HARVARD | BUSINESS | SCHOOL
WORKING Knowledge

Managing at the Right Level

HBSWK Pub. Date: May 2, 2005

In many organizations, managers manage at one level too low, says Jonathan Byrnes. And that makes it difficult to create paradigmatic change.

by Jonathan Byrnes

Are you managing at one level too low?

Many managers are frustrated by the difficulty of engaging their colleagues in paradigmatic change. Very often, the root problem is that they are managing at one level too low.

Several years ago, the CEO of a major telecommunications company was disturbed by the seeming inability of his company's managers to initiate and manage renewing change. The company was facing new competitors and major market changes, and it was imperative to respond with quantum improvements in operational efficiency, market development, and competitive positioning.

Yet he perceived that his managers were mired in day-to-day operational details, and "didn't have time" to conceive and manage fundamental change. Moreover, he felt that they had a "victim" mentality, in which they saw their own organizational gridlock in the face of competitive encroachment and felt an inability to break out of the bind.

When I looked at the organization and met with the managers, it was clear that they had a problem—a problem I've seen in many organizations, both before and since. Each manager was doing the job that should have been done by the manager below. The vice presidents were functioning as directors, the directors as managers, and the managers as supervisors.

Managers at multiple levels throughout the company were focused on the same set of work, and most did not fully trust their subordinates to perform without close supervision. When I looked closely, a surprisingly large proportion of the subordinates' work consisted of gathering information to answer managers' questions, not to actually get something done.

This was so pervasive that nobody saw it, and it was paralyzing the company's ability to innovate.

Managing effectively
It is surprisingly natural to manage at one level too low. Managers are promoted because they are good at their jobs, so it is most comfortable to continue managing in the way that was successful in the past. Also, promoted managers are rarely explicitly retrained and reoriented to understand how to manage differently at the new level. Most often, it is simply assumed that they will "get it."

Yet, managing appropriately at different levels of an organization requires very different skills, activities, and time horizons, because the objective of management changes radically. Managers who recognize these differences succeed in their new positions and rise rapidly in the organization. Those who do not remain mired in the day-to-day, often feeling victimized and helpless, not really understanding why.

In essence, managers at different levels of a company have fundamentally different jobs.

- **Managers** oversee and operate functional areas within departments. They are responsible for efficient execution and process improvements, and they generally operate in a relatively short-term time frame.
- **Directors** are department heads. They are responsible for overseeing the efficiency and development of the staff of their departments. But this is only half their job. The other half is a combination of restructuring their department's work for quantum improvements and coordinating with their counterparts in other departments to jointly improve the company's performance. Note:

"Jointly improve" is very different from "jointly manage." Here, the timeframe of management is primarily medium-term.

- **Vice presidents** are responsible for the company's future. They should spend the preponderance of their time working with their counterparts to develop and oversee sweeping programs of renewing change. This involves gauging and understanding profitability patterns, market opportunities, and company effectiveness, as well as evaluating, adopting, and tailoring what "best-practice" companies are doing. Vice presidents should not be focused on managing the company as it is today, but rather on creating a fundamentally new and better company. This involves close coordination and teamwork, and a long-run perspective.

This may sound obvious, but let's try an exercise. Imagine you have a videotape of the work each manager in your company performed last week. You give this tape to an outside observer who simply counts the minutes each manager spent on each sort of activity described above.

What would the summary chart look like? How much time would managers at each level have spent on process renewal and change management versus managing the day-to-day? This quick diagnostic will tell you whether they are managing at the right level.

Recently, I had dinner with a top manager of a well-known multibillion-dollar company. He shared his concerns about his company's managers. The company's operations department had a tradition of largely promoting from within. Many of the managers were very experienced at running their day-to-day operations, but they had difficulty focusing on process improvements that changed the basic nature of the business. In essence, he was describing an organization in which everyone managed at one level too low.

Interestingly, in this company, this problem did not occur across the board. The sales and marketing managers were operating at the right levels and being very effective. The prime problem lay in the operations department. In other companies, the situation is reversed. Often, the problem of managing at one level too low can be found in some departments, but not in others.

Management-process quality

In just-in-time inventory systems, the objective is not merely to lower inventory levels, per se, but rather to force the organization to stop using inventory to hide the underlying problems. Remove the inventory, and the quality problems become apparent. So do process-coordination problems. Drain the swamp, and the stumps appear.

Just as excess inventory can hide a myriad of process and coordination problems, managing at one level too low can obscure many management-process problems. To drain the swamp, managers must refocus their attention on the level right for their job. Once this happens, it will be straightforward to institute lasting improvements.

