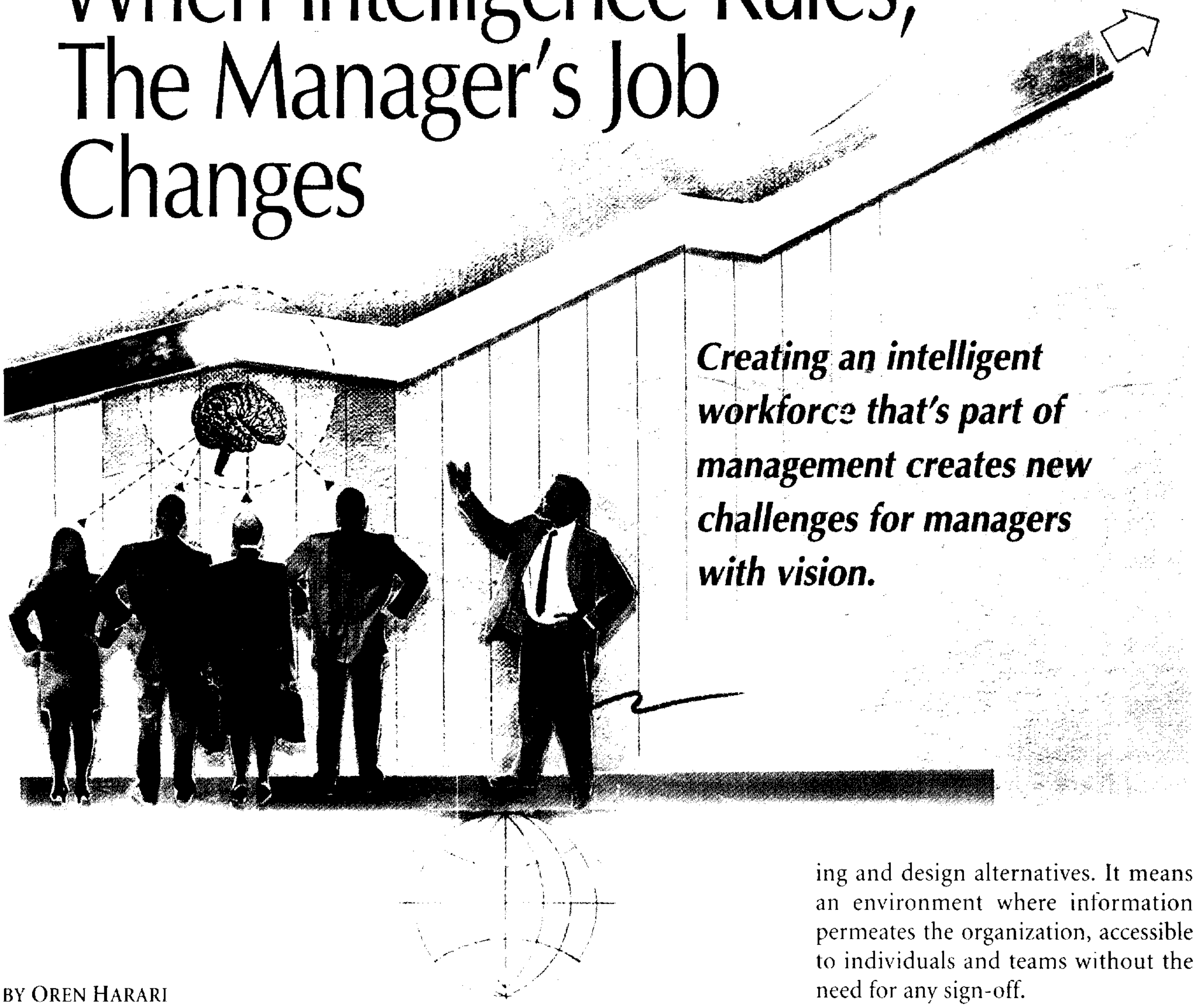
When Intelligence Rules, The Manager's Job Changes



Creating an intelligent workforce that's part of management creates new challenges for managers with vision.

BY OREN HARARI

ast month I made the case that in today's business world, organizations that can effectively leverage knowledge will be more effective than those that merely consolidate land (natural resources), labor and capital. In fact, I pointed out that tomorrow's winners will be the organizations that can be characterized as big of brain and small of mass, rather than vice versa. Intellectual capital, in effect, will rule.

