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MANAGEMENT *REVIEW*

Searching for an alternative management style

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A DIVISION OF AMERICAN MANAGEMENT ASSOCIATIONS

Searching for an alternative management style

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The authors of this article worked for approximately five years to develop an alternative way to manage an organization, which one of them headed as divisional senior vice-president. Their project led to a method that (1) depends on the establishment of specific organizational values and (2) draws heavily on knowledge about organizational behavior to implement these values. Paradoxically, what they arrived at was not a specific set of new "management rules." Instead, they found the "alternative embodied in the actual search" for better managing processes.

SOMEWHERE, DOWN INSIDE YOU, is that nagging sense that there has to be a better way to make it all happen. Well, you're not alone. More and more managers are trying to find a "better way" of managing their companies.

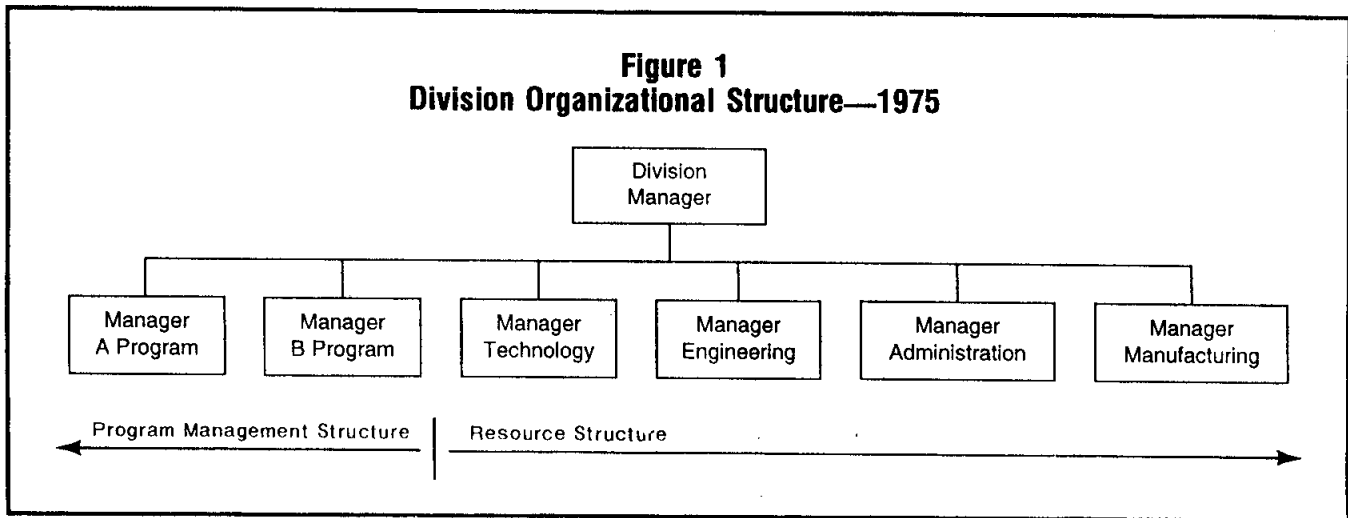
Our experience—as a manager of and a consultant to a fast-growing, successful division of an engineering company—provides a case in point. For us, the search for new ways of managing started with the division's rapid growth and its expansion into diverse technologies. As this happened, it became more and more difficult to achieve satisfactory alignments between programs and people. Our growth greatly increased the load on middle-level managers, and there was a growing awareness that the quality of life in

the organization, as well as our ability to handle future growth effectively, was threatened. As this problem intensified, we initiated our efforts to develop a better organizational operational form.

It soon became apparent that the fundamental issues centered around the very reason for the organization's existence. This perception tended to magnify the complexity of our problems. But it also showed that we were facing an opportunity to build organizational strength by defining and agreeing on—at least among the senior managers of the division—fundamental values of worklife quality, personal responsibility, and the distribution of organizational power.

Many companies have attempted to change their ways of operating—and much literature exists on the

Figure 1
Division Organizational Structure—1975



methods and procedures they have used. In our case, we concentrated almost entirely on diffusing power by giving members of the organization more responsibility and control rather than on trying to improve working conditions or methods of assigning work. More significant, however, was our discovery that our search for an alternative operating process was more important than either the methods we tried or the results. In fact, we believe that the most important issue is how you search, not what you find.

