
***Beyond Professional Management:
Beginnings of a Leadership Revolution in Business***



**Strategic
Business
Management Co.**

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Roadblock to Business Performance: The Management Constraint

Businesses trying to implement:

- Third Generation Strategies
- In Second Generation Organizations
- With First Generation Managers



Core Roles of Top Management: Professional Management Doctrine

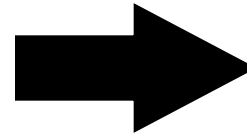
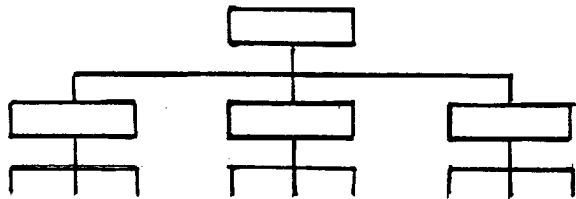
- Strategy
 - Top management as strategy formulators
- Structure
 - Top management as structural architects
- Systems
 - Top management as system builders



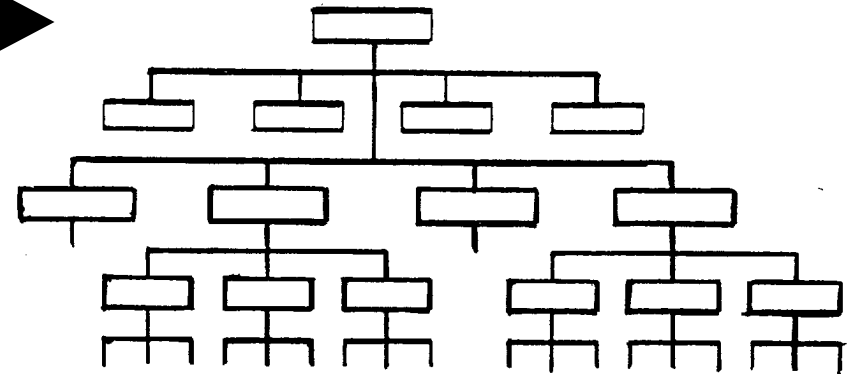
The Foundations of “Professional Management”

The Strategy, Structure, Systems Doctrine

Classic Functional Structure



Multi-divisional model



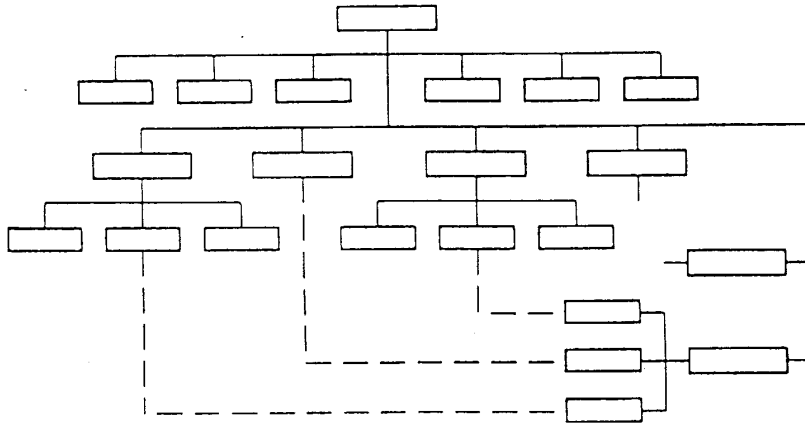
- Divisional form institutionalized diversification
- Strategy driven by capital allocation
- Delegation required planning and control systems

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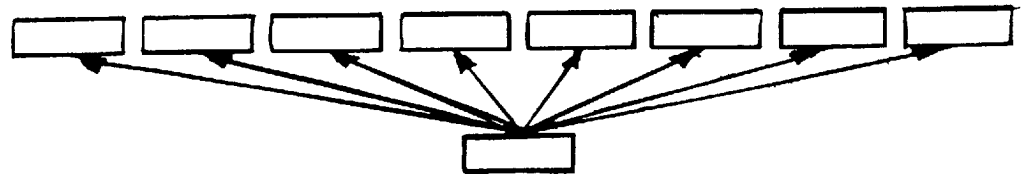


At the heart of the problem: Bureaucracy, Fragmentation, Stagnation

While the structure looked logical and clear from the top...



