

The “New” Organization

Session 1

Sloan School

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John Van Maanen
September 5, 2003

What is **driving** the changes in strategic design/structure of today's organization?

What are the **dimensions** of change?

Where are we in the **"transition"** process?

Who's **winning? Losing?**

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The Speech ... (circa 1995-2000)

“To compete effectively we must have a lean and flexible organization that can deliver the world’s most effective (document-processing) products and services ...”

Paul Allaire (Xerox)

(part of an announcement in 1996 that Xerox will cut 10,000 jobs the next year)

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Variations ... (circa 1995-2000)

“We have to recognize that to progress, we must do everything differently ... and become a more innovative and flexible company ... this is a revolution and it must begin at the top.”

Yoichi Morishita (Matsushita)

“A major overhaul of the federal bureaucracies is long overdue. A lean, flexible and service oriented government will result from decentralizing authority, giving workers more responsibility, putting the customer first, and using market mechanisms to cut costs.”

The “Gore” Plan to “reduce useless bureaucracy ... 1998-9

Variations in practice ...

“... When a company (in Virgin) gets to a certain size, say 50 people, I put them in a new building ... So we actually set up 30 or so small record companies ...”

“... Speed is something we are better at than most other companies. We don't have formal board meetings, committees, etc. If someone has an idea, they can pick up the phone and talk to me. I can vote, 'done, let's do it.' Or, better still, they can just go ahead and do it.”

Richard Branson, Virgin (1998)

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Variations in practice ...

“The obsession with decentralization is a part of ABB. What I’ve tried to do is recreate small company dynamism and creativity. I have also made an effort to reduce the layers of management in the company. The advantages lie in communications and feedback. We try to make an environment where you can have creative, entrepreneurial people ... We are now experimenting with cutting out a whole layer of clerical supervision to give teams of workers bigger responsibility. I think there is huge potential here ... The obstacles to tapping it go back to the roots of the way we run our industrial organizations. It all comes out of the Frederick Taylor system: Managers do the thinking and the workers do the working. This attitude has got to be changed. One doesn’t need a blue or white collar. We are all in the same boat.”

Percy Barnevik, ABB (1998)

Variations in practice ...

“...The organizational pyramid is the cause of much corporate evil, because the tip is too far from the base. Pyramids emphasize power, promote insecurity, distort communications, hobble interaction, and make it very difficult for the people who plan and the people who execute to move in the same direction.”

Ricardo Semler (1989)

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Key Challenges for the 21st Century ...

Rapid Technological change

Hypercompetition

Altered work relations

New business models

...

But keep in mind ...

Business cycles

Consulting companies

Business schools

Political and cultural context

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Leading to ...

“We are an innovative, top-down, bottom-up, diagonally driven, vertically integrated global organization, utilizing cross-functional teams within diversifying divisions supporting each other in a soft matrix network format following the customer focused directions set forth by integrative devices called strategic business units.”

From: Anonymous manager in a firm whose CEO emphasized “structural flexibility.”(2000)

What's in a name ???

Re-engineered organization
Re-invented organization
Re-structured organization
Re-birthed organization
Re-re-organization

Virtual organization
Network organization
Lean organization
Horizontal organization
Hollywood organization
Knowledge organization
Learning organization
Federal organization
Process organization
Pizza organization
Glocalized organization
Delta organization

Post-bureaucratic organization
Post-paradigmatic organization
Post-structural organization
Post-Modern organization
Post-Industrial organization
Post-heroic leader organization
... Post-toasty organization

Changing forms ... *THE 1990'S*

	Old/Traditional	New/Transformed
<i>Organization</i>	Tall hierarchy	Flat hierarchy
<i>Job design</i>	Narrow	Broad
<i>Job assignment</i>	Single job	Job rotation
<i>Structure of job</i>	Individual task	Teamwork
<i>Process of work</i>	Rules, standards	Ongoing learning
<i>Training</i>	Job specific	Broad skills
<i>Supervision</i>	First-line manager	Team facilitator
<i>Decision making</i>	Top-down	Shared
<i>Scheduling</i>	Done by manager	Done by team
<i>Quality Control</i>	Specialized function	Team function
<i>Career Paths</i>	Upward, linear	Lateral, flexible
<i>Promotions</i>	By seniority	By skills & org needs
<i>Pay</i>	By grade	By results
<i>Hours</i>	Fixed	Flexible
<i>Commitment</i>	Time	Initiative
<i>Participation</i>	Low	High
<i>Labor Force</i>	Homogeneous	Diverse
<i>etc.</i>	ETC.	ETC.

