The Boundaryless Organization

Breaking the Chains of Organizational Structure

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Reviewed by Lydia Morris Brown

Chapter One: A New World Order—Rising to the Challenge of New Success Factors

Increasingly, behavior patterns that are highly conditioned by boundaries between levels, functions, and other constructs will be replaced by patterns of free movement across those same boundaries. Instead of erecting barriers to separate people, tasks, processes, and places, organizations will focus on how to permeate boundaries to move ideas, information, decisions, talent, rewards, and actions where they are most needed.

For much of the 20th century, size, role clarity, specialization, and control were the critical factors influencing organizational success. Thus, managers and theorists focused on organizational structure as the primary vehicle for achieving effectiveness, investing considerable emotional and financial capital debating such issues as: How many layers of management are needed? What signing authority will different levels have? What is the proper span of control? What is the best balance between centralization and decentralization? How should each job be described and classified? How
should pay levels be set? How should field locations and international operations be organized?

The advent of information technology and the global economy has shifted the basis of competitive success to such an extent that the old success factors have become liabilities and are being replaced by speed, flexibility, integration, and innovation. These new imperatives are forcing organizations to confront and reshape the four types of boundaries that have traditionally characterized most enterprises:

- vertical boundaries between levels and ranks of people;
- horizontal boundaries between functions and disciplines;
- external boundaries between the organization and its suppliers, customers, and regulators; and
- geographic boundaries between nations, cultures, and markets.

The underlying purpose of these boundaries is to separate people, processes, and production in healthy and necessary ways to keep things focused and distinct. Without them, organizations would be disorganized. Thus, proposing boundaryless behavior does not suggest a free-for-all removal of all constraints, but allows more permeability so that information, resources, ideas, and energy pass throughout the organization so that the whole functions far better than each of its separate parts.

PART I: FREE MOVEMENT UP AND DOWN—CROSSING VERTICAL BOUNDARIES

Chapter Two: Toward a Healthy Hierarchy

Given the almost biological underpinning of hierarchy, and given its effectiveness in getting things done throughout humankind’s history, the question that should concern companies today is not how to eliminate hierarchies but how to have healthy structures that meet the organizational success requirements of speed, flexibility, innovation, and integration.

Most organizations still have hierarchies designed around size, role clarity, specialization, and control. These structures have become dysfunctional in the new world of exponential change, for they foster slow response time, rigidity, underground activity, internal frustration, and customer alienation. The presence of these dysfunctions is usually an indication that an organization’s vertical boundaries need some degree of loosening.

Finding the right balance of hierarchical looseness versus hierarchical control is a central task of leadership in the boundaryless organization. Moreover, the balance must be struck on multiple dimensions. Information must move from being closely held or integrated at the top to open sharing throughout the organization. Competence must move from leadership skills exercised at senior levels and technical skills exercised at lower levels to competencies distributed throughout the organization. Authority must move from decisions made only at the top to decisions made all along the line, at whatever points are appropriate. And rewards and incentives must be based on accomplishment rather than on position. Calibrating these “switches” is complex, especially when the environment is constantly changing. Not only does each need to be aligned properly with varying business and competitive needs, each must be coordinated with the other.

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Chapter Three: Rewiring and Retuning the Hierarchy

Wiring and tuning the system are the two sets of actions for creating a healthy hierarchy through a systemic process. Wiring involves putting in place components that are prerequisites for permeable vertical boundaries and that provide the framework for the long term. Healthy concepts of hierarchy must be aligned with business strategy. A sustained and visible management commitment must be developed through constant actions, big and small. A cumulative approach must be taken. And a shared mindset developed.