...this is how it looked from the bottom



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Limits to CEO as Strategic Guru

We were fooled by our strategic rhetoric, but those on the frontlines could see that we had to retreat from memory chips...People formulate strategy with their fingertips: our most important strategic decision was made not in response to some clear sighted corporate vision, but by the marketing and investment decisions of front-line managers who really knew what was going on...We need to soften the strategic focus at the top so we can generate new possibilities from within the organization.

Andy Grove, Intel



Limits to CEO as Structural Architect

We had constructed, over the years, a management apparatus that was right for its time, the toast of the business schools. Divisions, strategic business units, groups, sectors; all were designed to make meticulous, calculated decisions and move them forward and upward. The system produced highly polished work: it was right for the 1970s, a growing handicap in the 1980s, and it would have been a ticket to the boneyard in the 1990s.

Jack Welch, GE



Limits to CEO as Systems Designer

There is tremendous unused potential in our people. Our organizations and systems are constructed so that most employees use only 5 to 10% of their capabilities at work. Outside work they engage the other 90 to 95% - to run their households, lead a Boy Scout troop, or build a summer home. We must recognize and employ that untapped ability that each individual brings to work every day.

Percy Barnevik, ABB



Need for a new corporate model: Knowledge and Expertise as the scarce resources

- Expertise controlled by front line employees
 - Subverts authority-based hierarchy
- Learning developed through interaction and application
 - Challenges compartmentalized accountability
- Knowledge difficult to allocate, measure and control
 - Undermines the control-based processes

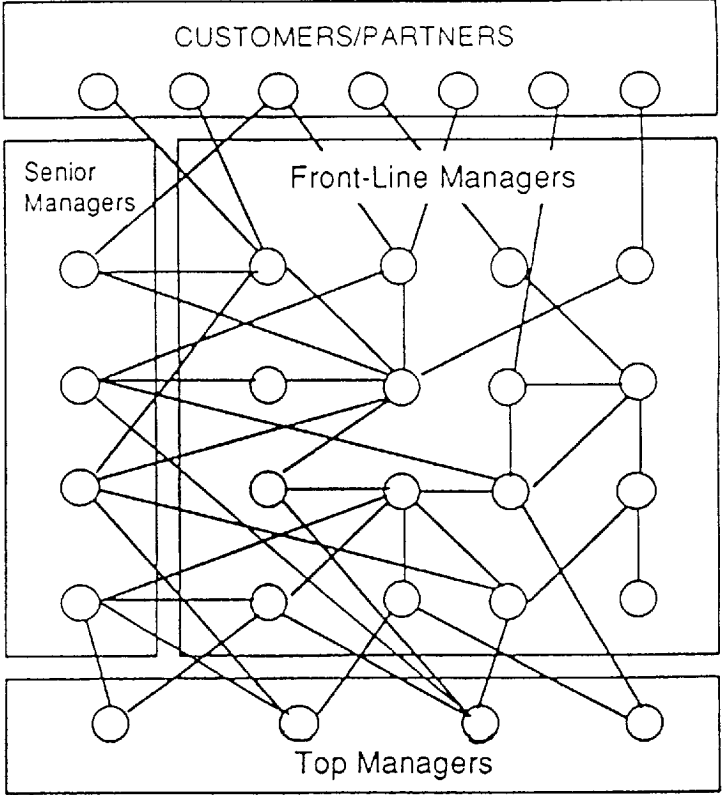
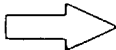
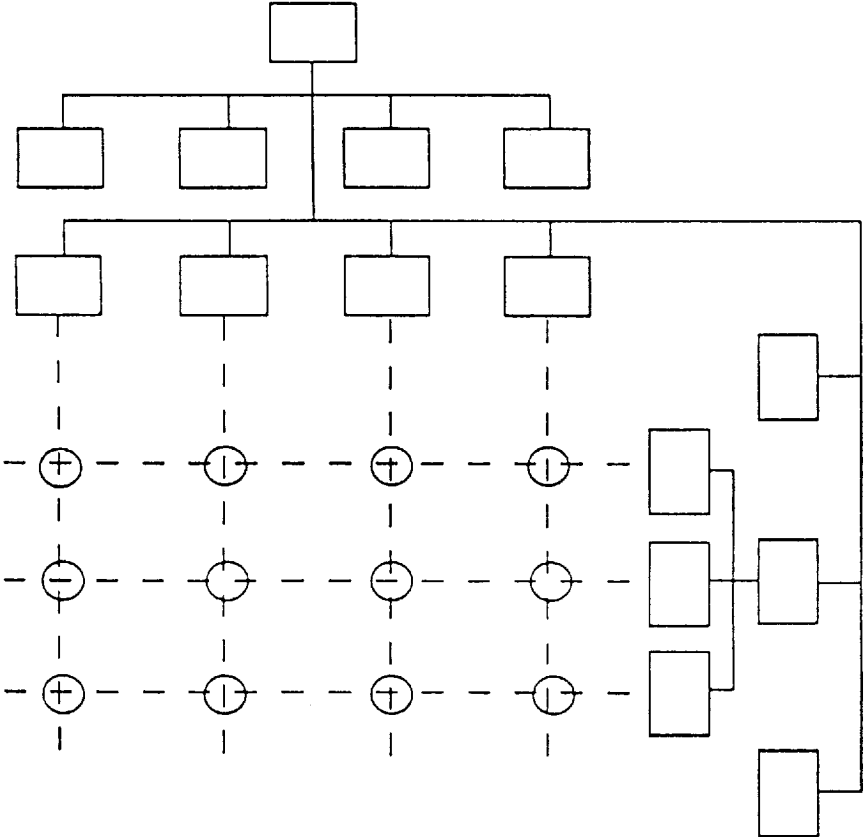


