An Unbelievably Brief History Of the Theory Organization and Workforce Performance

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Strategic Leadership and Change

Organizational Consulting

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A Brief History of Organization Theory

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A Brief History of the Study of Organizations

The study of Organizations and Management is often thought to be a twentieth century phenomenon, but people have been thinking about how to organize to do work for as long as there have people to do work.

Below is a brief history of pre-twentieth century organizational and management concepts.

4000 B.C.	Egyptian document outlines the concepts of managerial effectiveness: planning, organization, and control.
2600 B.C.	Egyptian document espouses decentralized decision making.
1600 B.C.	Egyptian document advocates centralization of financial functions.
500 B.C.	Confucius argues for decentralization of decision making to functional specialists.
400 B.C.	Greece: Socrates and Xenophon declare that management was a universal and separate field of study. Persia: Cyrus first uses time motion studies and flow diagrams for building and materials movement.
325 B.C.	Macedonia: Alexander the Great creates first known "personnel" staff position.
175 B.C.	Rome: Cato first uses job descriptions.

1340 A.D.	Genoa: L. Pacioli invents double entry bookkeeping.
1776 A.D.	England: Adam Smith applies specialization concepts to factory workers.
1800 A.D.	England: James Watt coins term "standard operating procedure."
1850 A.D.	England: John Stuart Mill sets down principles of span of control.
1855 A.D.	United States: Daniel C. McCallum designs the organization chart to show management structure of a railroad.
1881 A.D.	United States: Joseph Wharton establishes first college course in business management.
1900 A.D.	United States: Frederick W. Taylor creates concept of *scientific management*, systematizing management and placing emphasis on research.

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20th Century Writers on Organizations

Psychologists

The field of psychology begins with the individual: his motivations, his needs, and his organizational behavior. Perhaps the most important distinction to make about the contributors to the study of organizations is whether they are followers of the Jungian/Rogerian psychology of genetic and individual responsibility or followers of the behaviorists like B. F. Skinner, who tend to emphasize the environment and experience of the individual as the key elements in the shaping of personality. Some psychological theorists are:

Theorist	Theory	Implications
David McClelland	People are subject to three basic motivations: • Need for power • Need for affiliation • Need for achievement	Organizations can be structured to emphasize achievement while meeting other needs
Abraham Maslow	People are subject to a hierarchy of needs ranging from survival to self-actualization	Organizations should emphasize meeting basic needs and then encourage individual growth
Frederick Herzberg	Identification of *organizational hygiene factors*, the absence of which demotivate, and *motivators*, the presence of which motivate	Maintain hygiene factors first, then add motivation
Chris Argyris	The development of the individual and the development of the organization are directly related	Managers must develop interpersonal competence to draw out their people in order to develop their organization

20th Century Writers on Organizations

Social Psychologists

Social psychologists approach the organization from the perspective of group interactions. The role of the manager is to set the conditions for group interaction and to coordinate the process. Some social psychology theorists are:

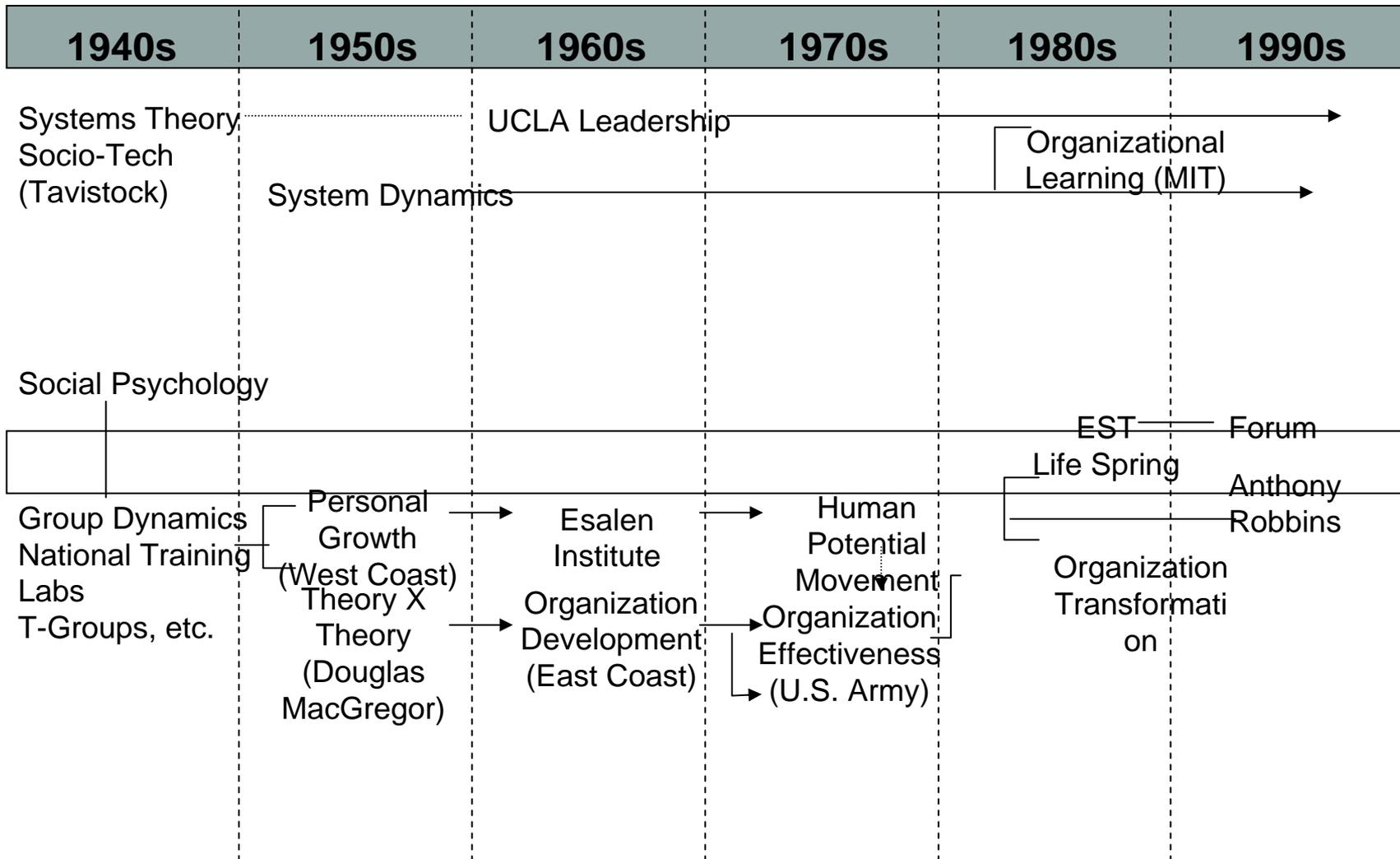| Theorist	Theory	Implications
Rensis Likert	System 4 There are four types of management: • System 1 - exploitative authoritative • System 2 - benevolent authoritative • System 3 - consultative • System 4 - participative	Participative Management takes longer, achieves best long term results
Douglas MacGregor	Theory X managers believe people hate to work and therefore must be directed. Theory Y managers believe that people may actually like to work and therefore must be given the opportunity	Participative Management and self-directed job enrichment

