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## Flat hierarchies and individual job security in times of recession

*Lean management and the new competitive conditions of the 1990s mean that managers and employees at all levels of responsibility and in all types of function are constantly under the pressure of time. The question arises for everyone, whether or not their present time management meets company requirements and conforms with their own personal notions. The authors present a practical action plan that can help managers and employees combine what benefits others with what gives them pleasure, through the better management of their time.*

### **1. Every successful system has its parasites**

This fundamental law of biology is valid for every living organism. As a company can be compared to a living organism, the law also applies in this case. As the company grows, the number of functions and levels of responsibility increase, a fact that does not contribute to raising the value and/or improving the overall quality of the company. Figure 1 illustrates the gap between the growth in turnover and the number of employees as a function of the life cycle of the company. Therefore it is understandable if companies cut out levels of responsibility, combine functions and

allocate new roles. The experiences of companies such as BP or Montedison, which have eliminated three or more levels of responsibility, are however, not just positive. The following points out the risks associated with flat hierarchies, describes ways to minimize these risks and presents some views on increasing individual job security in times of recession.

### **2. The strategic management competence of line managers**

The flatter an organization, the greater the strategic management competence of line managers has to be, i.e. the larger the number

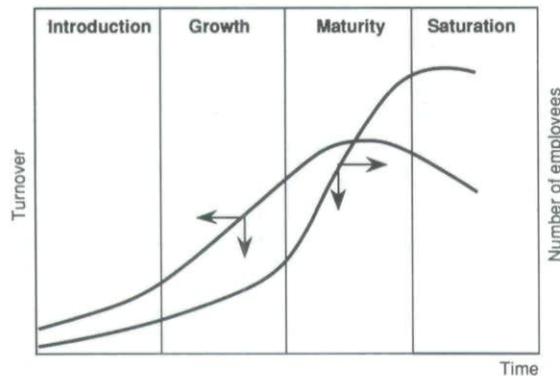


Figure 1. Growth of turnover and number of employees overtime.

of employees a line manager will have to coordinate and manage. In companies that practise lean management, such as Siemens and IBM, line managers coordinate and manage up to 18 employees. Even if these are extreme cases, the question arises of whether line managers are in a position to manage more than 10 employees; if not, then lean management degenerates into anarchy. It is not only a question of managing more staff than previously, but also allowing the right employees to work in teams participating in and frequently making decisions; this requires persuasive and negotiating skills further down the hierarchical order than many managers are used to. Therefore, line managers need extensive training in:

- managing, selecting and developing their staff,
- putting together and leading teams,
- providing leadership in situations where there is no agreement,
- solving disputes between employees,
- managing at a higher level of reasoning and a lower level of authority than before.

Line managers, particularly those in senior and top management positions, also have to ask themselves what management competence is required of them, what kind of activities they carry out and for whom they carry out work. Figure 2 illustrates the typical ideal representation of time management by senior and top managers, as determined by the authors in the course of numerous seminars.

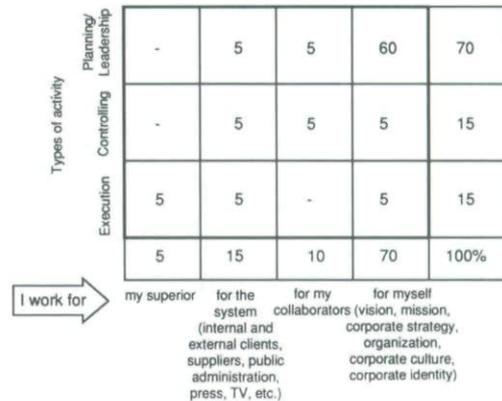


Figure 2. Typical allocation of time for higher and top management.

Successful managers in senior and top positions work 70% of the time 'for themselves', i.e.:

- formulating and communicating the company's vision and corporate policy, so both are reflected in the daily decisions made by employees at all levels of responsibility and result in necessary and continuing commitment,
- developing the overall strategy of the company with the aim of benefiting all of the 'stakeholders' or exchange partners and giving management the necessary framework and guidelines to enable strategy and operational plans to be creatively developed,
- shaping the organization, ensuring that the 'right' managers are in the right positions appropriate to their strengths, and
- influencing and setting a personal example regarding company culture and corporate identity in accordance with the company's vision and corporate policy, overall strategy and organization.

With this kind of time management, successful managers counteract the tendency to reduce lean management to structures and processes. Lean management is more than this and requires all four of the areas described here to be developed in harmony. In this context, supervision is interpreted as controlling, where the aim is seen as being not so much to seek out the guilty party and to punish, but rather to reward positive, entrepreneurial behaviour.

