, we defined management as an organizational paradigm that separates work planning and work execution along hierarchical positions. We analyzed why management becomes dysfunctional in a global economy and constantly changing market requirements. And echoing the German philosopher Friedrich Nietzsche's famous dictum about god at the end of the nineteenth century, we, at the beginning of the twenty-first century, state: "Management is dead." The separation of work planning and work execution along hierarchical positions can no longer serve as the paradigm and default standard and becomes only one option within a larger framework of collaboration that includes egalitarian forms of organization.

Going forward, we now ask ourselves what an alternative organizational paradigm could look like. Can companies master the challenge of complexity and coordinate the work of large groups of people without falling into the traps of management? How can we avoid self-referentiality and silo thinking, as well as the negative effects they have on employee motivation?

Paradigms work in the background, they are often unconscious presuppositions enabling us to think and act in a certain way. Sticking to old paradigms and ignoring new insights is human and even happens in the natural sciences. For example, the scientific community at the beginning of the twentieth century tried to hold on to Newtonian mechanics even in light of contradicting evidence, until finally Einstein's theory of relativity and quantum mechanics became the new standard.[9]

Thinking about the unknown and looking for a new paradigm usually starts with a simple trick, giving the unknown a name. In algebra, we call the unknown x, so we can use it in equations and calculate its value. Applying the age-old trick of name-giving, we label the newborn successor of management *post-management*. In Figure 3-5, we now analyze three aspects of collaborative work to compare the management paradigm to the post-management paradigm: organizational structure, resource allocation, and smallest unit of value production.

[9]See Thomas Kuhn, *The Structure of Scientific Revolutions*, 1962

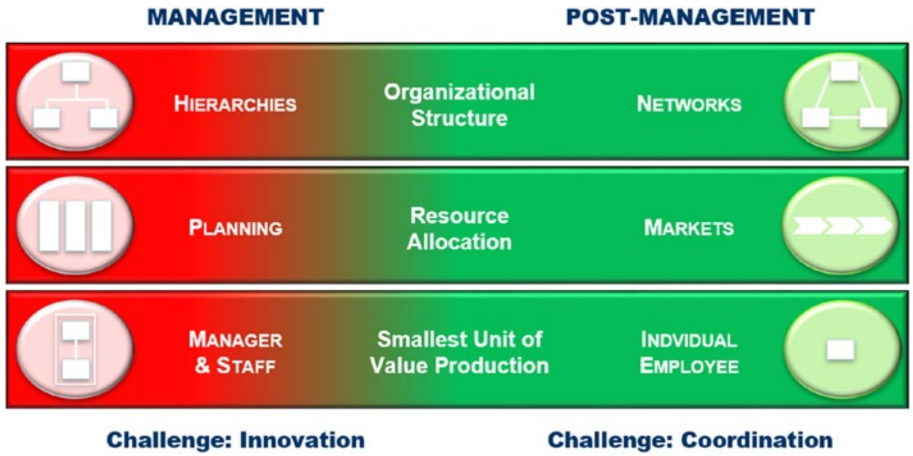

Figure 3-5. Comparison of Management and Post-Management Paradigms

We start our comparison of the two paradigms by looking at the aspect organizational structure. Managed organizations are structured hierarchically, either by means of a top–bottom distinction or by means of a center–periphery distinction. In both cases, the position of an element within the structure expresses its hierarchical importance. The elements at the top and in the center are the most important, the elements at the bottom and at the periphery are the least important. One might call hierarchical organizations militaristic. Like in a war, the idea is that only the top or center can know all the information necessary to make the right decision. The task of the lower ranks is to execute their orders as quickly and accurately as possible. After all, in a war, there is no time for debates. Hierarchies thus ultimately limit the capabilities of the whole organization to the capabilities of the top or center, and the main organizational challenge under the management paradigm is innovation. If the CEO of a company lacks ideas or makes wrong decisions, then the whole company can deteriorate or even perish due to that one mistake made by management.

Under the post-management paradigm, organizations are structured as networks. Contrary to hierarchical organizations, networks have no center and no top. They are more dynamic and innovative than hierarchical organizations, yet they are also less goal-oriented and harder to steer in any particular direction. As informal systems of relations, they are not necessarily designed to act as a single entity and to pursue one specific purpose. Rather, each element in the network to a certain degree follows its own agenda, and thus the main organizational challenge under the post-management paradigm is coordination.

Informal networks have always existed within organization. People know people, and these personal relations have often made it possible to achieve things within a complex organization that otherwise might not have been possible at all. In its most basic form, we can describe a network as a structure of lines and points, as shown in Figure 3-6.

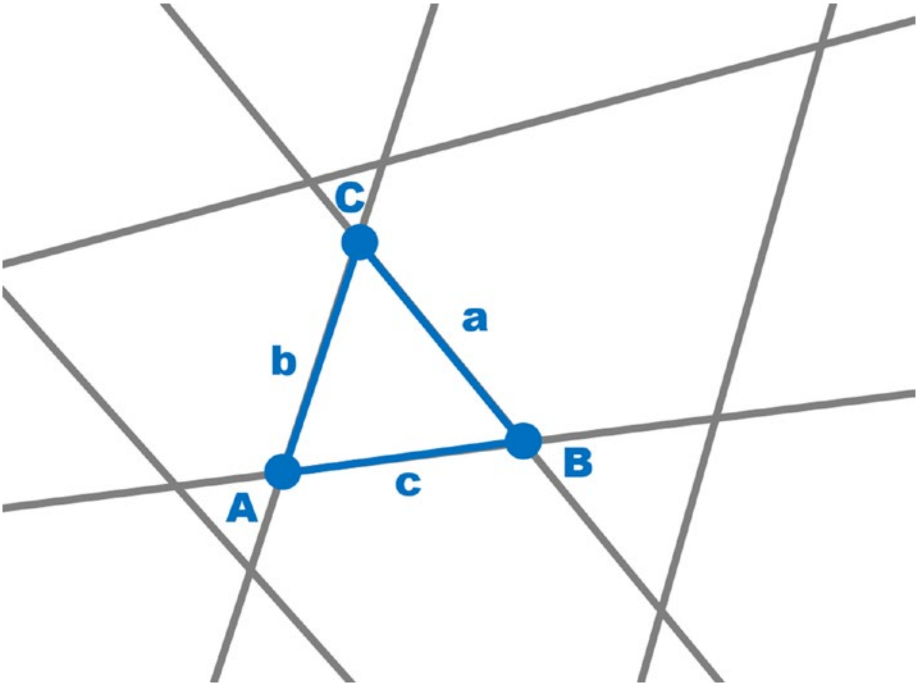

Figure 3-6. A Network of Lines and Points

We see the three lines small a, b, and c and the three points capital A, B, and C. For describing and understanding this network, we now have two choices. We can define the points as primary, and understand lines as secondary, as the connection between points. Or we can define the lines as primary, and understand points as secondary, as the places where lines intersect.

These two ways of understanding networks reflect two different philosophical traditions. The first one, the one that continues to govern contemporary science, is called the *atomistic* view. Philosophically speaking, it goes back to the Greek philosopher Democritus (ca 460-370 BC), who was among the first to argue that the world consists of ultimate, indivisible, smallest units whose combinations and interconnections build up larger things. The upshot of this view is scientific reductionism, the idea that objects can best be understood if they are broken down to their constitutive elements. One example of course is the atom, the stuff that all physical things are made of.

In the business world, Taylorism is an example of scientific reductionism. Taylor was one of the founders of modern management.[10] He broke the work process down into small activities which then could be optimized. Assuming that workers are not intrinsically motivated to work, but are only interested in higher wages, he argued that improving productivity through management would produce more profit which could be shared with the workers.

The problem with scientific reductionism is its inability to explain the behavior of dynamical systems and complex networks. In such systems, the whole is more than the sum of its parts. They are characterized by emergent qualities that arise from the unpredictable interaction of the system's elements. A popular example is the butterfly effect presented in the 1970s by the meteorologist Edward Lorenz, who gave a much discussed paper entitled: "Predictability: Does the Flap of a Butterfly's Wings in Brazil Set Off a Tornado in Texas?" Coupling a set of differential equations, Lorenz demonstrated that the flap of a butterfly could change the path of emerging wind channels, which, over time, could interact with other elements and evolve into a big storm. Like all dynamic systems, meteorological processes are extremely sensitive to initial conditions and show a broad variety of behavior over time.

Reductionism differs from a second view of the world which I would like to call *Relationism*. Relationism goes back to the Greek philosopher Heraclitus (535–475 BC) who claimed that "All things move and nothing remains still—panta rei (everything flows)". In other words, movements or lines of flight are the primary stuff of the world, and points or nodes are the secondary results of these intersecting lines. For example, we all are familiar with the effect that time exposure has on photos. A long exposed photo of a street scene will no longer show cars, but only lines of light indicating the cars' movements.

I believe that dynamic networks informed by a relationist world view are more productive for understanding complex environments than hierarchical structures informed by a reductionist world view. The more dynamic the environment is, the more dynamic companies must be in order to react quickly to unforeseeable effects. And the more dynamic companies want to be, the more they need to abandon hierarchical structures and top-down management in favor of open networks and bottom-up leadership.

Informed and motivated employees are able to organize themselves and often do not need someone in charge to make decisions for them. We know this phenomenon of self-organization and collective intelligence from nature, for example when a fish swarm tries to escape a shark. Each fish copies the behavior of its neighbors. When danger is perceived by one fish, that fish changes

[10]Frederick Winslow Taylor, *The Principles of Scientific Management*, 1911

directions, and all others follow. So even though there is no single lead fish, the swarm always stays together with a variety of situational lead fish and thus increases the chances of survival for each individual fish.

Another natural example for the productivity of a decentral organization is the human brain. Although different areas in the brain are responsible for certain abilities and behaviors, the brain itself has no real center. It consists of billions of very specialized neurons which are in constant interaction with each other, and this interaction somehow produces consciousness and a feeling of self for the whole organism.

In business, *Holacracy* is a form of organizational governance which distributes decision-making to self-organized teams. Holacracy, developed at Ternary Software by founder Brian Robertson,[11] has been officially adopted by a number of companies. A recent example is Zappos, whose CEO Tony Hsieh, influenced by Frederic Laloux's book *Reinventing Organizations,*[12] sent out an e-mail to the company's 1,443 employees announcing that all people management positions at Zappos were effectively abolished.[13] Holacracy marks an important step towards a new paradigm in that it focuses on organizational roles, and no longer on positions. Since employees can hold multiple roles at the same time, they effectively become the constitutive nodes of the company. Holacracy moves away from a mechanical model of the organization, one that consists of fixed positions and cost centers, to an organic model in which the organization, like an autopoietic system, is capable of constantly self-adapting its governance to a changing environment.

It is important to note, though, that Holacracy is not completely free of hierarchies. Decisions are made in circles that are hierarchically structured. This reference to business practice reminds us that post-management is a conceptual framework intended to connect isolated phenomena that are calling for a new organizational paradigm. It is unlikely that hierarchies will completely disappear in the foreseeable future because in a completely flat network, company owners would have no more control over the outcome of their investments. In Chapter 5, we will show that the manager role can still be a productive form of leadership, but only in less complex environments and as an add-on to other roles of leadership, not as the default standard.

Besides its non-hierarchical structure, a second crucial characteristic of the post-management paradigm is that resources are no longer allocated to functions, departments, and positions as part of top-down planning; instead, resources are allocated ad hoc according to the market mechanism of supply and demand.

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[11]Brian Robertson, *Holacracy: The New Management System for a Rapidly Changing World*, 2015
[12]Frederic Laloux, *Reinventing Organizations*, 2014
[13]See "First Get Rid of All the Bosses," by Roger D. Hodge., *New Republic* (http://www.newrepublic.com/article/122965/can-billion-dollar-corporation-zappos-be-self-organized)

Why did large corporations like General Motors come into existence in the twentieth century at all? Because the integrations of thousands of workers at different places into one organization was the most effective way to get them to collaborate and to perform complex tasks like building an automobile. Corporations were a way to circumvent the market and the huge transaction costs that hiring and organizing people on demand would have created. Instead of procuring skills as needed and paying independent workers for the delivery of pre-defined results, organizations buy bulk labor, secure a monopoly on that labor (note that normal contracts preclude employees from working for another company while employed), and pay them more or less the same salary every month.

Yet today, with the ubiquitous Internet and the possibility to communicate and interact with anyone at any time, transaction costs have been reduced to virtually zero.[14] Ad-hoc and market-driven collaboration across different departments and even across organizational boundaries is possible and desirable. iPhone apps and Wikipedia are living proof of this.[15] More and more people work as free agents,[16] and crowdsourcing is a booming business model that creates new opportunities for entrepreneurs.[17]

Largescale manufacturing companies, of course, have realized the importance of process orientation long before the advent of the internet. After all, optimizing supply and demand is their core business. Kanban, Lean, Six Sigma, and other instruments for just-in-time production, quality assurance, and process improvement become stronger the less it costs to let people collaborate across geographical and organizational borders. These instruments mostly stay within the old management paradigm, but they can nonetheless be seen as early attempts to transcend hierarchical structures and to empower the workers, those who actually "do" the work, over managers who only plan and control the work.

In fact, if we were to compare corporations to state economies, it appears that management, with its hierarchical structures and the separation of planning and execution activities, functions like the planned economy of socialist states, whereas post-management, with its supply-and-demand-driven allocation of internal resources, functions more like a market economy.

Finally, as the last characteristic of post-management, let's consider the question of value production. In economy, value is commonly understood as the importance attributed by a customer or recipient to a product or service for satisfying a particular need. To produce value for customers, planning and execution must come together. The customer need informs the concept of

[14]Gary Hamel, *The Future of Management*, 2007
[15]Dan Tapscott and Anthony Williams, *Wikinomics*, 2006
[16]Daniel H. Pink, *Free Agent Nation*, 2001
[17]Jeff Howe, *Crowdsourcing*, 2008

a product or service (planning), and that concept is then realized and the actual product or service delivered to the customer (execution). Idle ideas are worthless, and so is thoughtless doing—both fail to satisfy the customer's need. As natural units of thinking and doing, individual employees can deliver value much faster than large organizational units like managed cost centers which, in order to improve efficiency, first separate planning and execution, and later on have difficulties to bring both together again, especially when customer needs are changing.

CASE STUDY: CONSULTING SERVICE PORTFOLIO

For decades, consulting has been a booming industry with double-digit growth and distinct market segments. Strategy consultants such as McKinsey & Company and Boston Consulting Group offered well-researched advice on profitability, mergers and acquisitions, and other strategic topics to their clients, while IT-consulting companies such as IBM and Accenture focused on the implementation of large software systems and on outsourcing services. In the past ten to fifteen years, the consulting market has changed. Clients now expect holistic end-to-end services from their consulting partners, reaching from business strategy down to solution implementation. Management consulting companies started building "business and technology" practices and developed the competency to execute the strategic advice they gave to their clients. IT consulting companies formed strategic consulting practices in order to increase their rates and generate business for their implementation units.

The development of such a strategic consulting practice was the goal of a midsize professional services company at the beginning of the new millennium. The company offered human resource system implementation services and had grown steadily over ten years, but had "missed the bus" for going public and was forced to grow organically. When the company founders decided to complement their core IT consulting with services around innovative HR business models and strategic transformation, the main challenge was to define the concrete portfolio and to connect these strategic activities to the already existing IT capabilities. The CEO asked me for help. We designed a holistic service model, validated it with the stakeholders, and conducted interviews with the consultants who had been hired as members of the new team. When the topics were defined, we remodeled our web appearance, defined new marketing and sales assets, and organized the content production with subject matter experts. Within a couple of months, the company had enabled its consultants on the new offering and was able to provide holistic human capital management (HCM) services to its existing client base.

Under the management paradigm, the smallest organizational unit of value production is the combination of the manager, who does the planning, and his or her staff members who execute the plan. Under the post-management paradigm, the smallest organizational unit of value production is the individual employee him- or herself who naturally integrates planning and execution and can act as a leader in a variety of different contexts and projects.

Projects are often initiated from below and are led by high-performing employees who do not hold a management position. They can be regarded as a collaborative way to achieve clearly defined objectives by making better use of distributed talents. In fact, creating a project is often an attempt to circumvent the hierarchical structures and low dynamics of line-management. Projects also require a formal leader who is accountable for delivering results within time and budget. Yet besides their designated leadership role, these project managers usually have no disciplinary power over the project members. As a consequence, project managers must possess lateral leadership skills to motivate their teams and ensure a cooperative work atmosphere.

