

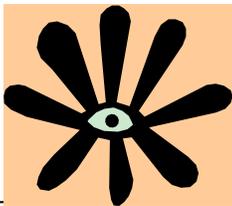
THE NETWORKED ORGANIZATION

Effectiveness and efficiency: what every organization strives for. When I first began working with organizational change, I followed the wisdom of the times and tried to achieve the desired goals through changing structure: centralize to increase efficiency; decentralize to increase effectiveness. Today, there is a third structural approach: try to do it all by flattening or downsizing the organization. What I have discovered is that while these structural approaches tend to shift the location of power and authority, they do little to shift the underlying assumptions that guide peoples' actions. Initially, the result may be an improvement, but ultimately, the organization will take on the shortcomings of its new structure. The purpose of this article is to offer a principle-based approach that I have found creates more dynamic and adaptive organizations over time. By shifting the principles that guide work, the relationships among people change. These changes encourage a high degree of interdependence among departments. This allows power and authority to flow to where they best serve the organization's needs.

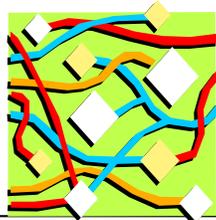
I will briefly examine two traditional approaches to organizing: centralized power and authority and decentralized power and authority. I will then discuss a third approach, a networked way of working that shares power and authority by placing them where the purpose of the specific activity is best served. As the Internet has emerged, I have found it an excellent metaphor for a very different kind of organization: where the relationships are in the foreground and the importance of any given function is relative to the whole. Creating such an organization is the subject of this paper.

Much of the business literature focuses on the role that line groups play in organizations. This paper will highlight a major contribution that staff groups can make to business success. It describes how staff groups can be instrumental in shifting to a networked approach by changing the way they interact with the line.

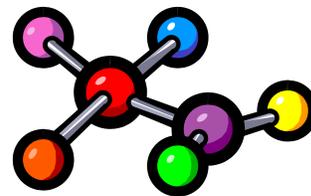
The organizing question being answered when the decision to centralize or decentralize is "which is more important: efficiency or effectiveness?" When efficiency is paramount, centralized organizations are chosen. The same issue is addressed once and delivered in a consistent way in multiple locations, eliminating redundancy and costs. When effectiveness is the prevailing value, decentralized approaches are preferred. They are more nimble and responsive to local conditions. The prevailing belief played out by centralized and decentralized structures is that a choice must be made: organizations must favor effectiveness OR efficiency. By making a shift in thinking, that effectiveness AND efficiency are part of a larger organizing principle: doing what is best for the whole system, the networked organization results.



Centralized power is in the corporate center and radiates through the rest of the organization. It is predictable and efficient. It also increases dependency on central authority. Over time, this undermines other sources of power.



Decentralized power exists in many places. It is fluid and effective. Every place operates independently experiencing little or no need for interaction.



Networked power exists wherever it best serves the organization. It is creative and consistent, as needed. The interdependence creates a synergy such that the whole organization is stronger than the sum of its departments.

When Power is Centralized

Centralized, control-based hierarchies are designed for efficiency. They frequently have powerful, central staff groups who introduce programs that everyone else is expected to adopt without question or variation. The primary benefit attributed to centralized approaches is the economies of scale that provide cost-effective solutions. The downside to centralization is these organizations are often considered slow to adapt to a changing environment. Ironically, centralized organizations often result in inefficiency, resentment and mounds of paper that take a lot of time to create and have little meaning to the people doing the organization's core work. Bureaucracy is the term frequently used for a well-entrenched centralized organization. Government agencies are a familiar example of centralized organizations. A personal experience of dealing with a city government involved remodeling our house. When we went to get the permit, it took trips to six different offices. Not one of the people involved had any idea what the role the others played; nor did they care. We were left on our own to figure out what was required.

