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Harvard Business Review

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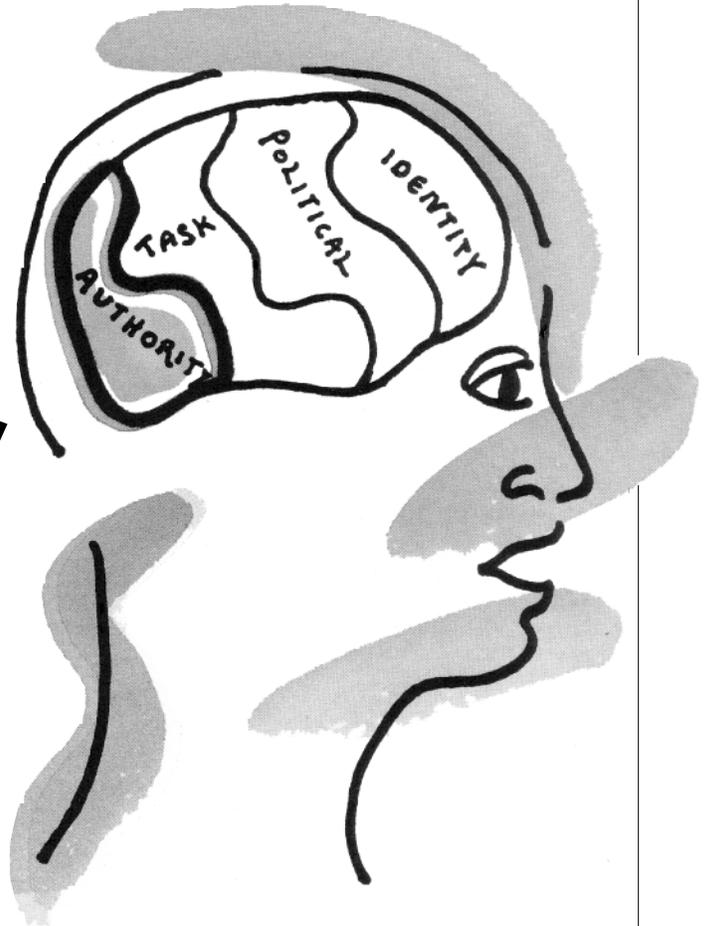*As organizations become more flexible, the boundaries that matter are in the minds of managers and employees.*

The New Boundaries of the "Boundaryless" Company

by Larry Hirschhorn and Thomas Gilmore

In an economy founded on innovation and change, one of the premier challenges of management is to design more flexible organizations. Companies are replacing vertical hierarchies with horizontal networks; linking together traditional functions through interfunctional teams; and forming strategic alliances with suppliers, customers, and even competitors. Managers are insisting that every employee understand and adhere to the company's strategic mission without distinction of title, function, or task.

For many executives, a single metaphor has come to embody this managerial challenge and to capture the kind of organization they want to create: the "corporation without boundaries." General Electric CEO Jack Welch has eloquently described this new organizational model. "Our dream for the 1990s," Welch wrote in GE's 1990 annual report, "is a boundaryless company…where we knock down the walls that separate us from each other on the inside and from our key

The traditional organizational map describes a world that no longer exists.

constituencies on the outside." In Welch's vision, such a company would remove barriers among traditional functions, "recognize no distinctions" between domestic and foreign operations, and "ignore

DRAWINGS BY MAXINE BOLL

or erase group labels such as 'management,' 'salaried,' or 'hourly,' which get in the way of people working together."

Managers are right to break down the boundaries that make organizations rigid and unresponsive.

But they are wrong if they think that doing so eliminates the need for boundaries altogether. Indeed, once traditional boundaries of hierarchy, function, and geography disappear, a new set of boundaries becomes important.

These new boundaries are more psychological than organizational. They aren't drawn on a company's organizational chart but in the minds of its managers and employees. And instead of being reflected in a company's structure, they must be "en-

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acted" over and over again in a manager's relationships with bosses, subordinates, and peers.

