Will the Role of Managers Decline in the Corporation of the Future?

Managers are one means for those who control organizations to achieve their ends. Possible alternative means are considered.

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In *In Search of Excellence*, Tom Peters and Robert Waterman[1] contended that the companies they identified as excellent were "lean organizations," operating with relatively flat managerial hierarchies and employing relatively few staff specialists. Systematic research into Peters and Waterman's prescriptions[2] has found that, overall, they constitute substantially bad advice, yet they clearly were tapping into a broad trend. Surveys and anecdotal reports[3] indicate that a majority of large corporations in the U.S. have been reducing, or are planning to reduce, what organizational analysts call administrative overhead—that proportion of the payroll spent on wages and salaries for those whose efforts do not increase revenues directly through their labor, and which includes such seemingly diverse groups as middle- and lower-level supervisors, research and development scientists, and janitors.

The trend to "downsizing" has been affecting direct labor as well as the administrative component of organizations, of course. Indeed, it has been estimated that from 1980 to 1985 the firms in the Fortune 500 reduced their collective payrolls by approximately 2.2 million employees, down to a total of 14 million. And this trend has been continuing.

Large corporations in the U.S. have always used reductions in their work forces as a mechanism to adjust to business cycles. In the past, however, the management structure and the individuals who filled its roles usually have been left in place. The primary targets of layoffs have been those of the company's employees engaged in direct labor. These individuals have been presumed, for the most part, to have required the lowest investment on the company's part, and to be most readily replaced. Managerial personnel, on the other hand, have been seen as crucial repositories of the organization's collective knowledge.

However, in the recession during the early years of the Reagan Administration, companies eventually began to cut their administrative component as well. Such reductions in both line and staff managers often have been reported as resulting in better rather than poorer company performance—and not just in terms of a lower labor bill, but in terms of such desirable characteristics as increased responsiveness to customers and more rapid product innovation.[4]

This article looks at the circumstances under which this trend is likely to result in long-term benefits for companies and attempts to identify the situations in which reductions in the number of managerial personnel are likely to be reversed once "delayering" ceases to be a management fad and becomes instead one of many strategic considerations in designing effective organizations.

One interpretation of the optimistic reports is that they demonstrate—to use an anthropomorphic metaphor—that these organizations had been bloated and sick, and that as a result of "slimming down" have regained their health. Rather than thinking of organizations as living, breathing organisms, however, we will follow the approach, taken by many organizational analysts, which contends that the functioning of organizations can most usefully be understood by conceiving of organizations as instruments designed to serve the interests of whomever controls them. Historically, this controlling force might most likely have been the founding entrepreneur, but in recent times it is more likely to be some combination of such stakeholders as board members, holders of debt or equity in the firm, and senior members of the small group of employees who actually are referred to as the company's executive management and who determine policies. Using this conception of organizations as instruments, we will examine the roles played by the far larger contingent of managerial personnel, those at the middle and supervisory levels, and consider their functional alternatives.

The central roles of middle- and lower-level management

As organizations become large and complex, the members of the dominant coalition are no longer able personally to oversee the work of all employees nor to coordinate their varied activities. One means by which they might attempt to increase the likelihood that their wishes are carried out is to hire individuals who are assigned to make sure that the people employed actually to make the product or provide the service which the organization offers are each performing as intended and in concert with each other. Individuals in this role of overseer and coordinator are usually referred to as line managers.

An additional need resulting from increased size and complexity is for personnel whose role is to attend to important concerns both within and outside the firm that the members of the dominant coalition have neither the time nor the specialized skills to dispose of themselves. These are the organization's staff functionaries, such as financial analysts and MIS managers.

Although neither line nor staff managerial personnel engage directly in the core function of the organization, the transformation of raw materials into marketable goods and services, it is not difficult to imagine how those at the top of the organization might perceive these managers as important means by which their own control is facilitated.

