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# People and Structure : A Model For Sustainable Innovation

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## Abstract

Organization can be viewed as value – delivery networks and structure as a vital resource. While companies might have an intended strategy, the strategy that actually emerges can be very different. This happens because there are forces that shape strategy in unintended ways and one of the key forces is people and structure. It represents an important building block because it is the actual collectivism of commitment and their relationship; the processes and its direction, which propel an organization. Manpower without `structure' rarely delivers. A guiding structure is required which is more informal and flexible rather than formal and rigid.

In traditional organizations, the employees and moreover the management and directors were far less multi-cultured. They were less gender-mixed. The organizations were run more by positional authority; people knew their places and compliance was often gained by reminding them of their places. Very few ever questioned the wisdom of decisions or the authorities making them. The structure was simpler. The problems were more easily defined and the confidence that our formal leaders would do the right thing was higher. In this seamless, borderless world there is little opportunity to reflect on and integrate different points of view; therefore it requires structures and systems, which enable organizations to enhance their company's potential.

In other words, it is imperative that `structure' should form a vital part of strategy planning and not only implementation. Maximizing your company's potential – and ultimately your results – depends on accelerating the alignment of organizational models and people. Organizational growth and success requires that people with the right profile and motivation find your company to be an environment that is conducive to flawless execution. The knowledge and expertise of people are the key resources for growth. In the new millennium, competitive advantage will flow from the creation of value, which leads, to knowledge – not from its appropriation from rivals.

## Introduction

It's a myth that once you design a strategy it gets executed as strategy is not a software program that you boot it up and all of a sudden it works. It is the actual aggregation of commitments and their relationships, internal reporting structures and incentive systems, work activities and their relationships to business processes that give shape to the realized strategy. Informal relationship cannot be neglected and, in fact provides a better and richer representation of the reality of workplace structuring. The structural forms encompass four dimensions i.e. hierarchical,

functional, inclusion and centrality and informal relationship. If the two prime types of organizations; mechanistic and organic structures are examined along

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these four dimensions, it is observed that mechanistic structure believes that:

- Organizations are rational entities
- Organization design is a science
- People are economic beings (Burns 2000)
- Based on this philosophy organizations are structured on the following four dimensions:
  - Clear tiers of hierarchy
  - Function-based and work specialization
  - Strong management control and centralization of power
  - Formal nature

It was soon realized that it is irrational to view organization as a machine.

The rise of organic structure promotes a metaphor in which organizations are seen as complex and living entities featured by competing and interacting forces between individual and society. This philosophy reflects that:

- People are emotional beings
- Organizations are cooperative social systems
- It also comprises of informal structures, rules, norms and formal practices and procedures (Burns 2000)

Thus the following dimensions are significant, as change is real:

- Flat, non-hierarchical
- Cross-functional
- Employee empowerment and decentralization
- Informal structure and engaged employees

Ashkenas et al (1995) report on change in design principles that amount to a major shift are described in figure 1 below.

**Figure 1**

Old Success Factors	New Success Factors
Size Role clarity Specialization Control Individual performance-based Process oriented	Speed Flexibility Integration Innovation Team based Dynamic

(Source: Adapted from Design Principles for Organization success from Ashkenas et al, 1995)

The shift in design principles recognizes that size (large), role clarity (compartmentalization & levels of authority) specialization (subdivision of role / tasks & tight functionalism) individual performance, process oriented and control, all typical of traditional type of organization are no longer effective.

Thus the key challenges that organizations must focus are e.g. creation of a culture that increases commitment, acquisition and retention of intellectual and human capital.

