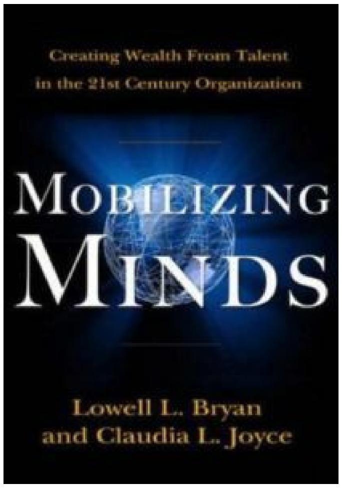

Book Mobilizing Minds

Creating Wealth From Talent in the 21st Century Organization

Lowell L. Bryan and Claudia L. Joyce
McGraw-Hill, 2007

Recommendation

No territory remains uncharted in the competitive global marketplace. Companies of all sizes can compete for market share everywhere in the world. Victory can be fleeting, though. Even the most dominant businesses find challengers clawing at their pant legs. In these dynamic times, truly progressive organizations are becoming more nimble by making the most of their employees' talents. Authors Lowell L. Bryan and Claudia I. Joyce believe the vertical, hierarchical corporate structure is no longer practical. Employees will not perform just because they are told to do so. Executives increasingly realize that they must engage their employees and challenge them to achieve their potential. While the authors' textbook writing style may not suit everyone, *BooksInShort* believes readers will find plenty of useful ideas about designing and restructuring organizations, especially large companies. The book is a good reference that shares common intellectual ground with others devoted to the art of management.

Take-Aways

- Organizations that employ vertical, hierarchical structures may not be nimble enough to compete in the 21st century.
- Modern devices such as e-mail and voice mail can impede rather than speed up the exchange of information.
- Inefficient communication erodes employee production.
- Structure your business so it can react to change.
- Your most talented employees could be stuck in organizational "silos."
- Formal networks are ideal for employees to share knowledge and best practices.
- Simplifying your organization's internal structure will improve communications.
- Organizational redesign requires "buy-in" from employees and managers.
- Companies can create "talent pools" to make sure the most qualified internal candidates fill job vacancies.
- Employees don't enjoy surprises. Keep them informed throughout the restructuring process.

Summary

Blending Hierarchy with Flexibility

No company can expect to dominate a geographic area or customer segment unchallenged. Business competition around the world is growing fiercer as the Internet obliterates the distance between remote buyers and sellers, making markets more global. So companies must periodically restructure as their competitive environment changes – or risk falling so far behind that complete recovery is unlikely. Most CEOs prefer not to contemplate the massive effort necessary to redesign their firms. They are more comfortable with mergers and acquisitions that require other businesses to fit into theirs. But a thorough redesign of your company's organization, though it may take years to fully integrate, could be the only way to ensure a bright competitive future.

> "Having passed through the organizational angst of the industrial age, we now find ourselves in the digital age, facing a new set of problems."

In years past, discussions and debates over what constitutes the best organizational structure typically showcased two distinct philosophies. One promoted a strong hierarchical system with stringent controls and rigid management. The other focused on a more flexible system that encouraged individual growth and rewarded creativity and innovation. However, the distinction between the two approaches is relatively unimportant in today's business climate. The issue is not whether one method is better, but how to achieve a blend that will maximize results and foster employee development. Companies that merge the two ideologies not only survive but prosper during periods of rapid change.

> "The problem is that large companies desperately need to become less complex rather than more complex."

A company's long-term growth and success is achievable only by capitalizing on the intangible assets of gifted employees. Mobilizing these unique minds is the key to generating wealth. Yet, employees of large companies who have "thinking-intensive jobs" don't come close to fulfilling their potential. Studies indicate that most of them waste up to two days each work week attending pointless meetings and handling a daily avalanche of voice mails and e-mails, and that employees are working longer hours but are less effective and more frustrated.