Alternatives to hiring managers

However, there are other ways than hiring managers for those in control of the organization to see that what they want to happen does indeed happen. Three such methods are discussed below: the utilization of technology, employing "preprogrammed" individuals, and getting employees to equate their goals and values with those of the dominant group.

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Utilizing technology

One way for the dominant group to secure control is through the utilization of technology. At factories engaged in mass production of a standardized product, one supervisor typically oversees and coordinates the efforts of from approximately twenty-five to thirty-five operatives, which is a wider ratio of supervisors to direct laborers than in most other settings. This comparatively wide span of control is made feasible by the nature of the production technology employed in factories, which typically limits the discretion of employees and channels their behavior in the desired direction. For example, the station on an auto assembly line that has been designed for the attachment of rear view mirrors has a supply bin that is filled only with rear view mirrors, and cars rolling by it have two appropriately spaced holes at only one location on their bodies. Further, the number of rear view mirrors installed each hour is determined not by the employee, but by the speed of the assembly line.

Of course, controlling workers' performance through allowing them to do only one thing, and then controlling the pace at which they do it, is not always a successful strategy. Nevertheless, in some cases the production technology can be adapted to place more strict limits on employee discretion and thus control employee behavior even more tightly. An example of such technical control is the response of a major automobile manufacturer to a "spelling problem" among its employees, the result of which was that many cars were rolling off the assembly line as brand new DORFs and FRODs. After the engineering department developed new, one-piece nameplates, many cars came off the line with their names upside down. Finally, the one-piece nameplate was redesigned such that it could only be attached to the car right side up.

Are there relatively similar technological fixes at the white-collar work place? Increasingly popular is "performance monitoring," tapping into computer systems to measure how much time and effort each secretary is putting in.[5] And not only can computer-based office technology affect an employee's diligence, but it may be able to compensate for deficient skills as well; spelling and grammar checkers on word processors are examples.

Computer technology in both blue- and white-collar settings, then, may facilitate the oversight of employee performance; and, additionally, it may substitute at least partially for the coordination function of managers and supervisors by facilitating communications.

Employing "preprogrammed" individuals

Rather than hiring managers or adopting certain technologies, a third means by which organizations can be made to serve the interests of those who control it is by employing individuals who enter the organization "preprogrammed" to produce the desired outcomes. For example, organizations concerned about maintaining the proper form and appearance of their outgoing correspondence typically hire supervisors who check the quality of work among those employed in the typing pool. More recently, many firms have substituted at least partially for that form of control through the use of word processing technology. Alternatively, however, the need for either direct supervision or technical controls can be reduced by staffing the typing pool (or word processing center, as it has been called in recent years) with college graduates who are certified to teach English. The skill level of these individuals is likely to be such that they can do their own checking of the quality of their spelling, grammar, and so on. However, in part due to the higher salaries commanded by college graduates as compared to those who have been hired into secretarial positions, few organizations appear to have concluded that this is a cost-effective strategy.

Other situations, however, do call for hiring employees who, although expensive, are needed to make sure the organization functions as the dominant coalition desires. For example, members of a city council might not be pleased to learn that emergency rooms in the city's hospitals were

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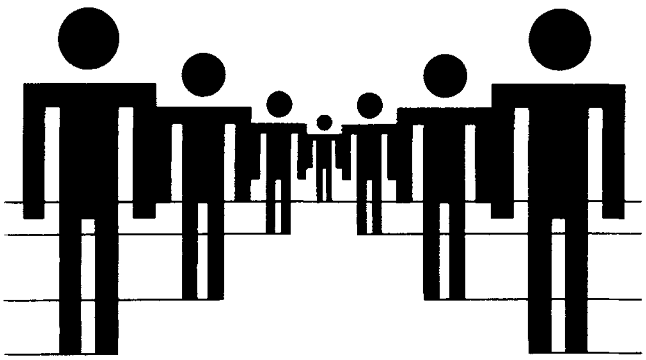

being staffed entirely by paramedics. Although they almost certainly would be aware that the use of fully-trained physicians would put a bigger strain on the city budget, they would question the ability of individuals with relatively limited training properly to handle the wide range of difficult and complicated cases that appear, with little warning, in a hospital emergency room.