Once the components are in place, they need constant tuning, especially along the four dimensions of information, competence, authority, and rewards, to generate momentum for the short term:

- Information can be shared effectively by aligning channel and message; by sharing good and bad news; by using both cognitive and emotive news; by making messages both complex and simple; and by using information to encourage change.
- Actions for building competencies can include conducting a competence audit; improving staffing; training and development; establishing career banding; and establishing a 360-degree feedback loop.
- To tune the authority dimension to a level that produces fast, effective decisions, leaders can challenge current decision-making assumptions; use “town meetings” to shift authority; shift management roles from controller to coach; and remove layers when and if necessary.
- Rewards should be based on performance and skill; they must be shared up and down the organization; and consideration must be given to the use of nonfinancial incentives.

PART II: FREE MOVEMENT SIDE TO SIDE—CROSSING HORIZONTAL BOUNDARIES

Chapter Four: Beyond Turf and Territory

Just as an organization needs to maintain some vertical constraints, some degree of horizontal task delineation is equally necessary. Nonetheless, these horizontal boundaries can be made more adjustable and permeable so that the entire organization can operate with greater speed, flexibility, integration, and innovation. Failure to take proactive steps to create horizontal permeability can lead to slow, sequential cycle times; protected turf; suboptimization of organizational goals; the enemy-within syndrome; and customers being forced to do their own integration.

When these warning signs appear, most organizations react by immediately changing the organizational chart, attacking specific symptoms rather than the underlying dynamics of the symptoms. Rather than ask the question, “Should we centralize or decentralize?” management must reframe the question by first viewing the organization not as a set of functional boxes but as a set of shared resources and competencies that collectively define the organization’s range of activities. From this perspective, the more fundamental question becomes, “How does the organization create processes to ensure that all its shared resources and competencies—arrayed across the horizontal spectrum—create value for customers?”

To effectively address this question, management needs to keep in mind some key principles: Focus on the customer. Show one face to the customer. Form and re-form teams to serve the customer. Maintain a competence pool. And share learning across customer teams. Loosening horizontal boundaries in accordance with these principles, then, calls for integration, not decentralization; process, not function; and teamwork, not individual effort.

Chapter Five: Integrating Resources To Serve the Customer

The needs of the customer change so rapidly that the organization must constantly improvise quickly, effortlessly, and proactively in a way that the customer finds pleasing. To accomplish this, the organization must orient work around core processes; tackle processes through targeted teams; turn the vertical dimensions of information, competence,
authority, and rewards sideways; create shared services for support processes; and develop organizational learning capability. These “improv” vehicles, which facilitate harmonious behavior across horizontal boundaries, can be used by leaders to bring together different resources that are shared in an organization, focus them on customer needs, and create an ongoing process of change and learning, without enmeshing the organization in the horizontal issues of territory and turf.

PART III: FREE MOVEMENT ALONG THE VALUE CHAIN—CROSSING EXTERNAL BOUNDARIES

Chapter Six: Toward Partnerships With Customers and Suppliers

The objective of loosening internal boundaries is to create a more effective organization—one more capable of dealing with customers, suppliers, and other external entities. The objective of loosening external boundaries is to create not only more effective individual organizations but to make stronger interactive groups out of organizations that share a value chain. This is not to say, however, that companies should immediately eliminate all external boundaries and indiscriminately form partnerships, alliances, joint ventures, and collaborations. This would be chaotic and counterproductive. Nonetheless, the more that strategy, technology, management practices, resources, and values flow back and forth naturally between organizations, the less necessity there is for crisis-generated breaches of the outer wall.

Although many organizations have realized that a new approach is needed, they often focus more on the mechanics of interorganizational relationships than on changing their underlying assumptions. Rather than maintain the every-company-for-itself attitude, organizations must refocus the lens and see that a rising tide raises all boats—see that success will come from improving the overall profitability and continuing vitality of the value chain as a whole, and not just from their own bottom lines and organizational health. To this end, companies must follow a new cooperative and systemic organization model in which business and operational planning are coordinated; information is widely dispersed and problems are solved jointly; accounting, measurement, and reward systems are consistent; selling is a consultative process; and resources are shared.

