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Farewell to Bosses and Dinosaurs

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Farewell to the giants of industry. Farewell to the gigantic, hierarchically structured and managed groups of companies. Farewell to the powerful, all-knowing boss. Just like the Soviet Union broke down and was split up, the superpowers of the business world are being dissolved.

This death sentence for the giants and the bosses has been passed by one of the partners in the multinational consultancy company McKinsey & Company. His name is Staffan Canbäck. A Swede, he has an MBA from the Harvard Business School in the USA and is a specialist in the restructuring of groups – a combination of company doctor and organisational philosopher.

“Companies have not kept pace with the speed of changes taking place world-wide,” says Staffan Canbäck, who used to work for Asea Brown Boveri in Sweden and for Mateba/Roberts in Mexico.

“The massive, hierarchically structured group with 300,000 employees and a pyramid organisation is an anachronism that has had its day. It can no longer cope with today’s turbulent society. After all, if this type of organisation worked, the Soviet Union would be a great success today,” says Staffan Canbäck.

SIX ADVANTAGES OF BEING SMALL AND ALERT

He highlights six of the reasons for this turbulence that benefit the small and alert operator rather than the large, traditionally structured group.

- There is now a much broader, deeper level of education in the industrialised world, which means that information and experience are transmitted much more quickly, creating turbulence.

- Communication is far more efficient – e.g. telecommunications and travel.
- Far more information is available. Company bosses or politicians can find out what consumers want or what voters are thinking far more quickly. This means that a company or society can respond very quickly.
- The technological capacity to change quickly from one product to another.
- Tastes and fashions are being harmonised – especially among young people. The TV station MTV is an example of how you can change the tastes of young people under the age of 25 in overnight.
- More international legislation – e.g. within the EU and global patent legislation, which means that new products can pass from one market to another quickly and without any major problems.

Staffan Canbäck compares the future structure of a company with an abstract painting that is created by placing large canvases on the floor and splashing on colours to create a seemingly chaotic pattern without any focal point or context.

“For example, it is becoming increasingly difficult to see where a company’s head office is located and where its subsidiaries are,” says the McKinsey manager. “I believe that people want to build up companies as global networks. You might have a research and development department in India, in which you only have a 40% shareholding or with which you might have a contract. You might have an alliance with a distribution company in the USA.”

LET OTHERS TAKE THEIR SHARE

According to Staffan Canbäck, the company itself will concentrate on what it does best and will have all other tasks performed by means of alliances or partnerships.

“This will replace the attitude that ‘We’ll do everything ourselves, from product development through production to sales. We’re better at everything than anyone else in the world.’ As in the old Soviet Union, for example, where iron ore was delivered to one end of the factory and tanks rolled out of the other end.” He mentions the hotel industry as an example of an industry in which this kind of structure is already familiar. “There are large chains that simply perform the task of hotel management, but do not build or own hotels. Further examples have already been developed in the field of electronic collaboration. It’s in the turbulent industries that you can see such examples,” says

DECISIONS ARE DELEGATED

“With such an organisation it’s difficult to see who is making the decisions. So, a further aspect will be a move towards extreme decentralisation. This is because in a turbulent world people must be able to make quick decisions. The way to have decisions made quickly is to delegate them out in the companies.” According to Staffan Canbäck, the Swedish/Swiss industrial group ABB is a good example of decentralisation. “There are over 200,000 employees in the group. But it’s divided into 5,000 profit centres, which means that in what appears to be an enormous company there are only 40 employees per unit.” He does acknowledge, however, that the transition to this kind of decentralised organisation is far from smooth.

“The problem is that it’s also easy to lose control. Everything can begin to slide, which gets in the way of decentralisation,” says Staffan Canbäck.

IBM HAS LEARNT FROM THE PROBLEMS

One example of a major organisation that is currently undergoing a transition is crisis-torn IBM, which recently announced a massive, record-breaking loss for 1992.

“IBM is undergoing an incredibly large process of change from a hierarchical structure to a network of smaller units and decentralisation.”

Staffan Canbäck feels optimistic about this transition as far as Scandinavian businesses are concerned:

“In Scandinavia we’re generally a good way down the line. This is because in Scandinavia we have a tradition of respect for the individual, and many of these concepts are an extension of what our society stands for.” In the opinion of the McKinsey manager, one consequence of this transition will be that management tasks and styles will also be changed.

THE STRONG MANAGER WILL DISAPPEAR

“The significance of strong senior management will disappear. In the same way as a country doesn’t go under just because the Prime Minister is weak, I don’t believe that a company will go under. Yet very few managers are ready for these changes. With this type of structure you have to learn to live with less control, which isn’t easy. So, no company boss is going to be particularly happy about this development. But they’ll have to make the change because of the changes taking place in society.” Staffan Canbäck also

cites the turbulent world as a reason for the need to make decisions and respond far more quickly.

“A manager must create ambitions for a company ten years into the future and then concentrate on short-term planning – and he will have to forget what is in between, typically 3-4 year plans. There’s so much happening – we have the Gulf War, the troubles in Russia. For example, it seems pointless to try to work out what to do in Russia in 3-4 years’ time. So you have to set long-term goals and then concentrate on short-term issues.”

Staffan Canbäck’s view of the nature of business and society has also had an effect on his political views. For example, he is an opponent of the Maastricht Treaty, because he believes that the treaty is creating a system that is far too rigid for a changing world.