20th Century Writers on Organizations

Systems Theorists

Systems theorists view the organization as the integration of people and technology in a systemic way. Some systems theorists are:

Theorist	Theory	Implications
Eric Trist and the Tavistock Institute	There is an integration between the work group and the technology they use. The enterprise is an open system, accepting inputs from the environment which change the socio-technical system of the organization	Management's task is to manage the complexity of all of the elements in the socio-technical system of the organization
Jay Forrester	Founder of System Dynamics, which demonstrates that an organization is a system which depends upon the interactions of individual motivations and the positive and negative feedback loops of the processes caused by those motivations	The manager must view the entire system and its dynamics in order to remove inefficiencies

Twentieth Century Theory Development

1940s	1950s	1960s	1970s	1980s	1990s

Systems Theory
Socio-Tech
(Tavistock) ········· UCLA Leadership ——————————————————→

Organizational
Learning (MIT) ————————→

System Dynamics ————————————————————————————

Social Psychology

EST ——— Forum

Life Spring

Anthony
Robbins

Group Dynamics
National Training
Labs
T-Groups, etc.

Personal
Growth
(West Coast) →

Esalen
Institute →

Human
Potential
Movement

Organization
Transformati
on

Theory X
Theory
(Douglas
MacGregor) →

Organization
Development
(East Coast) →

Organization
Effectiveness
(U.S. Army)

Some Definitions

Organizational Behavior (OB)
This term originates in psychology and has come to mean the behavior of individuals in an organizational setting. Controlling this behavior is the task of the manager.   The manager can control and direct this behavior by offering opportunity to capitalize upon individual motivation (Rogerian School) or by offering positive or negative reinforcement (Behavioral School). Most business school organizational departments are OB departments

Organizational Development (OD)
Though this term originates in the social psychology movement, it has come to mean the management or change of the structures, systems, and processes of an organization designed to produce desired results. OD evolved from the work of the National Training Laboratory and continues to be practiced by such firms as Delta and Bloch, Pietrella, Weissbard

Organization Effectiveness (OE)
The U.S. Army picked up the Organizational Development Movement in the 1970's. Task Force Delta picked up the language of the Human Potential Movement and combined it with the methods of the Organizational Development Movement to create the Organizational Effectiveness Movement. This coincided with the "Be all that you can be" advertising campaign. OE emphasized clear communications of objectives and individual feedback as a driver of organization performance, but didn't include controversial methodologies such as the
T-group. Many Delta Group Executives retired to corporate jobs in the 1980s

Organizational Transformation (OT)
This term implies change in the fundamental organizing principles of the organization. However, changes are still made to the structure, systems, and processes of the organization in order to align them with the new "paradigm."   At its inception OT was quite radical and even a bit "New Age," but the term has come to mean radical change or reinvention

The **Systems Theory School** has developed into the outgrowths of the Socio-tech School. This has split into the **System Dynamics** and **Learning Organization School**, predominantly at the Massachusetts Institute of Technology, and the School of Change Leadership at UCLA (Ed Lawler and Warren Bennis)

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Stages of Organizational Development

- Bruce Scott described 3 different stages of organizational development.
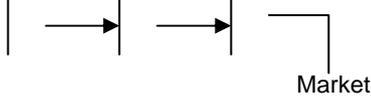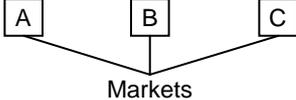
Stage 1:   Small company with many functions coordinated by one manager typically the entrepreneur

Stage 2:   Multidepartmental enterprise with specialized management departments based upon a diversification of product-lines or markets

Stage 3:   Multi-divisional enterprise with divisions based upon product line and/or market based divisions

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Stages of Corporate Development, Bruce R. Scott, Case Clearinghouse 1972

Bruce Scott describes each stage as having different characteristics.

(H) = Client position

Company Characteristics	Stage I	Stage II	Stage III
Product line	Single product of single line	Single product line	Multiple product lines (H)
Distribution	One channel or set of channels	One set of channels	Multiple channels (H)
Organization structure	Little or no formal structure – "one man show" (H) ←→ (H)	Specialization based on function	Specialization based on product-market relationships
Product-service transactions	N/A	Integrated pattern of transactions → → Market	Not integrated A B C Markets (H)
R&D	Not institutionalized – oriented by owner/manager	Increasingly institutionalized search for product or process improvements (H)	Institutionalized search for *new* products as well as for improvements
Performance measurement	By personal contact and subjective criteria (H) ←→ (H)	Increasingly impersonal using technical and/or cost criteria	Increasingly impersonal using *market* criteria (return on investment and market share)
Rewards	Unsystematic and often paternalistic (H) ←→ (H)	Increasingly systematic with emphasis on stability and service	Increasingly systematic with variability related to performance
Control system	Personal control of both strategic and operating decisions (H)	Personal control of strategic decisions; increasing delegation of operating decisions based on control by decision rules (policies)	Delegation of product-market decisions within existing businesses; indirect control based on analysis of "results"
Strategic choices	Needs of owner v. needs of firm (H) ←→ (H)	• Degree of integration • Market share objective • Breadth of product line	• Entry and exit from industries • Allocation of resources by industry • Rate of growth

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Historical Progression of Theory of Workforce Performance

The Human Relations School

1926
Elton Mayo
"Hawthorne Effect"

1954
Abraham Maslow
"Hierarchy of Needs"

1965
David McClelland
"Need for Power, Achievement, Affiliation"

1968
Frederick Hertzberg
"Motivators & Hygiene Factor"

1985
Chris Argyris
"Double Hoop Learning"

1997
Samantra Goshai
Chris Bartlett

1990
Peter Senge
"Systems Thinking"

1960
Douglas McGregor
"Theory X, Theory Y"

Individual motivation

1938
Kurt Lewin
Ron Lippett
"Social Forces Direct Individual Behavior"

1955
Elliot Jacques
"Role Structure and Psycho-Economic Equilibrium""

1967
George Litwin
Bob Stringer
"Climate and Motivation"

1978-1985
Edgar Schein
"Complex Individual Career Perspective and Organization Culture"

2000
John Katzenbach
"5 paths to Emotional Commitment"

1925
Mary Parker Follett
"Integration and Compromise"

1938
Chester Barnard
"Coordinated Dynamic System"

Workforce performance is primarily a function of multiple factors

1918
Henri Fayol
"Plan, Organize, Control" and "Unity, Equity, Initiative"

1967
Rensis Likert
"System 4, Participative M6+"

1982
Tom Peters
Robert Waterman
"Values and Process Driven Excellence"

1994
Jim Collins
Jerry Poras
"Vision, Value, Process and Discipline"

1938
Tavistock Institute
Eric Trist
Fred Emery
"Sociotechnical Systems"

Wilfred Bion
"Active and Passive Psychology in Groups

1964
Robert Blake
Jane Mouton
"Managerial Grid Production and People"

1920
Frederick Taylor
"Scientific Management"

Group Theorists

1900
Max Weber
"Efficient Bureaucracy"

Structure and organization of work

Classical Theorists

| 1900 | 1910 | 1920 | 1930 | 1940 | 1950 | 1960 | 1970 | 1980 | 1990 | 2000 |

Trends in the Development of Workforce Performance Theory

Over time, theorists have placed more emphasis on individual motivation in complex combinations with many other factors as determinants of workforce performance