Structure (in terms of resource allocation) and systems demand compliance; on the other hand flexible processes build around employees own aspirations unleash the entrepreneurial spirit and build trust. This has the potential to create new combinations of resources and therefore, knowledge. History of mankind is replete with several examples wherein system of governance based on personal freedom, collective action and open air, democratic culture fostered growth. To illustrate, Egyptian civilization flourished as it was not based on command and control model but a democratic system which helped unleash the creativity of its people and channel it in ways that produced the greatest good for the society as a whole. The prototype, if any existed, at that point in time, succeeded in bringing individual initiative and common course into a cohesive whole.\*

**The New Business Model: Building Sustainable Innovation**

The fundamental weakness of the classical strategy-structure-systems model is the importance it gives to control as it is built around the dictum that strategy is all about value appropriation. This doctrine was very successful in maximizing the shareholders' wealth. But in the changing borderless, seamless economic regime, value creation and not only appropriation vis-à-vis competition is the essential element of strategy. This requires commitment to shared destiny and hence individualism as the engine of economic progress rather than a factor of production.

It has already been proved that creativity thrives in chaos. In organizations like Intel , 3M, Xansa innovation is the lifeblood of growth. In other words a successful organization is a creative organization;

\* Manville, Brook and Ober, Tosiah "Beyond Empowerment : Building a Company of citizens", Harvard Business Review, Jan. 2003

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creativity is the single most important contribution employees make for the organization. Innovation benefits, if and only if it is sustainable and ongoing rather than one – off process. To put it differently innovative organization must be fluid and organic to foster constant creativity.

If organizations become focused on the mechanisms of innovation — brainstorming, suggestion boxes et al, which are essential it is institutionalizing idea generation process, which by itself does not create value.

This requires people (across all functions and levels) who `do it differently` rather than `doing the right thing`. The people are innovative because:

- They think intuitively
- Use common sense
- Think strategically
- Feel emotions
- Make moral judgments
- Have expertise

This means that innovativeness can also flow from employees, the people in the organization unlike the claims made by classical theories. A successful organization requires both kind of employees viz. implementers and innovators. The out-of-box thinking builds `knowledge trails' and provides views on contextual information of work activities and how they relate to the work of others. This generates a chain of linked information, which represents the results (what) that created them, how, when and why they are created and therefore `knowledge trails'.

The basic focus is to overcome `tunnel vision'; let the mind wander. The emphasis is not only on employee empowerment; but also on employee engagement. It is all about building a company of citizens where the focus is on involving people acting collectively coordinated by corporate purpose. The longer the period of engagement longer is the romance and passion for work and larger the contribution.

It's true that business organizations have become less bureaucratic in recent years but employee empowerment is still limited. Employees remain disenchanted and estranged from their organizations

because they feel shifted in our management and governance systems. Structures (as represented by boxes and lines), more than any other attribute, spell disaster for creativity as control systems can be stifling (though they bring clarity). To illustrate 3M allows its employees leeway to develop their own projects, which, in due course, add to the stream of new products that company launches every year. Intel, too encourages employees ingenuity which leads to continuous development of employees and therefore economic progress.

### **A Few Propositions:**

1. Innovation a necessary input for value creation is not only about technology but also about people, process and partnership, which are intricately linked to purpose. Innovation requires a forward movement; an inability to rest on one's laurels— a reconfiguration of resources and knowledge. The necessary inputs are:

- Creative chaos and fun
- Weak guiding Structures
- Experimentation and freedom to fail
- Cross-functional expertise
- Creative problem solving
- Brainstorming and improvisation
- Challenging assumptions

2. Informal relationship increases organizational flexibility & responsiveness. Organization structure is not definite, but flexible allowing appropriate restructuring of knowledge to meet organizational needs.

3. Network organization based largely on informal relationship has received an increasing interest in knowledge management studies. Mayer & Vinot (1993) defines a network as "an organization based on existence of relationship independent of the possible existence of formalized structure" The knowledge economy makes new demands on organizational structuring for effective knowledge management. These are:

- i) Informal relationship blurs the boundary of organization
- ii) Informal relationship smoothes knowledge flow
- iii) Informal relationship facilitates tacit knowledge

Tacit knowledge is non-verbalized intuitive and unarticulated (Polanyi 1962) It is personal knowledge embedded in individual experience and involves intangible factors such as personal belief perspective and the value system (Nonaka & Takenchi, 1995) and not readily transmitted from one individual to another.