Beyond a constraining Management Doctrine to a liberating Leadership Model

- Strategy
The company also as a social institution
- Structure
The organization as an aggregation of tasks and responsibilities
- Systems
Managing personnel as controllable costs and replaceable parts
- Purpose
The company also as a social institution
- Process
The organization also as a set of roles and relationships
- People
Recognizing people as organizational assets and embodiers of knowledge



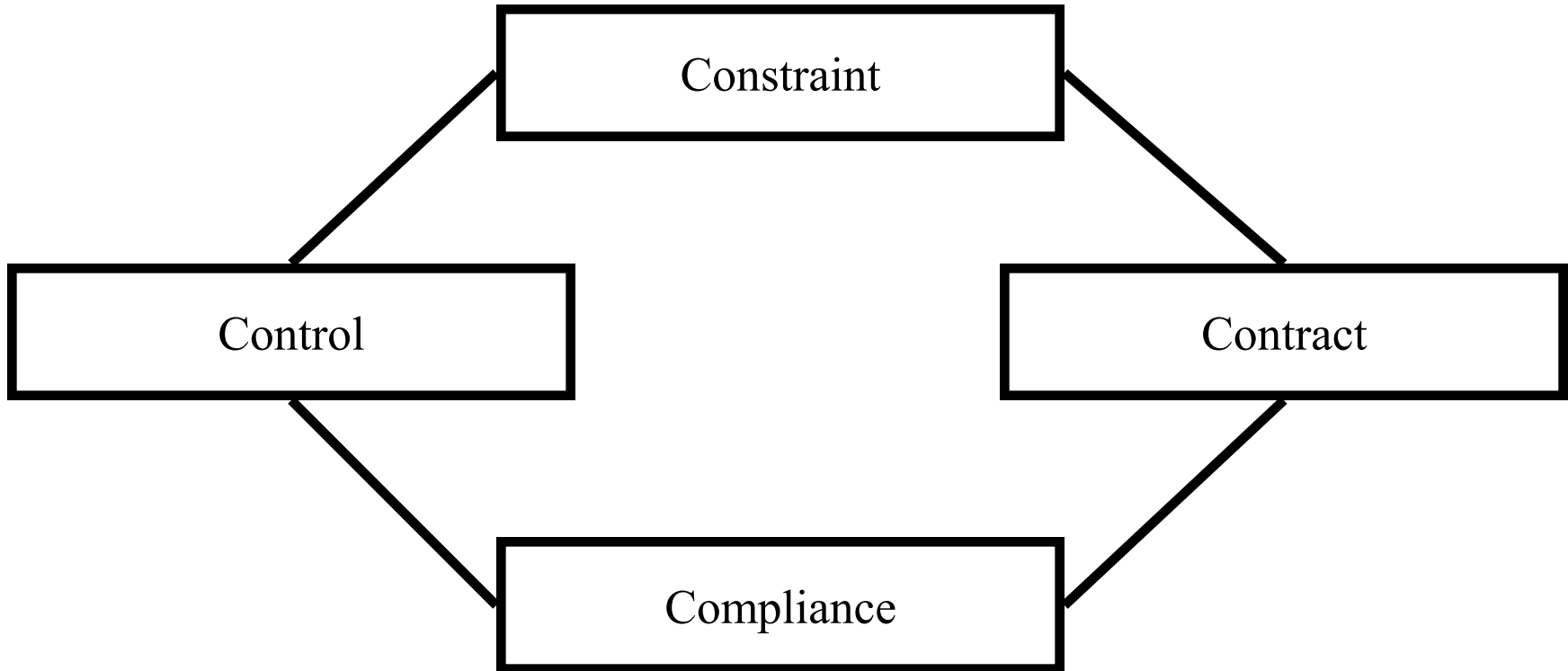
Changing the Organizational Conception: From Hierarchical Control to Flexible Empowerment