Because these new boundaries are so different from the traditional kind, they tend to be invisible to most managers. Yet knowing how to recognize these new boundaries and use them productively is the essence of management in the flexible organization. And managers can find help in doing so from an unexpected place: their own gut feelings about work and the people with whom they do it.

The Challenges of Flexible Work

In the traditional company, boundaries were "hardwired" into the very structure of the organization. The hierarchy of occupational titles made manifest differences in power and authority. Independent functional departments coordinated pools of specialized expertise. Dedicated business units were a reflection of a company's products and markets.

This organizational structure was rigid, but it had a singular advantage: the roles of managers and employees within this structure were simple, clear, and relatively stable. Company boundaries functioned like markers on a map. By making clear who reported to whom and who was responsible for what, boundaries oriented and coordinated individual behavior and harnessed it to the purposes of the company as a whole.

The problem is that this traditional organizational map describes a world that no longer exists. New technologies, fast-changing markets, and global competition are revolutionizing business relationships. As companies blur their traditional boundaries to respond to this more fluid business environment, the roles that people play at work and the tasks they perform become correspondingly blurred and ambiguous.

However, just because work roles are no longer defined by the formal organizational structure doesn't mean that differences in authority, skill, talent, and perspective simply disappear. Rather, these differences present both managers and employees with an added challenge. Everyone in a company now must figure out what kind of roles they need to play and what kind of relationships they need to maintain in order to use those differences effectively in productive work.

Take the simple example of an engineer on an interfunctional product design team. To be an effective participant on the team, the engineer must play a bewildering variety of roles. Sometimes she acts as a technical specialist to assess the integrity of the team's product design; at other times she acts as a representative of the engineering department

to make sure that engineering does not get saddled with too much responsibility while receiving too few resources; then again, in other situations she may act as a loyal team member to champion the team's work with her engineering colleagues.

No one role exhausts the kinds of relationships she must engage in to make the team work. The engineer will probably play all three roles at least once while she's on the team. But how does she know which role to play when? And how can she be sure that the rest of the team knows which role she is playing at any particular moment in time?

In the corporation without boundaries, then, creating the right kind of relationships at the right time is the key to productivity, innovation, and effectiveness. But good working relationships don't happen automatically; they are not the simple product of good feelings, team spirit, or hard work. In fact, opportunities for confusion and conflict abound in a flexible organization.

Imagine the following typical interaction between a shop-floor worker and an engineer at a company trying to create a team environment. The worker takes the company's commitment to teamwork seriously and, in an attempt to learn how and why product engineers make the decisions they do, asks an engineer to explain the criteria he used to approve some design changes on a blueprint.

The worker has focused on the task. He wants to be the engineer's colleague. Perhaps he imagines that together they can develop a new and more productive way to divide up the work. Unfortunately, the engineer hears the question not as a simple request for information but as an implicit attack on his authority. So he answers vaguely and dismissively, making it clear he doesn't think much of the worker's question.

The worker feels put down and doesn't press his question. But instead of trying to understand why the engineer reacted the way he did, the worker simply chalks up the response to the contempt that "elitist" engineers feel for "uneducated," blue-collar workers.

The engineer and worker don't know how to manage the psychological boundaries that order their relationship. During their interaction, they draw on a succession of distinctions – between expert and novice, superior and subordinate, exploiter and victim. However, because neither has an accurate "map" to figure out the kind of relationship they are in and what boundary they have encountered, the interaction that was intended to make them more effective colleagues only serves to separate them. The result is a failed encounter and an unproductive relationship.

In fact, too much focus on eliminating old boundaries can cause managers to misunderstand their fundamental role in the flexible organization. All too often, managers think that getting rid of boundaries also means doing away with conflict. They assume that once the company breaks down the walls that "get in the way of people working together," employees like the engineer and the worker will put aside what divides them and unite behind the company's mission. Differences of authority, talent, or perspective will no longer be a source of friction.