CASE STUDY: LOCALIZATION OF CORPORATE WEBPAGES

For business companies, globalization has two sides to it. On the one side, offering products and services in many countries requires companies to keep the big picture in mind and seek synergies between the subsidiaries. On the other side, companies need to give each subsidiary the freedom it needs to succeed in its local market. When a software corporation decided to revamp its global web appearance, I was asked to set up the localization project. While the actual text translations were done centrally by external translation agencies using translation memories, a lot of internal coordination and quality control was necessary to ensure a good outcome. As overall project manager, I was responsible for the rollout of the new web pages to nine countries in three regions. Legal and cultural differences between countries had to be considered, and company-specific terminology had to be used. In addition, not all subsidiaries offered the same solution portfolio to their clients, so each localization package had to be adjusted to specific requirements. When the text translations were done, they had to be reviewed by local marketing experts to ensure content and tonality fit the respective business environment. Such reviews proved difficult to organize because these internal experts were busy with other tasks and had no incentive to take on additional work. Together with local work stream leads in each of the nine countries, I maintained detailed project plans with constantly shifting timelines for translation agencies and internal reviewers. I conducted and documented weekly phone calls with each team, followed-up on open issues, removed roadblocks, and prepared reports and decision papers for the steering committee. Through such collaboration, we balanced global and local requirements, and when I handed over the project to an internal colleague for finalization, all nine work streams were on time and budget.

Another way for individual employees to produce value independent of hierarchies and management structures are communities of practice and virtual networks. Supported by IT systems and collaboration tools, communities are egalitarian environments based on common values and interests; they foster innovation and enable talented employees to become active outside of pre-defined job requirements and daily routines. Any member can become a thought leader and have dozens or hundreds of other followers and supporters, regardless of his or her organizational position.

The software industry relies heavily on communities and networks for product development and encompassing client services. Software corporations in the past often entertained only a few global partnerships with big technology firms and implementation service providers. Now, these corporations form a large number of specific partnerships in all phases of the software lifecycle, from development to sales and services, resulting in more specialized and client-centered offerings. Development partners complement generic software solutions with industry- and LoB-specific add-ons at low costs and with minimal risk, and reseller partners with close ties to their small and midsize clients open up new markets and sales channels.

CASE STUDY: SALES AND PARTNER ENABLEMENT

The internet has revolutionized the software industry. Clients expect their software to be modular and web enabled, allowing them to design specific solutions by combining functionality from different vendors. Large in-house installation of monolithic back-end systems are becoming obsolete, and alternative delivery models such as Software as a Service (SaaS) and Cloud Computing are gaining market shares.

This changed environment caused a software corporation to adjust its business model. Instead of selling solely to large enterprises, it began developing products for small and midsize enterprises (SME). Due to the new business model, the company's direct sales methodology, which had been designed for the long sales cycles and complex buying decisions in large enterprises, was no longer applicable. Eager to generate revenue as fast as possible, each sales region created its own SME sales methodology and trained its tele-sales personnel and reselling partners as they saw fit. After some time, the head of global sales and partner enablement became concerned about these regional differences and the quality of the training. I was asked to identify and leverage the best practices that had been generated through the previous innovative freedom. Business companies often evolve in such cycles of centralization and decentralization, similar to the behavior of a breathing organism.

Introducing the SME Sales and Partner Readiness program, we conducted workshops with global and regional representatives and developed a model to create synergies across direct and indirect sales roles. We then published a SME sales learning map on the corporate intranet, using only the best e-learning and classroom courses and proven sales methodologies. While this learning map allowed for some regional and local variations, it also defined the minimum requirements for the worldwide sales force and laid the foundation for a transparent sales and partner enablement process. Sales representatives and partners were required to pass level 1 e-learning courses before participating in any regional or local classroom courses. Participation in the e-learning courses was monitored through the company's learning management system. Three months after the program had been implemented, over 90% of the target group had participated in the e-learning courses and had passed the exam.

In this chapter we have analyzed why management becomes dysfunctional in a complex and rapidly changing world, and we have identified basic characteristics of a post-management way to organize work. In the next discursive chapter, Chapter 5, we will look at leadership as a concrete example of such a post-management organizational paradigm. But before we continue with rational thought, we again turn to our fictional leadership story to see how the protagonist Dave masters the challenges put before him.

CHAPTER

4

Alpha Dogs

"Here's what I think we should do," Dave said, standing beside the podium. "I will set up a meeting with Don, Linda, and all corporate EPLE stakeholders for next week. In this meeting, we will present a three-year strategic road map for EPLE. According to this road map, we will close the LTE-S deal this quarter." He paused and turned to Jerry. "Jerry, I will ask the complete Virtual Account Team to assist you in this deal. You will receive whatever support you require."

Again, Dave paused. Jerry seemed pleased. Woo and Grace kept looking at him and didn't show any reaction at all. Dave continued.

"The road map will also show that next quarter we expect to close and implement the system consolidation project for which we are already vendor of choice. This will provide the right foundation for implementing LTE-S. Given the LTE-S delay—which the road map is also going to show—the road map will suggest implementation of LTE-S starting the following quarter…"

"You want us to defer the revenue for half a year?" Jerry interrupted.

"You said you don't care about the deferred revenue," Dave replied.

"I said three months, maybe…but not six months. And announcing the LTE-S delay now, in this critical phase of the sale, and planning implementation only after this system consolidation, potentially moving it into EPLE's new fiscal year—this is crazy! You are making it harder for me to win this deal, Linda will never accept this… OTR is just waiting for something like this to happen!"

"You wanted all our support to get EPLE's signature for LTE-S still this quarter. You got it. So, now, all you have to do is to actually get the signature," Dave said.

"Under these conditions, I might not be able to," Jerry said. "Besides, this is the first time I have ever heard anything about a three-year road map… Why didn't you send this to us before, so we could have prepared?"

"Sorry, Jerry, I just finished the slides last night on the plane, and now came straight from the airport to the meeting. But," Dave paused a moment, "I think giving you some time to take a closer look at this roadmap is an excellent idea! What I just outlined is the gist of it, our ultimate goal is to have all EPLE employees LTE-S enabled by 2018. The rest are details which we can finalize over lunch… I'll send you the slides as soon as I am in the hotel. If you agree, the next thing we should do is to set up the meeting at EPLE and present the roadmap…"

"Wait a minute," Jerry shouted. "I haven't agreed to anything!"

"I said if you agree…" Dave got up. "It's like this, Jerry. If you are the rainmaker, make rain. If you are not the rainmaker, step aside and let me water the plants."

"WHAT?" Jerry looked at him baffled.

Dave turned to Grace and Woo who also looked puzzled. "If you will excuse me, please. I have had a long trip and would like to freshen up a bit. I will see you all for lunch at the canteen!? Let's finish our meeting there. Thank you!" Dave nodded to everyone, and went out.

As soon as he sat in the taxi on the way to the hotel, Dave called Ted, but only reached his voice mail. He left a message telling him what had happened, and that he would call him again if there was further news.

Then his phone beeped, and as he looked at it, he found an SMS from Kathy, Jill's assistant. Wow, he thought, this went fast… Grace must have told Jill about his proposal, and now, on behalf of Jill, Kathy requested a 1:1 call. Dave looked at the watch—in 30 minutes. That would give him just enough time to get to the room and go online. He accepted the invite, and just then received two e-mails from Grace, one postponing their lunch from today to tomorrow, and another in-person meeting invite for the next morning. Dave looked at the list of participants—and saw Jill's name as well.

Next, Dave called George. "Already done?" George asked. "How'd it go?"—"Fine," Dave said. He still felt tired and wanted to keep the conversation short. "What'd you say?"—"Well, I basically told them to put their money where their mouth is."

"Okay. What'd they say?"

"I don't know yet, I gave them 'til lunch to decide."

"All right. Anything else?"

"I just received a meeting invite from Grace for tomorrow, and it seems like Jill will be there as well…"

"Jill's in Singapore?" George asked. "Not yet, but it looks like she is coming."

"So," George said, "you need me there as well? I am still in India and could come by…" "Not sure. Jill requested a 1:1 with me, I'll call her as soon as I get to the hotel. I'll tell you afterwards."

"Okay. You know, there's so much other stuff going on, too," George said, "this UK deal is killing me…"

"You want to tell me and we throw some ideas around later?" Dave asked.

"No, not yet. You have enough on your plate for now. We can brainstorm on the rest some other time. Just keep me posted, Dave!"

"Will do, George!"

Dave and George had many such brainstorming sessions, often initiated by George himself who valued Dave's opinion. Yet communication hadn't always been so easy between them. In fact, in the beginning, when Dave had just started in the job, there had been clashes about when and how to communicate. Dave remembered one important EMEA deal for which George had called him hourly for status updates.

"Talk to me!" George would shout as soon as Dave picked up the phone.

"Still nothing new," Dave would answer. At the third call, Dave had asked: "So, are you really going to call me every hour from now on until the deal is through…?"

"Well, if you were more pro-active, you could have already taken care of this thing, and I wouldn't have to call that often…"

"Listen, George", Dave had said, "why don't you let me do this my way, and I'll let you know as soon as something important happens? All these unnecessary calls, frankly, they are just a waste of both our time…"

"Okay," George had said after a while, "you call me then." Dave lived up to his promise, and over the past year, George had come to trust Dave completely.

Dave looked out the window, watching the people and skyscrapers passing by. He thought about the meeting tomorrow. Even if he succeeded in getting his proposal accepted internally, they would still have to convince EPLE. And Jerry was right, it wasn't going to be easy.

Ah, I got to give the service folks in the VAT team a heads up, he thought. He wrote an e-mail telling them that the consolidation project will most likely be postponed to next quarter, and that this quarter the signature on the LTE-S had highest priority. More later…

The team wouldn't be thrilled, Dave knew that. They had jointly planned the sale of the consolidation project for this quarter, not for the next quarter. They themselves had secured their availability for this project with their respective managers, they trusted Dave. Postponing everything for three months will upset their calendars, too. On the other hand, Dave thought, I did what I could, now it's up to them. If they really want to be on the project, they will have to go back to their managers and re-negotiate. And if they succeed, Dave thought, they will have passed the first test of "leading from below!" Possessing formal power is just one way to lead.

Dave remembered a personal experience that had made the effect of power on group dynamics clear to him. As students, he and some friends had been hiking in Oregon, looking for some hot springs in the woods. On their way, they had met others, and one guy had said he knew where the springs were, and had actually led them there. Yet when he undressed to enter the water, Dave and some others realized that their leader carried a gun. Within a couple of minutes, the dynamics in the group changed. Most people who already were in the water got out, and even some who had just arrived with Dave turned around. Nothing bad happened, but Dave had witnessed firsthand the destructive effect that fear can have on a community. Sure, managers don't carry guns—but some of them use their formal power to hire and fire employees like a weapon to incite fear. And in Dave's experience, leadership built on fear was overall less productive than lateral leadership that emerged within a group of peers.

"Welcome to the Mandarin," the concierge said and opened the taxi door.

"Thank you, I'll take the luggage myself," Dave said, yet still tipping the concierge. He checked in at the reception, then went straight up to his room and set up his laptop. After that, he had just enough time to send out the EPLE three-year roadmap as promised before calling Jill.

"Good speaking to you again, Dave!" Jill said. "Still running every day?" Dave had been introduced to Jill at a reception over six months ago, and apparently she remembered their little talk on work-life balance… "Yeah, still running" Dave said. "How are you, Jill?"

"Actually, Dave, I would be a lot better if you told me you had found a way to secure this LTE-S deal with EPLE…"

"It's up to Jerry to bring the deal in," Dave said. "All we can do is to give him the full support of the Virtual Account Team, and mine as well, of course. What I believe we should expect in return is that the EPLE systems are consolidated first, before LTE-S is implemented."

"So, if we hand all this over to you, Dave, do you think EPLE will accept your three-year road map?"

"Actually, Jill, there's no need to hand anything over to me," Dave said. "I already am the EPLE GAD, and I believe our proposal will work."

"You believe…?"

"Well," Dave added, "I know that Don, EPLE's CEO, wants to have this three-year roadmap, he told George and me so himself. And also," he added slowly, "somehow I got it into my head that you will support us on this…"

"What gives you that idea?" Jill asked.

"Well, it's just the right thing to do, and looking at the course you steered during last year, I assumed you would agree with the long-term perspective of the EPLE plan."

Jill's voice seemed to carry a mixture of irritation and interest. "Has anyone ever told you that you may appear as being too forward, Dave?"

Dave hesitated a moment. "I must admit I have heard people say that before, yes. Unfortunately, though, I don't seem to be able to improve much on it… Must be one of my blind spots." He regretted the last statement as soon as he had said it.

"Okay," Jill said, "then let me shed some light on your blind spots. I will decide on EPLE in the meeting tomorrow." And after a while she added: "You know, Dave, relying on assumptions is a dangerous thing in business, especially in sales."

"So, are you telling me my assumption is wrong?"

"I already told you I will decide tomorrow. Talk to you then," Jill said and hung up.

"Phhh…" Dave exhaled sharply. Executive communication simply isn't my strong suit, he thought to himself. Either their ego is too big, or mine is.

He called George again. "I just spoke to Jill…"

"What'd she say?"

Dave hesitated. "I think she will support us," he then said.

"Did she actually say that she will support your proposal?"

Oh, 'your proposal,' bad sign, Dave thought. "No,"

"Okay, what did she say?"

"She said she will make a decision at the meeting tomorrow…"

"Listen Dave," George interrupted him, "I don't know what exactly you told them, but it certainly seems to have set things in motion. And it sounds to me like you may need my help. I am coming to Singapore!" Great, Dave thought, now both alpha dogs are coming.

Nothing against alpha dogs, Dave actually appreciated decisive managers, if their decisions were comprehensible and executable. In general, managers who tried justifying their decisions through the position they were in, like I don't have to explain myself to you, or this is on a need-to-know basis, and you don't need to know, Dave found unacceptable. More often than not, he had experienced this style of leadership as counterproductive for achieving the joint goal. Loyalty was essential for any successful organization, but in Dave's view, loyalty had to be earned. It was a two-way-street, and managers were not exempt from explaining their actions with regard to company goals.

"When's the meeting tomorrow?" George asked.

"At 10?"

"Okay, where are you staying, the Mandarin…? I'll be there tonight. It's about time anyway you and I hit a bar again!"

"Looking forward," Dave said. He meant it. He liked spending time with George, though he would have preferred to handle the meeting by himself. Besides, the evenings with George could turn into endless nights that often were hard to stomach. He set his clock for 6 p.m. local time, took a shower and went to bed.

"Ahh," George said pleasurably, after he had sat down on the brown leather couch in the hotel bar, leaning his head back and blowing the cigar smoke into the air, "Life is good!" They had had a nice dinner together, and now both had a single malt in front of them. Dave smoked one of his French cigarettes, natural tobacco without filter.

"So, Dave, you grew up next to cowhouses…" George said smiling. At dinner, George had asked Dave to check the red wine he had ordered, and just by smelling, without even tasting it, Dave had nodded to the Sommelier who then started pouring.

"Oh, you are a connoisseur!" George had said.

"Not really," Dave answered, "I just happen to know that this particular cow house smell stands for a good Bordeaux."

"Hm…" George smelled his wine and looked intrigued.

"And how do you happen to know that?"

"Because I grew up next to cowhouses, and I have a friend who likes good Bordeaux…"

"Yes, I am country boy," Dave added. "What about you?"

"Oh," George replied, "very much the opposite. I am metropolitan through and through, couldn't live without the city, all that pulsing traffic and energy. And traveling the continents, too, different people, different cultures and ways to live… I just love being on the move, it's who I am." After a moment, he added: "Getting older, though, too…"

"I wouldn't survive your schedule for a week! How do you even do it? Where do you get the energy from?" Dave asked.

George thought for a moment. "Discipline, and wanting to achieve goals, I guess. You know, working on goals gives me energy. I've still got a lot of things to do; there's simply no time to get tired or sleep longer than five or six hours a night." He looked at Dave. "You once told me you sleep eight hours a day, right? So, you don't feel like you are wasting your time, missing out on things while you are asleep…?"

"No," Dave said, "frankly, I love to sleep. Whatever else is out there, it must be really special to beat deep refreshing sleep!"

"Okay, so, let's talk before you fall asleep, then," George said. "What exactly did you tell the folks at the meeting this morning?"

"I suggested we get the signature for LTE-S this quarter, but consolidate the systems first before implementing it."

"I thought you would propose that," George said, "and it does make sense. Woo and the young guy, what's his name, Jerry?, they probably fear they will lose the deal."

"Yeah, we will have to help them sell it all as a package to Don and Linda," Dave agreed.

"You know, Woo called me on my way to the hotel," George said. Dave waited. "He said he appreciates the value of strategic planning, yet is worried about us losing this big opportunity." George paused. "He also said he believes our compensation model doesn't apply to this special situation…"

"So he supports our proposal if China receives all the revenue for the LTE-S deal?"

"How did you guess?" George smiled. "Did I tell you he also claims additional revenue for the UK deal because of their large Chinese subsidiary?"

"I think it's okay to give him the LTE-S revenue," Dave said, "if we get our proposal through. Every rule has its exceptions."

George looked at him. "Okay, so how many exceptions per rule? One? Three? Eleven? And what if, in a series of events, there are more instances of exceptions than instances of the rule being applied—can we then even say we have a rule? In fact, wouldn't saying we have a rule actually be misleading?

"Hear, hear!" Dave lifted his glass.

"You know, Dave," George continued, "I don't really care if we have a global compensation model or not. Maybe we don't need one. If Woo and the other country leads had said it's better to manage things more on an ad-hoc and case-by-case basis, that would have been fine with me. What's not fine with me is to say one thing and do another. We created a compensation model on their request. Woo was included and signed-off on it and now suddenly, every new deal coming up is an exceptional case? Give me a break. And how does that make us look, you and me? I'll tell you how: Like two boys playing in the sandbox while the grown-ups take care of business—that's how! We look like fools!"

