

# The “New” Organization

## Session 1

Sloan School

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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?**

## *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)

## *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)*

## *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)*

## 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*



# 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 ???

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**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

## 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