Nothing could be further from the truth. As traditional boundaries disappear, establishing such differences becomes simultaneously more important and more difficult. Flexibility depends on maintaining a creative tension among widely different but complementary skills and points of view. In the theater, a demanding director can elicit an especially brilliant performance from an actor. Similarly, an accomplished actor can help a director better understand his own vision of a play. So too in the workplace, where demanding subordinates can make for better bosses – and a brilliant marketing department can push manufacturing to perform at its best.

But this kind of creative tension does not come easily. As the tasks, roles, and outcomes of work become more uncertain, clashes of opinion and perspectives become more likely. Because they may signal that a work group is approaching a boundary that needs managing, such conflicts can be healthy and productive – *if* they are contained or bounded so they don't become overwhelming.

Therefore, managers in flexible organizations must focus on boundary management. They must teach people what new boundaries matter most, then how to recognize such boundaries in their relationships with others. Finally, good boundary managers encourage employees to *enact* the right kinds of boundaries at the right time, as a director helps talented actors take up and perform the roles of a good play.

Remapping Organizational Boundaries

What psychological boundaries must managers pay attention to in flexible organizations? We call them the "authority" boundary, the "task" boundary, the "political" boundary, and the "identity" boundary. Each is rooted in one of four dimensions common to all work experiences. At the same time, each poses a qualitatively new set of managerial challenges in the new work environment. And each boundary can be recognized by the characteristic feelings it evokes. If managers are attentive, they

A Manager's Guide to the Boundaries That Matter

Key Questions		Necessary Tensions	Characteristic Feelings
"Who is in charge of what?"	AUTHORITY BOUNDARY	How to lead but remain open to criticism.	trustful open rigid rebellious passive
		How to follow but still challenge superiors.	
"Who does what?"	TASK BOUNDARY	How to depend on others you don't control.	confident competent proud anxious incompetent ashamed
		How to specialize yet understand other people's jobs.	
"What's in it for us?"	POLITICAL BOUNDARY	How to defend one's interests without undermining the organization.	empowered treated fairly powerless exploited
		How to differentiate between win-win and win-lose situations.	
"Who is—and isn't—'us'?"	IDENTITY BOUNDARY	How to feel pride without devaluing others.	proud loyal tolerant distrusting contemptuous
		How to remain loyal without undermining outsiders.	

can use these feelings as clues to assess whether their relationships at the boundary are working effectively. (See the exhibit "A Manager's Guide to the Boundaries That Matter.")

The Authority Boundary. Even in the most boundaryless company, some people lead and others follow, some provide direction while others have responsibility for execution. When managers and employees take up these roles and act as superiors and subordinates, they meet at the authority boundary.

The authority boundary poses the question: "Who is in charge of what?" In most companies, that question used to be relatively easy to answer. Those in authority were easy to identify. Bosses issued orders, and workers followed them. Management was primarily a matter of effective monitoring and control.

But in more flexible organizations, issuing and following orders is no longer good enough. The individual with the formal authority is not necessarily the one with the most up-to-date information about a business problem or customer need. A manager may lead a quality team, for example, that includes not only her peers but also her boss. Or an account rep may ask his boss to join the account team at a critical phase in the work with an important customer.

In such situations, subordinates face the far more complicated task of adequately informing their superiors and helping them to think clearly and rationally, even as they work to implement their superiors' requests. Paradoxically, being an effective follower often means that subordinates have to challenge their superiors. After all, allowing superiors to act foolishly only undermines them.

What it takes to be an effective superior is similarly complicated. Managers need to take charge and to provide strong leadership. But in the process, they must also remain open, even vulnerable, to criticism and feedback from below. If subordinates need to challenge in order to follow, superiors must listen in order to lead.

> In the new organization, subordinates must challenge in order to follow – while superiors must listen in order to lead.

