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Challenges to Bureaucratic Organizations In the Modern Business World

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Introduction

As a professional consultant in business process efficiency and technology application, it is paramount that deliverables be effective and measurable. In working with organizations, results (often in the form of an ROI, or Return On Investment) are expected. (This is especially true of Six-Sigma and other quality and cost-driven companies.) These results are the analysis of a broad range of consulting experiences delivered to a variety of industries. Business processes, business goals, strategic and tactical planning, computer systems, organizational structure, and various technologies are involved. A successfully executed project relies on properly aligning many elements within a business, all interacting with organizational structure. This success requires change, much of which is driven by both internal and external constraints, and ultimately depends on the business' ability to properly organize itself.

The content of this paper is based upon experiences in working with a range of companies, from high-technology to industrial manufacturers. The abstractions reflect the issues companies face, the challenges of meeting their business objectives, and the results of delivering products and services. These experiences are not singular in nature. They are based upon a large spectrum of companies and consulting projects. My experience ranges from large multi-national corporations as Toshiba, General Motors, and Bechtel, to small mid and micro-caps, to entrepreneurial startup companies. The consulting work preformed ranged from inter-departmental ERP software implementations to corporate-wide business process reengineering to managing software products from inception through market release. All of the consulting work delivered is based on real returns to the target companies. This real world experience has crafted a perspective of how to structure successful business improvements in today's fluid business climate.

This paper reviews the historical aspects of business organization to establish perspective, leading to recent business challenges, and the details of the factors that actually drive change. The paper focuses on effectively managing this change through methods, which cast a broad net, rather than discrete and independent changes throughout an organization. Finally, the business challenges of today and tomorrow are reviewed in respect to the organization. These challenges require a deconstruction of a bureaucratic structure due to the rapidly changing constraints under which businesses must exist. Organizations can only be partially effective if they retain rigid hierarchical or horizontal structures. It is these very structures that prevent businesses from attaining a true state of responsiveness. This responsiveness interacts with customers, suppliers, shareholders, employees, regulations, international laws, new technologies and processes, management theories, changing business practices, the environment, and other important factors to a business' viability. Without a purposeful eye toward how an organization is structured, how it functions, and how it interacts internally and externally, little headway can be made in overall improvements. By reviewing these principles in the context of business operations, we learn how to propose meaningful and effective changes that impact the business' bottom line. This is critical to any change-agent involved with business operations, regardless of the scope or sphere of influence.

In order to maintain an effective business consultancy, professionals working with companies must realize that the organization itself is often the largest impediment to success. Improvements in process, technology application, business planning methods, logistics, use of software, training, and other areas, can no longer justify the cost and effort of independent change. That is to say that single point efforts to yield bottom line improvements are becoming less effective over time. This is due largely to external constraints and pressures on the business itself. Just a few examples are competitors, changes in markets, fast-evolving customer requirements, changes in technologies, obsolescence of processes and technologies, global competition, off-shoring work, business partnerships, changing laws and regulations, international standards, and employee training.

The key to continued business viability is based on understanding which business factors should be tied together for specific results (expected ROI, or improvements). It is no longer feasible to expect the implementation of a multi-million dollar ERP system to yield business-wide benefits. Certainly some benefits will occur. But as with any project, at least 100% of the cost will be incurred, while less that 100% of the benefit will be realized. True success can only stem from including other factors into this implementation. Business Process Reengineering, Supply Chain Management Initiatives, use of collaborative tools in complex workflows, and strategic information technology infrastructure planning all must accompany an ERP deployment. This is only a single example of how a business “improvement” cannot occur without including a much broader scope within the company itself. This is true for any business initiative that seeks to improve the business itself. Finally, it is the organization itself that is both overarching and underlying all instances of business improvement. This paper’s objective is to convey how business goals, business process, and organizational structure are integral parts of a business’ success. The consumption model (companies and consumers who purchase goods and services) has radically changed in the post-industrial age. Market demands can only be satisfied by organizational structures that appear very different than the large bureaucratic structures created by the industrial revolution.