- The first theorists of organizational and workforce performance believed that the structure and organization of work was solely responsible for performance (Weber, Taylor)

- Henri Fayol and Mary Parker Follett began to emphasize more organizational performance by delineating management's role (Plan, Organize, Command, Control – Fayol; Coordinating Integration – Follett)

- Elton May, with the experiments at the Hawthorne works of General Electric began to demonstrate that paying attention to individual needs and social interrelationships had a greater impact on performance

- The Human Relations School, Mayo, Lewin, Maslow, McGregor, McClelland demonstrated that individual motivation was a powerful determinant of workforce performance

- The group development theorists, Trist, Bion and Jacques at Tavistock and Lewin, Maslow, Beckhard and McGregor at National Training Laboratories (NTL) demonstrated that small group forces affected behavior and organizational performance

- The organizational climate theorists (Litwin, Stringer, Burke, Schneider, etc.) demonstrated the effect of controllable short term effects and the organizational culture theorists (Schein, Deal, Kennedy) demonstrated the effect of longer term values, assumptions, beliefs and norms

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Trends in the Development of Workforce Performance Theory

Contemporary theorists have come to define an organization as a complex open system where disparate performance drivers are interrelated. Systems, structures, processes, leadership, values and individual motivation all drive performance together and success comes from alignment of performance drivers.

System Dynamics
- Jay Forrester, at MIT described workforce performance to be a function of the systems interaction of individual motivators, group efforts, management organizational systems and procedures and other environmental effects. The organizational system could only be understood as a series of inter-related feedback loops
- Peter Sence took the idea one step further to postulate that workforce performance was only improved through pre-programming learning into those feedback loops

Process and Metrics
- In *Reeingineering the Corporation*, Michael Hammer and James Champy advocated the improvement of workforce performance through streamlining business procedures

Management
- Blake and Mariton emphasized combined focus on performance numbers and people. Peter Drucker, Ken Blanchard and others emphasized direction, coaching and feedback

Leadership
- Warren Bernies first emphasized vision (the management of meaning) and Empowerment
- John Koller, Noel Ticky, Jon Katzenbach and the RCL team emphasized how leadership at all levels drive performance in change

Alignment and Emotional Commitment
- John Katzenbach's Peak Performance showed that high performing companies gained extraordinary emotional commitment by focusing on fulfillment as well as performance and by aligning all organizational system and management practices around 5 paths

The Evolution of Organization Theory on Organization Structure
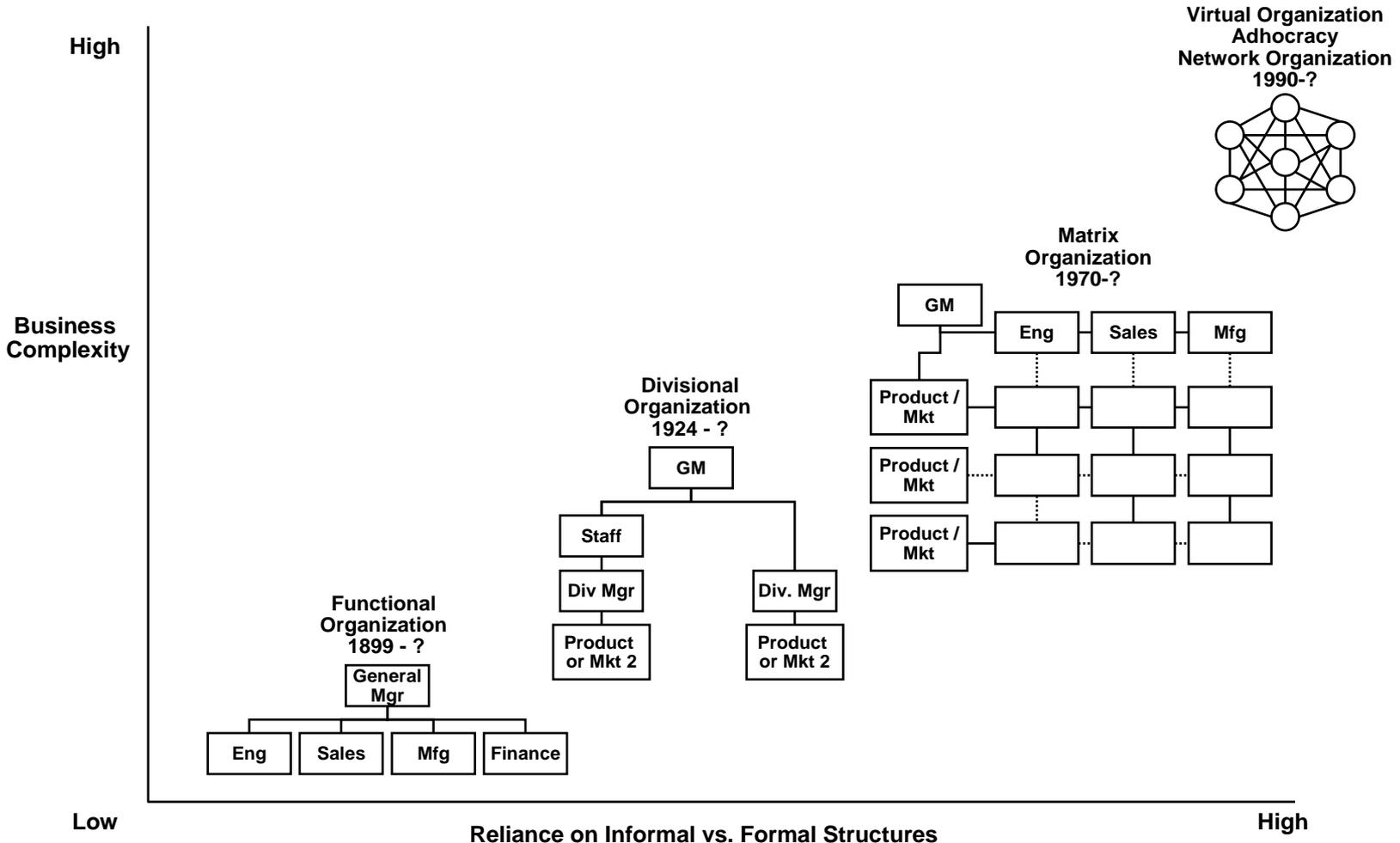
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The Evolution of Organization Structure

Organization Design has evolved as business has evolved. As business complexity has increased getting work done has required increasing reliance on informal organization.