If a manager is operating at one level too low, the effects spread widely. Not only is the manager ineffective, so are all who must coordinate with that manager to create change. The organization quickly becomes gridlocked. And the problem is hidden: No one sees the opportunity cost of diverting management attention from new initiatives and change management.

This happens in company after company, and more often than not, no one realizes the tacit cause.

Management imperatives

In last month's column, ("The Age of Precision Markets"), I described how companies are increasingly creating strategic advantage, differentiation, and quantum market share increases through a combination of account management, supply chain management, and change management. Successful companies are surveying their markets and targeting certain accounts for tightly coordinated relationships, and other accounts for arm's-length relationships. Innovative managers in suppliers are creating rapid, extraordinary sales and profit increases by developing intercompany operations that radically increase the profitability of their customers' sales of the supplier's product.

This process requires a high degree of coordination at all levels of the company. Vice presidents have to work closely with one another to conceptualize and develop these new capabilities. Directors across the company have to work with each other to redefine market segments, target accounts, and create integrated processes for account development. Managers must become adept at working with colleagues from other departments in scatter-site in-account operating teams.

Managing at one level too low creates an insurmountable roadblock to succeeding in the new paradigm. When managers are preoccupied with the day-to-day, they lose the vision and capability to create this new way of doing business. Not only do they fail to create new efficiencies within the old way of doing business, but, more importantly, they lose the opportunity to succeed in the new. Their companies fall further and further behind.

Managing management effectiveness

What can a manager do? Here are three action steps to secure your company's organizational effectiveness.

Videotape your managers, figuratively. Do this in two steps. First, have your managers list the components of their jobs and estimate the proportion of their time spent on each component. Second, have the managers keep time logs for about a week to check their perceptions. In my experience, many managers see their situation clearly, but feel helpless to change it. Others need a snapshot like this to understand what's happening.

You can follow this with an assessment session, using an internal or third-party resource. Here, the managers look at their tasks and identify both those that could be done at a lower level and those that should be done but are not. It is important to have managers at different levels work on this together, as each manager affects the others. The group can then make a process improvement action plan and follow up with the same exercise six months and a year later to ensure that the change occurred.

Redefine their jobs. Using the process described above to gather the input of the managers involved, create a new set of job descriptions for managers at each level. These job descriptions should reflect the proportion of time to be spent on managing stasis versus creating change. This is critical. All job descriptions say that managers should improve the business, but unless you specify the amount of time to be spent changing things, the day-to-day will always crowd out the innovative.

Here's an issue: If a manager spends a lot of his or her time doing unproductive work, and a new lower-level resource would be needed to free up the manager, the cost of the new resource will count against budget while the results of the manager's new activities will be harder to measure. Thus, in most companies, there is a built-in bias against managing at the right level.

But the results can be dramatic. I recently worked with a company that got the equivalent of a 25 percent increase in the size of its sales force by offloading administrative work onto a few new clerks at headquarters.

Institute selective training. When managers move up a level, they need a brief, highly focused intervention to ensure that they understand the critical change in focus that the new position requires. As a manager moves up the organization, he or she not only becomes the top expert, but more importantly needs to shift focus from operating the current company to creating the future company. It is imperative to have a periodic third-party "checkup" on the mix of activities, using either an internal or external resource, because it is very difficult for a manager to detect the natural drift toward managing at one level too low.

New productivity

As managers become more knowledgeable and disciplined about managing at the right level, their subordinates will become more capable, and performance will improve surprisingly quickly. The whole organization will become more creative and productive.

At the same time, the level of stress among managers will decline noticeably.

Stress is caused by two factors: the nature of a job and an individual's feeling of lack of control. Of these, the latter is far more important. For example, an emergency room doctor has a difficult job, but lots of control. An assembly-line worker has a routine job, but little control. Most often, the doctor feels less stress than the assembly-line worker.

Managers who manage at one level too low tend to overmanage their subordinates. These subordinate managers feel a lack of control that they experience as stress, gridlock, victimization, and helplessness. This is what the CEO of the telecommunications company I described earlier saw in his company.

Top managers who guide their organizations so that everyone manages at the right level gain an enormous lever to improve their company's performance, both in the near term and for the future.

See you next month.

Jonathan Byrnes is a Senior Lecturer at MIT and President of Jonathan Byrnes & Co., a focused consulting company. He earned a doctorate from Harvard Business School in 1980 and can be reached at jlbyrnes@mit.edu.