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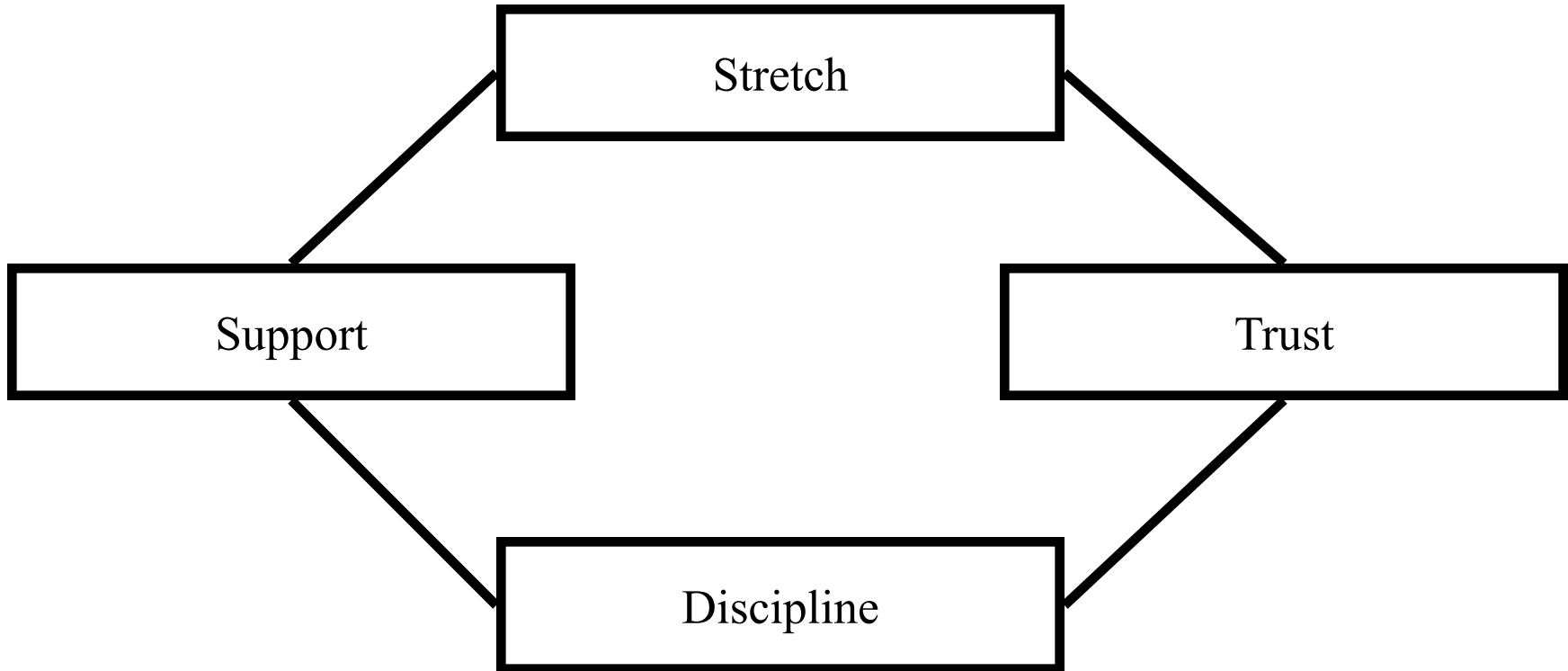
The Traditional Managerial Context: Create the “Organization Man”