High

Business Complexity

**Virtual Organization
Adhocracy
Network Organization
1990-?**

**Matrix Organization
1970-?**

**Divisional Organization
1924 - ?**

**Functional Organization
1899 - ?**

Low

High

Reliance on Informal vs. Formal Structures

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History of Organization Design Concepts: The Functional Organization

Concepts of organization structure design have evolved as business has evolved. The functional organization meets the needs of early Industrial Age to increase efficiency and simplify training through specialization and a high degree of formal structure.

	Organizational Theorist/Practitioner	Premises	Corresponding Business History
1899	**Max Weber** German Sociologist	• The rational-legal bureaucracy is the dominant organization of modern society. The authority structure is goal-centered where people obey to achieve clear goals and is clearly technically superior to organizations based upon charismatic or feudal authority structures	• The industrial revolution created businesses of a scale that required complex organization and rational rules and procedures
1908	**Henri Fayol** French Mining Engineer	• Unity of Command – one boss • Division of Work: Specialization by functional activity allows the individual to build up expertise and thereby be more productive • Vertical information flow drives unity of direction; lateral information flow is critical for "coordination"	• The first functional organization theory corresponded to the development of automated steam drill and rail transport in the mines, and was the precursor to the development of the assembly line in manufacturing
1911	**Frederick W. Taylor** Chief Engineer, Bethlehem Steel Works	• "Scientific Management" involves the detailed analysis and standardization of all tasks and subtasks. The job of the manager is to organize the work to increase efficiency of the work and to ensure the systematic training of each worker to be the "first-class" man	• The logical conclusion of the functional organization had its routes in the steel mill but has quickly applied to factory work of all kinds, including Henry Ford's Model-T plant

History of Organization Design Concepts: The Divisional Organization

Concepts of organization structure design have evolved as business has evolved. The divisional structure was purpose-built to ensure accountability across multiple products or markets.

	Organizational Theorist/Practitioner	Premises	Corresponding Business History
1924	**Alfred P. Sloan** CEO General Motors Corp, 1923-1946 (written about by Alfred D. Chandler, *Strategy and Structure* (1962) and Peter Drucker, *Concept of the Corporation* (1993)	• Separate decentralized product-based organizations ("a car for every pocket-book") with centralized control systems administered by senior managers and corporate staff each organization can be adapted to its strategic purpose	• The expanding markets for consumer products allowed for segmentation of customers and the creation of separate brands to serve them
1950	**Tom Burns** British Sociologist, and **G. M. Stalker** British Psychologist	• There are two types of organizations: – **Mechanistic** – appropriate to stable conditions. The problems and tasks are broken down into specialization and knowledge integration is handed – **Organic** – adapted to unstable conditions. Individuals adapt by changing tasks to fit environment and firms overall goals and lateral communication is prevalent	• The post-war period produces many start-ups as well as the flowering of established businesses
1953	**Joan Woodward** British Sociologist	• An organization's structure reflects its production system – Unit and small batch production requires flexibility, short chains of command, and small numbers of production workers – Large batch and mass production have short lines of command, large production workforces and highly specialized staffs – Process production, where equipment does most of the work, has tall hierarchies and much cross-unit coordination "committee management."	• The industrial economy matures and becomes more diverse, there were many different types of production, sometimes even within a single company

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History of Organization Design Concepts: The Matrix Organization

Concepts of organization structure design have evolved as business has evolved. The matrix structure evolved from project management structures. It requires constant balancing and relies upon communication and negotiation skill in informal and formal relationships.

	Organizational Theorist/Practitioner	Premises	Corresponding Business History
1962	**Alfred D. Chandler** U.S. Historian *Strategy and Structure*	• Organization structure follows from and is guided by strategic decisions. Organizations evolve over time and equal but competing focuses are reflected by changes in structure. Chandler tracks the formation of the divisional structure in US business	• The largest companies, General Motors, DuPont, Standard Oil, Sears & Roebuck, were in multiple businesses simultaneously and were quite complex organizations with frequently competing objectives
1967	**Paul R. Laurence, Jay W. Lorsch** Harvard Organizational Behavior Professors *Organization and Environment: Managing Differentiation and Integration*	• Organizations must be designed to accomplish **both differentiation** (by function, by product, by customer) **and integration**	• Large organizations evolved with competing objectives for product market, geography, and function
1971	**Jay R. Galbraith** Wharton Professor of Organizational Behavior *Matrix Organization Design*	• Adding the product orientation to the functional organization and adjusting reporting and measurement systems achieves balance	• Organizations grew from national (export) to transnational in orientation
1977	**Stanley M. Davis** Columbia, and **Paul R. Laurence** Harvard *Matrix*	• Matrix organizations go through a complex evolution from adding one dimension (project management at NASA) to designing matrix processes (product innovation). The matrix organization matures as processes are made explicit	• Organizations become increasingly global and increasingly complex with multiple products, markets and new functions like IT to organize around

History of Organization Design Concepts: New Forms – Adhocracy, Network, Virtual, Learning Organization

Concepts of organization structure design have evolved as business has evolved. Knowledge-based organization shifting to greater service components require flexible organizations ready to respond to changing environments.

	Organizational Theorist/Practitioner	Premises	Corresponding Business History
1974	**Peter F. Drucker** Claremont University New Templates for Today's Organizations	In addition to Henri Fayol's functional structure and Alfred Sloan's federal decentralization there are 3 new structures – Team structure – Simulated decentralization (integrated segments are treated as if they were independent) – Systems structure cross-unit integration is critical for innovation	• 1972 – Intel invests the microchip • 1978 – Internet invented • 1980 – Osborne Computer invents the personal computer • 1983 – Grid Systems invents the laptop
1981	**Henry Mintzberg** McGill University *Organization Design Fit or Fashion*	Adhocracy, a structure of interactive project teams, which allows innovation and rapid response on multiple dimensions. The informal organization is more important than the formal	• Ascendancy of Japanese business • Rapid growth in world financial markets
1985	**Charles Handy** London Business School *The Age of Unreason* *The Age of Paradox*	Flexibility to deal with economic ups and downs and the requirement for rapid response indicate a need for the Shamrock Organization where a small core of workers manage innovation through networked relationships with each other, contract workers and suppliers	• 1996 – E-mail messages outnumber "snail mail" • 1998 – Substantial Internet adoption • New business models emergent and convergent industries
1990	**Peter Senge** MIT *The Fifth Discipline*	The organization is an interrelated system, which often fails to learn because of individual and group learning disabilities. Most of the effect of organization is in the trends in interactivity	• 1991-1999 reengineering, corporate downsizing
1993, 1998	**James Brian Quinn** Dartmouth *Intelligent Enterprise, Innovation Explosion*	The Spider Web Organization is a network organization built entirely an informal relationships	

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Beyond Formal Organization

<div align="center">Organizational Theorist/Practitioner</div>

1930   **Mary Parker Follett** postulates the organizational principle that direct contact along horizontal lines is as important to organizational coordination as the vertical communication of the hierarchy; differences would never be resolved by domination nor compromise but by true "integration"