When superiors and subordinates work well together, both can play their respective roles. Subordinates feel trusted by their superiors, and that feeling of trust frees them up to exercise initiative at work. Superiors feel simultaneously supported and challenged by their staffs, which allows them to lead.

But when people don't work effectively at the authority boundary, other feelings predominate. Subordinates who don't believe that their bosses trust them can become either rebellious or excessively dependent and cautious – opposite symptoms that reflect the same underlying problem. Similarly, superiors who are not challenged by their employees may feel invulnerable, as if they "can do no wrong." At the same time, the lack of support from their subordinates may make them suspicious and overcontrolling.

The Task Boundary. Work in complex organizations requires a highly specialized division of labor. Yet the more specialized work becomes, the harder it is to give people a sense of a common mission.
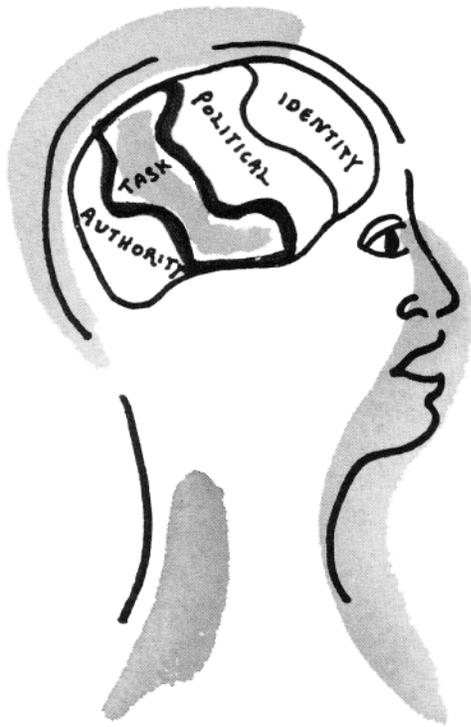
In a team environment, people must focus not only on their own work but also on what others do.

This contradiction between specialized tasks and the need for shared purpose helps explain why teams have become such a popular form of work organization in recent years. Teams provide a mechanism for bringing together people with different but complementary skills and tying them to a single goal: designing and manufacturing a new product, say, or providing integrated service to an important customer.

But in order for teams to work, those involved must manage their relationships at the task boundary. Here the critical question is, "Who does what?" People in task relationships divide up the work they share and then coordinate their separate efforts so that the resulting product or service has integrity.

In the traditional organization, managing task relationships was largely a matter of overseeing the formal interactions among R&D, manufacturing, marketing, and the other classic functions. But in the new team environment, people from all of these areas are mixed together. Increasingly, individuals have to depend on others who have skills and resources they cannot control and often don't even understand. To be effective, they cannot simply ignore the work of others – in effect, to say "it's not my job" – any more than a subordinate can simply follow the orders of his or her boss. Indeed, their own performance may depend directly on what their colleagues do. So, while focusing primarily on their own task, they must also take a lively interest in the challenges and problems facing others who contribute in different ways to the final product or service.

When task relationships with coworkers go well, people feel proud of their work, comfortable about their dependence on others, and confident that they have the resources and the skills necessary to get the job done. But when a work group has problems defining the task, dividing up responsibilities, and apportioning resources, individual members begin to feel incompetent, unable to accomplish their work, and sometimes even ashamed of the job they've done.

The Political Boundary. In most companies, "politics" is a term of pure derision. Indeed, one of the promises of the corporation without boundaries is to make the company into "one big happy family" and eliminate politics from the workplace once and for all. But this promise contains within it a potentially dangerous mistake.

Politics involves the interaction of groups with different interests, and any large complex organization contains many such groups. R&D has a legitimate interest in long-term research, manufacturing in the producibility of a product, marketing in customer acceptance. A union member who confronts a foreman over an alleged contract violation, a regional vice president who wants to make sure her factories get more investment funds, and the director of a research lab who tries to protect his scientists from intrusions from marketing are all engaged in necessarily political relationships.