Chapter Seven: Strengthening the Value Chain

The actions for tuning an organization’s performance in relation to its external boundaries are divided into three categories: getting started, building momentum, and sustaining progress. Getting started requires tuning in to customers and suppliers and figuring out where the opportunities lay. Key actions in this category include arranging customer/supplier cameo appearances; taking customer/supplier field trips; holding open-agenda dialogues with management teams; mapping customer/supplier needs; and collecting customer/supplier data. These actions are for organizations in the early stages of building boundaryless relationships across the value chain—organizations needing to break old patterns and to introduce employees to the external focus.

To build momentum, companies (in the middle of the boundaryless continuum) must experiment with collaboration to experience success and learning. Holding customer/supplier town meetings; organizing cross-value chain task forces; sharing technical services; and teaching salespeople to be consultants are the powerful actions that build an ongoing momentum, making the process of collaboration so rewarding that it cannot easily be discontinued.

Sustaining progress actions are for organizations that are ready to institutionalize the new value chain model. At this point, systems, structures, and processes are aligned/integrated to sustain gains in the long term. Integrating information systems and reconfiguring roles and responsibilities expand the participative process, assess the learning, consolidate the gains, and move companies to the point where quantum leaps in performance are possible through collaboration.

PART IV: FREE GLOBAL MOVEMENT—CROSSING GEOGRAPHIC BOUNDARIES

Chapter Eight: Toward the Global Corporation

While loosening vertical, horizontal, and external boundaries directly increases the ability of the organization to meet the new success factors, attacking global boundaries would seem, at first glance, to be only of minor importance
to companies that already are successful in their domestic markets. Nonetheless, penetrating global boundaries will be a necessity for the successful organization of the future.

The challenge, however, does not lie in finding a reason for crossing global boundaries but in finding the right path to globalization and implementing it in a way that suits the organization. The gap between what managers know they should do and what they actually do is extremely wide. Thus, companies seeking to globalize must struggle with a number of critical challenges, including establishing a workable global structure; hiring global supermanagers; managing people for a global environment; learning to love cultural differences; avoiding parochialism and market arrogance; designing unifying mechanisms and a global mind-set; and overcoming complexity.

Chapter Nine: Actions for Global learners, Launchers, and Leaders

Although there is no specific sequence of steps that can be prescribed for all organizations, there is a wide range of actions that an organization may initiate to take its first steps into the global arena.

When a company attempts to move from global learner to global launcher, its human resource practices must first focus on cultural awareness and diversity. Language/cultural sensitivity training must be supplied. Standardized forms and procedures must be created. An overseas presence, via joint ventures, modest acquisitions, or the establishment of a headquarters, needs to be set up. And the organization must engage in extensive cross-border relationship building. When moving to the next stage of global leadership, companies must seek a complete liquidity of human resources—recruiting outside the domestic base and placing foreign recruits within the domestic base, promoting the best people to global assignments, rotating people internationally, aiming for a global structure, and mapping global processes.

Second, organizations must move to change their organizational structures. A fact-finding task force is a useful way to open the organization to new information and to identify opportunities. Beyond this initial exploration phase, the organization can then initiate an overseas presence, if not an autonomous headquarters, moving part of itself away from its traditional geographic or corporate base and closer to new customers. At the leadership stage, companies must provide continual training to reinforce the global mind-set. They must remove/minimize country managers and replace them with global managers. The focus must be on global customers. And real-time global communications should be routinized.

Finally, in the realm of organizational processes and systems, organizations must establish worldwide shared values, language, and operating principles; conduct fact-finding missions; design ad hoc transnational teams; and hold global town meetings and best-practice exchanges of information. When moving into a leadership position, companies must employ global reward systems, multiply ongoing transnational project teams, and work for global integration.