One Size Doesn't Fit All

Strict hierarchical organizational structures were predominant for much of the 20th century. Many corporations had manufacturing and production operations best managed through vertical chains of command. But the hierarchical structure's inflexibility makes it ill-suited for many businesses selling knowledge-based services in the 21st century.

> "We've been struck by how few leaders really understand how their organizations work at the front line."

Hierarchy can suffocate horizontal attempts at productivity and innovation. Employees who try to interact with co-workers outside their department may feel stifled and frustrated in a traditional hierarchical structure, especially if no one is quite sure who has the authority to make decisions or steer policy. In some cases, more than one manager must sign off on a project, causing further confusion and delay.

> "Most of the work in a company that drives its performance occurs at the front line – at the place where the firm stops and the outside world starts."

The worst of this type of bottlenecking occurs in the middle of an organization, even though the dysfunction takes root at the executive level. Ultimately, the internal communication breakdowns that hierarchical behavior fosters can degrade the quality of your company's products and services. Executives and managers frequently resort to "Band-Aid" solutions. They think that bringing in an outsider or creating a new position will rectify the problem. But they are missing the point. More is not better. Large companies must simplify their operations and reduce the number of links in the chains of command. With fewer administrative restraints, employees can focus on maximizing profitable output.

> "To manage an activity successfully, you must be immersed in the details of the activity you are managing."

Despite their size, corporations such as General Electric, Johnson & Johnson and Toyota are surprisingly nimble and creative. They have blends of vertical and horizontal elements in their organizational structures. Their employees fill specific roles and have individual responsibilities but are united in their corporate mission. Dividing lines on organizational charts are not allowed to stifle cooperation or collaboration that could increase profits.

> "The greatest limitation of self-organizing informal networks is that they can't be managed."

Depending on your company's structure, there are three basic organizational templates that can improve performance: "Backbone Line Structure," "One-Company Governance" and "Dynamic Management."

Backbone Line Structure

The backbone line structure can stabilize an organization struggling to define employee roles. Designed for companies with internal management issues, this model gives line managers more power to influence performance by establishing benchmark standards for front-line workers. Line managers can focus on motivation and implementation while shifting the responsibility for new strategic initiatives to upper-level management. Some larger organizations have line managers who focus solely on developing "new capabilities" or fine-tuning existing ones.

> "The process of discovering new wealth-creating initiatives is a fundamentally different challenge than running the business day to day."

Senior executives are key players in this organizational model. They oversee vertical chains of command and exercise their hierarchical responsibilities while simultaneously reaching across horizontally to work with other senior level colleagues.

One-Company Governance

The backbone line structure is ideal for corporations functioning as a "single economic entity," but it will not work for large companies that are divided into "business silos." A backbone line structure will create unhealthy competition among the "silos." Short of totally remaking such a company and eliminating its silos, "one-company governance" is the best solution. Under one-company governance, every employee is "accountable for performing in the interests of shareholders and co-workers" rather than pursuing personal or departmental success.

> "Deciding where and when to make trade-offs in the management of current earnings versus future earnings is a constant challenge."

One-company leadership requires that the CEO be adept at delegating responsibilities and placing the right individuals in key positions. Another critical duty is creating a cooperative environment among those in charge of the silos. Managing executive egos is always challenging, particularly with individuals who are used to getting their way, and one-company governance can be a highly effective approach. It also presents the CEO with a golden opportunity to define and defend company-wide values and ethical standards.

Dynamic Management

Because the world is constantly changing and evolving, it's impossible to establish a business model that guarantees long-term prosperity. What worked last year may be outdated next year. In fact, many shifts in trends are recognizable only in retrospect. Predictions based on legitimate information, knowledge and experience may never materialize because of unanticipated variables.

> "Companies with higher proportions of thinking-intensive jobs have higher profits per employee and returns on capital than do more labor-intensive firms."