When Power is Decentralized

Decentralized organizations are chosen when effectiveness is most highly valued. They are praised for their flexibility and speed in responding to customers. Weyerhaeuser Company and Hewlett-Packard are both decentralized organizations. Every business unit does what is best for its unique needs. The cost of this approach is inefficient duplication in some areas. At one large company, at the height of its decentralization, there were 38 accounts payable systems and 25 payroll systems in operation. Another more insidious result of this mode of operating is the lost opportunities for learning across businesses. Business units focus on their differences, convinced that they are too different to benefit from their counterparts in other units. Another result of this "not invented here" attitude is that outside suppliers can make a fortune by selling the same product multiple times for different prices into different parts of the organization. Ironically, even customers can find it confusing if they deal with a number of different business units. At this same large company, when executives met with a very large customer, the customer had substantially better information about every aspect of the relationship. The executives left feeling embarrassed by their inability to make company wide commitments because they had never understood the breadth of the relationship and were ill prepared to work from a company-wide perspective.

When Power is Networked

When people focus on what best serves the whole organization, both effectiveness AND efficiency can be achieved. Each function and individual brings different gifts to work. We are strongest when we work together. It is this third, interdependent perspective that leads to a new way of working. One in which the line functions of the business can respond quickly and effectively to customer needs in part because they know their colleagues in staff groups are providing the kind of support that frees the people working with customers, to do what they do best. How is such an organization created? One approach is through enlightened staff work. Staff groups can begin the shift to a networked organization by adopting two principles. These principles shift much of their traditional role and add some new responsibilities. The principles are:

1. Service. Staff groups are there to serve people who serve customers (line people), not the top of the hierarchy; and
2. Involvement. Staff people and line people work together; not in competition or independently.

Applying these principles has several results. Everyone begins to share a common purpose: serving the organization's customers. The agenda for the staff area is co-owned because it is jointly created and supported. These characteristics create a collaborative, creative, adaptive environment where people's knowledge and skills are most fully employed.

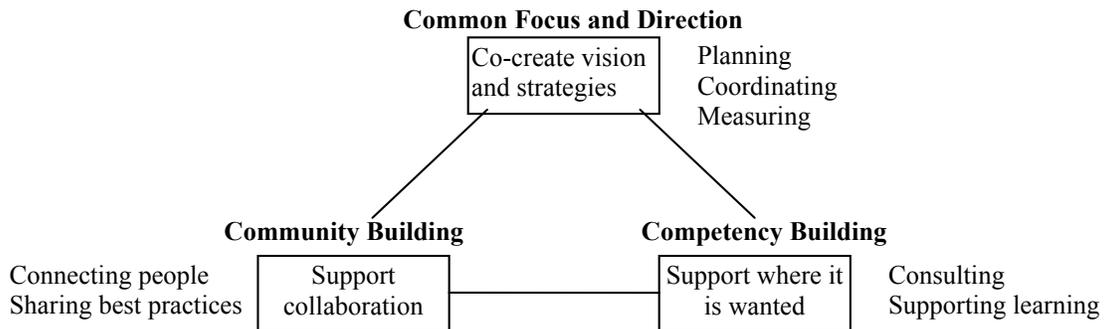
This approach ultimately changes the roles of both staff people and the line people they serve. When staff and line people are guided by better understanding customers, their actions are based on the same context. At U S WEST NewVector Group, a cellular phone company, everyone understood timely, accurate, easy to understand billing was one of the key drivers of customer satisfaction. A staff group was formed to support billing. Rather than moving to a centralized approach, controlling everything associated with billing, a four person team was created to play its role in a new way. The team worked with people who touched the billing process – customer service people, sales people, information technologies people, marketing people to understand who was doing what, what their priorities

were and what kind of support they wanted. What this team found were areas of overlap where multiple groups thought they were responsible for the same thing. They found other areas where no one claimed responsibility. Because no one had never looked at billing across the organization, most of these people never talked to each other before. What they discovered was how interdependent their projects were. For example, Marketing was working on the bill's format, Customer Service was trying to reduce call volume due to billing questions and Information Technologies was working on shortening the time required to get bills in customers' hands. All of these projects affected the others, yet none of the groups were aware of the other projects. Over time, the billing team worked with these groups to create a new view of billing, where responsibilities were clear, information was shared and customer needs were met quickly. The people involved began to understand that interdependence goes beyond just better teamwork. It required a shift in mindset to recognize that they were a networked system. Among the results: the billing cycle was reduced from 12-14 days to 4-6 days. Thousands of dollars in annual costs were taken from the processes, and customer satisfaction scores dramatically increased.