Appearance was important to George, Dave knew that after a dispute he had with the XAM chief financial officer on corporate risk issues. Shortly after Dave had taken the GAD job, the CFO requested risk plans for the largest accounts. George pushed Dave to use EPLE as a pilot for developing a template, but Dave suggested a more qualitative approach, arguing that templates wouldn't do justice to the diversity of industries and account-specific situations. So the CFO called George and Dave into his office, and the discussion got intense quickly. At some point, Dave had said that when it came to risk, he trusted opinions more than numbers, because ultimately, numbers were only opinions disguised as objectivity.

"So, shall we best dispense with numbers altogether and just tell our shareholders that we have a warm fuzzy feeling about next year's profits?" the CFO had asked. "If we actually do have a warm fuzzy feeling, yes, we should say it," Dave said. "After all, regardless of how much data exists to support a particular view, most people, including investors, ultimately will decide based on their feelings and beliefs…"

Dave stopped because the CFO was annoyed. "What is this," he asked George "a circus?" And turning to Dave he added: "Are you the clown?" Then he got up and told George to come back when he was ready to talk business.

George and Dave had left the room silently. Only when they stood together in the elevator, George had said: "That was embarrassing." Dave didn't respond because he knew whatever he said, it would probably make things worse. Still, in principle, Dave stood by what he had said, though, in hindsight, it obviously had not been the right place and time for saying it… In any case, after that, George had never again pushed Dave on the agenda of an executive meeting.

"I don't want China to get the full LTE-S revenue," George said. "I want us to use our model. Like you said, there may be exceptions. Yet exceptions are exceptions, and the rule," George paused, looking firmly at Dave, "the rule is the rule."

"Do you know Wagner's *Meistersinger of Nürnberg*," Dave asked.

"No. Or wait, it's an opera, right…? Why, what about it?"

"Your speech about rules reminded me of it… It plays in the German city Nürnberg during medieval times. A young nobleman and the daughter of a wealthy goldsmith are in love, but the goldsmith wants his daughter to marry only a master singer. So the nobleman has to compose a song and win the singing contest, and he asks his mentor: 'How do I begin according to the rule?' And his mentor answers: 'You define it yourself, and then you follow it.' So," Dave continued, "like you said: This compensation model is the rule that the regions and countries gave themselves, we only orchestrated the process. And now they need to follow their own rule."

"The Master Singers—the things you know, Dave," George said smiling.

"Well, you probably knew German operas better, too, if you had a German mother," Dave said.

"So, does the guy marry the girl in the end?" George asked. "Of course he does," Dave laughed, "after many trials and tribulations, though."

"That's okay," George said, "that's what life is all about!"

"About the situation with Woo…" Dave waited a moment. "Maybe we need to stir things up a little."

"I am listening," George said, blowing rings of cigar smoke in the air. "How about China no longer falls under the global model, but, in turn, also no longer receives free global services? In other words, if they want to use the VAT teams, they will have to pay an annual fee. Long term they could build their own resource pool. And short term, it is a proposal that might catch Woo off guard and show us how much the LTE-S revenue is really worth to him…"

George looked pleased. "And the compensation model stays intact. I like it!" After a while, he added: "That Jerry kid, he won't be happy…"

"Well," Dave lifted his glass, "You want to play with the big boys, you got to pay with the big boys!"

"Exactly," George said. "Cheers!"

The next morning at 10, Dave, George, Grace, Woo, and Jerry sat together in the large board room again—everyone but Jill. Grace opened the meeting by saying that Jill was going to be delayed and would like them to start without her.

"That's fine," George said and got up. "We can start. The basic issue here is that last year, we all agreed on a compensation rule, and now we need to apply it. It's like with the Wagner story, you know. The guy is free to choose his own song, but then he has to stay with it consistently, otherwise he can't marry the girl…" Grace and Woo looked at George confused, and George turned to Dave for help. Dave smiled. "Anyway," George continued, regaining his confidence. "The thing is, this LTE-S deal falls under the existing compensation model, and regardless of how we sell it, if bundled with the system consolidation, or stand alone, the revenue will be split according to the rule."

George sat down, grunting at Dave. "Some support would have been nice."

"I didn't know you were going to use this Wagner thing," Dave whispered back, still smiling. "Besides, you did well."

Then Woo started speaking, slowly and pronounced. "Yes, we all agree to the rule, George. But we must keep the balance, too. To go beyond is as wrong as to fall short. China is a special case, with much growth and new things happening every day. There's also much competition so we must put business first. The consolidation project may be good business, or it may not. The LTE-S deal is good business for sure! China will only accept the risk of bundling LTE-S and consolidation if we get all revenue. If we must split the revenue, we do not support bundling, and we push LTE-S deal through now!"

Grace turned to Dave. "Dave, what do you think?"

CHAPTER

5

Let Talent Lead! Promoting Self-Organizing Teams

If you love crime stories as much as I do, you are probably familiar with American TV series like *Homicide*, *The Wire,* and *The Shield*. These shows often open with a crime scene. A person has been shot in the street, and there usually is another person at the victim's site, screaming: "Someone call 911! Someone call 911!"

What's fascinating to me is that these fictitious characters are not taking any first aid measures themselves. Instead, the only thing they actually do is scream for someone to call 911. Of course, the leadership examples of ordinary people who comfort victims and save lives humble and inspire us. And the fact that, in real life, many individuals in a crowd remain passive bystanders and do not do anything, not even calling for help, is distressing.

However, it is easier to know what needs to be done than to actually do it, and it is the doing that makes things better, not the knowing. To me, these fictitious people screaming for help are like a metaphor for management: "I know what needs to be done, but others have to do it because I am busy giving the order!" Meanwhile, the victim on the street dies and the competition takes over your business.

This book is a 911 emergency call on management. And because I believe the call is important, I am making it myself instead of expecting others to make it for me.

In Chapter 3, we have seen that coordination is the main challenge of the post-management organizational paradigm. If employees primarily work in networks and organize themselves, how can we ensure that all of them actually work together for the organization as a legal entity and pursue one common goal?

Corporate Ownership and Governance

People form organizations to collaborate with others and complete complex tasks that they could not complete alone, like producing a car or finding a cure to a disease. In non-profit and publicly funded organizations like utility providers and hospitals, products and services for the public are the overall purpose of the organization, and money is a means by which this purpose is realized.

In private organizations, it is the other way around. The bigger and more complex an enterprise, and the less shareholders understand or are interested in the actual business, the more its purpose becomes defined through financial returns on investment, and the more products and services turn into mere means by which this financial purpose is achieved.

It certainly is business owners' right to put profit first and, within the limits of law, organize their companies in the way they feel is necessary to get it. However, the focus on short- and even long-term profit cannot replace the personal belief of employees and owners in a larger purpose of their organization. True entrepreneurs are driven by a vision to change the world. Profit is an effect, a consequence of providing value to customers and creating meaning for oneself and one's partners, colleagues, and employees.

The same, by the way, applies to happiness. People venturing out in quest of happiness will hardly find it. Happiness is a by-product, the fleeting feeling that occurs when we are fully engaged and find pleasure in a meaningful activity.

I predict there will more companies like Zappos in the future, companies that adopt holacracy or other forms of egalitarian governance because they operate in volatile markets in which disruptive innovation and agility are key, and because their founders and leaders simply believe in diversity! An increasing number of companies will accept operational inefficiencies as a trade-off in order to benefit from an existing and underutilized resource: the creativity of employees on all levels of the organizations. Under the post-management paradigm, each and every employee is called upon to translate company goals into actionable tasks for him- or herself, for the team, and the whole department or business unit. This kind of diversification of ideas will result in internal contradictions and competitions which require constant communication and interaction between employees. Thus, paradoxically, companies may end up reproducing internal market conditions similar to those external market conditions of competition and uncertainty which they initially tried to circumvent exactly by forming an organization.

On the other hand, I would *not* want to predict that managed companies will become fewer or less successful in the future, success measured in terms of market position, brand value, number of customers or employees, revenue, profit, stock prize, market capitalization, dividends, or any combination of the above. In fact, some managed companies might become even bigger and more successful. For any particular company at a certain place and time, market opportunities and pockets of relatively stable economic conditions will continue to exist in which management's virtues—coordination, efficiency and productivity—provide a competitive advantage. The US retailer Walmart, the Korean electronics company Samsung, and the German automotive manufacturer Daimler-Benz are said to run a tight ship and deploy rather hierarchical governance models, and yet, they overall appear to be doing well.

And even if, as I predict, more companies will develop a holistic work culture and be successful in the future, that still would not prove these companies are successful *because* they operate with a holistic work culture. We do not want to confuse correlation with causality. Time will tell if holacracy is a viable form of governance, or if it is only a way for a CEO to get rid of managerial competition and assume even more power him-/herself.

Ultimately, in a market economy, it depends on customers and other stakeholders whether or not private enterprises are viable. As consumers and stock owners, we all are customers of and investors in businesses, and we are called upon to make conscious and ethical buying and investment decisions. For sure, nothing is gained if companies strengthening employee rights, selling environmentally conscious products, and trying to make the world a better place are financially not viable and go bankrupt. We do not want to force people to buy organic and fresh food if they prefer to buy cheap processed food and spend the rest of their money on other things. But we can certainly try to make everybody aware of how individual buying decisions impact not only their personal health, but also the society and the environment at large.

No person can ever behave 100% ethical or "good." Regardless of our best intentions, our views are always biased, our information is limited, and our actions have repercussions that we cannot foresee. When communicating with others, we appeal to the ideal of "rightness," but we must remain open to different views of what actually is "right." No matter how conscientiously we live, at some point it will probably turn out that the t-shirt we wear was produced by child labor, that the sandwich we eat contains ingredients whose cultivation destroys the natural habitat of a rare animal species, and that the car we bought because it has low fume emission values has been manipulated by the manufacturer and actually emits more fumes than officially stated. This last point, in fact, was recently revealed about Volkswagen, Germany's largest and very hierarchically organized car manufacturer. The fraud not only created a big scandal in the media around the world, but also cost VW billions of Euro.

These examples serve to show that the complexity of modern life unavoidably creates contradictions in individual life histories. A critical mind can always find a perspective in which any ethics appears corrupt and a person's attempt of ethical behavior seems hypocritical.

Yet we do not have to be saints, we only have to be true to ourselves. The minimum requirement for ethical behavior is that *we think before we act.* By "thinking" I do not mean the use of economic rationality and instrumental reason to achieve a particular goal—this we do all the time. Rather, I mean that we take a holistic view of that goal itself and *think with the heart*, as the Austrian poet Hugo von Hofmannsthal put it over a hundred years ago in his famous Lord Chandos letter,[1] which is a nice metaphor for the holistic and sometimes paradoxical mode of thinking I am advocating throughout this book.

If you own stock in a company and thus are a co-owner of that company, then own it. Don't just look at financial aspects, at return-on investment, stock prices, and dividends, look at the whole of the company and at what it does to the world. Ask yourself if the corporate culture is such that you would want to work there, and think about whether the company's products and services are in line with your personal values. Cultivating personal values and beliefs is important because experience tells us that we find meaning and strength in committing to an idea that is bigger than ourselves.

Corporations are legal entities, and in order to maintain their integrity, they must be governed by an overall purpose. Stock owners should be more active in defining that purpose, and not just leave this crucial responsibility to executive management. We emphasize the distinction between owners and managers because it makes us realize that even board members and top executives are employees like all other employees of a company. Managers do not own their respective teams, departments, and subsidiaries. Managers are part of a team of employees that needs to work together to be successful.

Because it is the manager's role to represent the team to outsiders, some managers seem to believe they actually are the team, following the French sun-king Louis XIV who considered himself to be the state—"L'etat, c'est moi!" Those managers must remember that, in fact, the team is the team, and that being a manager per se provides no value to the organization. Leveraging the creativity of all team members through a more egalitarian and democratic

[1]Hugo von Hofmannsthal, *Ein Brief*, 1902

form of decision-making, on the other hand, can be very valuable in a volatile business environment.

We know democracy, the rule of the people, from the political realm. Democratic states provide governance, security, and prosperity to their populations and appear to be functioning well. It makes sense to examine if and under which circumstances the democratization of private companies might be conducive to business. In fact, public companies can per se be regarded as somewhat democratic because they allow employees and all other people to buy stocks and thus become co-owners of the company.

Democratization within companies would mean that formal authority of employees over other employees becomes legitimized from below, through the consent of those affected by the authority, instead of being ordained from above, through a mandate from the next higher management level. Of course, the degree to which workers are at all legally allowed to organize themselves and have a say in the company's business depends on national legislation. Corporate and employment laws regulate employee and employer relations, from vacation times, health and benefit programs to recruiting and termination practices. Such laws vary considerably across nations. In the US, UK, and Switzerland, for example, companies can let go of existing employees and also recruit new employees much simpler and faster than in France, Italy, and Germany, where employers often can terminate employment contracts only on grounds of personal misconduct of the employee or by proving the economic necessity of each individual termination. The harder it is to let go of existing personnel, the less motivated companies are to hire and employ new employees at all.

In the end, companies will only be as democratic as their owners want them to be. If national legislation allowed employees to outvote owners, such legislation would mean the abolishment of private property and represent a form of socialism. Instead of focusing on the redistribution of existing wealth like state economies, market economies promote entrepreneurship and enable the creation of new wealth. Business people believing in democracy as the right form of company governance, for example, can form a cooperative, a democratically run association in which members provide goods and services to each other for mutual benefit.

Four Roles of Leadership

We have investigated the topic of corporate ownership and governance in detail because the internal coordination of employees is a key organizational challenge that any post-management paradigm must master before being able to replace management. We now turn to leadership because we see leadership as a means to coordinate people in a non-managerial way.

Leadership, like management, is another widely used concept that many people have talked and written about. In fact, management and leadership are often used interchangeably. Usually, the CEO and top management are considered leaders by default because they have a lot of employees report to them. It is hard to find company websites and Human Resource departments that will apply the terms leader and leadership to normal employees not holding a management position.

A lot of literature exists on different leadership styles, such as authoritarian, democratic, and laissez-faire leadership styles. We also know that leadership can be task- or relationship-oriented, so leaders can either focus on the people they lead or on the tasks that need to be executed with the help of these people. In the past, many leadership theories focused on personality traits of great leaders, such as intelligence, the ability to listen and learn, to adjust to changed circumstances, and so on, claiming that individuals possessing such personality traits will emerge as leaders in a variety of different situations at work, at home, and in public.

In 2003, James MacGregor Burns introduced transformational leadership to distinguish his leadership vision from transactional or managerial leadership in which rewards and punishments are used to ensure compliance of the group members with the leader's ideas. Transformational leadership aims at inspiring group members and enabling them to become problem-solvers themselves, instead of them only following the leader's commands. Since such collaboration will not only transform the group members' personality, but also affect and change the leader him-/herself, transformational leadership is truly a holistic concept: it presents leadership as the result of an interaction between people, and not as a static set of personal characteristics.

Going forward, we rely on a situational theory of leadership. Situational theories emphasize the importance of specific contexts to understand leadership. The nature of tasks to be executed (e.g., technical or social), the culture of an organization, and the maturity level of the group members[2] are examples of such contextual factors. These contexts determine which leadership style is most suited in a particular situation and which concrete individuals emerge as leaders.

Leadership We define leadership as an organizational paradigm that enables talent-driven self-alignment of work along the value chain.

Notice that this definition emphasizes processes and de-emphasizes structures. The situational back and forth between people is more important for enabling leadership than positions and hierarchies (see Figure 5-1).

[2]See "Hersey-Blanchard Situational Leadership Theory" in http://en.wikipedia.org/wiki/Situational_leadership_theory

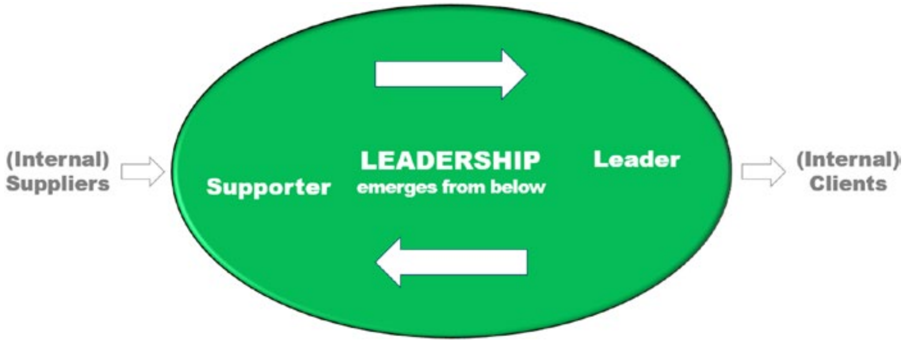

Figure 5-1. Leadership Paradigm

Leaders have a vision, take the initiative, and convince others to support them, and they may be supporters of other leaders in other contexts. Supporters plan and execute the work necessary to achieve the leader's vision and they, in turn, can also be leaders in other contexts.