In general, to the extent that situations are complex and nonroutine it frequently will be more effective to employ individuals who have the knowledge and skills to do a job as those in control of the organization wish than to attempt to control employees by transmitting orders through a hierarchical chain of managers. The successful operation of a hospital emergency room does not allow for the luxury of requiring its staff to request instructions and approvals that must be placed on the desk of, and eventually "signed off" by, an ascending succession of middle managers. Similarly, because of the rapid pace of the complex and nonroutine problems worked on, there usually is not time for the luxury of calling in staff experts to consult.

Convincing employees that their goals and values are the same as the dominant group's

One final means to be discussed here by which an organization's dominant coalition may improve its control is by getting employees to believe, and hopefully to internalize, certain ideas. In particular, this group would wish to convince each of its employees that their own values and goals are identical to those the controlling group holds for the organization. Taken to an extreme, the likelihood of this strategy succeeding seems remote; for example, it would suggest that if the dominant coalition values the maximization of profits, and has as one of its goals turning out its product with the lowest labor costs, the company's employees could be convinced to work for no remuneration.

However, some have contended that in a less extreme form this approach has been a major strategy since at least the 1920s. During that era, which was marked by the rise of large corporations, those on top of these now-extensive organizations realized that they no longer could stand over all of their employees and *make* them do their job. As a response to this dilemma, many firms implemented personnel policies based on what they stated was a recognition that their employees were individuals with various human needs and feelings.

The dominant coalition attempted to convince its employees that rather than standing in an adversarial relationship with it, employees were all warmly-regarded members of the company's "family." This approach, which has become known as the human relations perspective, offered some hope of getting employees to do their job by making them feel that they *wanted* to do it.

Indeed, if every employee could internalize the goals of those in control of the organization, there would be very little need to oversee employees' efforts, and very few managers would have to be hired. Although these efforts to convince employees that they were part of a family (in which father knew best) succeeded in many cases, in many others employees continued to view their relationships to those controlling the organization as adversarial—witness the growth of labor unions in the years that followed, despite the widespread adoption of this strategy.

Nevertheless, the appeal of the notion of ensuring employees' compliance by converting them to the dominant coalition's way of thinking is so great that this approach reappears from time to time in various forms. Basically, these efforts may be placed into one of two categories: convincing employees to share a viewpoint about what an organization's outcomes should be and how to achieve them by giving them a share in the outcomes; and convincing employees to share such a viewpoint by making them *think* they share in the outcomes. Examples of the first category would be Scanlon plans, in which employees who devise means of reducing production costs receive a portion of the money saved, or more recently, ESOPs (employee stock ownership plans). The latter category is exemplified by the attention in recent years to proselytizing for the dominant coalition's preferred beliefs, values, and attitudes under the rubric of "corporate culture."

The situational context of alternative control strategies

We have suggested here that the use of managers, who function as overseers and coordinators of employees' activities, is one of various means by which those in control of an organization may endeavor to gain compliance with their wishes. Alternatively, the controlling group may try to make things go its way by attempting to influence employees' values and beliefs, by hiring individuals who have high levels of job-relevant skills prior to joining the company, or by adopting technologies that reduce the opportunities for employees to behave other than as desired. Of course, all of these strategies have been presented here in the context of circumstances in which they are especially useful, such as the increased need for managers in organizations that are growing in size and complexity, and the need for highly skilled employees when work is nonroutine and complex.

In contrast, the control of small organizations engaged in routine, simple tasks may require little use of *any* of these mechanisms. Their comparatively few employees can be overseen directly by the dominant group without the need to monitor them with managers or costly equipment, and the simplicity of the task obviates the need for expensive, professionalized employees. Over time, however, these aspects of organizational life can change, and with those changes in circumstances go changes in the amount and type of control applied. Let's examine those circumstances a bit more closely.