1938   **Chester A. Barnard**, President of NJ Bell Telephone defined the informal organization as "interactions between persons based upon personal rather then joint purposes…over time these interactions create a means of communication and cohesion which keeps the formal organizations from dominating the individual… The leaders role is to harness the social forces in the organization to the service of organizational goals

1958   **A. R. Rice**, Tavistock Institute, UK reorganized an automatic weaving factory to account for interdependency and cross-unit feedback along consistent lines with positive results led to the development (Emery and Trist) of the Tavistock "open socio-technical system" model of organization where the balancing of the formal and information where the balancing of the formal and informal organization became a management task

1967   **Paul R. Lawrence, Jay W. Lorsch** examine the relative success of firms in the plastics industry and conclude that the informal integrating processes allow for greater innovation in times of rapid change

1982   **Thomas Peters and Robert Waterman**, *In Search of Excellence* note that it is the informal processes, culture, and interpersonal relationships of our organization that make for excellent performance

1993   **David Krackhardt**, Carnegie Mellon University discover and map three types of network, Advice Networks, Communication Networks, and Trust Networks which must be aligned with formal goals or create dysfunction

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Informal Organization is Fragile

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<div align="center">**Organizational Theorist/Practitioner**</div>

1932   Elton Mayo, Australian professor at the Harvard Business School in investigating performance improvement at the Hawthorne works of General Electric discovered that increases in performance occurred from the greater social interaction of both the experimental and control groups. By removing the group from the normal work setting and intensifying their interaction greater group cohesion produced continually increasing performance regardless of experimental changes in the work environment. Later comparisons with unintegrated units showed no spontaneous cooperation and declining performance

1951   Eric Trist of the UK Tavistock Institute studied the change to long face coal mining technology which broke up small work teams of artisans and replaced it with 40-man production units of men who did not know each other in a new "socio-technical system"
- In the small groups which had worked together attempted to continue working together, absenteeism increased
- Production declined substantially from expectations and from previous production

A Process for Organization Design

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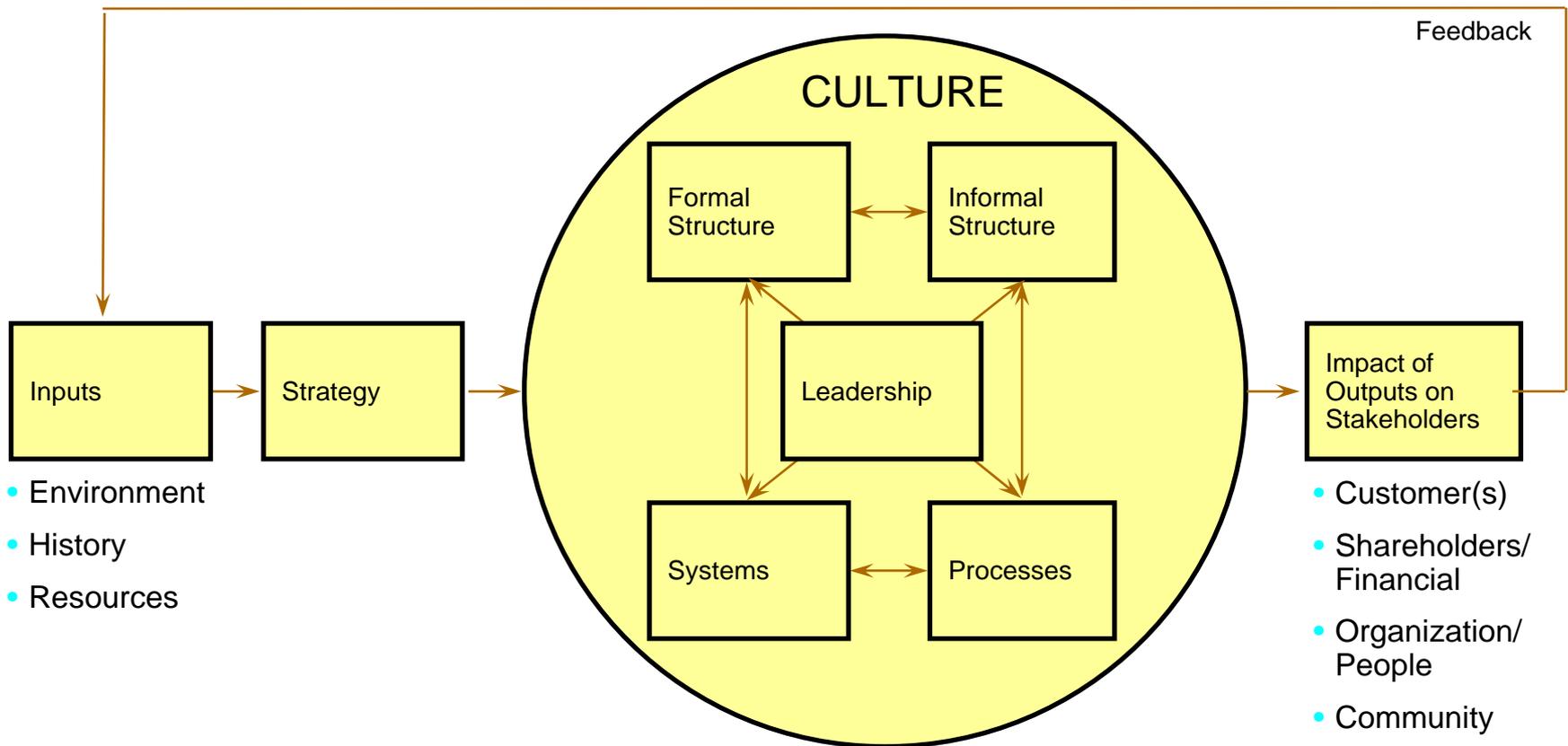# Common Problems in Organization Design

Organization Design Problems

- **The "Grew-Like-Topsy" Organization**
  - Ad hoc organization design makes little logical sense
  - Often "personality driven" – efficient, ambitious, or well-liked people get more responsibility
- **The "Rube Goldberg"**
  - Combinations of "favorite" elements that are inconsistent and/or in conflict
- **Silos and Fiefdoms**
- **Information Vacuums or Gridlock**
- **The Cast-in-Concrete Org Chart**
- **The "Hire-an-Expert" (again) syndrome**

What's Needed

- **Strategy driven organization design**
  - Purpose built to deliver strategy
  - Objective is clear to everyone
  - Jobs designed before candidate selection
- **Organization structures, systems, processes are designed as an integrated, aligned whole**
- **Designs where groups share a common goal and the leaders are incentivized to collaborate**
- **Appropriate links between groups**
- **A dynamic, flexible organization**
- **Organization design is viewed as a critical leadership capability**

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The Organizational System: Implementation of Strategy