The self-alignment of work is achieved through talented employees who emerge as situational leaders. *Talent* comes from Latin *talentum* and meant at first a measurement of weight and then of gold, before it became to mean simply a sum of money. Etymologically, talent is money! Today, talent usually means a natural disposition enabling a person to perform particularly well in a certain area.

The term *talent management* was first used 1997 in a business study by strategic management consultants at McKinsey & Company, and then in a book publication shortly thereafter, entitled *The War for Talent*.[3] In the book, the authors distinguish three kinds of employees. The so-called A-players are high performers who must be identified early and promoted through challenging top talent and high-potential programs. B-players are mediocre performers who should be supported and developed through training and learning programs. Finally, C-players are bad performers who should be set free as quickly as possible.

The simplicity of this talent management approach is enticing—what could make more sense than investing in good employees, and getting rid of bad ones? Yet, in a post-management, and, in fact, in any kind of systemic perspective, such universal labeling of employees as good, bad, and mediocre is reductionist and misses the mark. Combining eleven A-players does not necessarily form the perfect football or soccer team, but more likely results in competition, conflict, and a war between talents.

[3]Ed Michaels, Helen Handfield-Jones, and Beth Axelrod, *The War for Talent*, 2001

Similarly, organizations do not function in a linear, arithmetical way. The definition of what skills and characteristics constitute an A-, B-, and C-player is subjective and varies over time, reflecting changed business requirements and new objectives. More importantly, the exclusive focus on individual performance completely overlooks that organizations depend on the practical interaction between individuals. Diversity, complementary skills, and successful collaboration across physical and departmental borders are more likely to result in organizational effectiveness and innovation than theoretical models of individual excellence.

Again, we must remember the fundamental insight of systemic thinking: the whole is more than the sum of its parts. Employees who, based on a snapshot of abstractly defined abilities, are judged C-players, may in fact possess hidden skills and exhibit extraordinary and even leadership behavior when grouped with others and working in a particular setting. The proposal to strive solely for A-players and to fire C-players is itself the opposite of leadership—it's a leader's declaration of bankruptcy. Leaders actually understanding their business will see potential in most employees, including seeming under-performers, and put it to good use, instead of following the herd and paying exorbitant salaries to a selected few.

It is difficult for employees to find the place in a corporation where their talent becomes visible and is acknowledged. Corporate organizational charts are complex, especially for large groups with fully or partially owned subsidiaries. A holding may exist for managing the group's finances; global units may provide central human resource and information technology services to country organizations around the globe; and product divisions may be run as separate legal entities or as profit centers, producing their own profit and loss statements.

Human resource departments primarily look at the organization through the lens of hierarchical job levels. Nomenclature may differ from country to country, and from organization to organization, but most corporations define job families for each line of business, such as research & development, production, marketing, sales, and service. For each job family, there usually exist four or five job levels. For example, *marketing specialist* may be the entry position in marketing for a new employee fresh from college, while *marketing associate* and *senior marketing associate* may depict positions for more experienced personnel. Starting on job level three or four, career tracks are usually split, allowing individuals to choose either a line management track (marketing manager and senior marketing manager), a project management track (project manager or senior project manager), or an expert career track (expert or chief expert). While these five job levels are associated with a standard employment contract that leaves little room for negotiations, the higher ranking executive job roles represent non-standard jobs with customized contracts. Board members normally only sign up for a three-year period, after which their contract has to be extended by the board of directors.

In order to support the sales process and to increase customer satisfaction, employees holding customer-facing jobs are often allowed and, in fact, encouraged to put fancy job titles on their business cards which differ from their formal job level. For example, the job titles *vice president* or *senior vice president* suggest that the respective employee is directly involved in organizational decision-making on a high level, while his or her actual position in the HR system may only be that of manager or senior manager, so one of the five standard job levels.

This job title inflation reflects a fundamental problem within all hierarchical organizations: the problem of employee motivation. Managers use hierarchies and job titles to create competition among employees and increase their motivation to follow the manager's demands. Yet while competition for the best idea is productive, competition simply for a higher status in the organization is counter-productive. Such formal competition is often not related to actual work issues and, therefore, is not in the company's best interest.

TITLE INFLATION

A friend told me that, as a child, he had assembled a gang of neighborhood kids and, for motivational reasons, had given them military titles such as lieutenant or captain. He himself was king. If someone complained about his role in the group, he got promoted. When at some point, a lot of gang members were dissatisfied and threatened to revolt, my friend mastered the crisis by simply promoting everybody to a higher position: lieutenants become captains, captains became majors—and he himself became the emperor!

In leadership organizations, employee motivation is key. Much has been said and written about motivation. Content-focused theories of motivation identify and structure specific motives of human behavior, such as the desire for power, achievement, affiliation with a specific group, and so on. Process-focused motivation theories emphasize how people act to satisfy their motives—no matter what these motives may be.

Also helpful for understanding motivation is the distinction between intrinsic and extrinsic motivation. An action is intrinsically motivated if the person simply enjoys doing it. So the action itself is the goal, it is rewarding in itself. For example, writing a book may create a flow, a feeling of balance and harmony, which occurs when tasks are neither too easy (leading to boredom) nor too hard (leading to stress). An action is extrinsically motivated if it helps the person to achieve a reward or to avoid a punishment, so when the reason for the action is something other than the action itself.

Some of my students are born in the 1980s and belong to generation Y which is generally described as more individualistic in their employment choices than generation X, so people born in the 1960s like myself. Generation Y is believed to be less interested in high salary, powerful positions, or status symbols, and more interested in meaningful work and good work-life balance. One might say that generation X is more extrinsically motivated to work, seeking financial and other rewards, and Generation Y is more intrinsically motivated to work, seeking self-fulfillment and fun.

Using extrinsic motivators to increase employee motivation and performance is often problematic. Lots of empirical studies have shown that monetary incentives and other extrinsic motivators based on key performance indicators (KPI) can lead to undesired effects such as fraud (e.g., medical doctors inventing patients to get paid more from health insurances) and the crowding-out of intrinsic motivation.[4] Strong leaders, therefore, will primarily seek to increase the intrinsic motivation of each employee by offering guidance and a positive work environment. Of course, people are different, and for some employees, monetary and other incentive programs might work well.

"HOW LONG HAVE YOU BEEN WORKING HERE?"

In my first full-time job in the software industry, I worked for two years on building up a corporate university. When the goal was achieved, I told my manager that I was looking for a more challenging task, one which could lead to a foreign assignment or to a higher salary. My manager took a printed Excel sheet out of a drawer and asked me how long I had been with the company. He then frowned and said that, according to the Excel sheet, my salary was already high for having been with the company for only two years, and foreign assignments also were not available at this stage. I was disappointed about my manager's bureaucratic approach to career development and gave notice one week later.

We regard leadership as an organizational means for the self-alignment of employees. Figure 5-2 uses a two-by-two matrix to arrive at four leadership roles. On the y-axis of the matrix, we entertain the aspect of business complexity, with the attributes high and low. Remember the definition of complexity: A system or a model is called complex when we cannot predict its behavior. On the x-axis, we entertain the aspect of leadership orientation, differentiating between task-oriented and people-oriented leadership.

[4]Dodo zu Knyphausen-Aufseß and Lars Schweizer, *Industry Evolution and the Interplay between Extrinsic and Intrinsic Motivation*, 2011

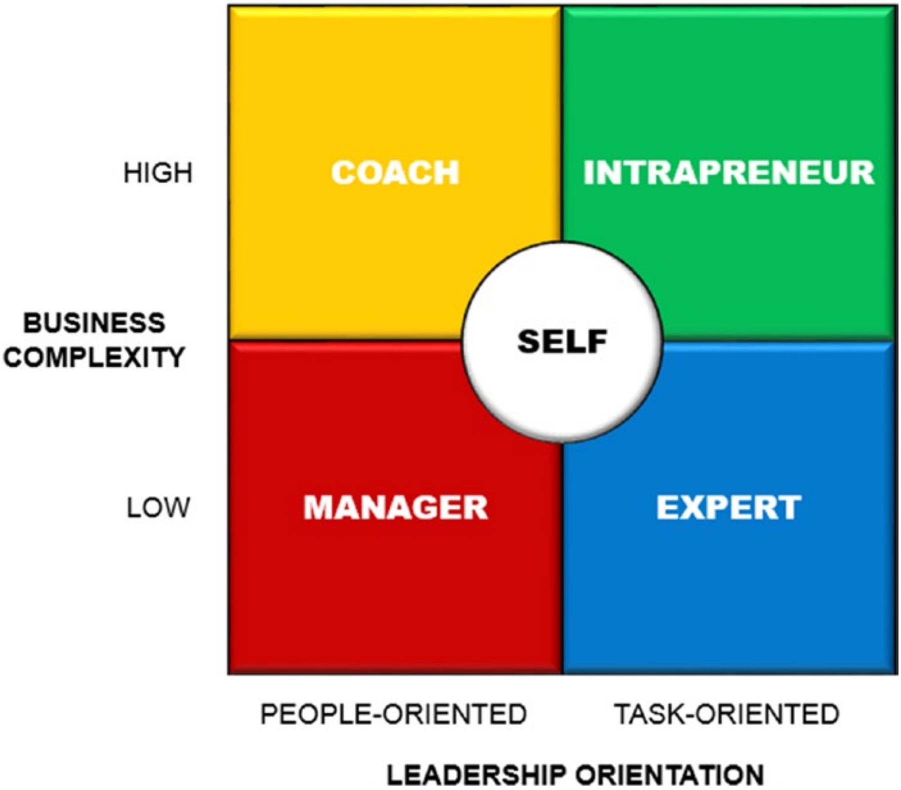

Figure 5-2. Four Roles of Leadership

I use the term role in a prescriptive sense, not in a descriptive sense with regard to real jobs. While in many companies, manager and expert describe official job-levels within job families, in our context the terms describe two leadership roles.

The first role of leadership, the classical manager role, is most suited for people-oriented leadership in a low complexity business environment. In such an environment, goals are clear and can be broken down into a series of small and relatively simple tasks. Due to globalization and increasing business complexity, we have witnessed a continuous decline of this classical manager role over the past decades. By re-engineering and automating business processes, many companies continue to cut middle management positions. Nonetheless, the power of managers still remains one means by which large organizations make important decisions even in a complex setting.

TOP-DOWN DECISIONS

A business professor I worked with once told me that before his academic career, he had been a board assistant in a German automotive corporation which was planning to implement a global ERP (enterprise resource planning) software. A large project was set up with numerous work groups collecting all kinds of data and calculating benefits and costs for different products. Finally, when the project team had presented their findings to the board, the CEO looked at them and asked which software the two market leaders were using. "They are using SAP," the project lead answered. "Then we will use SAP as well," the CEO said, and so the decision was made.

The relative decline of the classical manager role has been accompanied by the ascent of the *expert* as a leadership role. Companies begin building expert career tracks alongside traditional management career tracks. Experts believe in personal skills and often defy hierarchies. Leading from below and managing the manager is a matter of daily survival for many experts who can use subject matter knowledge and thought leadership to influence their bosses and steer things in the desired direction.

Experts are often also referred to as *knowledge workers*. Experts and knowledge workers are task-oriented leaders. In order to execute their work, they not only have to be self-motivated and creative; they also must convince others that their solution to a problem is the best. Loyalty is important to experts, though the loyalty they feel is less towards their manager, and more towards the work, fellow workers, and the whole organization. It is a network loyalty rather than a hierarchy loyalty, based on an ethics of reciprocity and the idea of getting something and giving something back in return to achieve a mutual benefit.

It may be surprising to find the expert role applied only to low complex environments; one is tempted to think that expertise is most needed when things are highly complex. I agree with the behavioral economist Daniel Kahneman who argues that expertise only works "if the environment is sufficiently regular." Kahneman actually compares the predictive power of experts to "dart-throwing monkeys."[5]

[5]Daniel Kahneman, *Thinking, Fast and Slow*, 2012

The third leadership role, the *coach*, applies to people-oriented leaders in a highly complex business environment. Ever since the shortcomings of Taylorism and traditional command and control practices have been experienced in the 1970s and 1980s, the idea that managers delegate decision-making down and only coach their staff on how to achieve abstract objectives has been a mantra of management theories. As a coach, you are no player and only lead from the side—the term *lateral leadership* is often used in this context. Lateral leadership[6] describes the ability to influence peers working on the same hierarchy level, but in different departments or regions, and reporting to a different boss. By creating a common mental framework, aligning interests and fostering trust among stakeholders, lateral leaders can achieve complex work objectives in cross-functional teams and projects. Job openings for experienced professionals in large companies increasingly ask for the ability to lead international teams in matrix environments without having formal management authority.

When I was working at a large consulting company, my line manager acted like a coach. He assigned me to projects, reviewed my performance, and furthered my professional development. In the consulting industry, line managers may sometimes play such a coaching role for their team members because they are less involved in the team's daily work—this work usually happens in projects with designated project managers. Such a model may not be applicable in all industries, but it gives us an idea of how leading from the side can be put into practice while formally maintaining hierarchical structures.

The fourth leadership role, *intrapreneur*, is suited for task-oriented leaders working in highly complex environments. The term intrapreneur is derived from entrepreneur, a person undertaking something new and founding organizations to realize his/her vision. The Austrian economist Joseph Schumpeter defined entrepreneurship as creative destruction. Such creative destruction also happens within an organizations. Like entrepreneurs, intrapreneurs must sometimes tear down what exists in order to create something new. An intrapreneur is anybody within an organization who leads from the front. Intrapreneurs seize internal business opportunities, create new playing fields, and influence other employees to achieve their goal, such as to provide new services to better support internal work processes. One way to fund such intrapreneurship is to allocate timeless discretionary budgets to employees as a kind of intracapital, as Gifford Pinchot suggests in his book *Intrapreneuring*.[7] Employees can apply for such budgets by handing in a business plan to a designated decision board. They may then use these funds to finance internal or even external services and achieve their intrapreneurial goal. Contrary to

[6] See Roger Fisher, *Lateral Leadership*, 1998
[7] Gifford Pinchot, *Intrapreneuring*, 1985

normal budgets, these funds are not automatically scratched after a year if unused, but stay available for as long as needed and agreed on.

For employees without managerial power and without intracapital, it is difficult to be intrapreneurial. We all have a particular job to perform in the company with prescribed tasks, and particularly at the bottom of a hierarchy, there is little or no time or space to do anything else, let alone influencing others to stray from their prescribed work path. And yet we can see that even public institutions begin to offer their employees more freedom to lead from the front and act like intrapreneurs.

HIRING INTRAPRENEURS

The HR manager of the local transport company in a mid-size German city set up a recruiting and personnel development program which he called New Business Team. Alongside the normal recruiting and trainee program for open positions, he also offered two-year working contracts for university graduates—even though no open positions existed for these graduates. He thus put talent first, and positions second. During the two development years, the new business team members rotated into different departments and jobs, but in order to stay in the company, they had to become intrapreneurs: They had to find projects to work on and convince line managers to create permanent positions for them. And they did. After two years, all of the new business team members were taken over with an unlimited work contract in a position that suited their talents!

An intrapreneurial mind is pro-active and goal-oriented. It strikes a productive balance of outside-in and inside-out thinking, combining intuitive creativity with a realistic view of what the market and the (internal) clients really need.

Underlying all four roles of leadership is the ability to lead one-self. In pre-modern societies, social classes and vocational roles provided references which were stable enough for people to know their place. Common surnames like Miller, Smith, and Baker remind us that personal identity once rested primarily on social conventions. Yet in fluid modern societies, individuals must construct and maintain their identity themselves amidst a myriad of different and often conflicting roles. The freer we become, the more our identity shifts in the course of a lifetime. When we move to different countries or cultures, when we switch jobs and find new life partners and friends, we must actively integrate past and present and tell ourselves a new story about who we are. Freedom always comes with responsibility, one cannot be had without the other. Personal identity still requires social contexts to emerge, but the large variety of such contexts and the high pace in which they change turns "me" into a never-ending process. We must lead ourselves in order to be. And because we constantly lead ourselves, we can, and in any social context also naturally do, lead others. We humans are social beings, we recognize ourselves in others and form communities. The ethical recognition "You are like me!" is the basis of all modern societies.

Self-awareness and respect for the environment are also key for leading others in a post-management business world. Feedback, especially if provided in a 360-degree format and including colleagues on all hierarchy levels, is the essential means by which we can reconcile our self-image with the image that others have of us.

"WOULD YOU LIKE FEEDBACK?"

One of my mentors was a strategy consultant who had his own company and was interested in the e-Learning services I offered at the time. One day, we visited a client of his, the managing director of a mid-size travel agency. I was not thrilled about the meeting since I had little knowledge of the travel industry and also saw no potential for realizing the rather high consulting rates that I was used to from working with large corporations. Thus, during the meeting, I kept quiet and let my mentor do the talking. He presented a couple of ideas for innovation, but nothing seemed to excite the managing director; we left empty handed. On the way back, shooting along the highway at 120 MPH in his large BMW, my mentor asked me if I wanted feedback on how he perceived my behavior with the client. "Sure," I said, "I am open for feedback." – "Well," he continued, "for one, you are dressed inappropriately. You may like your light green summer suit, but it is custom for us consultants to wear either blue or gray suits, no other color. Also, I observed you were not taking any notes. In fact, you did not seem to be much interested in my conversation with the client at all. Basically, you came across as arrogant and unprepared." He paused. I swallowed. "Would you like more feedback?" he asked. "No," I answered, "I have had enough." It took me a couple of minutes until I was able to say "Thank you."

