

The Individualized Corporation

(Book Summary)

The need to get the best out of their employees is a pressing need for all organizations. But most companies struggle in this regard. Management gurus, **Sumantra Ghoshal and Christopher Bartlett** call for a new form of organization, which focuses on the individual as the driver of value creation in the company. Such an organization recognizes that human creativity and individual initiative are the most important sources of competitive advantage. They give the name individualized corporation to this form of organization. The Individualized corporation is flexible enough to exploit the idiosyncratic knowledge and unique skills of each individual employee.

Introduction

Three core capabilities distinguish the individualized corporation:

1. The first is the ability to inspire individual creativity and initiative through a fundamental faith in individuals.
2. The second is the ability to link and leverage packets of entrepreneurial activity and individual expertise by building an integrated process of organizational learning.
3. The third is the ability to renew itself continuously.

Today, many organizations have lost the entrepreneurial spark and individual initiative due to bureaucracy and a tangle of internal systems and procedures. To encourage individual initiative, individuals must imbibe a sense of ownership in what they do.

To align frontline initiatives with the company's overall direction and to prevent such initiatives from degenerating into chaos, there is need for a strong sense of self discipline.

Management needs to support individuals by providing a supportive culture that is open to questioning from below and tolerant of failure. This is needed to create a feeling of genuine empowerment that facilitates risk taking.

The importance of knowledge

Creating and leveraging knowledge is a key ingredient of the individualized corporation. Individualized corporations

1. invest substantial resources in developing the expertise of their people. They recruit carefully and create structures and mechanisms that allow employees to enhance, upgrade and broaden their capabilities.
2. establish the tools, processes and relationships necessary to support horizontal flows of information throughout the organization. They link and leverage individual knowledge and embed it in a collective process of shared learning.
3. build a strong sense of trust, both among colleagues and between superiors and subordinates.

Ghoshal and Bartlett point out that knowledge is a notoriously sticky asset. It tends to accumulate in pools rather than trickle across organizations. Mechanisms that facilitate rapid

diffusion of knowledge across the organization thus become important. The senior management has an important role to play in the cross fertilization process.

The importance of trust

The hardest part is to create a culture in which individuals share information or expertise that was once a major source of their power, accept responsibility for issues over which they have only limited control and take action in an environment in which the measures and metrics are vague. Such behavior is unlikely if relationships are primarily contractual in nature. What is needed is organic, family like emotional bonding in which people depend on each other's judgment and on each other's commitments. In short, what is needed is a culture based on trust.

Promoting trust demands transparency in organizational processes, a sense of fairness and equity in management decision making and a shared set of core values. Learning organizations are built on two principles – a structural configuration based on distributed, specialized activities and a set of relationships based more on interdependence rather than dependence or independence. Integration and collaboration can be made self enforcing by requiring each group to cooperate in order to achieve its own interests.

Organizational renewal

Organizations need to renew themselves continuously. They must learn from their past experience and capture best practices in policies and routines that allow them to spread rapidly. But an exclusive focus on such a process can also lead to organizational inertia and flexibility. Managers have a tendency to support structures and systems to help monitor activities and keep them aligned with the decisions that have ensured the company's success in the past. The internal preoccupation is often accompanied by an external complacency, that customers are captive and competitors are weak.

To build a self renewing capability, the following features are essential:

1. Stretch as opposed to satisfactory underperformance
2. Organizational flexibility to strike a balance between refinement and regeneration.
3. Promoting strategic challenge and organizational disequilibrium along with strategic fit.

Stretch encourages managers not to see themselves in term of the past. It forces them to look at what potential the future holds. Flexibility is extremely important to cope with the dynamic business environment. Great leaders go beyond the task of ensuring strategic alignment to providing strategic challenge. They complement their responsibility to maintain organizational fit with a willingness to create organizational disequilibrium. And most importantly, within the turmoil, they are willing to make choices and commitments to the new options and opportunities they stir up.