CULTURE

Formal Structure ↔ Informal Structure

Leadership

Systems ↔ Processes

Feedback

Inputs → Strategy →

- Environment
- History
- Resources

Impact of Outputs on Stakeholders

- Customer(s)
- Shareholders/ Financial
- Organization/ People
- Community

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Source: David Nadler, *Organization Architecture, 1994*

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Definitions of Terms

- GROUPING - the basic shape of the organization – the "boxes and wires"
  - Communicates Organizing Logic - *"what's important around here"*
  - Defines Reporting Relationships - *"who's accountable for what"*
  - Defines Vertical Information Flow -*"the chain of command"*

- Organizational processes can be grouped by the following three logics:
  - Activity (e.g., by function or work process)
  - Output (e.g., by product or service provided)
  - User/client (e.g., by markets, market segments, or geography)

- LINKING - Designs how the organization operates -"the informal organization"
  - Defines Horizontal Information Flow -"so the right hand knows what the left hand is doing"
  - Integrates and Coordinates Work Between Units

- LINKING Mechanisms include:
  - liaison, networks, meetings, matrix structures, etc

Grouping Decisions Should be Determined by Drivers
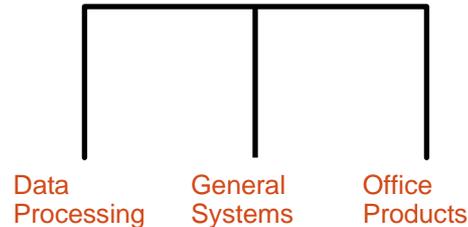
Activity

President

Finance | Operations | Mktg | Sales | HR

- Examples:
  - By function
  - By knowledge or discipline
  - By time (shifts)

Group by activity if cost is a key driver

Output

President

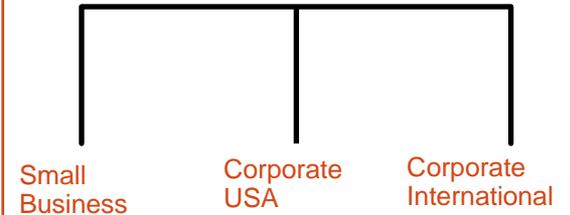Data Processing | General Systems | Office Products

- Examples:
  - By products or services
  - By work process
  - By projects

Group by output if technological innovation is a key driver

User/Client

President

Small Business | Corporate USA | Corporate International

- Examples:
  - By market segment
  - By user/client need
  - By geography

Group by user/client if markets are uncertain, competition is stiff, and different business needs have been identified

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Advantages and Challenges of Different Grouping Models

Activity Groupings

Advantages

- Least expensive organization
- Easy to hire/train for
- Builds functional excellence
- Minimum group overlap
- Easy to manage
- Easy to communicate

Challenges

- Communicating a unifying purpose/vision
- Cross functional coordination - hand-offs
- Meaningful function metrics that tie to end results
- Innovation sometimes is ignored
- Customer sometimes gets lost

Output Groupings

Advantages

- Product/service innovation drives growth
- Builds group cohesion easily because of product identification
- Simplest results and process metrics linkage

Challenges

- Functional overlap
- Building/maintaining functional excellence
- Unequal "product" groups
    - Second class citizens
    - Comparative measures are hard
- Innovation for its own sake
- Customer needs sometimes get lost

User/Client Groupings
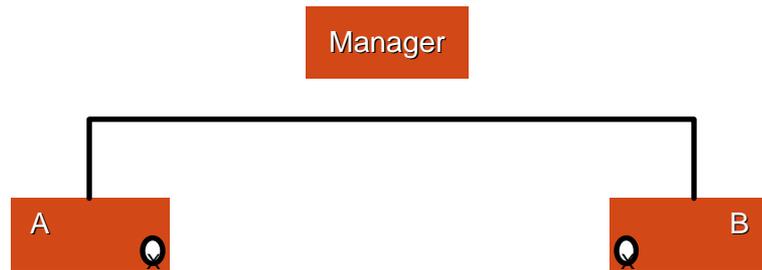
Advantages

- Meeting customer needs drives growth
    - Makes everyone a market researcher
    - Service focus
- Customer metrics easy to understand

Challenges

- Functional overlap
- Building/maintaining functional excellence
- Unequal "customer" groups
    - Second class citizens
    - Comparative measures are hard
- Transferring innovation between groups
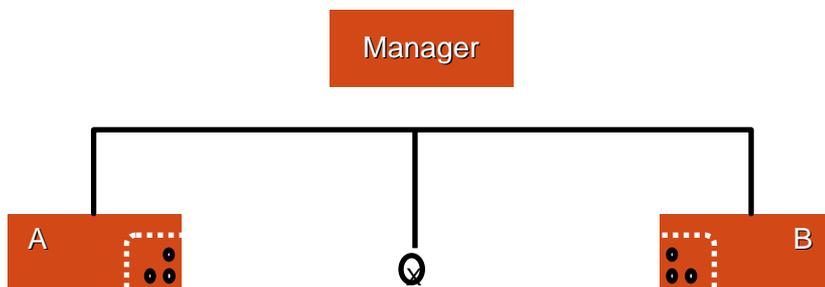- "Whatever- it-takes" mentality is sometimes unprofitable29

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Physical Linking Options

- Liaison roles

Manager

A

B

Cross-unit groups/networks

Manager

A

B

Integrator Role; Technology

Manager

A

B

Matrix-type structure

Manager

C

A

B

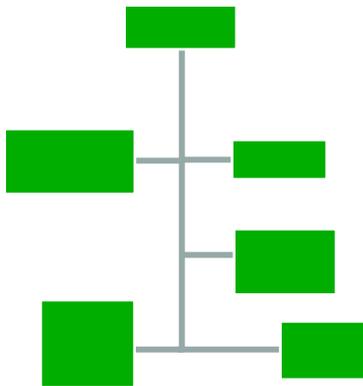**Alan Cay Culler**
alan@alanculler.com
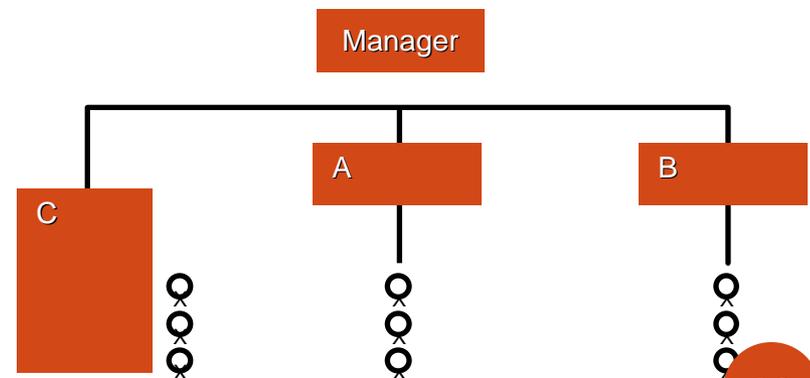
Primary Linking Mechanisms for Alignment