The New Role for Staff Groups

Staff groups are well positioned to take the lead on shifting to a networked organization. When coming from a centralized structure, they will be seen as letting go of power; a move that is generally welcomed by the line. If they have been part of a decentralized organization, by taking a service stance, they are more likely to get co-operation from their line colleagues. There are three goals which can guide staff groups in supporting their organization's in shifting to a networked organization:

1. Building and sustaining common focus and direction by co-creating vision and strategies;
2. Building community by supporting collaboration across the organization; and
3. Building community competence by providing support where it is wanted.



Common Focus and Direction

When vision and strategies are co-created, an aligned agenda guides activities. This increases the likelihood that a staff group's actions will make sense to the line and the line's actions will make sense to staff. This area includes three activities: planning, co-ordination of work across the organization and measurement.

Planning

Co-created plans provide a framework for everyone involved. When planning, there is a natural tension between line and staff work. Line people are generally focused on the near term. They are asking questions such as, "What do I need to do to make this sale...How can I meet my production targets?" Without the daily pull of customers or production, staff people are more likely to work with longer time horizons. The questions they are likely to ask include "What trends are affecting the business...What skills will be required to meet the needs of tomorrow?" Whenever the natural tension between line and staff people arise, the common plan helps resolve the differences.

Traditionally, staff groups have simply done the planning for their function. To create a networked organization, the staff group develops the process to involve the people who will benefit from the staff work. This support for co-

creating plans is a vital function of the new staff group. It enables line and staff to have a common context for setting priorities and making decisions. For example, about 6 years ago at Weyerhaeuser, a highly decentralized company, every Information Technologies (IT) group made its own decisions on what technologies to use. Not only did this keep operating costs high since there were no company-wide supplier agreements, it prevented company-wide e-mail or other benefits of a shared technology infrastructure. This issue came to a head because virtually every project required about six months of analysis of the technology alternatives before the functional needs of the business were addressed. The pressure to make the decision on a shared infrastructure was being felt by the approximately 70 IT groups that exist throughout the company. The staff group responsible for architecture knew they were at a pivotal time. The IT people in the line groups were ready for a common architecture.

What they did next dramatically increased the likelihood of their success. They applied both of the principles for networking an organization: they focused on what the people they served needed and they involved them in its creation. They formed a team containing staff experts and the IT people from the line units most respected by their peers to create the blueprint for the future. The staff group provided the process and handled logistics, such as setting up meetings, documenting and communicating results. The team looked at the alternatives, made the decisions and set the vision, strategies and standards that led to a single, company-wide infrastructure for e-mail, the Internet, and the desktop.

Coordinating Work

Traditionally, staff groups do the work that they planned. To network the organization, staff groups take on a coordinating role to actualize a co-created plan. This can be a challenging shift. It means the line people must be invested enough to dedicate time to the fulfilling their roles. Staff groups must resist the temptation to do all the work and focus on handling logistics. They are aided by the fact that the work being done is the work everyone involved agrees is important. On the Weyerhaeuser IT Architecture project, people from staff groups worked with IT groups from the line units to implement the new technologies. They provided a template transition plan that each business unit could adapt to their needs. They worked with third party suppliers so that knowledgeable, skilled support was available. They ensured plans were revised periodically as they learned through each site's experience. The site people were invested because they built the plans and owned the implementation tasks.

Measuring

Measurement is a traditional tool of staff groups. It has typically been used as a method to keep senior management informed about what is happening in the organization. When the measures are solely for management use, they can become a tool for punishment. When this occurs, line groups become very effective at reporting what they think will keep management at bay rather than what aids their learning and improving.