4. Companies need to develop a liberating culture based on trust and generative learning to power up the creative energy, and a contingency style of leadership that involves diffusion & interchange of leadership. The synergy of empowering culture & leadership allow maximum autonomy of workers & therefore encourage overall creative contribution and the production of organizational wisdom and eventually develop self-management of individuals & project groups (Perez – Bustamante 1999; Bierly, Keassler & Christensen 2000). Empowering culture & leadership promotes healthy knowledge management.

5. Participation & empowerment go hand in hand. If one is to create a healthy workplace and organization, one must ensure that employees participate at all echelons in the organization. Everyone associated with the organization is made a part of the organizational development. It is necessary to conceptualize empowerment as a process resulting in the autonomy of individual employee as well as increases accountability towards their job performance. (Bill Gates)

6. Empowerment leads to engagement of employee, which in turn reduces absenteeism & turnover. Empowered people are those who have access to information. Communication, if clear, open & transparent, facilitates this process.

In a research done by Institute of Employment studies (UK) the following behavioral traits of an engaged employee emerged: -

- belief in the organization
- desire to work to make things better
- understanding of business context and the

- bigger picture
- respectful of and helpful to colleagues
- willingness to go the extra mile.
- Keeping up to date with development in the field.

Employee engagement is all about the employees' perception of the company in four key areas:

- Commitment to company's vision, mission, values and supported behaviours.
- Identification with being part of the company team
- Motivation to go beyond the call of duty and
- Willingness to continue as an employee of the company

Employee engagement approach model proposed by ISR

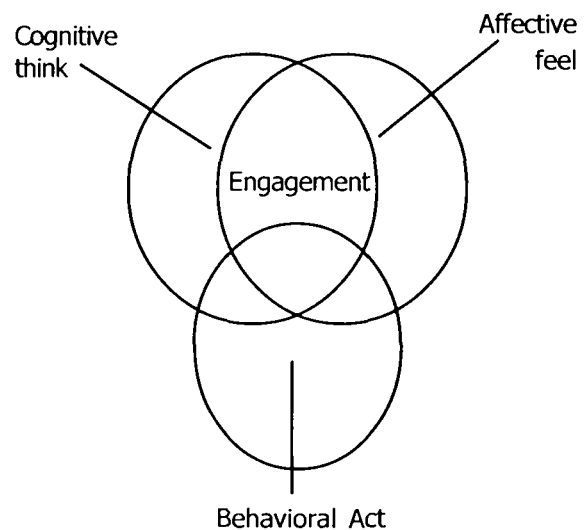


Figure 2: ISR 3D Model

The Cognitive or Think: component relates to employees logical evaluation of a company's goals & values.

The Affective (Emotional) Component – or "Feel", taps into whether employees have a sense of belonging and pride in company.

The Behavioral dimension or "Act" captures the outcomes that employers desire such as retention & willingness to go the extra distance for the company when necessary. Engagement is actually a measure of the combination of these three components.

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## A Proposed Model

It is imperative that talent residing within an organization can fuel growth — companies will make transition from being a successful company to a great company. `Excellence ` cannot be outsourced or delegated. A de-energized organization cannot create innovations for the customers; an organization cannot become customer-centric if it is not people-centric.