While all four leadership roles described above are legitimate and may function well in specific business situations, the role of the intrapreneur is certainly the least prominent at moment—although it holds the biggest promise for the future. Companies need the vision and creativity of intrapreneurs to become more agile in complex and unpredictable markets.

A Culture of Lines

For intrapreneurship to flourish, a particular corporate culture is required. Culture has been described as an organization's DNA—norms, expectations and practices which are not always officially enforced, but are somehow embodied in *the way we do things around here*. Corporate culture can be seen as the long-term memory of the organization, a form of identity that develops through the actions of various leaders but also transcends the level of the individual and the customary differences between countries and regions. This identity is often expressed in corporate guidelines and values which are announced on internal websites and communicated to new hires during their induction programs.

Cultural discrepancies are one of the reasons why mergers and acquisitions can fail to bring about the desired business benefits. The joined companies may look perfect from a market perspective and on the balance sheet, but differences in the mentality of employees, working styles, and forms of communication may be preventing real synergies.

Going back to our network discussion and to the reductionist and relationist world views discussed in Chapter 3, I call an intrapreneurial and holistic corporate work culture a *culture of lines*. A culture of lines is a culture of relationships, not of hierarchies, and a culture of processes and interactions, not of points or entities. It is a culture in which what people say and do matters more than formal appearances and status.

In a culture of lines, information is abundant. Every job and, in fact, every employee has different information needs and different thresholds for information overflow. Yet often, when people feel overwhelmed by information, it is because they lack a clear understanding of the task at hand and of what exactly they want to achieve. With such an understanding in place, prioritizing the relevance even of large amounts of information is doable for most employees, particularly if they are intrinsically motivated to bring about a particular result.

One reason managers can give directions and appear smarter than normal employees is that they usually have access to information that normal employees do not have access to. Of course there are legal or strategic reasons for an organization to restrict access to certain information. In general, though, if employees do not know what their colleagues are doing, because information is only provided on a need to know basis from a management perspective, they cannot work together well. I believe CEOs should be able to go to anyone in the organization and get an informed account of the company's business strategy. If the workers at the assembly line cannot explain the strategy to the CEO, because nobody told them, or because the strategy is too complicated for them to understand, then the creative potential of these employees is lost for the organization.

In a culture of lines, communication is pervasive. Direct and uninhibited communication among coworkers is the most effective means for productive collaboration.

THE BUSINESS

I was in London, helping a colleague to plan the global implementation of a learning management system (LMS) at a telecommunication company. We discussed project stakeholders and their interests, and my colleague kept mentioning the business. At some point, I asked him: "You are talking a lot about what 'the business' wants—I didn't even know sales or marketing were so deeply involved at this phase of the project?!" It then turned out we had different understandings of the term business. My colleague had an IT background, so for him, HR was the business. I, however, had adopted an HR perspective, and for me, the customer-facing units were the business. We had misunderstood each other at first without even noticing it.

In a culture of lines, rules are transparent. Not only can people not collaborate well if they do not know or understand the rules governing the whole organization, but also the rules themselves cannot be discussed and adjusted if needed.

Creating rules that can help govern complex and functionally differentiated corporations and yet remain transparent to shareholders and employees is no easy task. Regulatory laws like the Sarbanes-Oxley Act (SOA) which was enacted after the Enron scandal in 2001 in order to prevent accounting fraud are so-called 2nd order norms. They only provide rather abstract requirements and guidelines for compliance and leave it up to each company to set up their own specific regulatory system. For example, Sarbanes Oxley requires that accounting processes are defined and monitored and that concrete individuals are accountable for the result—but they do not regulate how many steps and concrete activities the internal accounting process should contain, and which concrete person should be accountable.

Second order norms reflect the insight that no single case can ever be completely subsumed under a general rule. Modern societies respect individuality and difference and seek to do justice to the particularities of specific situations. Regulatory compliance of business corporations is enforced by independent auditors who, during an SOA audit, will check two things: First, does the accounting process that the corporation has defined for itself satisfy the SOA requirements and guidelines? And second, do the individual employees working in the corporation actually follow that accounting process, so do they really do in their daily work what they are supposed to do?

CASE STUDY: GLOBAL CONTRACTING POLICY

The global legal department of a software company asked me to support their contracting management efforts in order to increase transparency and reduce the risk of litigation. During the past years, the corporation had acquired several other companies, and existing customer, partner, supplier, and intercompany contracts needed to be classified and managed within one central repository. Such an internal contact management system (CMS) was already in place and functioning well. Contracting processes had been aligned across regions and subsidiaries, and the reduction of manual work had led to increased efficiency and measurable cost savings. Nonetheless, when the global process head of contract management and his team conducted a contract inventory, it turned out that a large number of legacy contracts and unclassified contract types still existed in various areas.

We decided to write a Global Contracting Policy. The policy stated three minimum contracting requirements for all lines of business. It allowed for a 12-month transition period and required each line of business to fine-tune the policy to their specific requirements. When the executive board had approved the global contracting policy, we published it on the corporate portal, sent out announcement mail in the name of the CFO, and conducted training sessions to support the change process and the migration of legacy contracts into the CMS.

The best way to make rules transparent to employees is to actually live these rules and make them part of the company's DNA. Corporate culture should encourage employees to identify with the whole of the organization and enable them to act. In such a culture of lines, situational leadership emerges.

Leading, like learning, is always localized, specific, and context-dependent. Leaders emerge because they possess knowledge, skills, charisma, or other qualities, which, at a particular time and place, convince others to follow them. There will probably continue to be individuals who emerge as leaders in a variety of different situations, and it is likely and may also be desirable that such individuals rise within an organization and create increasingly large groups of supporters. And at some point, these leaders may also be given some form of authority over their supporters.

But all companies, and especially those seeking disruption and exponential growth, as described by Salim Ismail in his book *Exponential Organizations,*[8] should think about whether people managers and organizational hierarchies are really still conducive to their business, or if they are just a dysfunctional remnant of the past. And if the inequality of employees is deemed necessary for business success, then companies interested in leveraging the full value potential of their employees should try to find a democratic way to legitimize this inequality.

[8]Salim Ismail, *Exponential Organizations*, 2014

CHAPTER

6

Lateral Leadership

Dave stood up and walked to the front. "This morning," he said, "I received a call from Eric, one of Don's assistants at EPLE. Eric invited us to a review session for the three-year road map which Don had requested from us. And in my role as Global Account Director of EPLE, I took the liberty to accept his invitation. Don and his leadership team are expecting us next week at their headquarters in NYC. It's a great chance to present our vision to have all EPLE employees LTE-S enabled by 2018!"

He turned to Jerry. "So, Jerry, your deal is a good start and maybe can serve as a pilot, but the ultimate potential for LTE-S at EPLE is at least ten times as large, if," he paused, "if we can convince Don and his team that XAM actually is a strategic partner, and not just a normal vendor. We will have to convince them because at the moment, they do only see us as a software vendor. And frankly, I can't blame them—it certainly seems like we throw any long-term thinking out the window as soon as there is a chance to make a quick buck."

Dave looked around. Jerry shook his head, and the faces of Woo and Grace showed strong disagreement. Only George looked at his phone, apparently reading an e-mail. "So," Dave continued, "what shall we tell EPLE next week?"

Jerry jumped up in excitement. "For starters, let's discuss where the goal to have all employees LTE-S enabled by 2018 comes from. Who ever decided on that?"

"Okay," Dave said, "what do you suggest we present as the 2018 vision?"

"I don't know, just choose one unrelated to LTE-S," Jerry said.

"Which?" Dave asked calmly.

"Well," Jerry got nervous, "like, we enlarge our footprint and share of wallet, you know, increase our sales across all of their divisions…"

"You want to tell Don that our vision for EPLE is to increase our sales across all their divisions?"

"Of course not," Jerry said angrily, "we are talking amongst ourselves here!"

And after a moment he added. "Okay, maybe I don't know what we can tell Don in that roadmap. That's not my job anyway. What I do know is that we have a great opportunity here, and that we need to close it now!" He sat down, still looking upset.

"You are right, Jerry," Dave said, "you don't have to know what to put in the roadmap because it is not your job. It's my job. I have to look at EPLE holistically, from different angles, and bring everything together."

In fact, one of the first things Dave had done as GAD had been to create an account dashboard: a personalized reporting tool showing relevant EPLE KPIs at one glance. For example, it hadn't been easy get a truly global view of all business XAM had done and was doing at EPLE. Most of EPLE's product lines were organized as independent divisions and business units, with their own profit and loss statements. And since XAM was organized decentrally, too, some deals with EPLE were only tracked in local XAM CRM systems, with no standard reporting available. Plus, there had been the usual data management issues, including inconsistent master data, outdated information, duplications, and so on. So, together with IT, Dave had immediately set up a task force to remedy this lack of account transparency, which, in turn, had laid the foundation for the global compensation model which George had then agreed on with the regions.

After Dave had secured a global account view, he had tracked and analyzed the available data to understand XAM's current situation at EPLE and to discuss business opportunities with the virtual account team. He had brought the result to George, and jointly, they had defined the success criteria for the EPLE account plan: Over the next three years, Dave aimed at increasing XAM's EPLE business by one percent, and significantly reduce the number of escalations.

"Let me show you something," Dave said to his colleagues, starting a video from his laptop and projecting it onto the wall. On a public TV channel, a female journalist was speaking into the camera:

"News from the business world. The stock of EPLE, one of the world largest consumer goods companies, today lost up to two percent after rumors surged that the board of directors disagreed with the strategic direction of Donald Armstrong, the company's CEO, and that Armstrong's contract would not be renewed. Since taking office three years ago, Armstrong has repeatedly publically promoted the idea of diversifying EPLE's product lines by moving away from the exclusive focus on personal family & health care and foods & beverages into other consumer areas. Some analysts believe this to be the right strategic move for the multi-billion-dollar consumer giant, while the majority of investors seem to fear that EPLE ventures too far away from its expertise into uncharted territory and may get lost there. EPLE's stock picked up again after a company spokesperson said that CEO Armstrong continued to have the board's full support and that there were no disagreements about the company's strategic direction."

"This was three months ago," Dave said, after he had turned off the video. "And today, Don appears to be in a stronger position at EPLE than ever. He has used the time to analyze the current divisions and businesses. The results actually support his diversification plans, and his contract was renewed. This diversification strategy is also the reason Don sponsors our consolidation project. He needs transparency across all divisions, and for that he needs integrated IT systems. And most of all," Dave paused and looked around, "most of all he needs partners that understand and support his vision. I think if we can prove to Don next week that we not only have great software solutions but also possess a true understanding of their diversification strategy, we can score big time!"

"If, if, if…" Jerry murmured from the other side.

"Jerry has a point, Dave," Grace said impatiently. "It's great that EPLE believes that our software will help them with their long term strategy. But let's not forget that we still are a software company and primarily live off license sales." She paused and looked at Dave. "You know about our stock price. We need higher sales, and we need them now. This quarter, not next quarter. So, what do we do?"

"Well," Dave said, "Let's continue to discuss XAM strategic vision for EPLE. I made a proposal, and if there are any other ideas, I am interested in hearing them."

"Sorry, Dave, I think this meeting is going in the wrong direction," Grace said. "We are not at school here. What we need to decide is if we sell LTE-S stand alone, yes or no—everything else follows from that. And if we decide to sell LTE-S stand alone and postpone the consolidation project, then I am sure we are perfectly capable of developing an appropriate EPLE vision and roadmap." And after a moment she added: "Even without your help, or our presence in New York next week…"

"I am only trying to look at things from EPLE's perspective," Dave said.

"You are being difficult," Grace said harshly.

Dave's response was equally sharp. "Honestly, Grace, is that what you think? Do you really believe that putting the client's interest first only creates unnecessary difficulties? Because," Dave looked around, "if you do, if treating our clients like chickens in a laying battery is what is expected of me in my job, then clearly, I am not the right guy and must hand in my resignation. Right here and now. No offense, but," Dave pointed to the window," it's a beautiful day, and I'd rather not waste more of anybody's time."

"You can stop the drama, Dave," George said, looking up from his phone. "It's official now. The board just sent out a note delaying the LTE-S launch for six months. We are expected to close all deals as soon as possible, and defer the revenue. All clients must be informed within seven days." Woo and Grace now also checked their phones. Jerry seemed desperate. No wonder, Dave thought, now he has to sell something that won't even exist for another half year.

Suddenly, Jerry looked up. Their eyes met, and Jerry walked over to Dave. "You know," he said, "I was just thinking… Since the LTE-S launch is delayed, maybe it does make sense to bundle it with the consolidation project! I know for a fact that OTR is positioning only their new product, and like you said, Dave, that will only increase the heterogeneous technology landscape at EPLE. With our approach, we do the consolidation first, and only then do we move forward, make it sustainable!" Alas, Dave thought. "That's a great idea, Jerry," he said, "let's align the two proposals and go in with the big picture!"

The door opened, and Jill walked in, wearing a grey suit and looking elegant as ever. "Hello everybody, good seeing you again!" She walked around shaking everyone's hand. "So, where do we stand?" she asked Grace, after she had sat down.

"All done", Grace said.

"Wonderful," Jill responded, "I thought you might reach an agreement if you had a little more time." She looked around. "Shall we go to lunch then?"

At lunch, Dave and Jerry planned the preparations for next week's meeting with EPLE in New York. The timelines of these proposals had to be changed due to the LTE-S delay, and they had to be aligned with each other. Business cases, project plans, and even pricing had to be adjusted, the service partners had to re-schedule meetings with subject matter experts who, in turn, updated the bill of material and redesigned the solution.

Self-organized expert collaboration across departments, driven by a shared understanding of the overall goal—that's why Dave liked working at XAM. In the virtual account team, strategy and execution worked hand-in-hand, knowing and doing became one. In Dave's view, all process-based organization models like LEAN ultimately rested on this strengthening of horizontal work processes along the value chain, enabling everybody to contribute his or her most valuable skills. Diversity, the ability to benefit from different views and expertise, is what had made XAM successful, and with Design Thinking as a general problem-solving approach, diversity had gained a firm place in product development and in XAM core business processes.

After lunch, while Dave was working in the office, his phone rang. "Hi Ted," Dave said, "How are you?"

"Not good…" Ted answered.

"Listen," Dave interrupted him, "before you say anything else, let me tell you that everything is okay. Jerry and I are like brothers now!"

"Oh, that, yeah, I already know, Jerry just called me. No, this is about this consulting company that requested a draft of our EPLE presentation for next week."

"Which consulting company?" Dave asked. "And why are they calling you?"

"Beats me," Ted said "It was a young woman, Deana…."

"What does she know about the EPLE meeting?"

"Well, that's just it," Ted said. "Apparently, Don hired the consultants to facilitate the meeting series next week in New York."

"A meeting series? I thought it was only us meeting with Don and his team."

"Nope, Deana told me it's a number of companies they are meeting with, including OTR."

"So this consulting company, who are they and what do they want?" Dave asked again.

"Their name is Salt & Co," Ted said, "they focus on Mergers and Acquisitions. I checked their website, and it seems that one of their partners, a Martin so-and-so knows Don from their joint time at McKinsey.

"Mergers & Acquisition…" Dave wondered. There were always rumors in the market that EPLE was going to take on new businesses, but Dave didn't see any direct connection to EPLEs dealings with XAM.

"Anyway," Ted said, "I'll let you deal with it, just wanted to give you a heads up."

"Thanks, Ted, appreciate it!"

Later, he actually received an e-mail from Deana, with a signed Non-Disclosure-Agreement, requesting a draft of his presentation. Dave checked the recipient list and realized that he actually knew Martin, the senior partner at Salt & Co. They had a joint friend, and a couple of years back, they had been to the opera together. He picked up the phone and called him.

Martin remembered him, too. "Seems like the world is getting smaller every day," he said.

"It sure does," Dave said.

"So, why is Salt & Co. even involved in this, what's going on?"

"Well, as you know, next week Don wants to collect vendor input for an IT strategy. We have been asked to prepare the individual meetings and make sure things are aligned."

"I see," Dave said, "so what exactly is it that you are aligning, and to what end?"

"Unfortunately," Martin said, "we are not at liberty to disclose that information."

"But you expect me to disclose my client information to you?"

"Come on, Dave, we are acting on EPLE's behalf, you know that. Of course we'll guarantee confidentiality on everything we receive, the Non-Disclosure-Agreement should already be in your inbox."

"All right, Martin," Dave replied, "we will share our presentation next week, after we have given it."

"Dave, why are you making this so difficult?" Martin asked.

"Well," Dave answered, "let me see, it must be written somewhere on page one of the sales handbook. Don't let anyone step in between you and your client!?"

"We are not stepping in between you and your client, Dave, we are your client, as far as next week's meetings are concerned! Don wants us to review all presentations beforehand, so just send it to us, okay?"