The organization

When we started our project in 1975, the organization had 150 staff members, approximately half of whom were professional engineers and scientists, many with master's and Ph.D. degrees. The staff now totals more than 500, and the level of education remains similarly high.

Most of the organization's work involves high-technology engineering/research and development contracts. Originally almost entirely

space- and defense-oriented, operations have now moved toward an increasing emphasis on environmental protection and energy R&D. Along with this shift, the client base changed from primarily governmental to a wide range of corporate customers with a diversity of projects, ranging from small, short-duration consulting efforts to million dollar-plus research, development, and demonstration programs. In addition to engineering services, the division has built a substantial product development and manufacturing capability. Since 1975 sales have grown 30 to 60 percent annually, resulting in a seven-fold increase (to more than \$27 million in 1979), with a six-fold increase in earnings.

Early organization structure

In 1975 the division was operating in a traditional resource/program management matrix structure (Figure 1). Until then the organization had provided flexibility and responsiveness to program structure change while maintaining a semipermanent

resource structure capable of developing long-term resource capabilities. At that point, however, signals that the original structure was stretching beyond its capabilities prompted our first efforts to effect organizational change.

The initial limited discussions were expanded in late 1976 to include all of the division's senior management, a seven-member group that came to be known as the "management council." Using this group as a forum represented a sincere effort at broadening leadership to a multiperspective unit. But convincing members of the council of their new power and responsibility required considerable time, effort, and—most important—shared experience.

Developing a value system

One of the first and most important of these shared experiences was a series of "reorganization committee" meetings. The initial objective was to find a division structure that would retain the vitality and entre-

preneurial spirit that had characterized the organization from its beginning. We introduced organizational development concepts and shared ideas, gradually building a consensus that what we faced was not a simple reorganization problem. Rather, we were searching to understand the fundamental values and purposes of the organization. Slowly we began to recognize that we would be unable to address our day-to-day operating problems effectively unless we first defined a frame of reference or set of values as a basis for solving these problems. As a result, the management council directed its efforts toward defining an organiza-

tional value system (see box below).

The central thrust of the system that evolved was that, as an organization, we placed great value on a high-quality work environment providing opportunities for fully developing the capabilities of individuals. We also felt that the individual has responsibility for his success and for the success of his interaction with and contribution to the organization. This emphasis developed from a predominant belief among members of the council that:

- Fostering individual growth is desirable.
- Effective execution of the organization's diverse business activities

depends on each member of the division taking full personal responsibility, not only for his or her work, but also for the success of the division as a whole.

This implies, of course, that each member needs, and should have, the power to influence day-to-day operations.

Implementing the value system

After developing the value system statement in mid-1977, we began discussions of how to implement it. We eventually concluded, however, that while the management council agreed on the value system, it

The Value System

We are committed to maintaining a high-quality work environment. The key element of our work environment is providing for the development of our individual capabilities.

Growth

We are committed to growth, since it furnishes opportunities for human development. We serve our investors, customers, and ourselves, and believe that each group must strive to meet its own needs, but not at the expense of the other two.

Operations

Organizational structure is just one of the tools for doing our job. It serves our needs—people do not serve the organizational structure.

We are committed to providing staff with the opportunity to participate in as broad a range of functions and tasks as is consistent with an individual's desires and abilities to successfully and responsibly perform.

We are committed to creating an environment where, when available resources are exhausted, assistance is enthusiastically sought—from anywhere in the organization—and enthusiastically given.

We will reward our staff on the basis of contribution, as evaluated against mutual understanding of functions and performance in those functions.

We are committed to honest, open communications,

which are essential elements of making our system work.

Leadership

We believe the leader should derive his authority from those he leads, rather than from his position. We are committed to the concept of the leader as a coach and as a resource that provides encouragement and education.

Decision making

We want decision making to include the person or people most closely involved or affected. We want to avoid autocratic approaches to decision making that result in staff frustration and alienation.

We believe that, when appropriate, group participation leads to better decisions—but we must balance the quality of these decisions against the need to take action.

We will decide when it is necessary to decide. When we have disagreement, we will always ask, "Is it necessary to decide now?"