Background

During the course of consulting with companies implementing technology, the scope of delivering higher value began to extend beyond these implementations. For example, in automating a design process, synergistic benefit can only be realized if the analysis group can use design results. (Further benefits are realized if the manufacturing group can leverage the automated results of the analysis group.) If the design process remains distinctly separate from analysis process, the gap must be bridged manually. This manual process requires additional resources, both human and machine. For companies to truly gain benefits, problems must be viewed from a business-wide perspective. This opens up the opportunities to extend solutions beyond the planned scope. This creates true synergy, vaulting the company into higher returns on investments. Executives, managers, and consultants have the opportunity and duty to maximize benefits by greater depth and breath of vision to their improvement initiatives.

In consulting with large industrial companies as Bechtel, McDonnell Douglas, General Motors, and Gould, managers typically think in limited terms (scope). These limits are expressed often as departmental needs. This need spawns an approval process, which triggers a project. As I worked with these, and other companies, I began to understand the true success of the project (measurement) often depended on effective integration beyond their departmental objectives. For example, defining requirements for automation always opens up opportunity for other departments. Automating only a part of a business processes, negates any synergy possible by not leveraging related workflows into the scope. An effort to reengineer a business process must take into consideration multiple factors, not just the way the work is processed. By incorporating more of the business process, basic business questions arise. What is the business objective? Is it still valid? What systems support the current process? Are these still valid? What are the true business requirements, aside from current systems in place? Is the organization structured to execute changes in business process? Are the right people in place? Do they have the right people and skill levels for change? Organizational structures today often prevent these very questions from being asked. Rigid job descriptions, disincentives in “thinking outside the dots,” and slow, cumbersome communications are examples of how organizations dampen progressive change. The bureaucracy created during the industrial revolution has become synonymous with resistance to change, slow-moving, and innovation-less. In other words, today’s need for business change is at direct odds with the very organizational structures in which they exist.

In working with a variety of companies, from the Fortune 500 to technology startups, the same situation arises. Effective changes to business cannot happen in isolation. As a business consultant, it is often my role to uncover, and convince organizations that attempts at improvements cannot be realized unless planned and executed in a broader business scope. This is the most difficult task to accomplish because it challenges the very structure of the organization. However, more and more companies are beginning to realize its validity. This realization is due to many factors. One of these factors is that companies are beginning to acknowledge that process improvement “projects” of the past, have failed to yield expected results. They have come to understand that even small projects extend beyond traditional functional boundaries.

The most difficult challenges are within large, established industrial type organizations. This is due to the very nature of the organization itself. Large bureaucracies tend to be stifled under their own weight. This naturally resists change, as departments have rigid functions and personnel roles, along with narrowly defined functional scope. As business processes demand greater efficiency, these separate and rigid functions are challenged. But these challenges are weak due to the strong bureaucratic resistance. Only when pressures are extreme, will organizations look to changing their structure. An all too common response to this pressure is reducing headcount. Operating under a drastically reduced headcount gives the organization an opportunity to change its organizational structure. This involves a radical motion to reorganize, define new workflows, set new objectives, and give greater authority, responsibility, and accountability to managers. However, fearing change, and the pressure to keep production steady and revenues up, the organization often cannot take the time and effort to become “better.” When organizations “re-invent” themselves, they risk short-term losses to ensure long-term viability. Successful companies reap the rewards, while those that do not change to meet today’s challenges face the prospect of failure.