### 3. The degree of maturity of the employees

The greater the degree of psychological and professional maturity of the employees, the flatter the organization can be and the higher the employees' learning ability can be raised. Nicholas G Hayek, representative of the Board of Directors of SMH, expresses this

*I'd go crazy if I had to explain something four times to someone*

fact as follows: I'd go crazy if I had to explain something four times to someone. In the words of an Arabic proverb:

If someone doesn't grasp something straightaway it's not worth talking to them.

If employees are not involved in company decisions and are not willing or able to think and act on their own and use their own

initiative, then lean management is doomed to failure.

Typical ideal time management by managers and staff in middle and lower levels of responsibility differs from that by senior and top managers (Figure 3). The more they work for the 'system', i.e. for internal and external clients, thereby benefiting the company, the more they work for themselves and the greater their job security becomes. The percentages given in Figure 3 should be regarded as approximate values as it is natural that large deviations occur depending on the level of responsibility. One aspect of general validity, however, is the link between individual job security and the benefit for the company: the greater the benefit afforded to the company by a manager or employee, i.e. the more they satisfy the internal and external clients, the more secure their job is. Indeed, successful managers and employees adhere to the wise maxim of Nareddin, the 'Turkish Socrates':

In all things try always to combine what can benefit others with what gives you pleasure

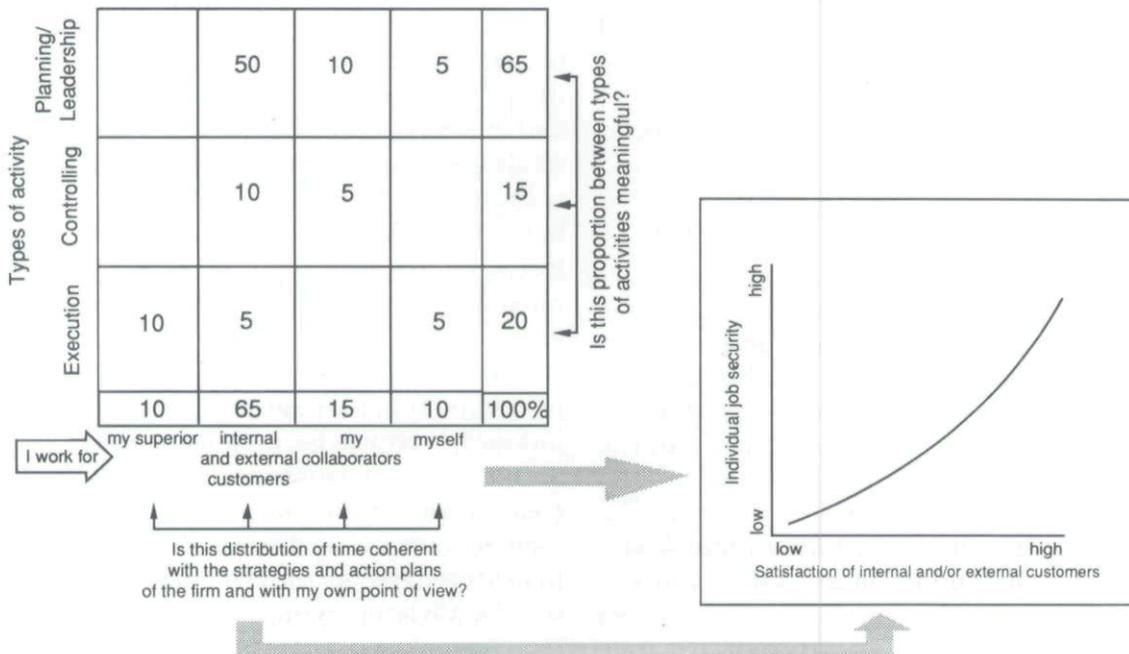


Figure 3. Typical allocation of time for middle and junior management.

#### **4. Flexible teams**

Lean management is based on small, multidisciplinary teams empowered to make decisions and with interfunctional responsibility for processes or operations. The teams, which are responsible, for example, for the development of a new product from the development stage through after-sales service, must be made up of people who think in an unconventional way and who are really prepared to overcome obstacles. If it is not possible to exclude from the outset, people who only see difficulties, who have doubts and who just want to continue doing what worked well 10 years ago under completely different circumstances, then lean management has no chance of succeeding.