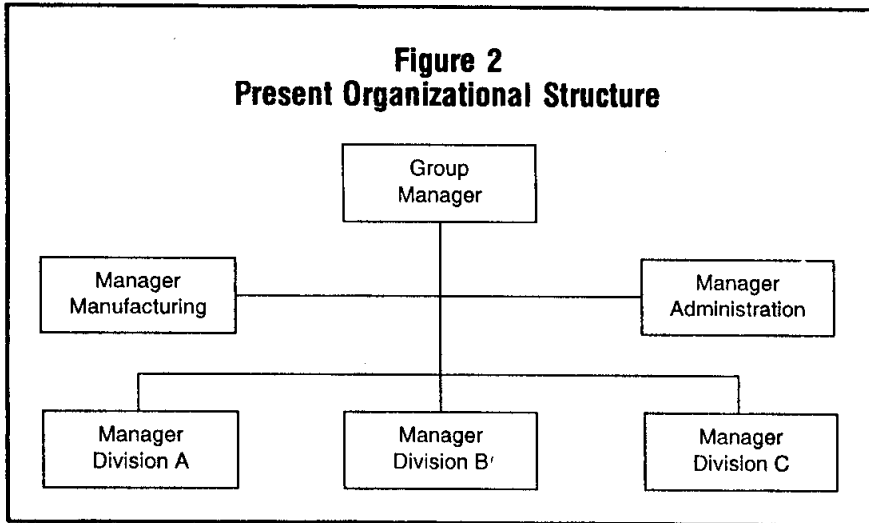
Self-discipline

We believe that an individual ought to be prepared to make commitments. We value the quality of our work environment. But to maintain it, we will require the self-discipline necessary to assure the success of our group efforts.

Responsibility

We believe in a maximum of individual responsibility within orderly and fair constraints.

Figure 2
Present Organizational Structure



was not clear that others in the organization shared the same values. Furthermore, to impose these values through hierarchical power was clearly contradictory to the organizational style we were trying to develop.

As a result, no explicit value system implementation program was developed. The system did become a set of working principles for the council members in their joint activities, thus beginning a process of disseminating information on management style and values—primarily by example.

The first major opportunity to put the value system into practice came during the restructuring of the division from the resource/program management matrix to the organizational form shown in Figure 2. Although the limitations of the matrix structure became increasingly apparent as the division grew, moving to a more decentralized structure was not easy, because each manager reporting to the division manager would face significant changes in responsibility and authority.

In accordance with the value system, responsibility for choosing a new structure was assigned to the four managers affected by the change. These managers discussed various alternatives for almost six months with no clear resolution; at times they tried to delegate the decision upward, but the division manager would not relieve them of their power or responsibility. The discomfort level in the organization increased substantially during this period because (1) growth was compounding the difficulty of getting the job done and (2) the group had to deal with the interpersonal issues that stood in the way of a solution. The discomfort level made it clear, however, that a decision was necessary and that the managers affected were going to have to make it—which they did. Their final recommendation was not what the division manager himself would have proposed, but because the group was unanimous in its recommendations, it was adopted.

Deciding on the new structure and planning the transition to it took up almost all of 1977, but, once

started, implementation proceeded speedily toward completion within a period of a few weeks.

Handling compensation

Another example of how the management council was beginning to behave under the value system was its handling of compensation. Discussion of compensation began as a trust-building exercise, but quickly expanded into an effort to increase self-responsibility and self-governance. It was felt that by talking over individual compensation collectively, the group might further build mutual trust and enhance members' ability to function effectively together.

Group salary setting was first tried by the council during the regular salary adjustment period in January 1977. Every council member was asked to submit in writing the salary he desired for the coming year. These numbers were compiled and discussed openly, and each participant had an opportunity to raise or lower his original salary figure in the light of the discussion. Each member was also asked to submit (anonymously) the salary he would give each of the others. These data were also compiled and discussed along with other information, such as salary surveys of similar companies. Each member then made a final salary request.