Easier, but by no means simple, are the smaller organizations. These small companies also have their barriers. These barriers are not necessarily the bureaucratic type (but they can be). Often, small companies are the growth of entrepreneurs, or spin-offs or larger companies. Organizations as these can experience rapid growth in business. This translates into internal changes to meet the demands of the business. Due to the accelerated growth, these businesses cannot afford to stop and “reengineer themselves” to become more efficient. They are simply consumed with customer and/or market demands. The business processes that once met their needs as a smaller company, are insufficient to meet their expanded needs. These inefficiencies are met by longer working hours, extraordinary efforts of the employees, and additional hiring to execute the out-dated processes that are still in place. The organization itself is too busy to stop its business and reevaluate itself in terms of improvements. These organizations understand change cannot come from within. One alternative is to hire consultants that evaluate their organizations, make recommendations, and outsource projects to gain the improvements. Another alternative is to hire professional managers that have experience in coping with changes in a fast-paced business. These managers can be effective forces in re-crafting the organization to efficiently meet the demands placed on the company.

Smaller organizations do not typically face the historically large and entrenched bureaucratic structures of their larger brethren. Small, new, or growing organizations struggle to invent organizational schemes that meet their current and projected business requirements. At the same time, these schemes must remain flexible in order to address the fast-paced changes of market and customer demands, as well as responsiveness to competitors.

Work-Shaped Organizations: The Rise of Business Bureaucracies

The earliest organizations were shaped by work. This was mainly from necessity. When a certain type of work, or work-product was required, people with the appropriate skills were recruited, and specifically organized to accomplish the work. (This method remains largely in place even today.) As work became more complex, the complexity of the organization doing the work also increased. With complexity came the need to “manage” both work processes and workers. This gave rise to the age of bureaucracy. Eventually, as industrial processes improved, an additional layer of complexity arose between overlapping and separate business processes (for example, engineering and manufacturing, sales and engineering, quality and production, etc.). This “interface layer” required even more workers to manage the flow of work between processes and procedures.

In this model, work continued to dictate organizational structure. Generally, work methods were highly defined, rigid in their operations, and compartmentalized. This dictated an organizational structure with limiting job descriptions, and narrowly focused departmental objectives. Both of these generated barriers to integration and newer methods (improvements) of accomplishing work.

Factory automation, management theories, human resource management, and computer technologies provided vast improvement throughout a business. These elements began to force companies to reevaluate their organizational structures. Due to the improvements realized by these emerging elements, some of the existing organizational structures were no longer necessary. This allowed executive management and human resources to include organizational restructuring as part of their business management process.

Characteristics of the Bureaucratic Organization are:

Production methods designed against work-type
Inflexible business processes
Methods of production difficult to change
Tight dependencies of workforce, procedures, and methods
Clear lines of functional divisions
Breaks in workflow between functions
Compartmentalized automation

Rigid job descriptions
Long Management hierarchy chain
Slow to decide, slow to execute
Decision making at odds with changing business needs
Bureaucratic organizations were useful structures to support the transition into the Industrial Age. Production methods were revolutionized, consumer models changed dramatically, and work processes needed fine definition to product work products. As industries arose from this period the cultural tool of the bureaucracy became a certainty in successfully building a business. From the late 18th century to the mid 20th century, the bureaucratic organization not only flourished, but also was necessary to build and sustain factory production. A broad array of tools are available today that makes many of the fundamental aspects of bureaucracies obsolete. With the application of these tools, the business faces new challenges in the post-bureaucratic era.

Changes in Production Methods: Sustaining Bureaucracies

As the mid-twentieth century made its way into the 1970s and 1980s, large corporations were making investments into integrating functional areas. No longer would these companies separate a sales process from a manufacturing process, for example. This meant that standalone software systems that supported their operations needed a complete overhaul. One system for sales, another for purchasing, another for inventory, another for shop floor control, another for planning, another for engineering, and so forth, no longer were able to support the demands of the business. The business process itself needed the support of the systems that sustained them in the sense of streamlining the effort of managing the work. The paper-pushing of the previous era had ended. The result was a large overhead of personnel (middle-management) ensuring the right paperwork was delivered to the right person in the right department at the right time. (This paperwork was often the bridge between workflow gaps.) This resulted in innumerable delays (and often errors) company-wide as this paperwork failed to make it into the right hands at the right time. However, as long as customers had no alternative choice, companies continued "business as usual." However, as internal costs rose just maintaining previous or planned production and revenue quotas, margins were reduced. Companies had to find new ways to enable production more efficiently. The biggest and fastest improvement to their bottom lines was to incur large layoffs. These layoffs were the birth of the credo "do more with less." As these organizations came to find out, a new set of problems arose. Employee burn out, a slow down or stoppage in new product development, and reduced quality became symptoms of large-scale layoffs. Their bureaucratic organizations of the past simply did not support their business demands of today. Their business processes, workflows, methods and procedures required a large number of people to execute. Reducing staff did not work because companies did little to reorganize themselves.