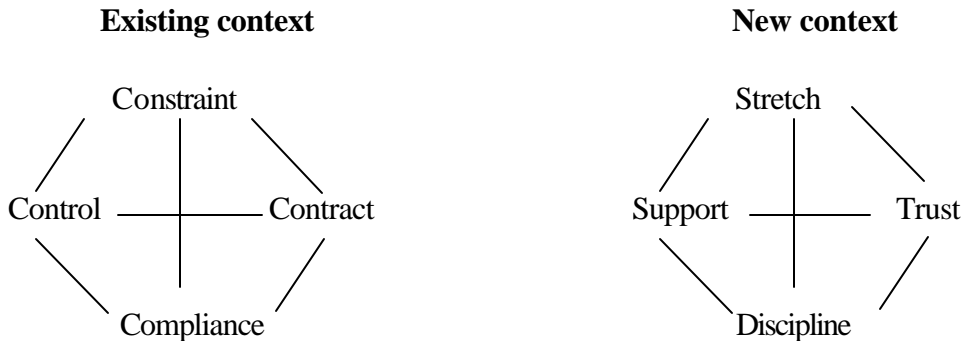
Redefining the organizational context

One of the most powerful levers corporate leaders control is the ability to make substantial resource commitments ahead of clear opportunities. By creating a form of 'supply side economics', they build a tension that is resolved only when new opportunities are exploited to meet the committed investment.

Continuous self renewal implies:-

- the need for ongoing improvement in operational performance as provided by continuous revitalization.
- the need for growth and expansion as generated by continuous revitalization.

The continuous rationalization process provides the resources and legitimacy for revitalization. This in turn, generates the hope and energy required to sustain the grueling rationalization process yet again.



The ability and willingness of people to take initiative is rooted in the tension between stretch and discipline. Stretch without discipline leads to day dreaming. Discipline without stretch locks the company into an ever narrowing spiral of improving operational efficiency without the courage to take a creative leap.

The combination of trust and support leads to cooperation and collaboration. Trust makes cooperation desirable. Support enables individuals to convert that desire into action.

Beyond initiative and cooperation, other kinds of behaviour are also required – an openness to learning, the courage of self confidence, the willingness to commit and the ability to execute.

The inadequacy of structure

Structure is relevant but, it is definitely not a solution to the problems of an organization trying to renew itself. Structure is nothing but a framework within which companies can develop the organizational processes and management roles and relationships that support their competitive capability. Structure is only the organization's anatomy. While it is important, it is insufficient for understanding how the living organism works. Equally vital is a thorough understanding of the organization's physiology, the processes and relationships that ensure the financial and informational resources that are the company's lifeblood. And finally, we must understand the organization's psychology, the culture and values that shape the attitudes and beliefs of employees.

The importance of processes

Individualized corporations have three core organizational processes:

The Entrepreneurial process produces and supports the opportunity seeking, externally focused entrepreneurship of frontline managers.

The Integration process combines the advantages of bigness (size, scale and diversity) with those of smallness (flexibility, responsiveness and creativity). It links the dispersed resources, competencies and businesses of the company.

The renewal process creates and sustains its capacity to challenge its own beliefs and practices. It thereby revitalizes the strategies that drive the businesses.

The Renewal Process

The Renewal process	Managing continuous performance improvement within units	Managing the tension between short term performance & long term ambition	Creating an overarching corporate purpose and ambition and challenging embedded assumptions
Integration process	Attracting and developing competencies and managing operational interdependencies	Linking dispersed knowledge skills and best practices across units	Institutionalizing a set of norms and values to support cooperation and trust.
Entrepreneurial Process	Creating and pursuing new opportunities	Developing individuals, reviewing, supporting their initiatives	Establishing a stretching opportunity horizon and performance standards
	Front line managers	Middle managers	Top level managers

Frontline managers, who focus on specific opportunities, are the company's entrepreneurs. They are the builders of the company's businesses and competencies and take full responsibility for both the short term and long term performances of their units. They should be encouraged to look outwards and build strong contacts and relationships rather than upward into a hierarchy from which they expect direction and control.

Middle level managers forge linkages between separate businesses and leverage the resources and capabilities developed in each of them. They develop both the skills and competencies of

the individual frontline managers through mentoring and guidance. They also build the overall capabilities of the organization by integrating the diverse capabilities of the frontline units across businesses, functions and countries.

Top management must infuse the company with an energizing purpose – a sense of ambition, a set of values, an overall identity – so as to develop it as an institution that can outlive its existing operations, opportunities and executives. Like social leaders, top management must create the challenge and commitment necessary to drive change and ensure that the company can continuously renew itself. Rather than trying to formulate strategy, top management must focus much more on shaping the organizational context.

Transformation of management roles & tasks

	Operating level managers	Senior level managers	Top level managers
Changing role	From implementers to entrepreneurs	From controllers to coaches	From resource allocators to institutional leaders
Primary value added	Focus on productivity, innovation, growth within frontline units	Support and coordinate to bring large company advantage to independent frontline units	Provide a sense of direction, commitment and challenge to people throughout the organization
Key activities & tasks	Creating and pursuing new growth opportunities	Developing individuals and supporting their activities	Challenging embedded assumptions and promoting stretch
	Attracting and developing resources & competencies	Linking dispersed knowledge, skills and best practices across units	Institutionalizing a set of norms and values to support cooperation and trust
	Managing continuous performance improvement within unit	Managing the tension between short term performance and long term ambition	Creating an overarching corporate purpose and ambition.