The final salaries arrived at were extremely close to the salaries originally stated and represented reasonable compensation packages that were acceptable to the corporation. Furthermore, the whole process of group salary setting took only a few

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hours—considerably less time than private sessions between the division manager and each council member. The process was also felt to be less stressful than the normal salary adjustment method, and it dealt effec-

Understanding the value concept

Once the management council had explicated the value system, we considered expanding it throughout the organization. One of our objectives for 1978 was to operate the en-

“Members no longer suggest salary figures for other members unless requested to do so. Each member has also instituted some variation of salary setting with those reporting directly to him; in some cases, the process is also used at lower levels.”

tively with the compensation issue—no participant complained or inquired about salary adjustments for the rest of the year.

The management council has continued to use group salary setting successfully. More recently, however, the process has shifted toward more self-appraisal and less peer evaluation. In the latest format, members no longer suggest salary figures for other members unless requested to do so. Each member has also instituted some variation of salary setting with those reporting directly to him; in some cases, the process is also used at even lower levels. As might be expected, as more and more people became involved, we began to encounter some problems in applying the process uniformly and in communicating what we were doing to the organization as a whole. But the success rate, as measured by the growth in number of participants, has been highly encouraging to us.

tire division according to the value system. Since most of those outside the council knew very little about the system, even though it had been publicized, it was necessary to explain the philosophy behind it as well as operate under it. So we designed a “value system survey” designed to:

- Provide information on areas in which the organization was not yet operating in accordance with the value system.
- Teach members about the system. The questions were designed to define the system in operational terms—that is, the kinds of behavior called for by the system.
- Demonstrate management’s commitment to the system through the survey itself and through actions taken in response to its results.
- Collect information that would provide baseline data from which to measure future progress.

A detailed discussion of the survey results is beyond the scope of this article. But overall, the results

showed that the division was operating in general accordance with the value system, though there were many areas where people felt a need for improvement.

Among its other effects, the survey greatly increased awareness of the system among staff members at all levels, creating expectations among many. Some responded with: “OK, what are you going to do for me now?” But others asked: “How can I help move us in the direction we want to go?”

What the total effect of these expectations will be is hard to predict at this time. It is clear, however, that divisional top management must extend its effort to embrace the whole organization and encourage as many people as possible to become involved.

Results so far

As for results attained so far, we have no hard and fast before-and-after measures to report. We can say, however, that the whole experience has been a learning process—one that started from a position of strong beliefs but little experience. Thus it is possible to make some subjective assessments.

Some have said that if you can measure the success of a business, you can measure the success of efforts to try to change it. If that is so, we were certainly not unsuccessful. During the process the division continued to grow—staff increased from 150 to 500—and the organization has maintained its vitality.

Major criticisms have been voiced, however. Some critics, for example, believe the value system’s emphasis on group decision making

has at times caused organizational paralysis—that is, decisions were not made as fast as they should have been. Because the value system was not followed immediately throughout the organization, value system-based decision-making processes were used alongside more traditional

tise and experience and not from basic hierarchical or position power.

We also found the value system being used to explain failure to make and meet commitments. This deficiency appears to stem from confusing participation with permissiveness, and it thus poses another

both the division and the corporation has caused some uneasiness. Some managers have shown concern that operating in accordance with the value system will erode their power to influence—that they will lose “control.” Others believe that implementing the value system has contributed to inequities in the way employees are treated.

Wherever a manager genuinely tried to share decision-making power as outlined in the value system, we rarely heard a substantive complaint of “loss of control.” However, in many cases where hierarchical decision-making processes were used, managers have complained that “nothing happened” (that is, a decision was made, but nothing changed—implementation was unsuccessful). Furthermore, that “nothing happened” was most apparent to managers who valued control so highly. Finally, from direct experience, the authors found that their ability to influence outcomes has increased rather than decreased. This may be a result of our inputs being viewed not as controlling—and therefore to be resisted—but as supportive, to be used or rejected by the decision makers as they see fit.

As for the perceived inequities in the way people were treated, these perceptions probably were correct in some instances. Because the value system has been unevenly accepted throughout the organization, there has been more group participation in important decisions in some instances than in others. Thus a major effort must be made to increase organizationwide awareness and acceptance of the value system.

Again on the positive side, a desire for innovation and openness be-

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hierarchical or bureaucratic processes. Indeed, this has shown that hierarchical decision processes can produce a decision far more quickly. On the other hand, it appears that the longer decision-making time has been more than offset by time saved in implementation of decisions. In the implementation phase, the manager who makes hierarchical decisions devotes considerable time and effort to follow-up. In contrast, under the value system, the manager already has dealt with resistance and objections in the decision-making process.