These relationships can be extremely useful to senior managers, because they mobilize the different interests and perspectives that together add up to a comprehensive view of the entire situation. Political activity becomes detrimental only when people are unable to negotiate and bargain in productive ways and when they can't define their in-

terests broadly enough to discover mutually beneficial solutions.

When managers meet at the political boundary, they view one another as members of distinct interest groups with different needs and goals. They pose the question, "What's in it for us?" Then, by negotiating and bargaining with each other, they form coalitions to further their ends and develop strategies and tactics for advancing their interests. At the political boundary, people face the challenge of defending their interests without undermining the effectiveness and coherence of the organization as a whole. They must try to distinguish between "win-lose" and "win-win" strategies.

When groups in a company do this effectively, people tend to feel powerful. Staff members believe they are treated fairly and rewarded adequately. But when political relationships go badly, members of a particular work group can feel unrecognized, underrepresented in important decisions, and exploited.

The Identity Boundary. The corporation without boundaries seems to offer employees a common identity, the kind that Jack Welch suggests when he talks about erasing the "group labels...which get in the way of people working together." In fact, people have a multitude of group identities at work. Sometimes these identities are a product of a particular occupational or professional culture: attorneys, engineers, software programmers, even shop-floor workers. Sometimes they are rooted in the local work group: the team, department, or regional office. And sometimes their origins are more personal, grounded in the individual's experience as a member of a particular race, gender, or nationality.

The distinguishing characteristic of such relationships is the group's "sameness." When people begin to think in terms of "us" versus "them," of their in-group as opposed to other out-groups, they are engaged in a relationship at the identity boundary. Unlike the political boundary, which is about interests, the identity boundary is about values. Put another way, the identity boundary raises the question, "Who is – and isn't – 'us'?"

People acting at the identity boundary trust insiders but are wary of outsiders. They seek out people who seem like themselves and take for granted the value of their own group perspective. The members of a local office may feel that headquarters has no understanding of how their region really operates. Scientists in an R&D lab may feel that marketing people have no conception of what makes them tick. Women managers may be convinced that their male colleagues don't respect their distinctive style of managing. Or foreign nationals in a multinational company may believe that headquarters overseas cannot really grasp the subtleties of the local market.

Identity relationships are important because they tend to be extremely energizing and motivating. In a workplace where effective performance increasingly depends on employee commitment to and engagement in the job, organizations need to tap this energy source and put it to productive use. That's why companies like Xerox, Corning, and Levi Strauss have encouraged diversity at all levels of the organization.

But relationships at the identity boundary also run the risk of disrupting the broader allegiances necessary to work together. For this reason, creat-

> One company's product design task force failed as a team because its members felt *too much* like a team.

ing and supporting a sense of elan or team spirit – "we are the best group" – without devaluing the potential contribution of other groups is the real challenge of work at the identity boundary.

When organizations strike this balance, people feel loyal to their own groups and also maintain a healthy respect for others. But when team spirit is accompanied by contempt for others who don't share the same values or experience, identity relationships become extremely disruptive.

It's important to remember that these four psychological boundaries don't exist in isolation from one another. In any work experience, they interact dynamically. Consider the example of the unsuccessful product development team, which is described on the next page in the insert "Decoding Boundary Mistakes: The Team That Failed."

A chief operating officer establishes an interfunctional team to design a new product. He believes that in order for the team to work, it is enough to encourage group cohesion among its members. So under the rubric of "self-management," he neither designates someone to represent his authority on the team nor plays that role himself by actively participating in the team's deliberations.

Decoding Boundary Mistakes: The Team That Failed

Senior managers at a midsize office equipment manufacturer faced a serious threat. New competitors were introducing lower priced products that outperformed the company's traditional product line. Managers knew they had to counter with a new product of their own. But they worried that their company, which was organized along strong functional lines, simply could not respond fast enough.