Properly run companies can survive and even thrive amid uncertainty. But it's important to recognize the distinction between running a company and seeking new opportunities to create wealth. That's why "backbone front-line managers" – not the front-line managers focused on daily operations – are best suited to pursue strategic goals. Dynamic management allows companies to investigate money-making opportunities and, after careful consideration, decide whether to pursue or drop a project.

> "The truth is that real value comes less from managing knowledge and more – a lot more – from creating and exchanging it."

A "portfolio of initiatives" (POI) is the centerpiece of dynamic management. Utilizing "seed capital," strategy committee members investigate the viability of different initiatives. The committee may recommend prototype developments for promising projects. The next step involves weighing the risk factors and determining the viability of a substantial financial commitment. The committee may then decide to proceed with launch, table the project or continue discussions.

> "You can use performance metrics to motivate people to work well together, and in doing so, you can also enhance the effectiveness of hierarchical authority."

The overarching benefit is the utilization of talent within an organization. Even those involved in failed initiatives gain valuable experience by tapping into their creativity and cultivating new skills. Talented individuals willing to expand their intellectual horizons hold the key for companies that want to keep pace with rivals in the 21st century.

Talent Networks

Organizations gain when their "thinking-intensive" professionals exchange information, which is "raw material" or "input," and knowledge, which is "what provides the context for how people think." Traditionally, employees have created and informally nurtured these networks. The benefits can be substantial. On the downside, office politics and hierarchical structure can limit the effectiveness of informal networking.

> "It is impossible for management to overcommunicate its intentions while it is in the process of making organizational changes."

Consequently, companies should consider establishing formal networks to maximize the potential of these interpersonal connections. Effective formal networks are based on collaboration. Though one individual needs to act as the leader, or "owner," of a network, he or she is likely to behave more as a colleague than as an authority. The leader is responsible for assembling a contact list of network members, organizing events, forming a training program and establishing a process for evaluating the network's effectiveness.

> "Much of the real power in changing financial performance measures is in changing the behaviors of the managers."

Managers often spend a significant amount of time searching outside their company for someone to fill a vacancy when the best candidate is already a part of the organization. Companies that make a commitment to developing internal talent must create opportunities for employees who are not realizing their full potential. Thousands of capable people are stuck in organizational "silos" with little hope for a promotion or a transfer to another part of the company.

Smart organizations recognize the benefits of identifying talented people and making them available to the entire company through "talent pools." Managers often select people they already know when hiring for short-term project work or to fill permanent positions but, frequently, their choices don't lead to best results. One solution is to create an internal "talent marketplace" that matches the employee's professional aspirations with the hiring manager's desire to bring in the most qualified person.

Once your company centralizes all internal talent information in a pool, assign a human resources staff member, known as the "market maker," to oversee the pool. The market maker will present several candidates to the senior hiring manager when a position opens, perhaps after scouring a company database to identify them, and will arrange interviews according to the hiring manager's wishes.

Putting It All Together

Organizational redesign involves precise planning. Most companies require immediate remedial steps, such as reducing the size of an unprofitable unit. But relief rarely comes overnight. Before acting, CEOs of large companies may spend several weeks analyzing their internal organizational structures, especially if they do not fully understand their organization's front-line operations. Armed with essential knowledge, the CEO can then envision the organization five years in the future.

A major redesign certainly will require "buy-in," or acceptance, from your employees. They need to know what changes are coming and why. Management should keep their employees abreast of developments throughout an organizational redesign. They will also take their cues from supervisors, so it's imperative that front-line managers support the redesign initiative.

People generally resist change. It can be mildly annoying for some, downright painful for others. But maintaining the status quo is not acceptable in a dynamic business climate that demands maximum flexibility. Organizational restructuring that enables talented individuals to shine is a necessity, not an option.

About the Authors

Lowell L. Bryan is a Harvard M.B.A. and a senior partner at McKinsey & Company. **Claudia I. Joyce** is a principal at McKinsey & Company and a core member of the Financial Services and Strategy Practices.