It is not just the composition of the teams that matters, however. If the company's management, as is often the case, insists on handing ideas down the hierarchical chain, the company will join the ranks of the losers in the intense competitive battle of the 1990s. Whoever wins or loses is determined by the standard of training and the decision-making powers of the managers and employees in the teams and by how much the company's management holds back when it comes to deciding on details and obeys the maxim:

Better management means less management.

#### **5. No compromise regarding the quality of employees**

One principle which all major strategists from Sun Tse to Moltke have held is that there should be no compromise regarding the quality of managers and employees. In the words of a Japanese proverb:

He who is called to be leader, must know how to surround himself with winners.

This principle may seem banal. If you consider that flat hierarchies demand the utmost from managers and employees, it

is clear that lean management can only be successful if you have committed and motivated people. In other words:

- every position should be filled by the best person available on the market;
- the best managers and employees should be assigned to processes and areas that are critical for the success of the strategy;
- if it is necessary to employ inefficient people, they must be given tasks that are not crucial to the success of the strategy;
- regular training and further training for managers and employees employed in critical processes and areas have to be provided.

#### **6. Career opportunities in flat organizations**

On one hand, flat organizations encourage the natural tendency of managers to have direct contact with a large number of employees and, on the other hand, employees to report directly to their line manager. An atmosphere of the greatest possible creativity and learning ability can only be created by drastically cutting out hierarchical layers.

As by their very nature flat organizations present few or no opportunities for promotion, the problem arises as to which career paths and incentives can be offered to committed, motivated managers and employees. Replacing team leaders, working in other teams and benefiting from cash and other types of incentive programmes are all examples of how outstanding employees and managers can be retained. They illustrate the difficulties that have to be overcome if an incentive programme for a team has to coexist with individual rewards for crucial contributions by individual team members. The psychological cost of demotivation of individual team members who—rightly or wrongly—feel that they have been passed over, can wipe out the advantages of the best teamwork. In this case there is no plan available; only knowledge of human nature, the ability to put yourself in someone else's place and

inner strength will help in this situation. (In principle, *individual* praise and/or reward of a team member is *not* possible!)

### **7. No compromise on the quality of execution**

In a competitive market as in war, success depends on three basic factors:

- a clear objective
- an excellent strategy
- perfect execution

Once strategy was formulated and the corresponding action plans worked out, Napoleon expected perfect execution. Moltke, who introduced the idea of management based on guidelines, expected his chiefs of staff to work independently within their area of responsibility as effectively as possible, using their own initiative and

in accordance with constantly changing circumstances.

They received their general guidelines from him but he never interfered in the details. Instead he gave them all the greatest possible freedom of action to proceed as they saw fit.

However it may be, flat hierarchies must not reduce the quality of execution. Particular care should be taken to ensure that as a result of cutting back middle management:

- (1) people who possess knowledge and skills that are otherwise not available to translate strategy into action are not lost. (Example: areas such as assembly, service and maintenance);
- (2) values, attitudes and behaviour that fundamentally shape the operational potential and culture of the company do not disappear.

If managers and employees who possess specific and often underestimated skills leave the company, certain tasks cannot be carried out to the required standard of quality.

In some cases, costs are incurred that could have been avoided. This creates unrest within the organization and may undermine the credibility of the company culture exemplified by top management. Committed, motivated employees should be considered as 'culture bearers' whose creativity and initiative must be developed and exploited in accordance with the strategy.

A flat organization needs an effective and simple operational and strategic controlling system, not to find 'guilty parties' and call them to account, but to learn from mistakes in order to be able to do things better in the future.

### **8. Lean management puts managers under constant pressure of time**

All major entrepreneurs and strategists have an innate *sense of urgency*. They never put off till tomorrow what they can do

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#### *The speed of execution gives a crucial competitive edge*

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today. The speed of execution gives a crucial competitive edge, once quality and proximity to clients and service can be taken for granted. As, on the one hand, managers in a flat organization have to decide and act quickly and, on the other hand, have to inform, coordinate and manage more staff, they are constantly under pressure of time. This calls for rethinking of their personal time management. For managers and employees at all levels of responsibility and in all types of functions, the question arises of whether their personal time management meets the present and future requirements of the company and conforms with their own personal notions.