As businesses embraced automation during the mid-twentieth century, historical work positions were eliminated. However, this did not always equate to an imbalance of permanent job loss. With the installation of large-scale capital equipment came the need for people to run and maintain them. New skills were required, so new personnel had to be hired. As new work methods (CNC machines, for example) were implemented, the company had to reorganize itself in areas affected by the implementation. The management of inputs and outputs were re-assessed, people skill sets reviewed, and new organizational structures created to optimize the environment in which the new innovations operated. Companies that maintained their old bureaucracies while implementing new work methods were faced with much higher operating overheads. If their profits remain high, often the costs were not questioned. As competition increased and forced cost-reductions, the inefficiencies of new work methods operating in old organizational models became highlighted. This began the movement toward finding ways to increase efficiencies to lower operating costs.

The Customer-Driven Era: Challenges to Business Bureaucracies

Over the course of time, markets changed, competition grew, and customers began to have choices. This eventually put the buyers of goods in a position of great influence over the business world. This meant that companies could no longer design, develop, manufacture, and sell goods based on their own internal goals. Failure to respond to markets and customers meant loss of product sales, or even market share. This fostered the rise of highly sophisticated marketing techniques, business planning techniques, management theories and practices, production methods, and distribution channels.

Companies had great difficulty in sustaining profitability with their current modes of operation. For example, during the growth of the aerospace giants in the 1950s and 1960s, a thick layer of “middle-management” was created. This was necessary just to administer the huge amount of paperwork and personnel needed to support the business needs. Essentially this “middle-management” layer added no other value to the organization other than controlling the flow of paper work required in the design, analysis, test, manufacture, sales, and support of the business. As automation was introduced into production methods, fewer personnel were required to meet production goals. As computers and business systems were developed and installed, the number of people required to manage the paperwork were no longer needed. This middle-management layer, by in large, was no longer a required part of the organization.

As more changes were introduced into large manufacturing firms, they struggled to align their organizations to take advantage of modern advancements. Executives, managers, and even line workers were still accustomed to using large bureaucracies to achieve their business goals. This brought the bureaucracy in direct conflict with the business needs. Executives struggled to hit goals in revenues, profits, and share price as their overheads grew in cost.

One of the characteristics and stigmas of large bureaucracies is that they are slow-acting. Today’s markets can change rapidly, as well as customer tastes and needs. This phenomena places large bureaucratic organizations at a distinct disadvantage in the marketplace. Unable to respond to these external business factors, companies begin to loose market share as competitors find ways to respond faster.

Businesses have been challenged over the past two decades by fast-paced market demands, technology implementation, automation, and business computing advancements. The norm for these businesses is to create programs, initiatives, or projects, that address perceived problem areas in response to business problems. For example, TQM (Total Quality Management) to improve product quality, reduce returns, increase customer satisfaction, and increase sales. What these companies have failed to ask is, “what type of an organization do we need to meet our current and future business needs?”

Challenges in the Post-Bureaucratic Era

Historically, large bureaucracies are hierarchical in nature, forcing decision-making up this hierarchy. Thick layers of “middle management” (whose only purpose was to ensure and validate paper flows up and down the hierarchy) have been reduced, but not entirely eliminated. The question to ask is, “does the organizational structure effectively support the processes that create products and/or services in today’s global economy?” The following points illustrate the characteristics of bureaucracies, and the demand of today’s business environment.