Provides Focus
and Accountability

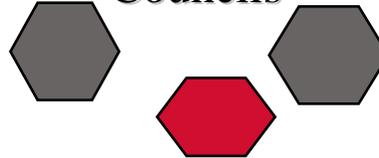Provides Collaboration and Synergy

Structures

- What's important
- Role clarity
- Accountability
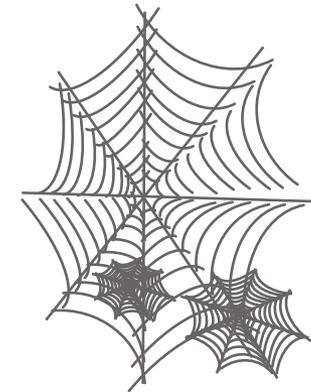
Flexible Units

- Teams
- Task forces
- Councils

Formal Processes

- Business
- Strategic
- Support

Networks

- Common values
- Inter-personal relationships
- Behaviors
- Voluntary roles

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Some Common Problems and Potential Solutions for the Matrix Organization

Problems

- Confusion and conflict and a lack of understanding of the purpose of the organization

- The "two boss" problem

- We don't have the right people. (Matrix organizations rely on high level of functional expertise and communication and negotiation skill)

- "Dropping the ball"

Potential Solutions

- Revisit business drivers and establish informal processes and procedures to clarify and resolve.

- Informal structures (forums) to discuss key objectives

- Select and train

- Clarify process responsibilities and monitoring

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The Organizational Express

21st Century Forces May Require More Than Alignment

Disruptive Technologies

Global Competition and Markets

Communication, Entertainment, Computer Convergence

Unstable World Politics

Growing World Environment Concerns

Unstable World Politics

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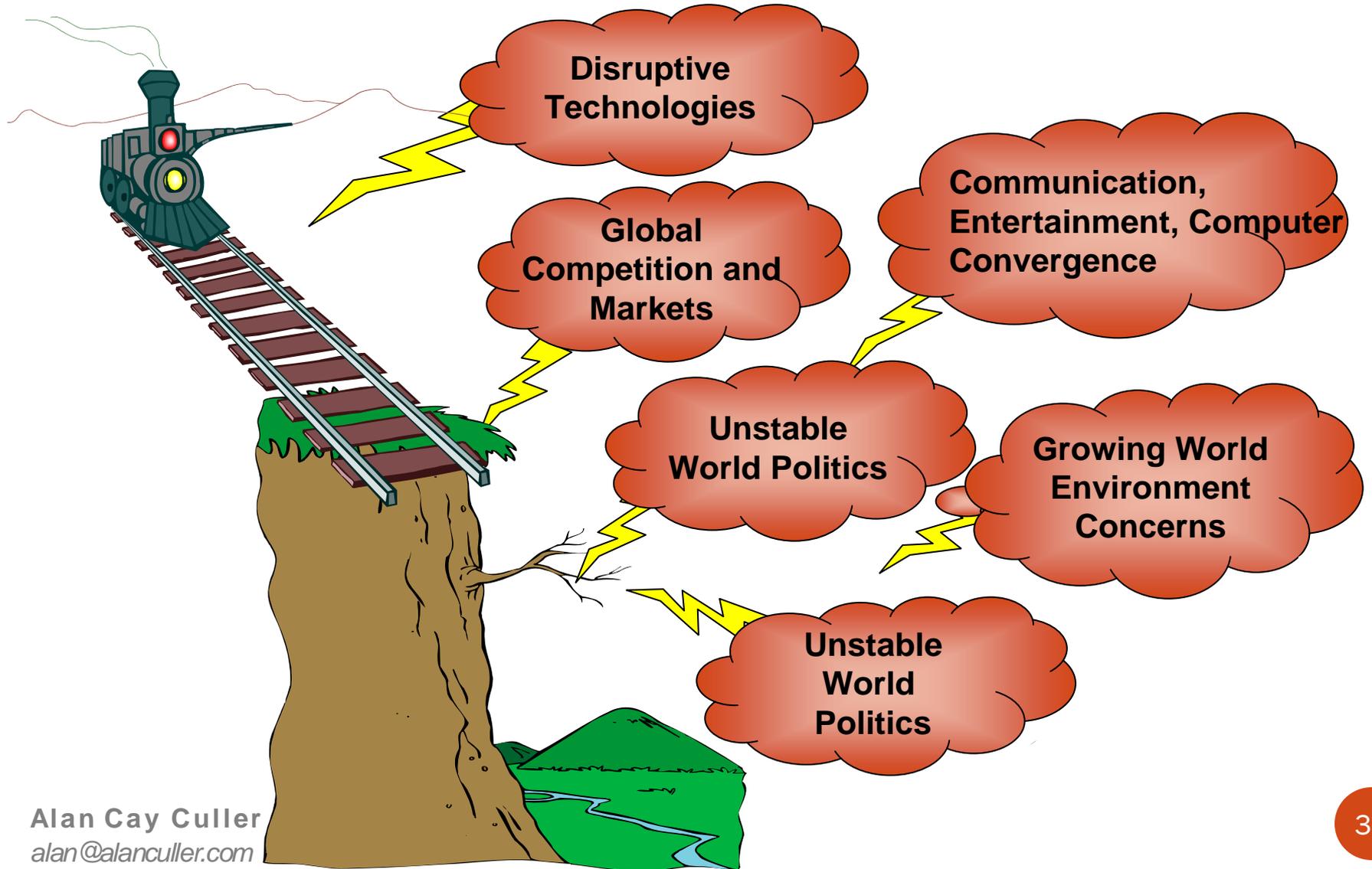
Innovation Is a Critical Organizational Capability

21st Century Trends

- Increasingly global markets and competition

- Disruptive technologies

- Communications, entertainment computer convergence

- Changing workforce demographics and expectations

- Growing world environmental concerns

- Unstable world politics

Innovation Capability

- New business model and strategy development

- Rapid blockbuster product development

- Interactive marketing

- Alliance/JV management

- Flexible manufacturing design

- Advanced security design

- Accelerated learning/ knowledge sharing

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A High Performance Organization Holds Itself Accountable to a Balanced Set of Metrics

Customer Metrics

E.g. revenue growth, re-buy, or referral rate, market share, new products

Balanced Metrics

People Metrics

E.g. # applications/job, productivity/person, 90 internal promotions vs. outside hires, new skill development/ tenure in job

Shareholder Metrics

E.g. ROI, share price growth, existing business productivity improvement and new business development process

The unit of comparison begins with industry leadership, but the aspiration is the "Best in the World"

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A High Performing Organization Is a Study in Balance