For the company's chief operating officer, the solution was to create a prototype team that would design a new, more advanced version of the company's main product. The team approach, the COO argued, could benefit the company in two ways. It would be the fastest means of bringing to market a product equal to the changing competitive situation. Even more important, the team would be a laboratory for organizational learning in which the company could experiment with a more flexible work organization. Despite the skepticism of some of the company's functional vice presidents, the CEO agreed.

The COO appointed representatives from marketing, manufacturing, engineering, and finance to a 12-member product redesign task force. Their mission, he explained, was not only to innovate a new product but also to invent a whole new way of working together. For example, the team would be entirely "self-managed"; members would select their own leader from among themselves. To support the team in its efforts, the COO hired a trainer to teach members the new skills – brainstorming, problem solving, and group dynamics – necessary to work effectively in a team environment.

At first, task force members shared the skepticism about teams that they picked up from their superiors.

But as they developed their team skills – how to define problems systematically, to give everyone a hearing, and to reach consensus – their skepticism melted away. As the COO watched the team grow, he felt extremely encouraged. The old fighting was gone. He was convinced that he'd fashioned the first successful interfunctional group in what had always been a tradition-bound and turf-conscious company.

The task force developed a new product design right on schedule and presented it to the company's executive committee at a special meeting. In a gesture that emphasized the group's team spirit, the lowest status member of the task force, a manager from purchasing, directed the presentation. Everything proceeded without a hitch.

However, when it came time to discuss the team's proposals, the meeting broke down. Company executives, naturally enough, asked tough questions to test the task force's design concept. Was this product really an improvement on current company lines? Wouldn't it just confuse the customer? What more could the team do to bring down prices?

But instead of responding to these legitimate questions, the team members kept defending their original proposal. They didn't think *any* aspect of their design could be modified. And team members seemed ready – too ready – to leap to the defense of fellow team members from different functions. When one senior manager, for example, argued that the product's manufacturing costs were too high to be competitive in the current marketplace, it was a team member from *marketing* who insisted that the costs couldn't be lowered. Similarly, when another senior manager criticized the prod-

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Because the COO never enacts a clear authority boundary, the team gets lost in its own good feelings about itself. Its members end up creating too strong an identity boundary between themselves and the rest of the company. All of their energies go into maintaining that group identity, even at the price of suppressing the differences of skill and perspective they need to do the work. The team's strong identity boundary makes it impossible for members to establish the internal task and political boundaries necessary for functioning effectively. Put simply, the task force fails as a team because its members feel *too much* like a team.

Only when managers understand how boundaries interact in this way can they learn how to manage them. And executives must start by realizing that, like the COO, their most common mistakes are made at the authority boundary.

The Authority Vacuum

Senior executives know that in the new business environment the old authoritarian style – management by control – no longer works. Eager to encourage participation, teamwork, and employee empowerment, managers assume they must give up their own authority. But this decision has a paradoxical result. When managers abdicate authority, they cannot structure participation, teamwork, or empowerment effectively,

uct design as too complex and therefore difficult to manufacture, it was someone from *manufacturing* who defended the complexity as necessary for producing a first-class product.

The more the senior managers pushed, the more the team members dug in their heels. But this cycle only succeeded in convincing top management that the task force had become inflexible. The executive group rejected the product design and asked the team to go back to the drawing board. When the team members left the room, several senior managers insisted that the COO find new people for the team.

Why did this office equipment company's attempt at interfunctional product design go wrong? The answer is that senior managers didn't know how to organize the team's boundaries so that it could work effectively. In the process of bringing the team together, at least three boundary mistakes occurred.

1. *The COO did not create a clear authority boundary.* On the one hand, he gave team members a grandiose sense of themselves and their mission. They were to be the new model for the entire company. On the other hand, once he established the team, he refused to play a leadership role. Because the team was self-managed, no one had the authority to make hard trade-offs among conflicting goals.