To shift to a networked organization, staff groups provide measurement support to further goals that people have collectively set. This can be an energizing tool for appreciating progress. When U S WEST NewVector Group began implementing quality, one person from the central quality group was tasked with developing a company-wide measurement system. He knew to involve others in creating the framework and strategies for the system. He also acted as the coordinating point for the work required to implement the plans. The brilliance of the system: the twelve customer driven indicators of performance were not maintained by the quality office. They were designed and measured by the groups with the largest stake in the measure's performance. For example, the network engineering team developed a system coverage and quality indicator, customer service developed a customer satisfaction index, the IT group developed a billing metric. None of these teams were totally independent. Because they had learned the lessons of networking, where the indicators required it, the teams included line and staff participation. Once again, the principles of service and involvement were present. The result was a very responsive set of indicators that guided every aspect of the company's internal processes in meeting customer needs. The company had the highest level of customer satisfaction in the industry.

Community

The heart and spirit of the community is strengthened through collaboration. Staff groups traditionally focus on the technical aspects of their work. When the principles of service and involvement are introduced, building

relationships becomes as important as the technical work. When attention is paid to both relationships and technical systems, there is a snowballing of innovation and success that energizes everyone. The organization takes on a high-energy, exciting character that is inspiring. Supporting collaboration involves two primary activities: providing a clearinghouse for people to find others with common interests or needs and sharing best practices.

Providing a clearinghouse for people to find others with common interests or needs

Rather than a traditional role of telling everyone else what to do, staff groups provide an extra-ordinary contribution to enhance the creativity and innovation in an organization when they connect people with common interests or needs. More than any other shift in a staff group's work, connecting people can light a spark that mobilized the organization. Four common ways to do this: convene conferences on subjects of interest; moderate electronic discussion groups; provide broad-based communication about what is happening via a newsletter or other vehicle; and talk to people referring them to others. At Weyerhaeuser, an annual conference, called WISE (Work Innovations Study and Exchange) brings people together from all over the company to share their learnings on implementing High Performance Work Systems. This event, supported by the Human Resource function has enabled line and staff people to build new relationships and find partners in very different parts of the organization. One significant result is the adoption of a common approach to implementing high performance.

Sharing Best Practices

When someone in a remote location wants to do something they've never done before, having a source of knowledge can make a huge difference in the time and success of accomplishing their task. Staff groups can provide the structure for setting standards and capturing best practices, but the expertise can live anywhere in the organization. With the growth of Intranets, many organizations are sharing best practices more broadly. Chevron uses a roadmap metaphor to help people find useful information. Ford's manufacturing engineers have a process in place to share best practices. Weyerhaeuser's IT organization has a group responsible for IT Best Practices. They are maintained on the Intranet and are used by IT and other technically-oriented people all over the company. Anyone can suggest or develop a best practice. The Best Practices Group provides a reliable method to create best practices ranging from implementing remote mail on a desk top to increasing IT customer satisfaction. The best practices group does not own the content of the practices. What they provide is the support to get the information to a broad audience and to keep the information current. It is difficult to estimate the magnitude of the savings achieved by publishing the practices. It is easy to know that with 70 IT groups each performing the same tasks at the desktop, a single reference tool they all trust is saving substantial time and money.

Competence

To network an organization, the primary work of staff shifts from being the expert to building expertise in others. In many ways this is the most challenging transition for staff people. While they are not being asked to turn others into lawyers or accountants, they are being asked to make what many staff people hold as their unique contribution understandable to lay people. For experts who have invested years in acquiring the knowledge and skill of their profession, this shift puts their very identity in question. It is the difference between "being a lawyer" and "being a person who practices law." Those who are most successful at the shift provide support based upon requests from the people they serve. There are two primary services requested from staff groups: consulting and support for learning.