Traditional Bureaucracy	Today’s Environment
Large Decision Queues	Need Quick Decisions
Work Navigates Slowly	Work Product Done Quickly
Inflexibility Slows Progress	Need to be Adaptive
Paper-Based Processes	Automated Workflows
Large Middle Management	Flattened Hierarchies
Rigid Roles and Rules	Flexible Roles and Rules

Today’s companies face more complex business challenges then experienced in the bureaucratic era. These challenges can be both short and long term. They can be customer, partner, supplier, shareholder, environmental, or financially driven, to name a few. The initiatives companies may undertake reflect their handling of these challenges. Examples are:

Balancing short-term objectives with long-term viability
Time to market
Cost reductions
Reduction of overhead
Product quality
Response to market trends
Customer loyalty
Global competition
Off-shore resourcing

The external pressures of quality, speed to market, competitive pricing, product flexibility, image, and ease of doing business with, greatly influence today’s businesses. Organizations can no longer focus their efforts on improving business just internally. To address business-critical customer and market demands, businesses are forced to extend their improvement efforts. This is one reason why the management theories of the 1980s became so popular so fast. These theories, many based in research, offered new methods and tools for business executives to achieve fundamental changes to yield business improvements.

Alternatives to the Bureaucratic Era

Companies have shed large percentages of their work force over the last two decades. This tactic to help their bottom line has enhanced their businesses in limited ways. Forced to use less, companies looked to a variety of areas to improve operations. They no longer have armies of workers to accomplish the work through sheer numbers. Automation, BPR, ERP, outsourcing, downsizing, rightsizing, and focusing on core competencies, are just a few of the methods used to ensure business viability. Companies experimented and learned to accomplish the work of the business with less personnel, in effect, a smaller bureaucracy. The end of the Bureaucratic Era began with these improvements and initiatives. Large bureaucracies were no longer needed to manage paper-intensive, labor-intensive processes as computers and automated machinery were put to use.

Businesses not only had to deal with the ability to produce products and maintain profits, but also needed to address staying in business. Finally, organizations were forced to address changes systemically. The reduction in headcount forced companies into finding better ways to maintain production, hence revenues. New management theories abounded, and companies had new ideas to explore. This exploration led to a host of new possibilities to become more efficient. Management “gurus” published numerous books, opening up CEO’s minds to new ways of managing their companies, focusing on their businesses, and re-assessing their goals. As this became an acceptable practice, businesses sought ways to not only maintain their businesses, but also improve them. All without the traditional bureaucracies they grew up with.

However, most businesses still have traditional approaches to constructing and managing organizations. Titles of “Chief” (CEO, CIO, COO, CFO, CTO, etc.) are still very popular today. Under these “chiefs” are VPs and Directors, managing traditionally aligned departments (Accounting, Engineering, Marketing, Purchasing, Manufacturing, etc.), composed of managers, supervisors, and clerical and shop workers. Successful organizations simply do things differently. They use more modern methodologies. They outsource. They use consultants in many areas of their business from computer programming to payroll to business management. These companies also have become better at applying technology to their business. As costs of computer systems, networks, and software have fallen, they are available for any size business. Integration is much less of an issue than it was 15 years ago. Costs are a mere fraction of the “early adapters.” With the advent of the personal computer entering the home, many workers are familiar, if not already skilled in using computer applications. All of these factors have helped reduce the bureaucracies of the past. However, the functional operational areas, barriers within business processes, limiting job descriptions, and hierarchical management, still exist. There are just “less people.” In other words, the bureaucracies of the past have left their mark on today’s organizations. It is this “mark” that must be eliminated, freeing businesses from the shackles of inflexibility, operating barriers, turf wars, and unchanging processes in a rapidly changing world.