"Has Don himself actually said that?"

"This is going nowhere," Martin interrupted, asking Dave to stay on the line. Then Dave heard him make another phone call. "Hi Eric, this is Martin. Can you please do me a favor and send a quick mail to Dave from XAM, me on cc, requesting that he send us their presentation for next week? No, no, all good… Yes, thank you!"

"Okay, Dave," Martin was back with Dave, "now you only have to look in your mailbox, and then you will know what to do!"

"We only have a draft of our presentation at the moment." Dave said.

"That's okay," Martin replied, "just send it to us before the weekend. See you in New York, Dave!"

Dave went to the cafeteria, into the smoking section, where he lit one of his cigarettes. And after looking out the window for a while, he took out his phone and started typing a response to Eric's e-mail, cc Martin.

"Dear Eric: Thank you for your interest in XAM's vision for EPLE! We are looking forward to sharing it with you next week, and you will of course receive a copy after our presentation. Until then, we would like to take all available time to prepare, as we prefer not to send it out prematurely. Thank you for your understanding! Best, Dave."

Almost instantly there was an e-mail back from Eric, Martin on cc.

"Dave: This is not acceptable. Salt & Co is organizing next week's event, and they require a draft of your presentation ASAP! Please confirm. Eric."

Dave thought things through again for a minute. Then, he typed his response, now including Don on cc as well.

"Thank you, Eric. In light of these circumstances, I am afraid we will have to abstain from participating in next week's meeting. Sincerely, Dave."

Five minutes later, he received an e-mail from Don himself. It was sent to Dave only and contained three words:

"What is this?"

CHAPTER

7

Guiding Lost Giants: A Post-Management Strategy for Adapting Jobs to Talents

In Chapter 5, we examined how leadership may serve as an organizational paradigm that enables talent-driven work along the value chain. In this chapter, we provide a critique of the existing Human Resource (HR) function in corporations and explain why this function largely fails to help implement leadership as defined above. We will especially look at HR shared services because standardizing and centralizing internal service delivery exemplifies both the principle and the problem of management and economic rationality: Shared service center separate work planning from work execution to increase efficiency, yet in doing so, they also hinder employees to take a holistic view of their work.

In essence, we suggest that HR should do justice to its name and focus on people, not on positions. Much would be gained if not only those employees that are labelled high potentials and top talents by management received HR support for their personal and professional development, but all employees. HR needs dedicated talent scouts who focus on people's natural skills and abilities and whose official job it is to find the best place for these abilities in the organization. It's good to have coaching and mentoring programs, and it would be even better if such programs were offered to everybody and not just to a small fraction of the workforce.

CEOs and corporate web pages do not get tired of telling us that "people are our most important asset." If so, why is the Human Resources department not the most important business function? Why are HR departments under such pressure to professionalize their services, to increase efficiency and reduce costs?

Paradoxically, one of the reasons for HR's bad reputation is its adherence to the management paradigm and its focus on executives and managers as internal clients. Executives often perceive HR departments as administrative and non-strategic. In their eyes, it is difficult, if not impossible, to tie HR activities to measurable results and determine their actual business value. Normal employees, on the other hand, primarily receive transactional services such as contracting and payroll from HR. Even when organizing or directly providing value-add services such as training and coaching to employees, HR does not view these employees as clients because it is the manager who orders and pays for employee HR services through his or her cost center budget. Many employees, including managers, in turn perceive HR as bureaucratic and far removed from business.

HR OVERHEAD

A friend of mine worked as divisional risk manager for a software company. "Sometimes," he said, "it seems to me as if corporate functions are more concerned with titles, hierarchies, and other formalities than with the actual business. When I started my new job a month ago, HR sent out an announcement mail to the whole company. Last week, the name of my organization changed, and my responsibilities shifted slightly—not much, it was mostly a nomenclature change. Nonetheless, HR sent out another long official e-mail informing everybody again about what they already knew, that I am the old and new head of this department. I not only felt embarrassed about this redundancy, it actually irritated me. In my job, I constantly have to prove the value of my work to the operative business units. I have to convince them that corporate and regional functions are not just making things harder for them, and that there are good reasons for managing risk the way we do. But what I get from HR are superfluous formalities which, in the field, strengthen this very perception of corporate functions as administrative overhead. It's frustrating."

HR Shared Service Centers

Traditionally, HR transformations have been about transforming service delivery, focusing on the reduction of operative costs around high-volume administrative services like contracting, personnel master data, and payroll. This cost reduction is achieved through process simplification, standardization, and centralization in shared service centers (SSCs), using delivery hubs in low-wage countries in Asia or Eastern Europe. HR SSCs usually offer a self-service functionality in the corporate portal which enables employees to execute simple tasks such as address changes themselves without human interaction. SSC also include a center of excellence (CoE) responsible for the delivery of services requiring client interaction. Non-standard service requests are received by a project team in the front office and then routed to the service team in the back office for execution. The back office has no personal client interaction and relies on pre-defined standards to deliver the service to the client through IT systems. Finally, SSCs deploy HR business partners who are located within each line of business and roll in strategic requirements. Business partners are supported by HR process teams who define the standards for volume service delivery in the hubs.

Figure 7-1 shows the three constitutive elements of an HR CoE: governance, services, and infrastructure. In terms of infrastructure, a SSC provides HR standards, policies, and guidelines, as well as information systems and electronic tools. Employees are encouraged to share experiences and best practices on communities, and KPI reporting is provided to the line management and to executives. The infrastructure enables SSC to provide central HR services to the business across all HR processes such as recruiting, learning, performance management, succession planning, compensation, and benefits.

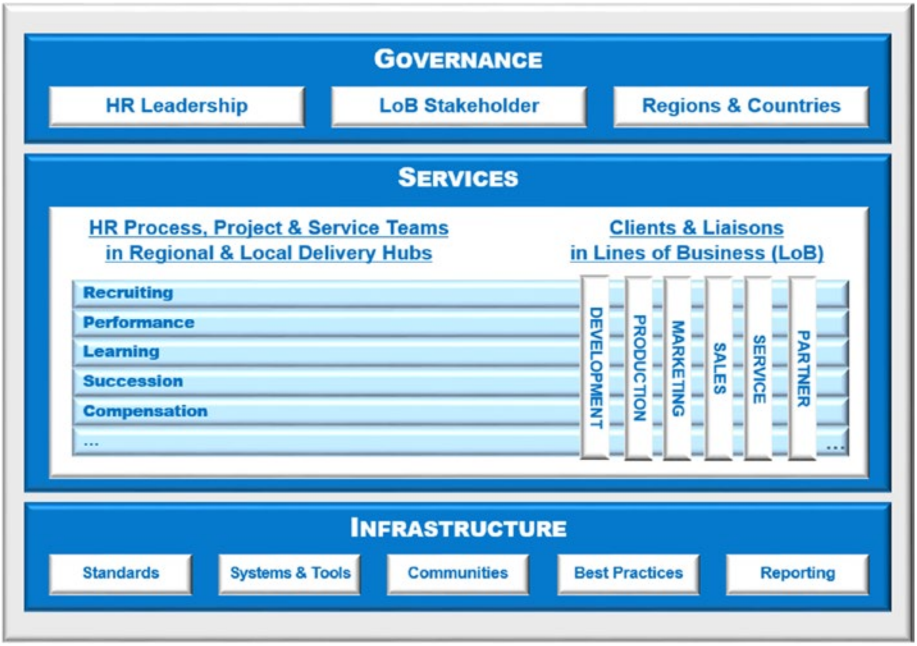

Figure 7-1. Human Resource (HR) Shared Service Center

Finally, the HR leadership team and all corporate lines of business must decide who owns what aspect of SSC work, and how the responsibilities are divided between global, regional, and local units. In a centralized governance model, the heads of the regional CoEs report directly to the global SSC head, whereas in a hybrid model, the regional heads have a solid reporting line to the regional managing director (MD), and a dotted reporting line to the global SSC head; in a decentralized model, the regional heads report to the regional MD, and the global SSC head only manages a community of voluntary participants with a steering committee as arbiter in case of conflict. Each model carries particular risks. The centralized model may lead to global silos, the decentralized model may forego synergy potentials, and the dual reporting of regional heads in hybrid models may lead to confusion and conflicts.

The governance model regulates reporting between global and regional SSC units. Of equal importance is the way the SSC as a whole interacts with its internal clients.

Figure 7-2 shows a SSC engagement model and outlines the interactions of SSC service, project, and process teams with the lines of business.

Figure 7-2. HR Shared Service Center Engagement Model

Each team fulfills a specific function in the SSC. Serving as a front office, the project teams execute complex requests from the business liaisons for which no standard services have yet been defined, leveraging the service teams in the back office as needed. When the request has been fulfilled, the SSC leadership, together with the respective HR business partner, decides whether or not the request is generic enough to be included in the SSC's service portfolio. If so, all three SSC teams collaborate to commoditize the project outcome, that is, to create a generic offering that can be executed by the back office without front office involvement.

The process teams include experts for each of the HR processes (administrative and talent-related) and define the overall work policies, standards, and guidelines. Process teams thus support not only the delivery of commoditized services and customized projects, but also SSC-internal activities around the commoditization of services.

CASE STUDY: SHARED SERVICE DESIGN PRINCIPLES

In one of my most challenging client projects thus far, the global vice president of knowledge management services in a software company asked me to guide the transition of two corporate-wide projects into his line organization. The projects had been initiated by the newly assigned chief operating officer (COO), a member of the executive board, to align two corporate processes, knowledge management and data management, across the whole company. Each project was sponsored by a different board member, led by a vice president and managed by a project director who, for six months, had coordinated several work streams with dozens of contributors from all lines of business. When both projects came to an end, their findings were supposed to serve as a blueprint for building a combined shared service center in my client's organization. However, the two proposals did not match. The project VPs had different ideas on how to design the service center and how to transition their respective project into the line organization.

For me, it was a delicate and difficult task to guide the transition process. The project VPs were on the same hierarchy level as my client, and they had immediate access to their respective board sponsors. As an external consultant, the only way to lead client teams is to help them. If I fail to deliver immediate value already in the first meeting, the teams will not accept my leadership. In order to connect the two projects, I convinced the VPs to first agree on design principles for the new organization. I proposed two principles. The first principle was to strengthen the value chain and, whenever possible, directly connect service supplier and service recipient. The shortest connection between two points is a straight line. The projects had recommended elaborate, yet different forms of engagement and account management functions to be the first point of contact with service requestors. Such functions sometimes are necessary to support front office and back office roles in service execution. In my experience, though, they can turn into bottlenecks hampering delivery. Work in large organizations is like water: it finds the way of least resistance. Engagement and account managers without subject matter expertise who only dispatch and administer are often perceived as useless by clients. Clients are keenly aware of who provides value to them. They will always try to circumvent barriers and attempt to connect directly with the person actually doing the work.

The second design principle I proposed was to keep service planning and execution close. Each project had advanced a specific kind of central planning function for service strategy, portfolio, standards, engagement model, and so on. When such abstract planning functions are centralized and divorced from service delivery, the responsible people are in danger of living in an ivory tower and losing touch with reality. Delivery departments always need their own planning function, and central planning across several departments is most valuable when it is kept at a minimum and remains constantly informed by delivery. If people are committed and know their job, work that needs to get done will get done. Most employees do not need elaborate standards and guidelines that keep changing each time a new manager comes on board.

Based on these two principles, the VPs and I designed SHARE (Service Hub Administration, Reuse, & Execution). As a business blueprint for the new shared service organization, SHARE established the regional service hubs, described roles and positions, and defined all other aspects of the operational model.

In theory, HR transformation strategies are supposed to benefit the lines of business instead of merely reducing administrative costs. In practice, many HR employees, instead of getting re-assigned to high-value services like learning and coaching, are simply laid off as soon as it is legally possible. Consequentially, the collaboration between HR and line management remains a challenge in most organizations. Because HR departments are not equipped to motivate and develop employees through people-centered services, they try to push these tasks to the line management. Line managers, in turn, are focused on their operative goals and often prefer the easier path of hiring and firing over long-term employee development and retention.

Talent Stories

To separate high-value services such as personnel development from high-volume administrative services delivered through SSC, HR departments often talk about talent processes or talent management. I must admit that talent management has always struck me as a nonsensical concept. The value of talent depends on concrete business contexts, and if the conditions are right, innovation and creativity will emerge. Talent data can be managed, talent itself cannot. Leaders will see talent where others do not, and they will try to provide a setting in which talent can find its way towards the place in the organization where it provides most value.

BEING A LEADER

In my MBA seminars, I ask the students (who have had at least two years of professional experience) to tell the class a personal leadership story—an example of a concrete work situation in which they experienced themselves as a leader. Most students have difficulties coming up with such a story; as normal employees, they do not perceive of themselves as leaders. The assignment makes them realize that they unknowingly associate leadership with holding a management function, thus limiting their own potential. When this mental barrier is removed, students start seeing leadership in many of their activities, from initializing a department retreat to restructuring files and establishing user guidelines on a shared drive.

Talent management, first and foremost, is a marketing story. For instance, IT departments and the software industry tell a productivity and efficiency story. They emphasize the need to integrate fragmented personnel processes and systems through innovative software solutions. While such a holistic process design affects all employees and offers cost reduction potentials, it actually has little to do with talent itself. People do not get smarter or perform better because their data is processed more efficiently in an IT system.

Top management and HR departments, on the other hand, tell a career and succession story, arguing that high-potential programs will groom tomorrow's top executives. These programs usually present a mix of development activities, including formal trainings, networking events, mentoring and coaching, business school scholarships, and rotational job assignments. On the downside, top talent programs are primarily set up only for people management career tracks, and rarely for project or expert tracks. They are costly and only apply to a small number of the overall employees.

CASE STUDY: COACHING

Going to a different country and starting a new job can be an overwhelming experience and affect the performance even of talented and committed employees. An account executive had distinguished himself by building up his company's sales organization in South Africa. As a top talent, he was asked to transfer to the German headquarters in order to take on a global sales enablement role. While he possessed extensive field experience and an exceptional sales track record, he felt alienated in Germany and lacked subject matter expertise on corporate learning and education processes. Instead of selling to clients, he now had to lead peers in project areas he was not familiar with. His manager asked me to coach the talent in his new role. We conducted weekly one-on-one coaching sessions for three months. The focus lay on overcoming cultural barriers and developing education competencies. After three months, the top talent felt secure in his new leadership role. He was more productive, received excellent feedback from his supervisor and his virtual team, and thanked me with a bottle of South African pinot which we drank together.

The productivity and efficiency talent story told by the software industry and corporate IT departments, and the career and succession talent story told by executives and HR departments are both similar in that they focus on today's business requirements.

Yet change makes it necessary for companies to attract, develop, and retain not only those talents who are considered high performers today, but also talents who may be valuable and relevant tomorrow.

A new talent story must be told—the story of organizational agility and business innovation. Creating space for participation by empowering self-organizing teams and allowing them to become active outside of narrowly defined job roles will reveal the extraordinary abilities of ordinary people. Situational leadership emerges in a variety of business contexts, and in a complex environment, such non-managerial leadership can make the difference between success and failure for the whole organization.

CASE STUDY: TOMORROW'S TALENTS

When a software company was on its rise to becoming the world market leader in the 1980s and mid 1990s, there was no shortage of internal programming talent. The company was one of the best reputed employers in the country, and management was eager to attribute its success to the employees, especially to the development teams for putting out an innovative product unrivalled on the market. However, only a couple of years later, in the late 1990s, the company could no longer rely exclusively on its internal resources for developing the new product release. Instead, it was forced to outsource large parts of the product development to external service providers, paying high consulting and development fees. What had happened? Something quite normal: the software market had changed, and with it the requirements for employee talents and skills.

The enterprise resource planning (ERP) market used to be all about functionality, integration, and performance. Consequently, the ERP vendors focused on developing employee skills around understanding business requirements, and translating them into integrated and high-performing software. In the late 1990s, the success of the Internet challenged this focus of ERP vendors on functionality. Customers now expected software to be web enabled—and much more intuitive, self-explanatory, and easy to handle than the interfaces of the old back-end systems. The company realized this market change towards web applications and increased system usability, but it had failed to attract and develop ahead of time the talents required to master this change. Neither the J2EE and JavaScript programming skills nor the design and usability competencies were available internally. Expensive outside experts had to be hired to assist in developing the new usability-enhanced core product and to web-enable back-end applications, and it took years to build up the necessary talent pool.

Value through People

The Human Resource function should be designed as a systematic set of organizational capabilities to create value through people. By systemic set of capabilities I mean the holistic integration of HR strategy, processes, and systems to enable talents within the various lines of business (see Figure 7-3).