Chapter Ten: Making It Happen: Leading Toward the Boundaryless Organization

Boundaryless organizations do not come about as an automatic response to changing socio-economic pressures. Rather they arise from effective changes in structure and process, and are actively driven by organizational leaders who ignite transformation, keep it alive, and then control the process so that it remains productive. This requires that leaders overcome at least five different challenges: (1) transforming for tomorrow while doing business today; (2) managing an uncontrollable change process; (3) leading to an unclear destination; (4) dealing with disruption; and (5) confronting the need for personal change. Although there is no simple, straightforward formula or magic strategy for meeting these five challenges, focusing on measurable short-term business results, creating an iterative vision, rather than a grand plan; and bursting the boundaries in order to burst the boundaries can be employed as major leverage points for boundaryless transformation.

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Bibliographic notes by chapter and a subject index are provided.

Remarks

Because the new business environment imposes new demands, the old ways of doing business are becoming less and less relevant. Managers are being forced to engage
in a fundamental reexamination of strategies at all levels, as well as reexamine the capabilities of their organizations to execute new, often complex strategies. Both tasks require a capacity to forget as well as the capacity to learn. They require the tools for honestly assessing where one is and a capacity for conceiving where one ought to be. Not only is a new organizational theory needed, but also a critical evaluation of the limits of existing theory. Finally, the capacity to think long term and, at the same time, to create the financial and the organizational space for change through efficiencies is required.

The Boundaryless Organization provides an excellent beginning to the process. Implicit in its message is that the traditional notions of efficiency, such as quality of asset management, are not enough. Organizations need to go beyond them to accept the need for resource leverage—speed (not size), flexibility (not rigidity, disguised as role clarity), integration (not specialization), and innovation (not control). The essence of such leverage is learning, sharing knowledge, redeploying knowledge, and bundling physical and intellectual assets in new and creative ways. Thus, the capacity to transcend current administrative boundaries is a critical precondition. This boundary spanning is the substance of this book.

The work focuses on general management in a changing marketplace, making it useful for line managers as well as a guide for HR professionals: Extensive case studies of such successful corporations as General Electric, Morgan Bank, and SmithKline Beecham demonstrate how to break through slow-moving bureaucracies; mobilize multiple constituencies for change; accomplish short-term goals while planning for long-term success; and grapple with the problems of becoming a global company. Important diagnostic tools are also provided to help managers assess their own levels of boundaryless leadership and to identify priorities for change, while measuring progress in breaking through the four boundaries. Throughout, two themes dominate: First, creating a boundaryless organization takes time, perseverance, and repetition of small acts. Second, change not anchored in business results is likely to be unsuccessful. Idea-rich and implementation-focused, The Boundaryless Organization provides a simple framework either for getting started or for accelerating the pace of boundaryless transformation. It is not, however, a how-to guide. It does not provide solutions, but offers a set of ideas that the authors hope will stimulate all managers to rethink how they get work done. Rather than prescribe, it challenges managers to use their own creativity and leadership to create their own unique boundaryless agendas.

Reading Suggestions

Reading time: 7 to 9 hours, 396 Pages in Book

To give you the easiest access to frameworks and tools, the book is arranged into four major sections, each focused on one of the four types of organizational boundaries. Each section contains two chapters. The first chapter describes the boundary in question, and explains the problems it causes, the benefits of making it more permeable, and some of the “immune” responses that might kick in to prevent change. The second chapter of each pair presents tools and techniques organizational leaders can use to implement the shift toward the boundaryless paradigm and to overcome the immune responses resisting it.

You should begin by reading both Forewords, the Preface, and Chapter One. Questionnaire #1 (Chapter One) will help you to assess how boundaryless your organization is at present. The authors suggest that you use the scores to decide where you want to concentrate your reading—on the boundary(s) where you find the most urgency or opportunity for change, or on those that cover your area of strength in order to find ways of building out from that success.

Similar questionnaires are provided throughout the work. Completing them will add considerably to our estimated reading time.
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