Many businesses have indeed gained the basic benefits of modern methodologies, automation, software, networks, and business planning. However, they still retain the old organizational structures, although a bit thinned. The next great challenge will drive improvements elsewhere (other than the areas gained as mentioned above). This ‘elsewhere’ will be the organization itself. Those companies that achieve successful organizational change will be on the next frontier of dramatic business success. Having already achieved improvements company-wide through techniques this paper has discussed, they penetrate to the next level of opportunity. What these organizations will be is primarily driven by the markets in which they serve. For example, chemical companies may be successful only if they can comply quickly and fully with world-wide environmental concerns and laws. Electronic manufacturers may have to predict consumer requirements far before they are known, or engineer potential features into their products, as they are released into the marketplace. Industrial manufacturers must find ways to be the producer of choice by providing higher functionality and quality at lower costs. All of these challenges go beyond the traditional business processes, and depend largely on the organization's ability to enact changes to meet evolving business goals. Business processes and methods may be at the most efficient and optimum levels. If the organization itself cannot ensure the best use of its tools, it will continue to struggle with traditional issues of being competitive in the global market.

To better understand how organizations might behave, look, and operate, three potential organizational models are discussed. These all focus on the organization itself as the primary element for future success, and not methods of operations, technologies, or efficiency of business process. Although each model is organization-focused, its principle driver(s) can be very different. I propose that different business models are better suited to one, than another. The actual size of the organization is less important, while its personnel are vital for success. A critical component to any successful organization is having and applying the right human resources to its goals. Although this has long been a business practice, it becomes a pivotal factor in the post-bureaucratic era.

As businesses struggle to shed the remnants of their bureaucratic pat, they must learn the important factors of re-crafting themselves to face new and critical challenges. These factors can be varied depending on the type of business, the unique challenges faced by the industry segment, the requirements of their customers, and external forces which must be acknowledged (as environmental and government regulations). Some of these characteristics for successful change within an organization are:

- Large base of knowledge workers
- Continuous Company-wide initiatives for improvements (TQM, Six-Sigma, BPR)
- Managers charged and empowered to improve the way work is performed
- Managers held accountable for success
- Fast to replace, promote, or demote management
- Skillful application of technology
- Re-think how work accomplished, rather than spend more resources
- Dedicated resources for initiatives that span departments
- Organized company-wide objectives that support common business goals
- Executives setting goals and supporting initiatives for change
- Clear articulation and translation of business goals to all levels
- Organizations that work on quality, rather than talk about quality
- Management that focuses on cost-benefits
- Willingness to embrace change at the expense of status quo
- Proactive thinking, planning, and projects, not reactive
- Incorporation of external pressures into the business environment
- Attention to how the company interacts with the rest of the world
- Willingness to set goals that benefit others, as well the company
- Support effective personnel moving and shifting responsibilities at will
- Dynamic business teams, rather than hierarchal organizational structures
- Leader-based organizations driven by very clear business goals

As businesses face new challenges, they must formulate and execute tools to ensure their success. They can no longer afford an inefficient bureaucracy that is cost-heavy, slows business process, and is largely not held accountable for lackluster performances.

The Innovative Organization

Innovative organizations will find new ways of doing things, from procedures, to processes, to policies, to practices. Dynamic core business teams will flourish as they find solutions to problems before they even arise. Rather than responding to problems once they have been identified, the innovative organization shall be adept at identifying potential problems. This method will yield vast benefits in addressing issues before they arise and cause problems. This structure breaks from the bureaucratic model, which by definition is static in its operations. The bureaucratic model is structured to support a specific way of operating. This negates efforts to change the way of doing things. As methods, practices, technologies, and personnel change over time, the old bureaucratic model stays the same. As the new advances take place, the company become less and less efficient because the organizational model impedes the benefit from changes.

The innovative organization will require thinner organizations that can embrace and adopt to new ways of operating. Examples are machinery that automates work, computer systems that support and increase business processes, new methods of manufacturing, and outsourcing traditional "in-house" work. The innovative organization will be able to quickly identify high-benefit innovations, create projects to deliver the benefits, and deploy complex solutions rapidly (less than 12 months). Other elements that are critical to success are a flexible and trainable workforce, facilities to handle plant changes, and functional areas whose responsibilities and charter can adapt to change (using and relying on computer systems rather than paper, satisfying customers rather than meeting support call goals, etc.).

