

GO for the Entrepreneur

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GO Global Organization
Design

CONTENTS

Global organization design is for entrepreneurial companies	2
Global markets shape large and small companies.....	2
Globalization has meant international stretching of supply lines and distribution system	2
Global organization design is about horizontal business processes first, and vertical structure second	3
Business process management is where global organization design starts for the entrepreneurial company	3
The emphasis in the entrepreneurial company is on design of new and fluid process architecture.....	3
Global organization design defines on-going accountability for process management.....	4
For each of the ten or so strategic business processes a Process Champion.....	4
It is also essential to pay careful attention to the lateral relationships	5
The real need is to get effective agreement among executives	5
Global organization design defines hierarchical accountabilities	6
It is almost certain that a successful global organization will be at least Stratum V.....	6
Attention to the talent pool builds for the global organization of the future	7
This is perhaps the most painful aspect of successful growth: that the company outgrows its loyal employees	Back cover

GO for the Entrepreneur

Global organization design is for entrepreneurial companies

Global organization design may suggest big companies, what we used to refer to as multinational corporations. But the truth is that small and medium-sized companies are also where the impact of global business is being felt. The seminal ideas of global organization design apply to entrepreneurial businesses and are important to their success.

The focus of this paper is on entrepreneurial businesses. Entrepreneurial companies are those driven by a compelling vision, innovative and flexible in pursuing a market or product opportunity and usually on an aggressive growth path. Many are small or medium-sized companies, but some are large: they range from a few to many thousand employees. Ichak Adizes identifies stages in the growth of the entrepreneurial company, going from “infant: no delegation,” through “Go-Go: too many priorities,” through “adolescent: too many meetings” to “prime: not enough well-trained people.”¹ This path from founder to sustained success is the trajectory of the entrepreneurial company. There are many pitfalls along the trajectory, and one of the most critical is putting structure and system in place when needed. Global organization design is an important aspect of that structure.

Global markets shape large and small companies

Most companies, large and small, are affected by competition in markets around the world. The impact of this competition is felt on either

or both of the supply chain side, and the marketing and sales side.

Many firms have been forced to abandon domestic manufacturing for low-cost supply from Taiwan, China and India. Outsourcing of larger components of the supply chain has backed many small and medium-sized companies into a globe-straddling operation in order to hold domestic markets against low-cost competition. For others, the impetus has been software subcontracted to Indian developers.



Globalization has meant international stretching of supply lines and distribution system

Some companies have found that the changing global marketplace has opened new international markets for products and services, taking domestic product or know-how into markets in foreign countries. “The term ‘globalization’ is used...to encompass all business processes required to design, create, test, market, sell, support, maintain and retire a product/service outside of a company’s domestic market.”²

For a great many firms, globalization has meant both an international stretching of its supply lines and of its distribution system. The great companies like General Electric have been challenged to globalize their enormous businesses.³ For the small, entrepreneurial, growing company, this horizontal stretching is a major management challenge.

The globalization pattern is not new. What is new is that organizing for the global business is a common challenge in today’s small and medium-sized companies. Tom Bata describes how the Bata Shoe company shifted from a decentralized multinational organization in the 1950s to a decentralized global company with design in Italy, manufacturing specialized in various countries from Europe through Asia, and local retail operations.⁴

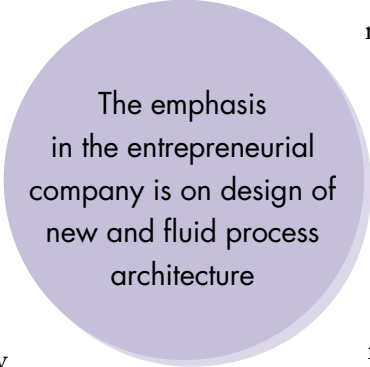
Looking at the world today from Turkey, *The Globalization Insider* editor Rebecca Ray notes:

“In the ‘old days,’ [globalization] was about creating and executing a business plan to expand gradually into international markets – those of us responsible for international business basically viewed the world as a set of national markets. Now, it’s about a company looking at the world in a “holistic way,” i.e., interpreting it as a source for the scarce knowledge and expertise that it needs to integrate into all of its business functions, not just in its sales/marketing/support activities.”⁵

Global organization design is about horizontal business processes first, and vertical structure second. A U.S. Department of Defence publication notes: “Modifying how an organization is structured and redesigning that organization’s business processes are two different things. An organizational structure should be designed so that it best supports those redesigned business practices.”⁶



Global organization design is about horizontal business processes first, and vertical structure second



The emphasis in the entrepreneurial company is on design of new and fluid process architecture

Business process management is where global organization design starts for the entrepreneurial company

In the small and medium-sized company in particular, global organization design needs to articulate these horizontal business processes first and vertical managerial accountability for them and for their management second. For the entrepreneurial company, GO is about en-

gineering and managing new and emerging processes. The business process emphasis has its technical origins in reengineering. But the emphasis in the entrepreneurial company is on design of new and fluid process architecture. This is different from the big companies “obliterating” moribund systems as they did fifteen years ago when Michael Hammer launched the reengineering movement.