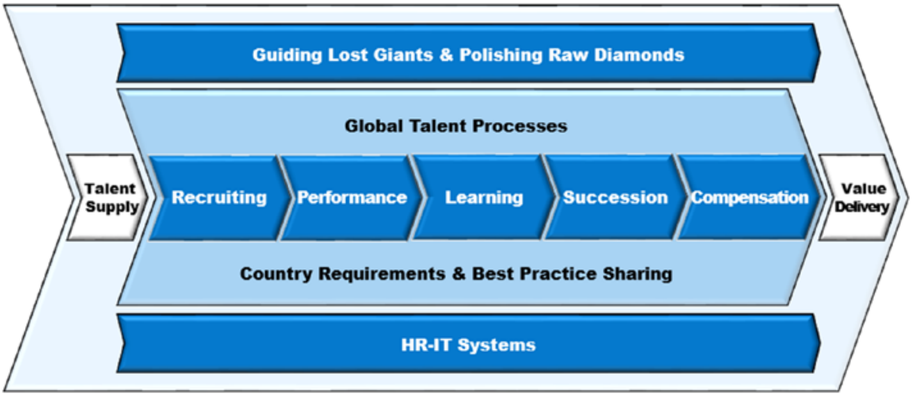

Figure 7-3. Human Resource Capabilities

Platform versus Best-of-Breed—HR-IT Systems

Software systems are crucial for professionalizing and scaling HR services. We distinguish between HR platform solutions and so-called best-of-breed HR systems. In platform solutions, talent processes are either part of a human capital management solution (HCMS), including personnel administration, cost planning, payroll, organizational management, and other HR administrative functions, or of a whole ERP suite, including other enterprise modules such as finance and controlling, purchasing, and sales & distribution in addition to HR. Best-of-breed systems, on the other hand, focus on certain HR services and seek to provide the best possible support in this particular area.

In general, platform solutions are preferred by companies who already have one or several HCMS or ERP modules of a platform vendor, and best-of-breed systems are preferred by clients who either start afresh or at least have no HCMS module of a platform vendor installed. If best-of-breed systems are chosen, the specific functionality must be integrated with the larger HCMS. A typical example is the requirement to transfer employee learning results (which are managed in an LMS) back into the HCMS to update the employee's profile and master data.

CASE STUDY: SYSTEM EVALUATION

When selecting a LMS, corporate HR departments are primarily interested in specific functionality and good usability. As a consequence, they often favor best-of-breed solutions from small and specialized software vendors. Corporate IT departments, on the other hand, usually pursue a long-term integration and total cost of ownership (TCO) strategy, and thus they favor platform solutions from large enterprise resource planning vendors. In these platform solutions, the learning functionality is already integrated with other HR modules like recruitment and performance, and everything is connected to one database holding organizational and employee master data.

In the case of a LMS project at a global bank, the conflicts between HR and IT threatened to derail the project at the very start. The steering committee decided to engage two learning experts, one for each of the two short-listed best-of-breed and platform solutions, and to ask for our recommendation. My colleague and I reviewed the vendor RFP responses and other documents, conducted workshops with HR and IT representatives and the vendors, and evaluated both LMS regarding functional and technical fit for a global implementation. The results were presented in a decision paper for the steering committee and led to a unanimous purchasing decision.

HR systems need to support business requirements for managing the whole talent process. The solution should be completely web-based and support Unicode to enable multiple languages. Functional system components should use the same architecture and coding to ensure seamless technical and functional integration. Managers, administrators, and users need to have a personalized portal entry page, displaying only the functions and information that are relevant to them. Workflow needs to span different components, such as hiring decisions need to trigger learning and performance workflows. Correspondence and notification templates should be customizable, but technically consistent, allowing automatic reuse of a particular template in another component. The HR solution needs to be highly customizable without requiring any programming work, both with regard to functions (e.g., freely definable competency levels, learning scores, performance ratings, etc.) and user interface layout (e.g., different look-and-feel to accommodate the possible need of specific interfaces for each country or subsidiary).

CASE STUDY: PROCESS MODELING

Software implementations are an effective way to streamline an organization. Usually, this kind of organizational alignment is done after the software vendor has been selected. At the beginning of the implementation project, the team describes local "as-is" processes and then defines a global "to-be" process (leaving room for 20% regional or local variations) based on the selected system's functionality. This practice is sub-optimal and, in fact, upside down. In terms of overall costs and ease of implementation, it is better to align business processes and agree on an organizational best practice before the software product is selected.

As a software account executive, I have personally answered large requests for proposals (RFPs) from prospects with dozens of pages and hundreds of detailed questions, but all of them generic and not company or even industry specific. Generic questions make it easy for the vendors to copy and paste boilerplate texts into the prospect's RFP. Due to the vendors' different product philosophies and terminologies, all the prospects get out of such a RFP process are huge amounts of largely incompatible data. The best way to compare software systems for a buying decision is to present company-specific processes in the RFP and to ask the vendors to demonstrate how these processes can be represented in their software. This is the approach that the HR department of a German automotive supplier took. Before composing and sending out the LMS RFP, the project leader asked me to analyze the learning processes of three main European sites and to suggest a best practice. We sent an interview questionnaire to the local HR managers, conducted video conferences, discussed open issues, and recorded our findings. Together with the local HR managers, we created a best practice learning process which served as input for the RFP to LMS vendors. When the vendors responded to the RFP and presented their systems, the differences between them became apparent, and it was much easier to select the system best suited for the company's needs.

Attracting, Developing, and Retaining Talents—HR Processes

In the center of the Human Resource Capability model shown previously in Figure 7-3 are the talent processes Recruiting, Performance, Learning, Succession, and Compensation which are supported by the underlying HR-IT System. Each of these talent processes is described in detail in the following sections.

Note that all processes described refer to the HR status quo and still function within the old management paradigm: they are built around positions, not people. However, we can only achieve change and get to where we want to be if we acknowledge and start from where we currently stand.

Recruiting

Recruiting is the primary way to get talent into an organization, and the success or failure of a company's recruiting efforts often reflect its reputation on the job market. A leading recruiting strategy reflects the success rate of particular recruiting sources for particular positions. Internal and external hiring boards are used, and hiring decisions are based on transparent weighting of different factors. Recruitment is workforce, job, and role specific, and recruiting sources are analyzed continuously. The recruiting strategy includes candidate pools which are created and maintained for potential future hires. Recruitment also aims at building an employer brand through continuous personnel marketing.

Hiring data is collected and maintained within a selection system which includes online creation and maintenance of requisitions, workflow for automatic postings, applicant tracking, hiring, and enrollment and induction programs. Turnover rates are tracked, with attention paid to employees with special skills and to well-performing employees. All data is captured and maintained in a database which also records departure reasons and can be used to identify trends and issues.

Performance

Performance is a key concept in HR because high-performing employees are seen as a guarantee for organizational success. HR and line managers often use the criterion of current job performance to identify talents and high potentials. Whoever performs well in his or her job today, is considered a talent and is expected to progress to the next level of responsibility faster than the peer group, usually within two or three years.

In fast-growing companies, well-performing employees in a particular field are sometimes promoted to management positions without proper training and without test of their leadership skills. Many first-time managers maintain the operative mindset they developed in their former jobs as subject matter experts or project leads, and, as a consequence, they tend to become micromanagers. They involve themselves deeply in technical or operational aspects of the business and neglect their responsibilities towards their team, thus creating unhappy employees and sub-optimal work results.

Performance in general can take the form of quality or speed. Some employees are not only content working on an operative level, they also contribute most value to the enterprise in that position. The talent of such individuals may show in their ability to develop quickly a deep understanding of particular tasks or subjects, to deliver a certain service better or quicker than others, to participate in or lead complex projects, or to simply deliver high-quality work results. What is lacking in many companies and HR departments, though, is the realization that high performance and talent actually are two different things.

First, high job performance is not necessarily the result of talent—it can also be the result of a larger investment of time and effort. Some employees perform well because they work ten, twelve, or even fourteen hours a day, and continue working on weekends. For top management positions, and in high-paying industries such as banking or consulting, long working hours are considered normal and are a known career requirement. Yet for many people, working consistently more than forty hours a week is not sustainable and ultimately reduces their work efficiency and effectiveness.

LESS IS MORE

As senior manager in a large consulting firm, I participated in the performance evaluation of lower-ranking colleagues in my practice. One consultant was given high praise for his project results, but was also criticized for working too much. The partners were concerned that an "excellent" performance evaluation would cause him to work even longer hours and possibly experience a burn-out somewhere down the road. In the end, his performance was evaluated as "good," and he was encouraged to take time management classes in order to achieve the same excellent work results with less overtime.

Second, not all talented employees actually are high performers at any particular point in time. Talent may not always be visible at first sight. It is a disposition, a latent ability that may need time and effort to develop and become manifest. There are numerous historical examples of great talents, even geniuses like Albert Einstein, who performed poorly at school and whose talents took a long time to mature.

Finally, high performance is a relative concept because performance criteria are always subjective and time-bound. Even the use of performance management systems and the joint definition of performance criteria by managers and employees does not make performance evaluations objective. Performance management systems just move the subjectivity of evaluations from the end of the process, the actual appraisal meeting between manager and employee, to the beginning of the process, the definition of the performance criteria. All performance evaluations require a standard, a behavioral norm that serves as a kind of measuring stick. Such norms reflect business requirements at a particular moment in time. Because market and business needs change, performance evaluations must happen continuously as part of daily business, and not only once a year.

I do not want to suggest that performance evaluations are inherently bad. Each company knows best what constitutes high performance for its particular business. It makes a lot of sense to plan one's actions and to check what has been achieved so far, and what still needs to be done. Yet performance reviews are exactly this: re-views. They are based on criteria defined at the beginning of the year and often are worthless by the time the employee is actually evaluated. For example, management by objectives (MBO) requires managers and employees to define objectives in a SMART way: specific, measurable, assignable, realistic, and time related. According to this logic, people perform best if they stick to the past and do as they were told—thinking out of the box and reacting to changed circumstances is not desired. MBO objectives are suited for executing concrete tasks in a simple work environment, but they become counterproductive in complex work environments and, as a consequence, often are simply ignored by managers and employees alike.

"NOBODY READS THEM ANYWAY"

While working on a documentation strategy for a global service department in the life sciences industry, I asked my client, the Vice President of Training and Documentation, about the KPIs he had agreed on with his manager as part of the annual MBO. He did not remember the KPIs, and it took us a while to find them in the HR system. We then realized that the defined goals and metrics were outdated and had nothing to do with the current situation of the department and the projects that the team was working on. "That's normal," my client said. "These KPIs are done at the beginning of the year, but business changes so quickly that we cannot keep track. It's not worth the effort to update them—once the performance reviews are done and the HR department is satisfied, no one looks at these KPIs again anyway until the next annual review."

In fact, Samuel Culbert, business professor at the University of California in Los Angeles, even goes a step further, demanding to get rid of the performance review altogether.[1]

Learning

Most organizations manage employee competencies and job roles in order to develop talent in the right direction and increase employee performance. The required competencies are derived from corporate goals and compared to the already existing skills, and the gap is bridged through training or through hiring new people. However, it often proves difficult to establish a consistent competency model across a whole organization. Which competencies are needed, how these competencies are defined, and what characterizes a particular level of competence often depends on the specific requirements of a particular country, subsidiary, or even department. The same holds true for job definitions. Identical jobs are often named differently not only across

[1]Samuel Culbert, *Get Rid of the Performance Review*, 2010

organizations, but also within one and the same organization, or the same job names are associated with different competencies and responsibilities. Many organizations, therefore, just define a core set of competencies around professional, personal, and product-related skills, and leave it up to the individual business units to define additional competencies as they require.

Competency models should define work behaviors and the skills necessary for those behaviors, as well as the expected outcomes at different levels of performance (e.g., novice to expert) in each job. Ideally, the competency definitions are available online (e.g., in a dictionary) and represent corporate values. Individual employee learning needs are determined jointly by managers and employees to create and maintain personalized learning plans, based on competency requirements for each job and on employees' current training needs and anticipated career paths. Training and learning programs are evaluated based on trainee feedback and satisfaction, and learning resources are allocated to learning activities based on clearly defined business priorities. The programs include different learning delivery formats, such as instructor-led training (ILT) and web-based training (WBT) or other forms of e-Learning. Content development is tailored to the audience and to topic and learning objectives, and is continuously adapted to organizational training needs, trainee competency levels, and learning styles. Training programs also include online catalogs of blended learning and role-based curricula which empower employees to seek out training opportunities, assessment & certification, and coaching & mentoring programs. Learning results are systematically measured with regard to resource usage, costs, business results, relevance, and transfer to trainees' daily job performance.

Global sales enablement in a software company may serve as an example for designing a best practice learning program. The framework illustrated in Figure 7-4 shows three sales enablement dimensions: business, sales, and personal. Each enablement dimension is spanned by two complementary competencies. The business enablement dimension includes the competencies solution knowledge, so knowledge on products and services the company is offering, and client understanding, meaning industry knowledge and the ability to analyze challenges and needs resulting from a client's particular set-up and market situation. The sales enablement dimension includes the competencies account planning, for example defining territories, market segments, and strategic roadmaps, and the competency delivery and execution, comprising methodological and process skills for actually implementing the account plan and achieving target quota through end-to-end thinking. The personal enablement dimension includes the competencies executive relations, so communication skills to develop long-term relationships with clients and prospects, and lateral leadership, the ability to lead virtual sales teams in a matrix structure without having formal authority.

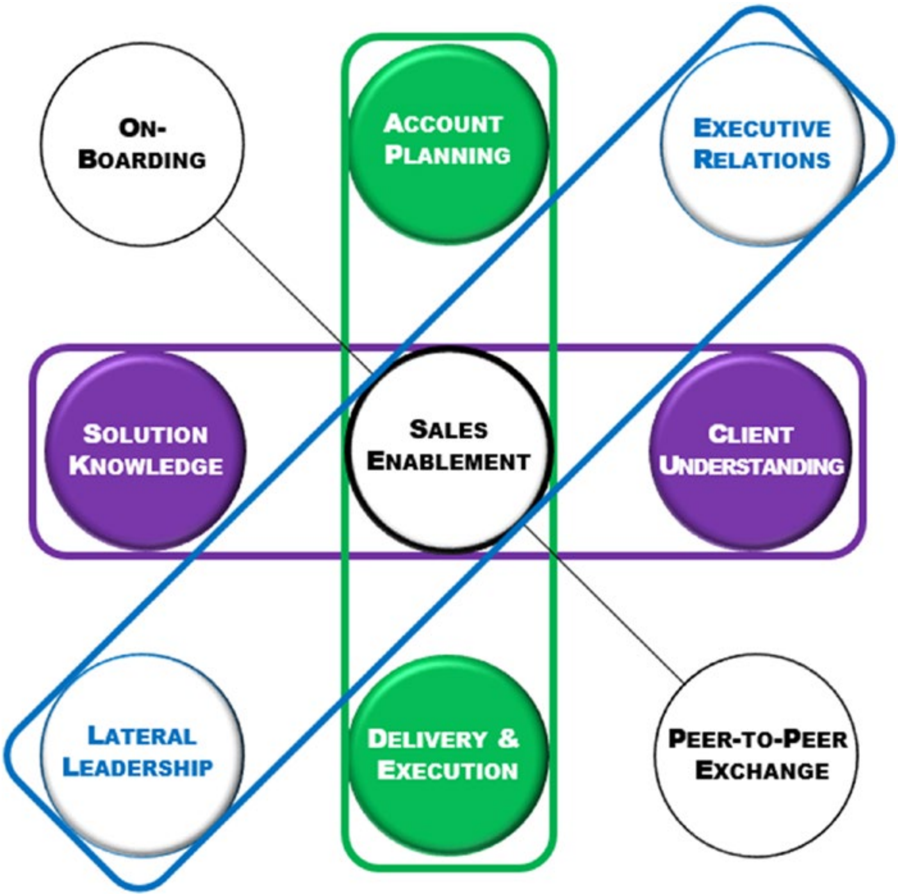

Figure 7-4. Holistic Sales Enablement Framework

I call this enablement framework holistic because it does not look at competencies in isolation, but emphasizes the systemic interactions of all competencies in order to affect individual behavior. This systemic integration of the three sales enablement dimensions is supported by a fourth enablement dimension around networking. The networking dimension includes on-boarding of new hires and internal job changers, leveraging coaching and mentoring programs, and peer-to-peer exchange among existing personnel, supported by communities of practice and collaboration platforms. Of course, this generic framework needs to be adjusted to specific sales jobs and the concrete individuals who are to be enabled, as well as to the overall company culture and business context.

Succession

In addition to normal personnel development programs, companies often establish succession plans for top executives and managers with large head-count and budget responsibilities to ensure a smooth transition in case these individuals retire or leave the company. Near-term, mid-term, and long-term high-potential employees are nominated as succession and leadership candidates by managers using an online system. Candidates are regularly added to, and removed from, the leadership program based on their competencies and performance, and on business requirements. Candidates are given rotational assignments and job experiences that will help them develop the required skills. Leadership programs are created, updated, and reviewed using succession candidates' profiles (e.g., job history, education, competencies, performance reviews). Programs include mentoring and coaching to guide and assist with the candidate's development and are evaluated on a regular basis, based on the candidate's performance. Manager training is used to encourage managers to provide verbal praise and feedback about the impact of individual contributions to organizational success.