Innovative Organizations will have the following characteristics:

- Fluid business teams to assess and execute work and work products
- Willing and rapid adoption of new technologies
- Proactively seek better ways to accomplish routine objectives
- Retain a highly skilled workforce throughout its ranks
- Promote successful and knowledgeable personnel rapidly into greater responsibility
- Quickly endorse and absorb new ways of thinking
- Initiate employee-based ideas for change
- Endorse new theories and practices on a continual basis
- Apply new theories and practices, using what works for their business
- Quickly abandon non-valued practices
- Foster true brainstorming throughout the organization
- Company-wide training in new and leading edge theories from work operations to strategic planning

These organizations will reflect flattened organizational structures, company-wide team approach to problem-solving, inter-functional cooperation, and decisive action.

The Leadership Organization

The leadership organization is action-based, rather than position-based. Traditional bureaucracies have fairly rigid functional departments, along with well-defined job descriptions. This presents a position-based organization, whose identity is created through the process of positions, roles, and functions. This position-based organization creates boundaries for both the organization and the worker. These boundaries are difficult to bridge, let alone cross. Leaders existing at every “position” throughout the functional areas in a company are prevented from action by the very nature of the organization. Leaders move to new places, bringing their people (organization) with them. When leaders operate in a position-based company, they cannot, by definition “move to new places.” In position-based companies, leaders can only be effective in the top management layer, which has multi-departmental responsibility and accountability.

Organizational structures that want to foster the leadership model, must re-forge themselves to take advantage of powerful leadership potential wherever it may exist. Job descriptions must be written to allow for movement, even across functional boundaries, and expand into broad organizational business processes. This will provide fertile ground for leaders to move into areas of the company quickly, concisely, and effectively. The notion of “turf” among an organizational hierarchy cannot exist in this model. A leader can move cross-boundary, and provide action and new value where it did not exist before. This motion must be not only fostered, but also welcomed by entire organization. This is antithesis of the bureaucratic organization. As the bureaucracy places controls throughout the organization, company, and practice, the leadership organization removes them.

In order to harness the power of the leadership organization, the executive management must find new ways of channeling this power. Pitfalls of numerous leaders moving quickly, is that they can run into each other. This can create issues of duplicate efforts, multiple interfaces where only one is necessary, and too many resources on a set of issues (to name a few). Unchecked, this can lead to situations where “the right hand does not know what the left hand is doing.” Clear goals from the executive management, organized projects, and new methods of work, can allow for leaders to “run with the ball” and provide the necessary structure to avoid chaos.

Leadership Organizations will have the following characteristics:

- Organizational flexibility based on leadership
- Loose or adaptive functional areas and job descriptions
- Drive change by giving responsibility to leaders
- Hold leaders accountable for success and failure
- Loose and dynamic organizational reporting structures, replacing static ones
- Leadership teams to replace traditional departmental organizational structures
- Forums, structures, or other mechanisms to channel leadership
- Effective use of wide-ranging leadership styles
- Human Resource departments taking a major role in company-wide operations to find, support, and enable leaders wherever they are found
- Compensation by benefits brought to the organization

These organizations will leverage its leadership talent to move the organization to meet its business goals. By allowing leadership to be fluid within the business, success comes from all functional areas. Since leadership is movement, rather than position, expect these organizations to respond to challenges quickly and successfully.

The Changing Organization

The changing organization addresses the most demanding of markets, customers, suppliers, and other external business factors companies face. For example, what happens when changes in environmental law require a company to comply where it cannot? These companies face the ultimate challenge of sustaining corporate viability in the face of overwhelming restrictions. (Examples may be tobacco companies, chemical manufacturers, and nuclear power plants.) Environmental laws may require changes in capital equipment, processing of byproducts, emanation of waste, or other burdensome requirements. A company may face the prospect of going out of business due to the inability to comply. These companies may be faced with finding or creating new markets. They may have to phase out profitable product lines in favor of new ones in which they have no market share. They may have to find new customers, suppliers, or even operating locations. The changing organization must be able to establish viability in the harshest of business environments.