Much of the apparent inability to reach quick decisions may have stemmed from a feeling that the value system precludes autocratic decision making. This is a misunderstanding; use of the more traditional autocratic decision making is, in fact, consistent with the value system, particularly when carried out from a perspective of greater exper-

major educational task—encouraging participative decision making without lagging on commitments essential to the organization’s existence.

On the positive side, moving decision making deeper into the organization has produced some real benefits. For example, decision making quality—as measured by reduced implementation time—has definitely improved. Many decisions that formerly were kicked up to higher management levels can now be made where the most need and most information exist—at the front line. Furthermore, increased participation in decision making has helped in staff development by providing training in skills necessary for handling an ever-increasing volume of business. Along with this, many busy managers have gained more time for planning.

Even so, as the style of managing based on the value system has spread throughout the division, its divergence from styles prevalent in

came evident in the relationships within those parts of the organization where the value system was widely accepted. This has been most apparent among management council members engaged in difficult problem solving.

In addition to affecting the quality of decisions as an organization, the approach of many members to working together has been influenced positively. As individuals tried new ways of operating and succeeded, they gained greater confidence in their ability to attempt innovative ways of doing things.

Finally, we see the value system itself becoming an integral part of organizational life. Increasingly, we have heard people object to actions because they are "inconsistent with the value system"—or endorse other actions "consistent with the value system." We believe this reveals sensitivity on the part of staff members that they share a responsibility for the health of the organization that transcends the task at hand.

Lessons about searching

The experience of the past three years can be described in many ways—exhilarating, frustrating, confusing, anxiety-producing, rewarding. But above all, it has been educational—the learning curve has been incredibly steep. Although our knowledge is in its early stages and is incomplete, we have learned some principles that we believe will apply in most, if not all, searches like ours. They include:

1. *Evolutionary, not planned change.* We believe the process is an evolutionary one in which you know a direction, but can plan actual steps

only a short way ahead.

2. *Pull, don't push, the process.* The process works through members' understanding it and wanting to try it, not through being ordered.

3. *The organization sets the speed.* The change will proceed only as fast as the organization will accept it. Those leading it must lead and advocate, but they must accept resistance as a real and a valuable indicator.

4. *Timing is crucial.* Timing is as important as the speed with which you proceed. You must constantly be alert to when to put forth an idea and when to hold off.

5. *Top-down process.* Although the aim is to involve everyone, you must take the organization as it is, and that is generally hierarchical. Top people must accept the new ideas and be willing to experiment with nontraditional roles and activities.

6. *Keep the manager and consultant roles clear and separate.* Operating decisions must continue to be made within the organization. The consultant provides expertise, objectivity, and knowledge—not decisions.

7. *Don't force dissenters out.* Some have said that you may have to force dissenters out of the system. In fact, they may be beneficial, since their resistance can provide valuable information about what is wrong with the process.

8. *Adopt a research attitude.* This process should be viewed as research but not "experimenting." The changes that are made have to be seen as real and permanent. At the same time they have to be seen as breaking new ground—mistakes and imperfect or unexpected results will

occur and must be considered a necessary part of learning, not as failures and proof that the whole process is wrong.

9. *Watch your boundaries.* Those who interface with the organization can become very disturbed by what they see or think they see going on. It is not necessary to convert your neighbors, but you must be sensitive to their feelings. This means being open about what you are doing and attempting to show outsiders that it will not interfere with their way of life.

There are a few lessons that are more basic than those listed so far:

- *The search is an ongoing process.* The search for better managing processes has no end. Our knowledge of human and technological processes is constantly growing, and those processes themselves are constantly changing.

- *You must have a high level of belief in human beings.* Searching for better managing processes depends on believing that human beings are basically good, positive, and capable of responsibility.

- *You must have a high level of commitment.* The search for better operating processes is difficult at best. You have to be highly committed to it or you will not be able to carry it through to the successes that repay and reinforce that commitment.

- *The effort must be value-based.* Commitment to this search must be value-based. Such a search has almost invariably produced positive bottom-line results. But to enter the process to achieve these results as an end rather than as a means will not produce the high level of commitment necessary for success. •