

It's time to cut back on co-operation, communication and central control

Chief executive puts the case for simpler, faster systems

Less co-operation, communication and central control may not be everyone's idea of improving the management of a large business. But one commentator reckons this is the essential recipe to overcome the lack of confidence and trust that are making large companies slower and more expensive to run.

Kevan Hall, author of *Speed Lead – Faster, Simpler Ways to Manage People Projects and Teams in Complex Companies*, describes a new approach to simplify the way people work together in complex companies, based on his organization's experiences of training more than 40,000 people in over 200 companies in 40 countries.

The chief executive of Global Integration, a group of consulting and training companies operating worldwide, he reports that 34 percent of 600 large-company managers who took part in a survey carried out for the book thought that their firm already had too much central control. Some 43 percent thought control was moving further towards the center. Only 25 percent thought their company had become faster at getting things done, and 48 percent believed that their business had become more expensive to run over the last five years.

Kevan Hall believes that we need a systematic process of decentralizing control to prevent increasing delay, cost and dissatisfaction caused by a lack of empowerment and ability to make decisions. And HR plays a critical role in challenging these trends.

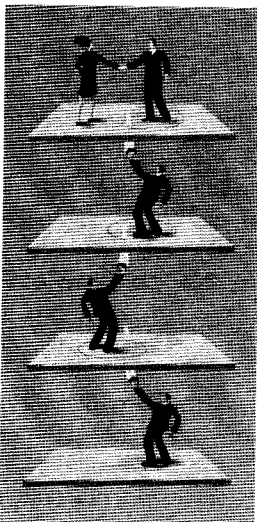
He told *Human Resource Management International Digest*: "A quality revolution in the last 20 years has led to huge improvements in product quality and efficiency through giving production operators the information and skills to enable them to solve problems themselves and make immediate decisions on the production line.

"In people management in other areas, this revolution has gone into reverse – control has moved progressively towards the center, costs have gone up and job satisfaction has often declined. Some 37 percent of the survey respondents thought that job satisfaction had got lower in the last five years."

The problems with central control

He describes three key problems with central control:

1. To control something centrally you have to understand it centrally. But in a large and complex company, no one at the center is smart enough, or has enough hours in the day, to understand all local conditions, problems and complexities. Because of this, central control often leads to worse decisions.
2. The need for escalation means that we must delay decisions – and sometimes speed is more important than getting a decision 100 percent right.



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3. Central control undermines the autonomy and confidence of the people close to the action.

One aspect of central control is the need to escalate decisions to headquarters or senior managers. Instead of seeing this as normal, Kevan Hall recommends seeing escalation as a management failure.

“When I first moved into a line role in manufacturing, after almost ten years in HR, I found that my shift managers often called me at home,” he commented. “With a 24/7 operation and eight shift managers, this quickly became intrusive. At the same time, I was learning about Japanese quality-improvement techniques and I came to realize that these calls from my managers were actually ‘quality’ failures – they were evidence that the shift managers were not capable of running their operations without my intervention.

“I started to record the reasons for the calls and to analyze the underlying causes. It quickly became evident that 80 percent of calls (good old Pareto) were caused by a lack of understanding or confidence in people-management issues.

“I arranged some training, updated the policy and practice manuals and increased contact with our local HR resources. After this, I responded to all calls on these subjects by asking, ‘What did we say about this in the training? What does the manual say?’ And these calls quickly disappeared.

“I went on to do the same for all the categories of calls – build the capability in the managers to solve the problem themselves. Within six months, I was called at home only for legitimate issues I wanted to know about.

“When your people need to escalate, this means that you have not given them the knowledge, skills, confidence or ability to make decisions for themselves. Our job, as managers, is to make sure that next time the issue arises, they do not need to escalate the issue – they can solve it themselves.

“Some managers seem to enjoy escalation and being involved in everything. But escalation does not mean you are important, it means you have not done a good job of developing your people.”

Firms need to minimize escalation

Kevan Hall recommends that companies minimize escalation if they want fast decision making.

He admits that there are powerful internal and external forces leading to increased central control. External regulation, such as the Sarbanes-Oxley Act in the USA, can make companies more cautious. “Autonomy may sound good in principle, but if senior directors place their trust unwisely, they could be leaving the building in handcuffs!” he cautioned.

At the same time, internal scale and complexity in large companies have undermined mutual trust and confidence between managers and their people.

Being controlled by others is overwhelmingly unpopular. Some 70 percent of British managers (compared to 55 percent of Americans and almost 90 percent of Chinese) prefer autonomy to control. However, this may be a false distinction. “One man’s autonomy is another man’s control,” Kevan Hall explained. “Autonomy does not mean there is no control; it just means the control is being exercised locally – which is often better and almost always faster.”

Cultural differences can cause misunderstandings. Multi-site operations can lead to an "out of sight, out of mind" mentality. Operating across time zones can cause frustrating delays. Matrix organizations are almost designed to cause conflicts in priorities.

Build more local skills

"When people do not react the way we expect, or at the speed we expect, this can undermine trust," said Kevan Hall. "When managers who learned their skills in simpler times find themselves managing operations where they do not know the people well and are unable to see what is going on, they often feel out of control. In an effort to get back to their management comfort zones, they increase control. It is a vicious circle with more control leading to less local confidence and more escalation. Eventually this undermines the managers' trust in the ability of his or her local people to cope, and vice versa.

"To break the vicious circle we need to start by systematically building local capability to make decisions. If we treat every escalation as a trigger to build more local skills we will continuously improve our capability to make decisions locally. By building capability, we build trust and confidence and this trust allows us to leave even more decisions to be made locally.

"Control is absolutely vital to running large companies," Kevan Hall concluded. "It is precisely because it is so vital that we cannot afford to slow it down and move it away from the people close to the action."

Keywords:

Empowerment,
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Trust,
Organizational culture

Note

David Pollitt, *Human Resource Management International Digest* editor, wrote this article. Readers can discover more about how Kevan Hall speeds up complex companies, and subscribe to his monthly newsletter, at www.SpeedLeading.com. They can take the "Speed Test" at www.speedleading.com/survey.html and receive a free report that shows how they compare with other companies in the database. *Speed Lead* is published by NB Books.

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