Changing forms in Semco

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1980

12 Levels (Job Classification)
 Appraisal top-down
 Job schedule fixed
 Search workers
 Executive “perks”
 Large facilities
 Executives hire
 Large corporate staff
 Wages set by personnel
 No profit sharing
 Quality Control Department
 Production quotas
 Major decisions at top
 No access to financial info

1989

3 Levels
 Bottom-Up (360degrees)
 Hours self-set
 No search
 No executive perks
 Break-up large facilities
 Subordinates hire
 75% reduction of staff
 Workers set own wages
 Profit sharing
 No QC Department
 No production quotas
 Vote on major decisions
 Unlimited info

... and more

CONTRASTING ORGANIZATIONAL FORMS

Old Model

Bounded

Hierarchical

Fixed (rules and procedures)

Homogenous

Home-Based

New Model

Networked

Flat

Flexible

Diverse

Global

Managing Organizations

Session 5

Reward Systems & Incentives

Sloan School of Management

Lincoln Electric

Leading Organizations

10 October 2003

John Van Maanen.

www.bsscommunitycollege.in www.bssnewgeneration.in www.bsslifefskillscollege.in

Lincoln Electric

- Video- Inside Lincoln
- Discussion:
 - Is this a “healthy” company?
 - What is the link between the strategy of the firm and the compensation system?
 - Why does it work?
 - What should they do in China?
- Wrap-up: The Empirical Evidence

The Lincoln Philosophy

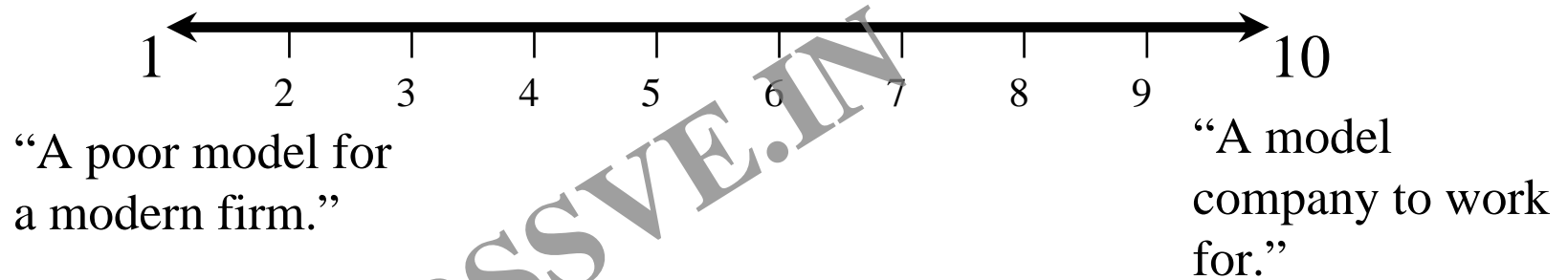
See the James Lincoln quote from 1951 in the case:

Björkman I., and C. Galunic. *Lincoln Electric in China*.
INSEAD, 1999. European Case Clearing House Case No.
499-021-1.

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Lincoln Electric

Is this a healthy organization to work for?



In Europe

- Study of 460 companies in 13 industries
- 58% tied pay increases of executives to merit
- 25% of senior executive pay is variable
 - Up from 20% in 1996; Expected to be 31% by 2002
 - For non-management: 5% expected to go to 10%
- Only 4% reported that workers had a good understanding of the plans

Source: Towers Perrin, London, November 1999.

Some Cautions

- Rewards produce temporary compliance
 - Good for precise behaviours but not lasting commitment
 - Do not generate extra-role behaviour
- Rewards focus people on more rewards
 - They can undermine intrinsic motivation
 - Emphasize work as a means, not an end
- Reduction in rewards seen as punishment
 - Seeing large bonuses reduced in lean years may breed resentment.
 - Saturn, 1998
 - Ikea, 1999

Session 6

Power & Networks in Organizations

Sloan School of Management

Advice & Friendship Networks

Elizabeth Best Case

More Networks

15:322

John Van Maanen

October 17, 2003

Ambivalence about POWER

I love power. But it is as an artist that I love it. I love it as a musician loves his violin, to draw out its sounds and chords and harmonies.

—Napoleon Bonaparte

Contact with men who wield power and authority still leaves an intangible sense of repulsion. It's very like being in close proximity to faecal matter.

—Jean Baudrillard

The Political Perspective

- Ideas, no matter how brilliant, alone change nothing
 - XEROX PARC
- Not all conflict is due to miscommunication
 - Ignoring the issue of power won't make it go away
- Management is about influence
 - Power is the ability to get people to do things they wouldn't otherwise do (and like it).
- The exercise of power need not be ostentatious
 - In some contexts, politics yields the most influence when it is performed invisibly and legitimately so as to provoke little resistance

Leadership is the ability to get people to do things they did not want to do, and make them happy they did them.

—Winston Churchill

Organization as Political System ...