The administrative ratio in a growing organization

Frequently, an organization will have increased in size as a result of a growing demand for its product or service, which led to the hiring of additional direct laborers. Initially, these new employees were placed into existing work units, but eventually, the supervisory personnel were unable effectively to deal with all of the people whose work they were to oversee and coordinate. As a result, an additional manager was hired and the three work units whose supervisors were each struggling to manage sixteen employees were reorganized into four units having twelve employees each (a comfortable span of control for the work in which they were engaged).

As the company continued to grow in this fashion, with the hiring of additional operatives causing pressures on supervisory spans and a continuing proliferation of work units, the manager to whom the supervisors had been reporting found, in turn, that there were too many subordinates for her to manage. That resulted in the creation of a new layer in the managerial hierarchy, placed between the shop floor supervisors and their now-overwhelmed former superior.

Academic organizational analysts describe this example as illustrating the positive causal effects of size on horizontal complexity, and of both horizontal and vertical complexity on the administrative ratio.[6] That is to say, it appears to be the natural course of events for growing organizations to require not only *more* supervisors, but a higher *proportion* of supervisors.

The administrative ratio in a shrinking organization

However, research that has examined what happens to the management structure of organi-

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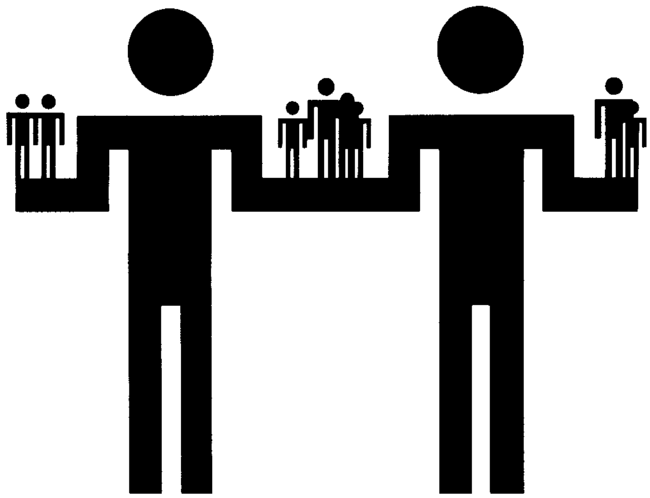

zations which are shrinking rather than growing has found that, initially, the relative size of their administrative component increases yet again; that is, at first direct labor is reduced while administrative personnel are kept on. Eventually, however, the proportion of administrative employees is reduced as well.

Whereas the growth in the administrative ratio that is associated with an organization's overall growth is—despite its expense—consistent with the dominant coalition's concern for maintaining control and facilitating coordination, a relatively large administrative component in firms that are being "downsized" is essentially vestigial. Its existence, in the period shortly after a reduction in work force, appears to be a consequence of the nature of many companies' promotion patterns. For many firms, the expertise necessary for their efficient operation cannot be acquired anywhere but in that particular organization, and promotions into administrative positions go to individuals whose qualifications are based primarily on having had lengthy employment with that company. Thus, the fairly common decision to use seniority as the criterion for identifying employees to be dismissed as part of a reduction in work force will result in an organization that is top-heavy with administrative personnel.

In the past, when organizations planned to reestablish their earlier staffing levels when business conditions improved, a relatively short-term overabundance of managers may have been considered a small price for the retention of valuable employees. However, recent corporate "restructuring" often has involved strategic shifts to smaller-scale operations. Thus, the widespread reductions in the ranks of management, occurring, in many cases, at a time when the size of firms' nonmanagerial work forces have stabilized, may well be this belated reduction of managers and managerial levels appropriate for companies' new, trimmer, forms.