Strategy Clarity — **Flexibility & Adaptation**
Balanced Metrics

CEO Led — **By Distributed Leadership**
Balanced Metrics

Enterprise Performance — **Worker Fulfillment**
Balanced Metrics

Alignment Discipline — **Innovation Capability**
Balanced Metrics

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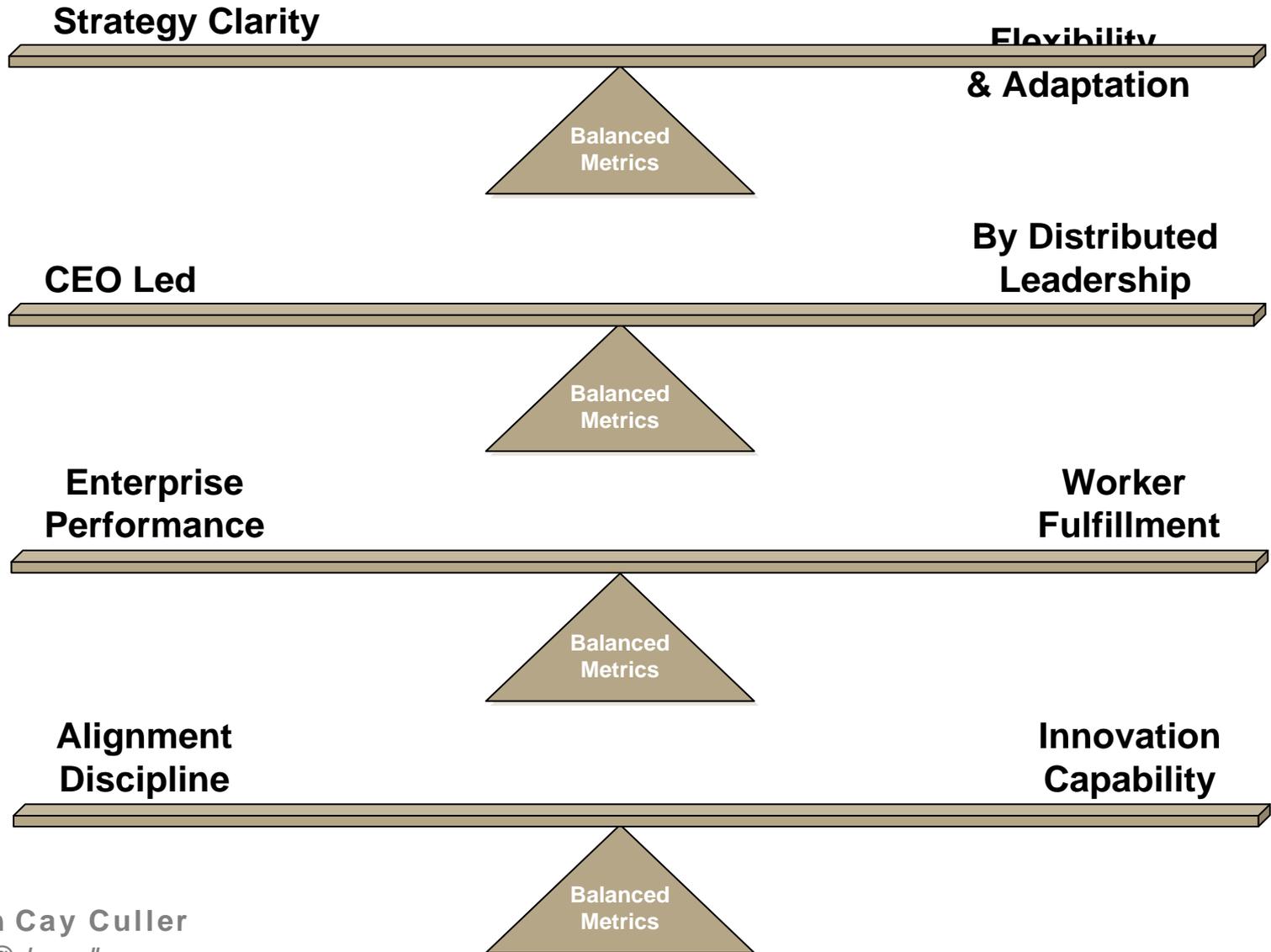
A High Level, Six Step Process for Organization Design

Mobilization, Feedback and Learning
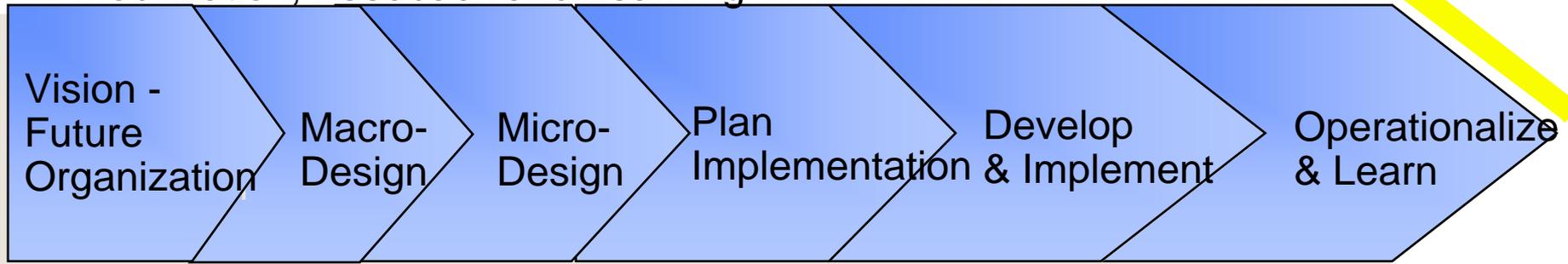
Vision - Future Organization	Macro-Design	Micro-Design	Plan Implementation	Develop & Implement	Operationalize & Learn
Create Vision of "Could Be" and Existing Best Practice	*Develop and Select High Level Options*	*Design Detailed Elements*	*Develop Detailed Implementation Plan & Schedule*	*Implement & Develop the New Organization*	*Operationalize and Institutionalize New Organization*
• Environment • History • "As Is" • Ongoing initiatives • Drivers • Design Process • Vision/Strategy	• Strategic Questions • Design Criteria • Model Development • Benefits & Concerns • Option Selection	• Structure • Roles & Responsibilities • Governance • KPIs • Competencies/Skills • Selection Process • Compensation/ People Issues • Validation/ Communication	• Leadership Team Development • Implementation Team Development • Area Wide "Kickoffs" • Implement Select ion Process	• Assume New Roles • Evaluation/ Feedback • Extensive Coaching • Continuous Improvement • Build on the Basic Blocks	• Stretch Goals • Reward Systems • Extensive Coaching • Individual and Organizational Learning • Knowledge Networks • Prepare for Next Wave

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Alan Cay Culler Background and Connections

Alan Cay Culler

- 30+ years delivering business results as a strategic change consultant

- Specializing in Strategic Leadership, Organization Consulting, Process Change Infrastructure, Leadership Group Work Change Teams and Change Agent Development

- Clients in: Airlines, Chemicals, Construction, Manufacturing, Media, Oil & Gas, Pharmaceuticals

Connected Resources

- Connections to over 25 independent consultants and executive coaches and several small consulting firms

- Specialists in Strategy, Operations, Organization and Change

- Resources in
    - United States and Canada
    - United Kingdom and EU countries
    - Asia, Hong Kong, Singapore, Japan

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