Key Concepts: Power and influence, social networks, interests, dominant coalition

Key Processes: Conflict, negotiation, forming (dissolving) relationships

View of Environment: Stakeholders

Role of Leader: Forging coalitions, identifying and leveraging interests, negotiating

Stimuli for change: Shifts in dominant coalition, in power of stakeholders

Barriers to change: "Entrenched interests"

Power: The Ability to Mobilize Resources to Get Things Done

Networks: The Map of the Political Landscape

- *Power accrues to those who are central in the network*
- *Power accrues to those who understand the network*

Understanding Networks

- Not easy: The best get only half of it right
- Critical to powerful, effective leadership
- A source of power to those who may have no formal power at all, even outsiders ...

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Different types of power represented by different types of networks ...

- *Advise network: Reveals the power of getting things done in the routines*
- *Affect Network: Reveals the power of getting things done in the face of crises or major changes*

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NETWORK CENTRALITY

Three Flavors ...

Popularity Centrality

- Describes one who is influential within a clique
- Often the informal leader

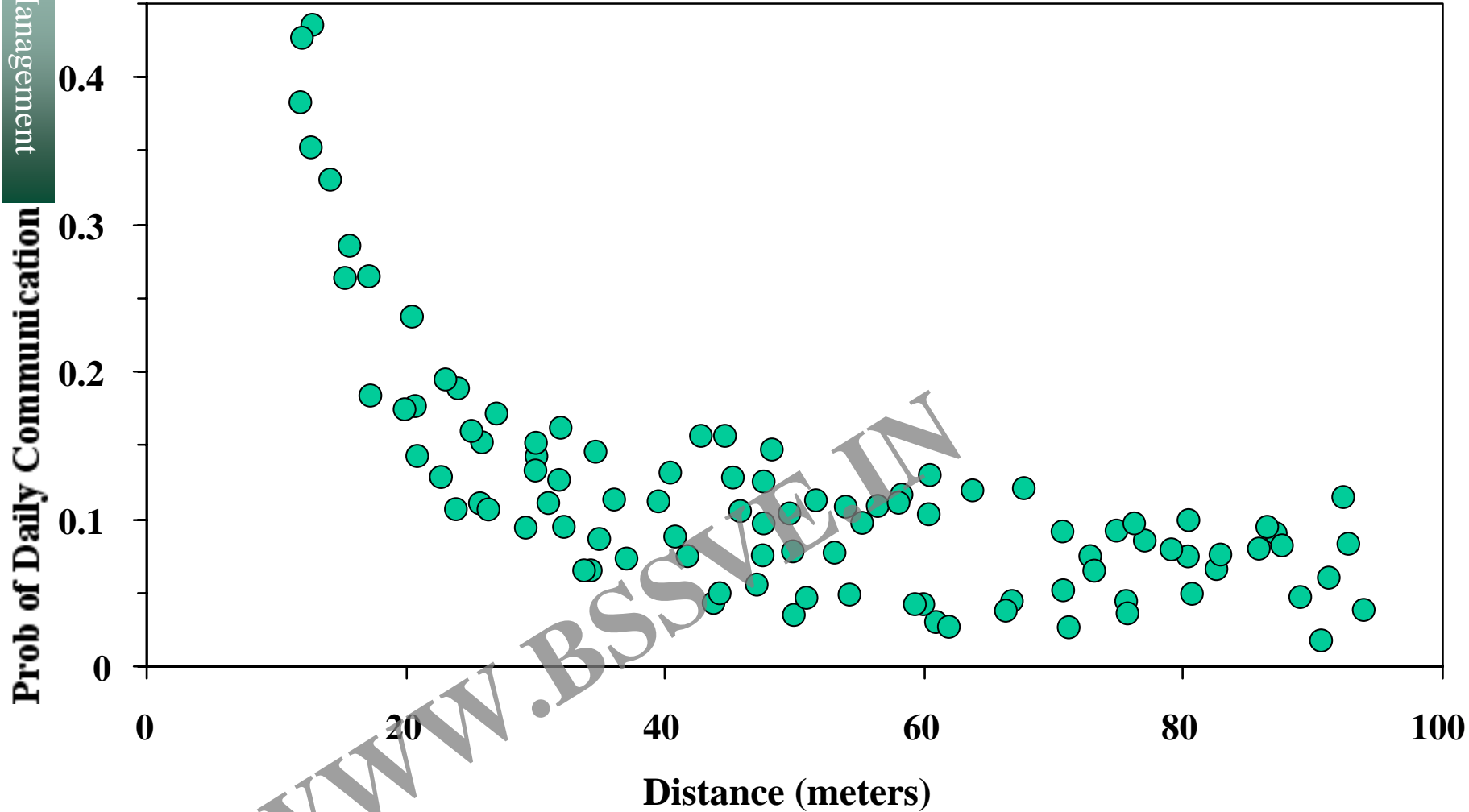
Closeness centrality

- Useful for diffusing information quickly
- Also useful as listening posts for rumors

Betweenness Centrality (Structural Holes)

- ***Gatekeepers of information***
- ***Access to non-redundant information***

Law of Propinquity



Diagnosing the Network:

- *Groups, leaders and bridges are the first features to look for ...*
- *Develop stakeholder's map*
- *What are the interests of each group, leader and bridge*
- *Proper visualization helps but is difficult*

The Critical Question ...