The new role of the leader must emphasize the support and acceleration of this trend. My colleague Nicholas Imparato and I call it "the intelligence imperative." The leader's vision is one of an organizational culture of constant innovation, where all-hands value-added creativity dominates. Hence, leaders are beginning to encourage activities and goals that in many organizations would have been unthinkable only a few years ago.

For one thing, they are spending much more time spreading business literacy throughout the entire organization. Genuine business literacy begins with information, openness and awareness—for everyone, regardless of level or function. This means full disclosure and regular discussions about business strategy, sales data and financials. It means that the open sharing of information is standard fare—be it about customers, inventories, budgets, costs, delivery cycles, quality issues, competitors, work processes, engineering and design alternatives. It means an environment where information permeates the organization, accessible to individuals and teams without the need for any sign-off.

In short, business literacy begins with a radical change in organizational culture, such that the spreading of competence and skills marks virtue while censoring, hoarding, filtering or distorting information become organizational sins. I find it interesting that the one major U.S. airline that disseminates cost and revenue data throughout the ranks, and couples it with open discussions among managers, pilots, flight attendants and ground personnel, is the only one that has posted a profit in 1992 and 1993. I refer, of course, to Southwest Airlines. (Technically, America West also declared a profit in 1993, but that was primarily a function of its chapter 11 restructuring).

The new culture described above

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is necessarily supplemented with regular education and development opportunities. Whatever the organization's purpose and vision, its people must continually replenish the skills and competencies necessary to move it toward that end. Leaders find it a strategic imperative (not merely a training task) to make sure that everyone is taught to understand and use income statements, computers, market research and Pareto charting. Skills necessary for doing effective hiring, budgeting, running meetings and delegating are seen as vital prerequisites for successful project management and self-managed teamwork.

At Chesapeake Packaging, in-house staff people such as controllers and analysts regularly teach employees (some of whom have less than a high school education) about the business fundamentals of cost accounting and systems applications. At Johnsonville Foods (sausage), local college professors teach blue-collar employees plant layout, inventory control and even microeconomics. At Chaparral Steel, managers and employees are encouraged to take developmental sabbaticals—to enroll in a university or to work on a customer site, for example. At Manco (industrial tape, weather-stripping), anyone can enroll in any outside course and be fully reimbursed as long as they pass it. Augmenting business literacy is an obvious outcome of Manco's policy, but CEO Jack Kahl's rationale is intriguing: "It lets people know...that one of the highest values in Manco is to be curious and allow curiosity to take place."

Strategic Imperatives

When approached as a strategic necessity, as it should be, ongoing training and education—and the development of curiosity—is expensive. It becomes an investment decision just like any other important strategic choice. Obviously, the value of the investment depends on the discounted flow of the future income it generates. But in an era where intelligence is the most precious economic resource, shrewd managers are already determining that the greatest risk is not investing in knowledge. Accordingly, at Motorola, 4 percent of payroll is spent on training. This translates into each employee receiving 40 hours of classroom education per year, (the company hopes to quadruple that figure within five years). On top of that, Motorola's extensive apprenticeship programs allow employees to earn wages as they learn under the tutelage of more experienced people while on the job (the tutors also receive training on how to mentor). One report quotes new CEO Gary Tooker as saying: "If knowledge is becoming antiquated at a faster rate, we have no choice but to spend on education. How can that not be a competitive weapon?"

"Knowledge respects no hierarchy, no cast distinctions, no egos, no power plays, no out-of-date traditions."

Harry Quadracchi, chairman of $700 million printer Quad/Graphics, would certainly agree with that sentiment. Business success at Quad/Graphics is nicely encapsulated by one of its credos: "Learn, Know, Improve, Teach." At Quad/Graphics, it is not unusual for people at all levels and functions to be in classrooms—either as students or teachers (and, yes indeed, "workers" become "teachers"), for up to four hours per week. Apart from the culture of innovation this fosters, people with little more than a high school diploma learn to effectively take over multimillion dollar presses, client relationships and P&L responsibilities.

When intellectual capital rules, everything changes. The manager's conversations and coaching relationships with employees—be they warehouse people, clerks, salespeople or staff professionals—include a healthy dose of business realities faced by the entire company. Performance reviews and compensation decisions for everyone (including managers) focus on questions like: What did you do to upgrade your own skills and competencies, the skills and competencies of others, the knowledge base of this organization? How has your learning made this organization a better place and a more effective, innovative competitor?