Figure 4 represents typical ideal personal time management by senior and top managers,

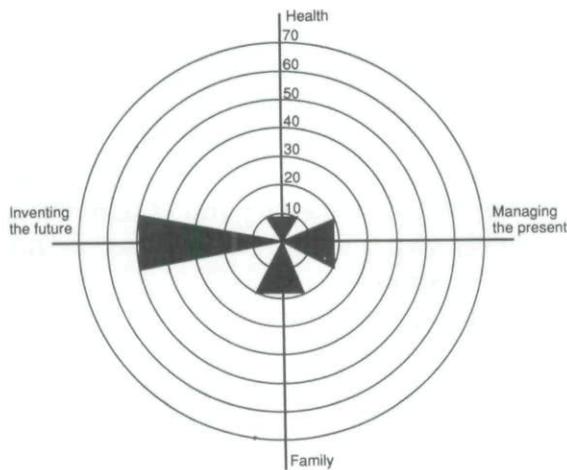


Figure 4. Ideal personal time management by senior and top managers.

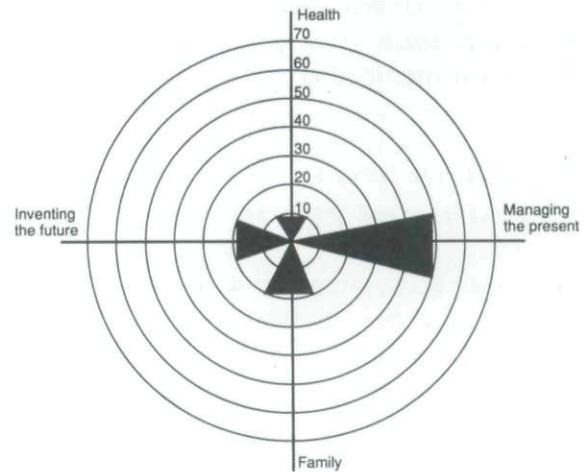


Figure 5. Ideal personal time management by middle and junior managers.

as determined by the authors in the course of numerous seminars; this is based on a 7-day week. If it is assumed that in 5 years many companies will have to achieve 50% or more of their revenue from products and/or services that they do not have at present, or of which they still have no knowledge, then 'creating' and shaping the future and preparing to exploit new opportunities and/or preventing badly calculated risks becomes increasingly more important. Often a new balance has to be found that shows the full importance of all four demands. It requires a great deal of maturity on the part of the individual and a lot of personal effort to divide up one's own strengths to benefit the whole organization, so that one's own capacity for work and that of one's staff is not overexploited.

Typical ideal time management by middle and junior management is represented in Figure 5. It is natural that they should spend much more time on coping with present job demands than on forming and 'creating' the future. The question arises, however, of whether the proportion of time spent on future changes and improvements should not be higher for middle and junior management too. The reason for this lies in the increasing decentralization of companies and the increased involvement of all managers and employees in company decisions.

Where strategy is concerned, managers and employees are often bound by requirements and interrelations that they have to accept as unalterable. Therefore, it would be wise for them to use some of their time to shape their personal future and prepare options in case their own job should fall victim to the policy of lean management.

### 9. The art and science of management in flat hierarchies

The art and science of management in flat hierarchies lies in decentralizing the entrepreneurial spirit into teams which think in terms of processes and take full responsibility, while keeping the management of the whole organization under control. This calls for a great deal of openness and flexibility on the part of the company management; they have to encourage the heads of business units, as well as leaders of production development teams, to think in terms of processes, develop their own strategies and formulate objectives, not least to be able to determine whether they concur with the overall strategy. The company management also has to establish 'indifference paths', however, to enable them to intervene where necessary without their decisions

being rejected or watered down by the teams. The company management also has to be willing to part with managers and employees who are not equal to the demands of the strategies and of the flat organization.

In flat organizations the task has to take precedence over the individual; he/she should be completely taken up with the job in hand. There is a danger here that personal ambition no longer plays a part and that one human trait, vanity, goes unnoticed and

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*Ambition and vanity are  
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is not used to promote strategy. Ambition and vanity are the driving forces behind all human endeavours.

There is a need to redefine time management—the concept of a career and incentive schemes for flat organizations, so that the energies of managers and employees can be channelled within the bounds of possibility.

Lean management is a new departure for companies and like all new departures, it brings about more changes than managers and employees are willing to accept. Anyone who takes up the challenge, however, and benefits new internal and/or external clients will see new prospects and opportunities open up.

In a world in which the only constant is change, there are no 'secure' jobs. Employees and managers who put themselves in the place of their internal and external clients and bring benefit to them, and can face new departures and setbacks with composure,

optimism and humour. When Thomas A. Edison was asked, after countless failed experiments, why he was still working on the manufacture of a new battery, his reply was:

Failed experiments? By no means! I now know 50,000 ways in which a battery does *not* work.

Those who never stop learning can hold their own every step of the way.

### **Biographical note**

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### **Further reading**

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