Emphasis on business processes distinguishes Global Organization design (GO) from the vertical emphasis of the contributing disciplines of Stratified Systems Theory and Requisite Organization.⁷ Indeed, the starting point in GO, especially for the small and medium-sized global business, needs to be business process design. Business process design has its roots in reengineering⁸ and has tended to be in the orbit of information technology within companies. Today “business process” is on the forefront of the migration of the use of computers in organizations from “data processing” through “database management” to “business process management.”⁹

Importantly, business process management encompasses the reality that business processes extend backwards to supporting firms in the supply chain and forward into customer organizations. Business processes are constantly changing to reflect changing business arrangements. They need to be overseen, designed, directed, modified and led by a company’s executive team as business requirements change. And the modeling and architectural tools emerging are enabling ordinary business executives – that is other than IT specialists – to take accountability for business processes. Technology gurus Howard Smith and Peter Finger assert these processes “tend to be fluid. Difficult to coordi-

nate across numerous partners. Unique to the firm, mission critical. Focus on continual process improvement. Need for increased decision making.”¹⁰ They feature customer self-service, sales and marketing, supply chain processes and knowledge management that “...share structured and unstructured information with people outside the organization – customers, suppliers and partners – enabling them to perform tasks using the organization’s information.”¹¹ And obviously, these processes cut across the host company horizontally, linking, for example, product development, marketing, sales, supply, production, logistics, billing, accounting and financial reporting.

Global organization design defines on-going accountability for process management.

Companies, large and small, tend to be functionally organized around specialized competence, for plant management, for research and product development, for marketing, for sales, for customer service, human resources, for finance and control, etc. Accountability for some processes falls more or less within these functional organizations, and Task Assigning Roles and Responsibilities (TARRs in Elliott Jaques’s parlance)¹² can be built directly into the accountability structure of various executive and managerial roles.

For each of the ten or so strategic business processes in a company there should be a lead executive or a Process Champion assigned managerial accountability. An important first step is to define the strategic business processes from the dozens of sub-processes that exist explicitly or implicitly in the organization. Areas to be considered, for example, are the following:

- Accounting and reporting
- Business development
- Customer service handling
- E-commerce processes
- E-mail-based communications
- Estimating and bidding
- Finance and treasury
- Human resources management
- Information technology services
- Internal audit
- Maintenance and support services
- Marketing
- Mergers and acquisitions
- On-line real-time customer services
- Premises (head office and branches)
- Procurement and supply chain
- Product design and engineering
- Production line
- Production processes
- Public relations
- Quality assurance
- Research and development
- Sales and sales administration
- Strategic and business planning activities
 - Talent management

For each of the ten or so strategic business processes a Process Champion

The thing about accountability is that you get what you inspect, not what you expect. So it helps to be clear about accountability and to evaluate effectiveness in discharging assigned accountabilities. The Process Champion for each of the strategic business processes needs to have managerial accountability for it:

- Managerial accountability and authority for developing and maintaining Business Process A, to recommend and have authority

to veto the appointment of technical experts assigned to assist in implementation, to decide their work assignments, to decide their personal effectiveness appraisal and merit review and to decide to initiate removal from role.

It is also essential to pay careful attention to the lateral relationships.

Because most business processes cut across these functional roles, accountability for the processes needs to be managed laterally. It is also essential to pay careful attention to the lateral relationships.

Here Jaques's Task Initiating Roles and Responsibilities (TIRRs)¹³ are helpful.

The Process Champion should also have accountability for coordinating the other executives, and for keeping on top of aspects of the process that lie in another executive's area, or even outside the company:

- Coordinative accountability and authority for a) monitoring the actions of vice presidents, directors, managers and employees as they relate to the Business Process A; and b) bringing them together as required to try to persuade them to take a common course of action.
- Monitoring accountability and authority for keeping abreast of the all aspects of Process A, taking opportunities to persuade other executives, directors or managers to take alternative courses of action when appropriate. When such persuasion is not successful and where the matter is judged serious, it is to be reported to the president for resolution.

Other executives managing aspects of the process need to be accountable for advising on strategic process changes:

- Advisory accountability and authority to provide advice and assistance to the Process Champion seeking to persuade them to follow the advice, which is at their discretion to do so.

The real need is to get effective agreement among executives.

Some executives, such as the chief financial officer or the quality assurance executive, may have prescribing and/or auditing accountability over certain aspects of the process:

- Prescribing accountability and authority to instruct executives, directors and managers on (specified) policies and practices.
- Auditing accountability and authority for inspecting (specific matters) and deciding if they fall within quality standards, and if they do not, may order the activity stopped and has the authority to do so.

And each executive needs to have accountability for making it all work:

- Collateral accountability for working smoothly with co-workers so that the best overall result is achieved.

There are subtleties of relationship here that need to be talked through, agreed and understood. How this is done depends, of course, on the nature of each company. The point is that the flexibility and responsiveness of these lateral processes are key to the success of the horizontally stretched global organization. Attention to clarity, agreement and review of these arrangements is an important antidote to the tendency of companies to develop silos and rigidities as they grow.