Building Communication Bridges

Smart managers invest in technical support systems which connect people and their ideas to one another. The ability of any employee in one location to immediately phone or electronically access any manager in another site for ideas and consultation becomes an important competitive advantage. So does the ability of anyone on the payroll to touch a keyboard and call up available knowledge in data banks inside and outside the organization. This allows exploration of new ideas and developments, including what's being done elsewhere that can be utilized. (When investigating organizations, I'm often amazed at how few people in department A are aware of the interesting, valuable "stuff" that people in department B are doing.) People's ability to connect with specialized expertise electronically (via "expert systems"), orally (via open forums and workshops with invited experts in a particular field), and in print (via journals, newsletters and bulletins) is also awe-inspiring. Companies as diverse as Du Pont, Coopers & Lybrand and Chromalloy Compressor Technologies are experimenting with one or more of these approaches.

Progressive senior managers push for permeable organization structures, or what CEO Lars Kolind of fast-growing Danish hearing-aid producer Oticon calls "spaghetti structures." In contrast to typical pyramid-like centralized hierarchies, which slow down and distort the flow of knowledge, the web-like structures Kolind alludes to encourage people with ideas and initiatives to cross over prior boundaries freely in the pursuit of organizational goals.

The very concept of "organization" changes. As mentioned last month, the priority of the "organization as brain" is to de-massify the body. It gets leaner, smaller, more fluid while its knowledge and competency base enlarge. The image is one of an organization with a limited number of people and unlimited reservoirs of intelligence, whose body is so feathery and spread out and so unencumbered by sunk costs that it is no longer even constrained by a fixed location. It can quickly appear as a presence anywhere and everywhere in the world. Small "smart" organizations become powerful global competitors, while larger organizations compete by growing their core competencies even as they descale, subcontract, outsource and spin off small-sized subunits that contain large pools of expertise in specialized areas. Acquisitions, alliances and joint ventures—often temporary and "virtual"—become essential strategic vehicles, but they are evaluated not with the goal of growing (though that may be a consequence), but with the idea of rapidly consolidating a larger base of expertise so as to more effectively respond to market changes and, even better, lead market changes. Apple's temporary partnership with Sony in the development of the Powerbook, and its new temporary partnership with Toshiba in the further refinement of the Newton—represents knowledge synergy that exemplifies the shape of things to come.

To facilitate the sharing of information, managers must emphasize the importance of candor, trust and interdependence. People whose motives revolve around egotistical power politics and self-aggrandizement are snuffed out ruthlessly. Win-win collaboration via the sharing of knowledge and resources becomes the norm. This is obvious with those working inside the organization, but it is also true, per the Apple example, with "outsiders." The new Boeing 777 has been developed and built with the active input of customers; several, in fact, were "in the know" as full partners with Boeing from the very beginning. Contact lens manufacturer Vistakon has such an intimate relationship with its plastic supplier Nypro that each party has access to each others' databases. Workteams from both organizations pool their expertise so as to help each other to solve productivity problems and reduce each others' costs and cycle times.

The very concept of "management" changes. During the past five years, the impressive turnaround of South African Airways' engine repair division, in the face of quality problems, internal operational inefficiencies and external economic sanctions (only recently lifted), has been due to a major shift in attitude. Senior manager Andre Dippenaar explains that in 1990 management finally "got" that it did not have the corner on expertise and solutions. "We had to bring in all the mechanics and engineers, including those in three unions, into the process of solving business problems. We began to think in terms of forming 'joint ventures' with our employees, and then we began to act accordingly." This meant "creating teams of real partners." It meant management's commitment to training, coaching and open dialogues. In a business where a quality error can mean fatalities and disaster, it meant allowing the teams to manage themselves and make decisions without interference, including budget responsibilities (the mechanics learned budgeting). It meant a pay-for-knowledge program to reinforce the importance of everyone's learning multiple skills and taking on more diverse, complex jobs. What emerged out of the process, says Dippenaar, is that the workforce is now "part of management." Knowledge respects no hierarchy, no caste distinctions, no egos, no powerplays, no out-of-date traditions.

Progressive managers realize that in the emerging business world they have a different—and vital—role: knowledge accelerator. **MH**

The author's comments are expanded in "Jumping the Curve," by Nicholas Imparato and Oren Harari (Jossey-Bass), available in October. Oren Harari © 1994.