

Changing the Role of Top Management: Beyond Structure to Processes

By Sumantra Ghoshal, Christopher A. Bartlett

The hierarchical organization based on the strategy-structure-systems doctrine of management no longer delivers competitive results. A top-down structure gives managers tight control and allows companies to grow. But it also fragments resources and creates a vertical organization that prevents small units from sharing their strengths with one another. Structural fixes, such as skunk works, alliances, and acquisitions, have also not solved the problem.

The authors emphasize that management must promote three core organizational processes: frontline entrepreneurship, competence building, and renewal. Companies should encourage bottom-up initiatives from operating units, which are closest to customers. Managers must balance discipline and support to create a self-disciplined organization. Similarly, managers must trust operating units with creating competencies and limit their own role to seeing that those strengths are shared throughout the company.

In addition to providing direction, managers must sometimes disrupt organizational equilibrium—for example, by stretching the company with increasingly challenging goals. They must create an environment that asks employees to challenge conventional wisdom.