2. *The team coped with the absence of authority by enacting an identity boundary that was too strong.* Once told that they were pioneers in interfunctional work, team members became convinced they were the potential saviors of the company and developed a sense of themselves as separate from everyone else. They were to be "different," "new," an "elite group."

3. *An overly strong identity boundary prevented team members from creating the internal task and political boundaries they needed to do their work.* The price for sustaining the sense of difference *between* the team and the rest of the company was the suppression of important differences *among* team members.

For example, the team never found a way to create the appropriate task boundaries so that each member used his or her special expertise on the design project for the good of the whole. The manufacturing engineer didn't sufficiently challenge the design engineer's work from the perspective of producibility. The marketing representative rarely questioned the engineer's cost assumptions from the perspective of customer acceptance and pricing. As a result, the team was never able to take advantage of the different skills team members had or to optimize them in the product design.

In addition, because task force participants were so committed to their identity as members of an elite team, they lost sight of the politics of product design. Yet for the team to function effectively, the managers *had* to think of themselves as something more than team members. They were also political representatives of important interest groups throughout the company. Because they failed to represent these groups – for example, manufacturing's interest in product simplicity or marketing's interest in a product that could be distributed through established channels – they could not effectively sell the new design to their own colleagues.

The unfortunate result: a product design that couldn't be defended on either technical or political grounds and renewed skepticism throughout the company about the usefulness of teams.

which makes it impossible for their subordinates to be productive.

In the case of the unsuccessful product design task force, the vacuum of authority is filled by too much group cohesion. In other cases, teams respond to the authority vacuum by becoming passive. Instead of suppressing their differences and conflicts, team members are paralyzed by them. Because there is no strong authority to contain the inevitable tensions that increased participation necessarily generates, subordinates believe, quite rightly, that any conflicts will remain unresolved. Therefore, they dig in to protect their turf, and the conflicts become politicized. Since the senior executive is psychologically absent, people feel there is

"no court of last resort," no guarantor to ensure that decisions will be fair.

Take, for example, what happened at a large multinational financial services company that was trying to design a new integrated information system. The company's executive group wanted to create a system that would link together the databases of the company's independent product lines and allow sales personnel to analyze a customer's financial needs and process applications immediately in the field. Such a system, they reasoned, would not only make for better and faster service, it would also position the company to take advantage of the next competitive frontier in their business – "cross-selling" a wide array of financial products to individual customers.

The executive group's strategic vision was sound, but their plan foundered on the messy details of implementation. From the very beginning, the ten-person committee responsible for developing a comprehensive technology plan became mired in conflicts. Some team members complained that the information systems division wasn't really committed to developing a new generation of code and programs. Product line representatives worried that they would lose the advantages of the highly customized information systems that each unit had developed over the years. And field service representatives were skeptical that headquarters could really accomplish such a complex and ambitious undertaking.

Frustrated by the committee's lack of progress and convinced that it "just didn't have the horse-power" to make the new system happen, the executive group set up a second, higher level team of three top managers – one from the information systems division and the other two from the company's major product groups. But this team was no more effective than the one it replaced. The IS representative complained that the product people did-

Authority in the corporation without boundaries is not about control but about containment.

n't understand the complexities of the new technology. Meanwhile, the two product representatives accused the IS division of dragging its heels in order to protect its centralized control of the company's information systems. The executive group couldn't understand it. "Why aren't we getting any action?" they wondered.

What happened at this company illustrates what frequently occurs when a team of managers is asked to design new systems or products that promise to revolutionize core business relationships in a company. It's only natural that there will be conflicting perspectives and disagreements about critical issues. Only by confronting such conflicts can a team come up with a workable new approach.

A deeper analysis of the financial services company's conflicts revealed that beneath all the disagreement, the various groups represented on both committees shared a common feeling: they were anxious about the new strategic direction outlined by the company's senior executives. The company's success had traditionally been built on its organiza-

tional structure of highly autonomous product lines. Product managers functioned as independent entrepreneurs, free to extend and develop their lines without interference from headquarters. Naturally, they were afraid of losing this autonomy.