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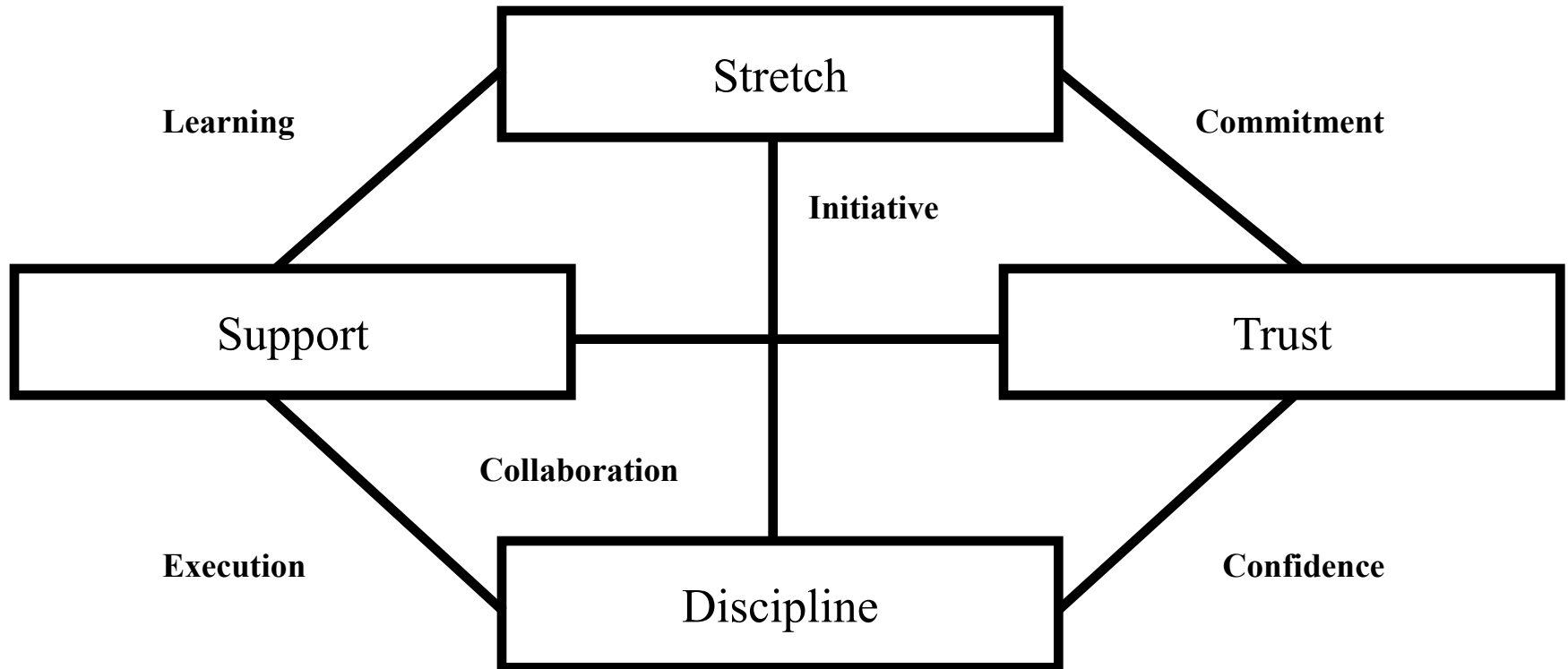
The Emerging Leadership Context: Framing the “Individualized Corporation”



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The Emerging Leadership Context: Framing the “Individualized Corporation”



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The next generation of corporations: Elements of the new Leadership Model

- A new corporate philosophy
 - From “Organization Man” to “Individualized Corporation”
- An expanded management model
 - Beyond strategy, structure and systems to purpose, process and people
- A changing set of roles and relationships
 - Beyond allocators, controllers and implementers to leaders, developers and entrepreneurs



Discussion Points

- Do we agree that fundamental changes are warranted in the way most managers are managing their organizations to insure their well-being in the future?
- Does our current environment promote the concepts of “Organization Man” in terms of Constraint, Contract, Compliance and Control for our employees?
- Do we want to lead our organizations to the new Leadership Model of Stretch, Trust, Support and Discipline outlined by Strategic Business Management?



Next Steps



Two kinds of Context and Rationality

Managerial Context
Fact-based rationality

Instrumental

Calculable

Impersonal

Technical

Controlled

Leadership Context
Value-based rationality

Intrinsic

Unknowable

Personal

Social

Committed