Consulting

The traditional approach to consulting -- understand the request, apply the staff person's expertise, create a report with recommendations and put it in the drawer -- has proven its short comings many times. When the service and involvement principles are applied, what the staff consultant brings is expertise in the methods, tools and agreed upon standards. What the requesting unit brings is the knowledge of the specific situation. By working together to co-create the recommendations, they are far more likely to be implemented. The billing team at U S WEST NewVector Group identified over 30 projects related to billing when they first began their work. Some sample projects included improving the bill's readability, reducing processing time, reducing the number of billing questions from customers, and increasing bill accuracy. After working with all of the people involved to set priorities and eliminate redundant or less critical projects, the team provided the expertise gained from their cross-organization view of billing to consult to each project that remained. This approach allowed 4 people to leverage

their knowledge across a substantial number of projects, enabling the company to achieve its gains much more quickly.

Support for Learning

Traditionally called training, there are many examples where staff sponsored training delivery bears no relevance the way work really gets done. It is a common story in customer service organizations that people spend weeks being trained. When they are put on the phones, they quickly discover that the training to use the computer screens falls far short of what is required of them. If they are lucky, a colleague will help them learn how things really work. With service and involvement in mind, the new staff group must listen and learn from the line what its learning needs and priorities are. Both the choice of training content and the delivery can be improved by line-staff cooperation. The quality group at U S WEST NewVector Group had responsibility for training people in the use of a variety of quality tools. In an arena where training is commonly aimed at the masses with no reinforcement back on the job, this group had a remarkable track record of providing relevant material that was widely used. How did they do it? First, the curriculum grew over time based upon what the line people said they needed. In the first year of the quality initiative, an overview was provided throughout the organization. Demand for hands on quality tools came next. It was followed by requests for better meeting skills, management skills, building teams and serving customers. Once again, the principles for optimization were present. The quality group provided the process and support for course development. The line provided the content and delivery. Instructors didn't work in the quality office. Management taught management skills. Customer Service people taught the course on serving customers. Even the quality courses were taught by quality people in the units.

Conclusions

When staff groups use the principles of service and involvement, they help build networked organizations. These principles dramatically change the relationships between line and staff people by changing the nature of the work itself. Co-creating vision and strategies; supporting collaboration and building competency make everyone in the organization more successful. Whether the power must shift from a strong, central staff group or from strong, independent business units, the payoff for everyone is more satisfying, productive work places.

INSERT:

DEFINITIONS OF LINE AND STAFF	
Line groups do the work central to the purpose of the business. Their value is directly related to the manufacturing of product and servicing of customers.	
Staff groups provide the infrastructure functions that any company needs. Their value comes from making sure the internal needs of the business are met. Human resources, information technologies, finance are examples of staff groups.	
A good way to distinguish between line and staff is by looking at the beneficiaries of their products and services. If the work serves people who buy or use the company's products or services, such as a customer service group or manufacturing line, it is a line function. If other employees receive the product or service, such as a financial statement or a compensation adjustment, it is a staff function.	

Table 1. Shift in Staff Group Work

	Traditional Staff Role	Staff Role to Grow a Networked Organization
Common Focus and Direction	Staff defined	Co-created
Planning	Process and content developed	Process provided by staff

	by staff group	group; content co-developed with the departments affected
Coordinating	Staff group does the work	Staff group supports the work in getting done
Measuring	Measures are to ensure compliance and are primarily for senior management	Measures are to enhance learning and improvement and are primarily for the departments affected
Community Building	Technically oriented	Technically and Relationship oriented
Connecting people	The focus is on connection between the staff group and each department	The focus is on connecting people in each department with people in other departments
Sharing Best Practices	The staff group is the expert in the standards and best practices and tells them to everyone else	The staff group supports access to the best practices which can come from anywhere in the organization
Competency Building	Staff as Experts	Staff as Guides
Consulting	The staff group uses its expertise to provide recommendations	The staff group supports co-creating recommendations by integrating its expertise with local knowledge
Supporting Learning	The staff group develops the content and delivers training based upon what it believes is best for the organization	The staff group works with departments to understand their content needs. Delivery is often done by local people
Communication	Need to know	Transparent