To be innovative, a company must typically allow a level of slack by allocating resources to uses that do not yield the highest immediate returns. Path breaking innovations reach their potential only over time.

Management Competencies for new roles

Role/Task	Attitude / Traits	Knowledge / Experience	Skills / Abilities
<i>Operating level entrepreneurs</i>	<i>Results-oriented competitor</i>	<i>Detailed operating knowledge</i>	<i>Focuses energy on opportunities</i>
Creating & pursuing opportunities	Creative, intuitive	Knowledge of business's technical, competitive and customer characteristics	Ability to recognize potential and make commitments
Attracting and utilizing scarce skills & resources	Persuasive, engaging	Knowledge of internal & external resources	Ability to motivate and drive people
Managing continuous performance improvement	Competitive Persistent	Detailed understanding of the business operations	Ability to sustain organizational energy around demanding objectives
Senior management developers	People-Oriented Integrator	Broad Organizational Experience	Develops People and Relationships
Reviewing, developing ,supporting individuals and their initiatives	Supportive, patient	Knowledge of people as individuals and understanding how to influence them	Ability to delegate, develop and empower
Linking dispersed knowledge, skills and practices	Integrative, Flexible	Understanding of the interpersonal dynamics among diverse groups	Ability to develop relationships & build teams
Managing short term and long term pressures	Perceptive, demanding	Ability to link short term priorities and long term goals	Ability to reconcile differences while maintaining tension
Top level leaders Challenging embedded assumptions & setting stretch targets	Institution-Minded Visionary Challenging Stretching	Understanding company in its context Grounded understanding of the company, its businesses & operations	Balances alignment and challenge Ability to create an exciting, demanding work environment
Building a context of cooperation and trust	Open minded, fair	Understanding of the organization as a system of structures, processes and cultures	Ability to inspire confidence and belief in the institution and its management
Creating an over arching sense of corporate purpose & ambition	Insightful, inspiring	Broad knowledge of different companies, industries and societies	Ability to combine conceptual insight with motivational challenges

The need for a new contract

In a stable world, competitive advantage can be sustained over long periods of time. But in a dynamic world, today's competitive advantage may become tomorrow's rigidity. Knowledge and skills become outdated. The need of the hour is to give employees more freedom and to give them greater learning opportunities. The traditional contract must give way to a new contract.

Traditional contract

- Top managers ensure the company's competitiveness and employee's job security
- Employees implement top management's strategy with loyalty and obedience.

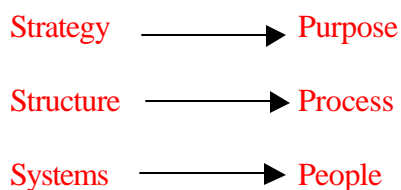
New contract

- Top managers support the entrepreneurial initiatives of employees and ensure their employability
- Empowered employees are responsible for company's competitiveness and their own learning.

In the traditional contract based on employment security, people who become unemployable because of overspecialization or skill obsolescence stay back while the best people leave. In the new contract, employability acts as a tremendous motivating force. People realise that even if they can cash in on their current employability at a premium, they run the risk of falling victim to the next round of skill obsolescence in a company that does not have the same commitment to adding value to people. The same broad and advanced skills that make people employable outside the company also make them more adaptable to different jobs and needs within the company. This makes it easier for the company to use their expertise more flexibly and in higher value jobs.

The 3 P paradigm

Ghoshal and Bartlett call for a new **3 P** paradigm as opposed to the existing **3 S** paradigm.



Purpose is the embodiment of a company's recognition. Purpose reflects the moral response to a broadly defined sense of responsibility.

The entrepreneurial process assumes that individuals can take initiative and creates the context and mechanisms that encourage them to do so. The integration process assumes and shapes an environment of collaborative behaviour. The renewal process capitalizes on the natural human motivation to learn and improve oneself and creates the resources and tools that people need to do so.

Instead of intervening with corrective action, top executives need to find ways to affect individual motivation by encouraging managers to display self monitoring, self correcting behaviour. The ability to embed self discipline is a far more effective means of control than intervention based on information pulled to the top of the company by control systems.

The top management must change its role from the designer of corporate strategy to the shaper of a broader institutional purpose. The top level must expand its focus from the architect of formal structure to the builder of organizational processes. The top management must expand its key task beyond managing systems to developing and moulding people.