Compensation

Once talents have been attracted and developed, retaining them within the organization becomes the main challenge. The compensation and benefits process provides means to reduce employee turnover and to ensure that previous investments are not lost. A rewards strategy reflects the results of employee surveys indicating types of rewards valued by employees. Rewards and recognition are based on a combination of factors, such as clearly defined rewards policies, overall business results, rewards budget, employee's competencies, and performance. Rewards and recognition include short- and long-term incentives, health and welfare benefits, and work-life balance programs. In addition, they are benchmarked against industry standards and best practices. Rewards and recognitions are budgeted, modeled, and tracked using online tools; they include preferences which are documented and referred to by managers and HR, and are reviewed and approved by senior management and / or HR before being finalized.

When comparing the maturity models for the five talent processes recruitment, performance, learning, succession, and compensation, it becomes apparent that all leading practices share similar characteristics, characteristics which are usually called "good management." In essence, there must be a business rationale behind every action; organizational setups must be well governed and be supported by IT solutions; and metrics must be in place to measure success and identify areas of improvement.

Guiding Lost Giants and Polishing Raw Diamonds—Two Corporate HR Strategies

The talent processes described above are part of the Human Resource Capability model we introduced earlier, and the last element in this model is the HR strategy. On the following pages, we want to contrast polishing raw diamonds, a management approach focusing on positions, to guiding lost giants, a post-management approach focusing on people. The "good management" practices of setting goals, organizing work processes, and measuring results still matter in the post-management world. These practices now develop holistically around the talents of each employee, and insofar as they no longer reflect the outside perspective of a higher hierarchy level, they stop being a form of management all together.

A good HR strategy must help create working conditions in which situational leadership emerges and people's talents generate business value. Among talented employees possessing the potential to become top performers, two groups deserve special attention. The first group I call *raw diamonds* because their talent, though relevant for their current position, is not yet ready for usage. These raw diamonds must be polished to become top performers and realize their full potential. The other group of employees I call *lost giants*. Although their talent is fully developed and ready for use, their current job does not require or allow them to apply this talent. Lost giants need to be guided to a position in which they can become high performers.

Guiding lost giants and polishing raw diamonds describe two different HR strategies. Recruiting, performance, learning, and succession—all these steps in the talent process follow the polishing approach. They start from a given job requirement and match it to a person. Today, most companies and HR departments choose the polishing strategy for the vast majority of normal employees and low to mid-level managers, and use the guiding strategy only for a few top management positions. I remember Scott McNealy, the former CEO of Sun Microsystems, saying at a conference that if he spotted a top talent which he believed would benefit the enterprise, he would not make that person apply for an existing position, but rather create a new position to fit the talent.

HR's main polishing tool is training. Yet training is different from learning. In order for training to stimulate latent business talents and enable high performance, it must be customized and applied to a specific employee in a specific situation. In corporate practice, this is not the case. Most training is generic and applied indiscriminately across the board, without considering the talents, the professional, and the personal situation of a specific employee. A lot of corporate training, therefore, does not result in learning and higher performance.

Having been a university teacher and corporate consultant for more than two decades, I believe that the overall effect of generic and non-customized training is greatly overestimated. For example, the main purpose of e-Learning, live and recorded, and the main reason for its big success in large corporations has been the reduction of training costs—and not the improvement of learning. Learning anywhere, anytime was promoted by training vendors who saw the opportunity to develop a training course only once, and then sell it multiple times without additional costs. E-Learning does make sense in addition to classroom training, but not as a replacement. Live personal interaction is still acknowledged by pedagogues as the most effective mode of acquiring new skills and changing behavior.

Corporate universities also still function under the management paradigm. No matter what training and learning programs are called and which teaching methods and delivery formats are deployed, corporate universities remain focused on positions, and not on people. They derive training and learning objectives from narrowly defined job requirements and do not sufficiently take into account the latent and manifest talents of the employees.

In a complex and constantly changing environment, a viable HR strategy must shift the focus from polishing to guiding! HR needs to take a leadership role in management transformation and start viewing all employees as clients and primarily match talents to jobs, instead of matching jobs to talents.

In contrast to polishing, guiding requires HR to be proactive and to think outside the box. In a post-management world, skills and competencies of employees need to be constantly re-developed and re-deployed instead of being managed. HR departments should promote internal job markets within the company so talent can go or be guided to where it is needed. Using communities or practice and other social media, HR departments can identify talents on all levels of the organization, for example by mashing-up employee profiles and community activities, and by establishing talent scouts who serve as recruiters on the internal job market. When companies build jobs and tasks around existing personalities and talents, chances are that employees become more motivated and better performers.

Leadership is all about freeing human potential and creativity for the benefit of all. We need meaningful work in large corporations, jobs that deliver value by using available talents and by letting employees interact as they see fit. Ultimately, all value that is created by companies around the world comes from people—from people like you and me. It comes from our visions, and from the work we do to turn ideas into reality. Companies freeing this creativity and motivating people to engage at the workplace are likely to flourish in an increasingly complex world.

CHAPTER

8

Up and Down

Dave wrote back immediately. "Don, you have asked us to present our vision and roadmap for EPLE. We understand we are only a part of the puzzle, but let us speak with our own voice at the meeting next week, and let us share our ideas before they are merged into those of Salt & Co! Dave"

Don's answer included Eric, "Okay, that's the plan anyway, Eric?" Eric's reply also came immediately and included Martin on cc. "Yes, of course! We are only trying to collect the presentations beforehand and fix the agenda."

"Great," Dave wrote back to all, "Thanks Don. @ Eric: We will send you our latest deck the evening before the meeting. Looking forward!"

All right, point made and time to breath, Dave thought after he had sent the mail. "Only fight when you can win!" his father had told him once. That had been after the fight at the country fair, when Dave was still a boy. Suddenly two guys had attacked his father, and in order to help him, Dave had jumped on the second guy's back and started to pull his pants down. The guy kicked him hard, Dave flew back, landing on his face. It had hurt, but Dave had come right back again, bleeding nose and all, and continued pulling the guy's pants down, who actually had to use one hand to cover his bare behind and was thus handicapped in his actions. Finally, one of the bystanders had grabbed Dave and pulled him away from the fight, and others had separated the men.

For the next days, Dave and Jerry continued working with the VAT on their EPLE presentation. When everything was prepared, they flew to New York, arriving the evening before the meeting, and met up with George. The three had dinner together at the hotel, and at some point came to tell each other about their first sale.

"Mine was straight forward," George said, blowing cigar smoke in the air. "I was ten years old and sold my shoe laces on the schoolyard to a graduate on his way to commencement. One of his laces had torn, and he gave me ten dollars for mine. Made me understand at an early age that the value of things depends on the circumstances."

"I don't really have a first sale yet," Jerry said. "At least not the way I see it, all petty stuff so far, nothing over a million. But now that I have become the APJ account manager for EPLE, this deal here, this will be my first real sale!"

"What about you, Dave?" George asked.

"Well, my first sale was long ago, and it was big. I sold storage systems to a German film studio for millions of Deutsch-Mark. That was in the late nineties, before the Euro, at the height of the New Economy," Dave said, thinking back. "I was working for small disc drive reseller. We had direct connections to a manufacturer in Silicon Valley and imported single high-quality discs which we then assembled into large arrays in Germany. I had been pursuing an appointment with Dr. Klein, the film studio's technical director, for weeks, but always got rejections from his assistant. So I decided to drive up there and try to get some face-to-face time. On the way, I bought pralines, and just when I walked in the company's reception room, and before I could even try to bribe the assistant with the pralines, Dr. Klein came out of his office. Of course, I walked right over to him, introduced myself, and asked for a minute of his time."

"You are the guy leaving all these messages…," Dr. Klein said. "Are you stalking me?"

"I hope not," Dave said smiling, and asked him, "Are you avoiding me?"

Dr. Klein looked puzzled. "What? No, of course not, why should I? I am busy."

"Well, do you have a minute right now, maybe?"

"A minute?"

"Well, if that's all the time you have, I'll take the minute."

"Okay then, shoot," Dr. Klein said.

"Well, we have this new system with a 50 nano seconds access time…"

"50 nano seconds!" Dr. Klein interrupted Dave. "In your dreams!"

"Well, I am no technician myself," Dave said, "but 50 nano seconds is what they tell me…"

"Who are they—the technicians, or your marketing department?"

"More marketing," Dave smiled. "Aha," Dr. Klein said. "Well, maybe they measured the 50 nano seconds in California, I am sure things run faster there than in Germany…"

"If you want," Dave said, "I got a demo system in my car. Do you want to test it yourself?"

"50 nano seconds? Okay, bring your product up, and I will tell you what it is worth."

"The test proved a solid 55 nano seconds access time," Dave ended his story, "which was still faster than what the competition had, and our systems were overall also less expensive. The film studio bought big time, and there it was: my first self-earned deal!"

"Congratulations," George said. "Let's do it again tomorrow!" And they all drank to that. Dave went to bed soon after, yet not before he had sent Martin from Salt & Co their final presentation, as promised.

The next morning, Dave, George, and Jerry were guided by a receptionist into the EPLE board room. Dave counted about 15 executives seated in a U form, all either corporate officers or heads of one of EPLE's six divisions. Dave did not know all of them personally, but he knew their names and recognized their faces. On the opposite side sat first Deana and Martin from Salt & Co, followed by Eric, Don, and Linda. Jerry had talked to Linda, the sales president, long before the meeting and made sure she was in line with the proposed LTE-S roadmap.

As they shook hands, Martin said: "Sorry, unfortunately the group has a hard lunch stop in 15 minutes. So, you can either get the full presentation time afterwards, or you can talk to Don, Linda, and me over lunch?"

"Well, I know how tired people are after lunch… Let's see how lunch goes, and then we can still decide," Dave said. "In fact, given the time shortage, why don't we skip the slides for now?! I would just like to talk for a couple of minutes, and then we have extra time for a relaxed lunch?"

"If you can, Dave, great!" Martin said. He introduced George, Dave, and Jerry as the "gentlemen from XAM," and then waved his hand in Dave's direction as some kind of the-floor-is-yours signal.

Dave looked at the audience and waited for a couple of seconds before he began speaking. "Why are we here?" He paused again and continued looking into the round. It wasn't clear whether or not he actually expected an answer to his question. There was absolute silence. Everybody kept waiting, looking at him. Dave let the silence sit until it became almost uncomfortable.

"This morning, as we exited the hotel to come to this meeting, we saw a cab break down. The engine wouldn't start any more. The car was stuck in the middle of the road, with traffic floating around it. So the driver got out and started pushing the car to the side. But he didn't stay alone. The fare got out and helped pushing, too, and a construction worker from across the street joined them, even a lady with the green handbag helped. These people did not know each other, they were not told by anyone to do this, they themselves decided to help.

That's the world we want to foster—a world in which people help each other out, a connected and mobile world, a world of consumer choices. A world that allows us to take our home with us when traveling, and a world that comes to our home when we need it to. So, we, us, the people in this room, I want to believe we are here because we share the desire to build such a world. We are here because EPLE and XAM are two organizations coming together to improve consumer mobility!"

Dave looked around. It was time to end. One of the division heads was yawning, and George had already looked at his watch.

"And in order to communicate this vision and our progress, we propose a joint marketing campaign entitled Mobile 2020, featuring TV spots and airport ads for all participating EPLE divisions. Mobile 2020 juxtaposes snapshots of present and past mobility, and it will stimulate the public to think about what mobility looks like for the consumer in the future!" Dave waited a moment, and then added: "And right now, I am sure you are all hungry. So thank you for your attention, and enjoy your lunch!"

When the meeting was over, Don took him and the others to the executive restaurant. However, they didn't talk about business at all at lunch. Don entertained everybody with personal anecdotes, and Dave was careful not to appear pushy. When they were already on their way out, Martin pulled Dave aside. "Don is impressed with your slides, and frankly, so am I. We are considering merging the existing RFPs into one comprehensive IT strategy project, and we would like to hear your thoughts. Can you come back here next week, and we talk it over? Open cards, we will share our thinking, too."

"Sure, Martin, I will be here!" And they shook hands.

After lunch, Dave presented the XAM slides to a reduced audience. Don, Martin, and Linda had excused themselves, saying that, since they would meet Dave again next week anyway, they would like to use the time to take care of some urgent business. When the presentation was over, only a couple of questions were asked, and then there was a break before another vendor was supposed to present.

"This is how it goes in business," Dave thought to himself, as he drove to the airport. "You prepare for an important meeting like this for days or weeks, you try to be perfect and hardly take any time to eat or sleep, and then, when the big moment comes, it is completely different from what you expected."

On the plane flying home, he thought about the course of events in the past week, up and down, as always. He remembered the advice a colleague and friend had given him at his retirement party. "Stay confident in times of failure, and modest in times of success!" Dave had taken this advice to heart and fared well with it. After landing, he checked his voicemail and found a message from George. "Dave, now that EPLE is taken care of, do you have time to talk about the UK deal? I could use a fresh pair of eyes on that, and my Sunday afternoon is still wide open. Call me!" Dave typed an SMS back to George while waiting for the luggage. "Let's talk Monday, George. Have a nice weekend!"

He looked up and saw Susan waiving at him at the exit. "Win or lose?" Susan asked after they had embraced. "Let me guess, Win!"

"Not done yet," Dave answered. "But the meeting went well, we may be in the pole position for a long-term partnership now."

"Did you give one of your memorable speeches?" Susan asked.

"Apparently so…—So, Susan, how are you?"

"Oh," Susan exclaimed, "you won't believe what happened at work this week, I have to tell you, Dave…"

C

Conclusion

My main goal with *Leading When You're Not the* Boss was to make you *think*. I hope I surprised and puzzled you, made you look up from the book and outside the window and ask yourself: "What does this mean for me? For my organization, my work, my life?"

Anyone who wants to lead others should be self-aware. Start with the person in the mirror and first of all connect to your intrinsic motivation: What mental or physical activities come easy to you? Which topics or ideas involuntarily excite you, when do you feel energized and experience the need to express yourself?

Second, create or become part of a work environment in which your intrinsic motivation matters, in which you feel connected to others, and identify with the overall purpose of the organization. Don't be satisfied with a job that just pays your bills—you can do better than that! Success and money will come to you if you enjoy and find meaning in your work. You yourself might be a lost giant, and if no one else guides you, you need to guide yourself to where your talents provide value for others.

Finally: *work!* And if you are in the right role, you will naturally emerge as a situational leader, whether or not you are vested with formal authority. People accept and, in fact desire, leadership from peers who are authentic and have something to offer. As a manager, help develop the talents of your team members and guide them to the right role and the right place, even if this place lies outside of your department or organization. Strategy consulting firms like McKinsey & Company are successful not only because they retain talent, but also because *they let talent go* to other businesses and maintain a close relationship with alumni. Networking is crucial. Helping others, even without immediate return for oneself, eventually will pay off in our globalized world.

The idea of serving, of selfless giving, lies at the center of *servant leadership* theories,[1] and this idea is very much in line with the post-management approach to leadership I have presented in this book. Leaders must serve the team and the purpose of working together. Managers primarily seeking to advance their own career are no leaders in this perspective, no matter how many employees they have report to them.

I would like to recommend three other works which, each in its own way, helped me to write this book: *Leading Change* by John P. Kotter (Harvard Business 1996), *The Making of Modern Economics*, Second Edition, by Mark Skousen (Routledge 2009), and *The Fifth Discipline*, Revised Edition, by Peter M. Senge (Doubleday 2006). These authors discuss leadership in an economic or business context and guide the reader through an inspiring world of thought.

A recent business book is *Data Driven: How Performance Analytics Delivers Extraordinary Sales Results* by Jenny Dearborn (Wiley 2015). *Data Driven* is similar to *Leading when You're Not the Boss* in that it also includes a fictional story and is fun and interesting to read.

From the very beginning, I envisioned *Leading when You're Not the Boss* as a kind of edutainment. I wanted to take you on an intellectual journey, a fun ride of thought. And so I created Dave. His leadership story picks up where academic books leave off: at the level of the individual leader and his / her real-life trials and tribulations. It illustrates that leadership always depends on the specifics of a concrete situation and on the personality of the people involved.

Dave is no leadership poster child, no perfect role model that others can simply copy to be successful. In fact, he is not always successful himself, he does not do everything right. At times, he behaves quite unprofessionally. He antagonizes people and escalates situations where most lateral leadership coaches would probably recommend the exact opposite: stay calm, focus on the issue, advance rational arguments. But Dave is Dave. He's edgy, a little headstrong. To get his way, he threatens his client to withdraw from the deal which he is supposed to close. Internally, he even threatens to quit his job. He's got an ego. All leaders do.

[1]The concept of "servant leadership" dates to the writings of the Chinese philosopher Lao-Tzu, but modern formulations start with the work of Robert Greenleaf in the 1960s (`https://greenleaf.org/what-is-servant-leadership/`) and include more recent advocates such as Larry Spears and Kent Keith.

Whatever Dave does, he believes in it. He never bluffs. He does what he thinks is right, not what others want him or tell him to do. He speaks his mind. When in conversations with executives he oversteps his boundaries and gets reprimanded, he accepts the set-back and moves on. Dave stays true to himself, he is human, a real person. Well, at least in my mind he is real: a far from perfect person, and a leader nonetheless.

If you retain only one insight from this book, it should be that leaders are normal people like you and me. *Dare to lead!*

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