Being explicit on paper and being in agreement are two different things. This is especially true in the entrepreneurial company where "ready, fire, aim" is often the credo. Fast-moving companies often don't pay much attention to documentation, so the real need is to get effective agreement among executives. Getting real understanding and real agreement requires good "process" of a different kind: getting heads together in an efficient offsite session where these complementary roles are understood and internalized.

Then, of course, regular attention by the CEO to explicit review of effectiveness is essential to closing the loop on accountability.

Global organization design defines hierarchical accountabilities

While it is essential that horizontal business processes take precedence in organization in the global entrepreneurial company, early attention to vertical structuring is also needed so the company can follow through with solid growth of infrastructure to capitalize on competitive success.

The description of lateral accountabilities in the previous section implies a Stratum V organization, with front-line managers, directors and vice presidents between workers and the CEO. Entrepreneurial companies don't start out that way. Often the structure between the direction and the action is simpler than that in the early days. It is almost invariably true that a global organization requires higher stratum leadership at the top than would one of similar scale operating in a local market only. The global organization is characterized by the added complexity that an international business implies, not just operationally but also because of the contingent uncertainties of geopolitical matters, exchange rates, and differing cultures.

It is almost certain that a successful global organization will be at least Stratum V. In simplest terms this means that the CEO has the ability to invent or reinvent the business, and that he or she can drive the half dozen critical tasks to achieve a seven-year business plan, monitoring and assessing consequences of a changing business environment, steering the business to maintain profits at a reasonable lev-

el, customer goodwill, high morale, and survival of the business with a growing balance sheet.

General managers or functional managers are needed at Stratum IV to support this leadership. Technically Stratum IV managers have the cognitive capability to parallel process multiple interacting processes, pacing them in relation to one another in resourcing and in time, making trade-offs between tasks in order to maintain progress along the composite route to the goal. They need to be operated with a span of discretion up to five years.

A solid cadre of middle management will need to emerge at Stratum III able to cope with short-term requirements while at the same time encompassing the whole functional or operational process for goal completion and have pre-planned alternative paths to change to if needed, with a time span of discretion up to two years.

Front line managers at Stratum II are needed for the diagnostic accumulative role of overcoming immediate obstacles by direct action while accumulating and sorting information to diagnose emerging problems and initiate actions to prevent or overcome them, with a time span of discretion up to one year.

It is almost certain that a successful global organization will be at least Stratum V

Attention to the talent pool builds for the global organization of the future

The foregoing descriptions distinguish among roles needed to handle differing levels of complexity of managerial work. They represent distinct differences in capability. It is important for leaders of growing global organizations to understand these differences and to recognize how important it is to have, for example, managers at Stratum III who are Stratum III capable. It is true that people's capability grows with time,

and that a capable Sales Manager at Stratum II at age 35 may have the ability, given appropriate skilled knowledge and experience, to take on a Stratum III Director's role in his 40s. But if the requirements of the role at that time are a Stratum IV Vice President of Sales, the Sales Manager will not be able to do what is needed. This is perhaps the most painful aspect of successful growth: that the company outgrows its loyal employees.

Growth in a business leads to growth in complexity of its management. A successful company usually finds that

This is perhaps the most painful aspect of successful growth: that the company outgrows its loyal employees.

role requirements grow faster than people. This is important, and perhaps intuitively obvious, but it is often obscured by the current fashion of flat organizations, and the desire to "go home with the one who brought you." Indeed, a key component of a successful global entrepreneurial organization is a talent management process that ensures the company has the leadership for the future developing now, and that encourages employees to be the best they can be.¹⁴ Talent management is a critical business process for the entrepreneurial organization.

¹ Adizes, Ichak, *Corporate Lifecycles: How and Why Corporations Grow and Die and What to Do About It*, Prentice Hall, New Jersey, 1988.

² Ray, Rebecca, "Globalizing Business Processes: Moving Up the Food Chain", Localization Industry Standards Association, the *Globalization Insider*, Switzerland, 2005, www.lisa.org.

³ Welch, Jack, *Winning*, HarperCollins, New York, 2005.

⁴ Bata, Thomas J., *Bata: Shoemaker to the World*, Stoddard, Toronto, 1990, p. 162 ff.

⁵ Ray, Rebecca, *op. cit.*

⁶ OSD Comptroller iCenter, *Reengineering: A Radical Approach to Business Process Redesign*, 2002.

⁷ Jaques, Elliott, *Requisite Organization: A Total System for Effective Managerial Organization and Managerial Leadership for the 21st Century*, second edition, Cason Hall, 1996.

⁸ Hammer, Michael, "Reengineering work: Don't Automate, Obliterate", *Harvard Business Review*, Boston, July/August 1990.

⁹ Smith, Howard and Finger, Peter, *Business Process Management: the Third Wave*, Meghan-Kiffer Press, Tampa, 2003.

¹⁰ *Ibid.*, p. 63.

¹¹ *Ibid.* p. 65.

¹² Jaques, Elliott, *op. cit.*

¹³ *Ibid.*

¹⁴ Fowke, Donald V., *Global Talent Management*, New Management Network, Toronto, 2005.



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