HOW DO NETWORKS FORM ?

Law of propinquity

*(with implications for strategic design
of organizations)*

Reciprocity & Relationships

*(drawing on culture - notions of fair play,
shared fate, etc.)*

Conflict and Negotiation ...

(‘the friend of my enemy is my enemy’)

Cultural Rules of Interaction

INSEAD

Session 8

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Fall 2003

John Van Maanen

The Ultimatum Game

- Group 1
 - You are given 10 dollars
 - You have to decide how much to give away
 - Write on the card how much you give away
- Group 2
 - You have to decide whether to accept or block the offer
 - If you accept, you each get the agreed amounts
 - If you block, you and your partner get 0
 - Write on the card whether you **A**cccept or **B**lock

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The Power of Culture

Human beings are creatures of habit

Our brains are not abstract reasoning machines

We economize on thought

Human beings are social animals

We do not single-mindedly pursue self-interest

We have a strong need to belong

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What is Culture?

“Culture involves meaning, it is attached to both organizational products and processes, and it both shapes and reflects social and material conditions. To take a cultural perspective is to consider the pattern of meanings that guide the thinking, feeling and behavior of the members of some identifiable group.”

John Van Maanen

“Culture as a set of basic assumptions defines for us what to pay attention to, what things mean, how to react emotionally to what is going on, and what actions to take in various kinds of situations.”

Ed Schein

Levels of Culture

Artifacts

Espoused Values

Basic Assumptions

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Jot down when, in the last few days, a face-to-face episode has occurred where you were hurt, insulted, embarrassed, ‘ticked-off,’ angered or bothered in one way or another ... *in class, between classes, over coffee, shopping, on campus, at home, etc.*

Note the episode

How you felt

What you did

And how the other responded

On Face Work ...

Face (def): *The social value we claim for ourself in a given situation*

Line (def): *The behavior that represents the claim*

Some Rules of Facework ...

- #1 Feelings are attached to our face ...
- #2 To protect our own face, we must protect others
- #3 Repair strategies are available when face questioned

Ritual Sequence of Repair

Offense ...

Challenge ...

Offering ...

Acceptance ...

Gratitude ...

(Inspired by Erving Goffman)

On Asking for Help

Six Rules

Do not make false claims

Do not claim too much help

Do not accept help eagerly

Do not expect help, ask

Always reciprocate for the 'gift' of help

Never refuse help

Managing Change

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Three Perspectives

Strategic Design

Organizations are **machines**

An organization is a mechanical system crafted to achieve a defined goal. Parts must fit well together and match the demands of the environment.

Action comes through planning.

Political

Organizations are **contests**

An organization is a social system encompassing diverse, and sometimes contradictory, interests and goals. Competition for resources is expected.

Action comes through power.

Cultural

Organizations are **institutions**

An organization is a symbolic system of meanings, artifacts, values, and routines. Informal norms and traditions exert a strong influence on behavior.

Action comes through habit.

Change is Difficult ...

- Resistance to Change Comes from Many Sources
- Fear of Loss of Power
- Loss of value (eg, losing jobs, having experience discounted)
- Anxiety about new skills being required
- Negative assessment of the need for change
- And don't forget past resentments, sense of nobility & expectation of more work !

... and has to be managed

- Make the right diagnosis
 - Analyze the situation carefully
 - Understand the trade-off involved in different change strategies
 - Develop adequate and realistic goals
- Implement the change Effort
 - Make sure you have the resources you need to drive process
 - Build the necessary support
 - Manage the cultural assumptions
- Managing change is about understanding and managing perceptions ...
 - Understanding how others see the situation
 - Convince others that the status quo is not working
 - Explain the logic of the change agenda

Schein's Model of Personal Change

Unfreezing

Disconfirmation

Guilt & anxiety

Psychological Safety

Changing

Scanning, Trial & Error

Identification, Imitation

Adoption

Integrate into role

Supportive social relationships

Dimensions of Organizational Change

Top Down _____ Bottom-up

Radical _____ Incremental

Discontinuous _____ Continuous

Planned _____ Emergent

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Rules for the Change Agent

- **Rule One: Try to Stay Alive**

- Is this for you?
- What are the real benefits and costs?
- What are the real chances of success?

- **Rule Two: Learn**

- Learn how others see you and what you represent.
- Are your ends getting in the way of the project?

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