The need for managers in the future

Are changes in production and information technologies, and increases in employee skill levels, likely to bring on an even greater decline in the need for managerial personnel? In the sense that managers function to serve the interests of the dominant coalition by telling subordinates what to do and how to do it, the answer very probably is yes. The case for improving organizational functioning by reducing management oversight and allowing individuals to use their skills first was made in a classic study at Sears, Roebuck, Inc.[7] This study described how the elimination of a level of middle managers led to greater satisfaction and productivity among store managers who, because of their new superior's very wide span of control, had greater autonomy to conduct business in a manner that was responsive to their local needs, rather than having to take direction from an area manager who had far more time to spend on each of them than did their new boss.

However, managers may influence subordinates in the direction desired by the company not only by *telling* them what actions to take, but also by *discussing* actions *with* them. An undesirable effect of reducing management and thereby expanding the span of control is that supervisors may have enough time for only downward rather than two-way communication with employees.

This dilemma has been illustrated by the finding that, although it might be assumed that employees with high skill levels would need less supervision, some of the narrowest supervisory spans are in organizations that employ highly trained scientists. In these cases, the tall managerial hierarchy apparently is not so much a hierarchy of command as of experience, and the nature of the supervisor-subordinate relationship is primarily consultative. To the extent that a firm's managers are serving this particular function, a drastic reduction in their number may have unfavorable consequences for the company, as employees are less likely to feel freed from supervision than cut off from advice.

New technologies also may reduce the importance of the manager's role in directing subordinates' actions. In many cases, the skilled specialists operating these technologies will be engaged in work that is not sufficiently familiar for the manager to be able to direct closely. However, technologies that increase the overall complexity of an organization's operations may heighten the importance of the manager's coordinative role. Although managers will be needed to piece together the elements of an operation, the term "self-management" may be appearing more frequently in the management literature over the next few years, as highly skilled employees are given direct access to the data necessary to perform their job.

These developments likely will lead to an overall reduction in the number of management levels and of middle managers, but those who remain may have more autonomy to manage than ever before. Nevertheless, because of the flatter organizational chart, with fewer managerial positions, managers' expectations of progressive promotions up the company's administrative ladder will be less realistic than in the past. Indeed, these dimmer career prospects may lessen the enthusiasm of managers for working toward the goals of the dominant coalition—which may find that managers are becoming part of its control problems, as well as one of the solutions.

The potential control problem that is discussed more frequently is that of maintaining the performance of those engaged in direct labor. The story of the auto workers' misspelling of nameplates did not, of course, really reflect a deficiency in their language skills. Rather, it was indicative of a less-than-perfect congruence between their aims and those of the firm's dominant coalition. As is also the case with many managers, auto workers do not have the sort of transferable skills that allow them readily to quit their job at a company where they are unhappy and find a new position with equal remuneration. Some means of ensuring that their behavior is in line with the expectations of those who control the organization therefore are deemed necessary, and a combination of management oversight and technical controls typically have sufficed.

A different problem is presented by employees working in newly-developing technologies, who may find that their skills and knowledge are not firm-specific. Close personal monitoring or obtrusive technical control of their performance may result in their packing up their valuable skills and leaving the company.

Of the control strategies discussed here, the one that appears to have at least some potential for dealing with each of these dilemmas is that of bringing employees' values and goals into line with those of the individual or group that stands at the head of the organization. If successful, this strategy in effect puts a manager inside the head of each employee, yet leaves all of them with the feeling that they are engaging in activities they have chosen, rather than work they have been ordered to do.

Nevertheless, there has not yet been any report of systematic evidence to demonstrate the effectiveness of creating a "corporate culture." There is substantially more data regarding the impact of programs such as ESOPs, which give employees a substantive basis for sharing goals with the dominant coalition; indications are that employees remain fairly detached from the overall goals of the organization.

Skilled employees directing their own operation of advanced technology in an environment where the "team" is "pulling together" for relatively shared goals probably will reduce the number of individuals whose work is purely that of the traditional manager. Nevertheless, evidence that middle- and lower-level managers are on their way to obsolescence has yet to be uncovered.

NOTES

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