Changing Organizations will have the following characteristics:

- A workforce of experienced professionals and skill workers
- A high business acumen among the workforce
- Role-changing, demanding a predominant workforce of generalists
- Business processes that are more modular for faster responses to change
- Extensible systems that absorb and support changes systemically
- Methods that require less detail for execution
- Amorphous organizational appearance that responds instantly to the needs of the business
- Frequent and sometimes dramatic changes in business objectives
- Paradigm shifts in market trends and/or customer requirements
- Personnel willing and able to learn new skill sets and work methods
- Executive Management able to work business plans under changing goals
- Adaptability to new markets, customers, suppliers, regulations, and laws

These organizations must allow for dramatic changes with their business models. Management must have a high degree of self-awareness that truly understand their business, their partners, their customers, and their role as a company. Additionally, they must not only be acutely aware of their business environment, but also be visionaries to ensure business viability under strenuous changes to their business. As customers or markets are eliminated, they must already be poised to undertake new ventures, shifting their resources and capital investments to completely new endeavors. A changing organization must be sensitive and proactive in all areas of its existence.

Conclusion

Today's businesses still seek improvement at discrete levels. Examples are quality initiatives, application of computer systems, ERP, CRM, and automation. This activity tends to compartmentalize improvement projects, limiting their success (ROI). Consultants, as well as organizational leaders, must constantly look beyond business improvement approaches that are defined in limited ways. Business processes now extend far beyond their original functional boundaries. Even today, as business processes span departments, or even divisions, they are challenged to extend even further. This extension requires the business process to include customers, vendors, consumers, web services, government agencies, regulations (national and international), and other business and technical entities. It is this very environment that fosters success from organizational change, rather than changes within the organization. The actual framework (traditional bureaucracy) needs to be changed, rather than the entities within the framework.

As companies “re-invent” themselves today to meet tomorrow’s challenges, their organization is at the very center. Without true change at the center, other improvements become ancillary, short-term, low-impact, and/or costly. The sheer momentum of highly bureaucratic structures perpetuates its very existence. Until companies are truly challenged at the business viability level, bureaucracies will remain in place. As organizations experiment, implement new management theories, and organize themselves to achieve new and higher goals, they set new benchmarks. These benchmarks provide the industry the much-needed incentive to focus their change on organization. This then reverses the current model where change is forced downward through the organization. As change is driven outwards from the organization, companies will begin to get ahead of new and changing requirements.

An obvious, but important aspect of the bureaucratic era is that it created inflexible organizations. These organizations were not structured to adapt to change. Changes in production methods, technology, computers, networks, management practices, communications, government regulations, laws, etc. posed challenges that bureaucracies were not able to address effectively. The post-bureaucratic era has created more flexible organizations, but often retains characteristics of the old bureaucracies (examples are rigid functional boundaries, limiting job descriptions, hierarchical reporting structures, and executive isolation). Once a company understands their new role in today’s world, they can begin to create organizations that are far more capable than traditional bureaucracies.

There is plenty of room for improvement in today’s post-bureaucratic business environment. Business and professional consultants (as well as professional managers) have the opportunity to greatly increase their value. This opportunity lies in looking beyond the perceived (immediate) need or requirement presented as an objective. For example, in aligning systems to processes, are the processes truly supporting the current and future needs of the business? How will change in business climate impact expensive programs within the company? What value is retained, and for how long, when an ERP, TQM, BPR, or other highly visible initiative is undertaken? Once the consultant or professional manager understands the business requirements, it is imperative to seek an organizational structure that will support success. Questions, as mentioned in this document must be asked. Primarily these questions focus on the right organizational structure to support the challenges of the business in a changing world. This organization must be created to properly position the company for success now, as well as for long-term viability.