The following model (refer figure 3) shows that people power can become a source of innovation, as no company can be successful with a detached workforce. The roots of Employee Value Proposition (EVP) can be traced back to the marketing concept of Customer Value Proposition (CVP), which envisaged

focusing on products that the customers desired and not those, which companies produced. In today's scenario organizations are applying the same kind of marketing mindset to attract & retain employees. This can be only done by providing conducive organizational culture where they are encouraged to be innovative, participative, empowered & engaged. Empowerment leads to knowledge workers. A knowledge worker benefits to organization could be in the form of developing business intelligence, increasing the value of intellectual capital, gaining insight into customer preference, or variety of other important gains in knowledge that aid the business. To ensure that the desired results are achieved organizations have to be flexible, informal and fun place to work

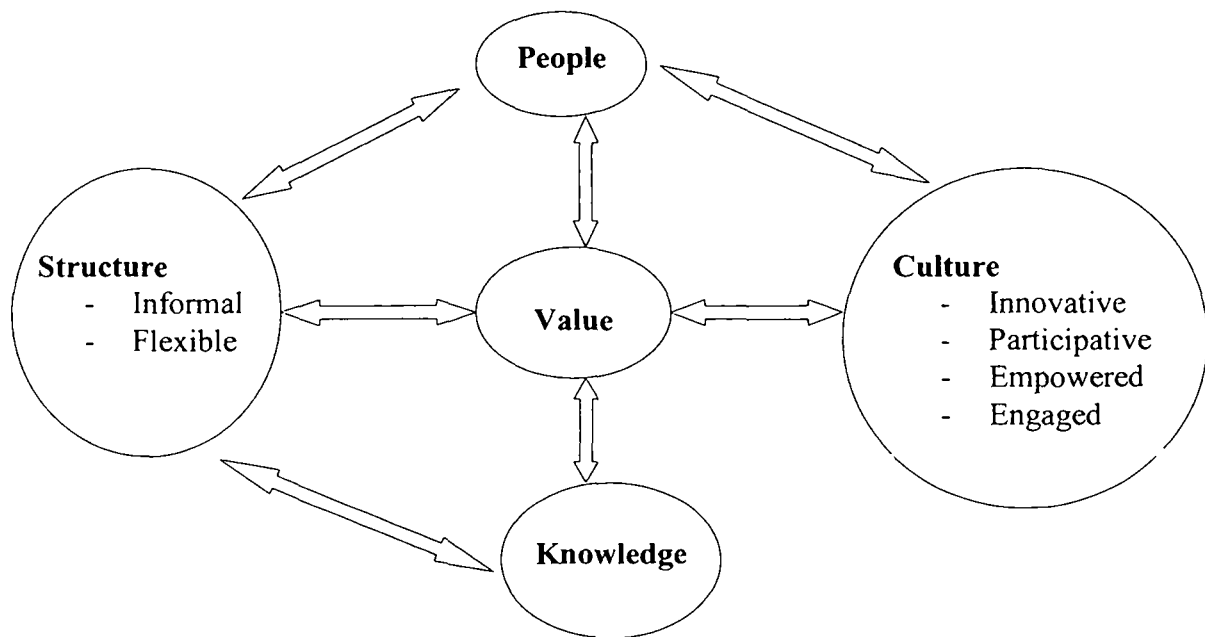


Fig 3: Proposed Model and Key elements

This will lead to higher morale, sharing knowledge across time, space, geography and functions leading to development of culture, which is a collective reflection of organization's value system. Higher engagement leads to continuous innovation; this leads to growth. This also reduces governance costs and increases commitment.

## Conclusion

It can be concluded that employee empowerment, developing entrepreneurial abilities and mobilizing everyone's abilities leads to development of intellectual capital and therefore knowledge.

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The core assets of the modern business enterprise lie not in buildings, machinery and real estate, but in the intelligence, understanding, skills and experience of employees. Harnessing the capabilities and commitment of knowledge workers is an essential input for delivery. Competitors can imitate the products, structures and even technologies; but no one can match highly charged, motivated and engaged employees of the organization.

For most, the organization knowledge is the most important strategic resource and the capability of knowledge production is critical to competitive advantage and organizational success (Kogut & Zander 1992, Nonaka & Takeuchi, 1995). This inevitably leads to a new focus on how to adopt new types of organizational forms to facilitate knowledge management.

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