The problem was that no person on either the first or second committee had the authority to act as a tiebreaker when strong disagreements persisted. And neither team felt it could refer such deadlocks to the top management group. The chairperson of the first committee noted that he felt more like a "convener" than a team leader with decision-making power. And the smaller three-person team was explicitly designed as a group of equals with no single member in charge.

Why didn't the executive committee authorize someone to represent its new strategic intent on either committee? Upon reflection, senior managers realized they had shied away from exercising authority in the design process because they hadn't faced up to their *own* internal divisions about the risks of the company's new strategy. Specifically, the chief operating officer, who had strong ties to the independent product managers, was skeptical about the new direction. However, because he felt obliged to support the other two chief officers – another example of misplaced group cohesion – he remained silent. Of course, by failing to enact the authority boundary, this executive group created a vacuum that allowed political and identity differences to paralyze the work of both design committees.

As this example suggests, managers abdicate authority not just because they believe that's what flexible organizations require. On a deeper level, managers abdicate authority to defend themselves against their own anxieties. If conflict is an inherent feature of work in flexible organizations, so too is risk. In a business environment characterized by change and uncertainty, there is no guarantee that the decisions managers make or the strategic options they choose are the right ones. And as the competitive environment becomes more unforgiving, the consequences of failure become greater.

Often executives try to cope with this anxiety by focusing on tasks in a mechanistic way. They become enamored of elaborate methodologies for strategic planning. They systematically evaluate options and assess risks. These managers develop elegant plans for reorienting the strategic direction of the company. But while such detailed planning and analysis may help shape a decision, they cannot determine it. At some critical point, chief execu-

tives and their subordinates must move beyond the assessment of risks and make decisions in the face of considerable uncertainty. Indeed, senior management teams may be uncertain about *any* strategy's legitimacy and validity.

But in the end, a strategy's legitimacy rests on the personal authority of the chief executive – that is, on his or her ability to represent and embody the interests of the entire organization. If subordinates cannot identify psychologically with the chief executive as the representative of the whole, they will be unable to cede their autonomy to the CEO and, in effect, psychologically authorize him or her to lead. That means the best-laid plans and strategies will never be realized.

The real solution is for managers to exercise authority but in a new way. Authority in the corporation without boundaries is not about control but about *containment* – containment of the conflicts and anxieties that disrupt productive work. For instance, at the financial services company, the executive group took the simple step of appointing a new person as leader of the second design team. Putting an explicit representative of top management's authority on this second team was enough to keep the concerns over the company's new strategy from paralyzing everyone.

Managers need to be "present" for their subordinates in precisely this way, ready to resolve conflicts that cannot be managed by the group and to acknowledge honestly the anxiety inherent in working in an uncertain and risky environment. When they do so, managers can use their personal dealings with others to get people to do extraordinary things, even in the face of extremely difficult challenges.

## Management as Containment: Downsizing with Dignity

For a portrait of a manager who works in this new way, consider how the vice president for human resources at a high-tech components manufacturer handled the downsizing of his own department. Once a leader in its business, this electronics company was facing a major crisis. Relentless innovation in the industry had led to falling prices and the growing technical obsolescence of the company's products, which produced a short-term squeeze on cash flow and a long-term threat to the company's survival.

What the company had to do to recapture market share was clear: dismantle its three independent business units, each with its own expensive staff functions, and replace them with a single multiproduct organization. The economies of scale made possible by eliminating duplicate support organiza-

tions would free up resources to invest in new R&D. Even more important, an integrated organization could respond to the growing trend toward technological integration in the company's three product lines as well as meet customer demands for integrated sales and service.

But shifting the strategic direction of the company necessarily came at a stiff price: a massive downsizing. The HR vice president faced the daunting task of managing the corporate reorganization and figuring out how his department could best serve the company's new business strategy, even as he laid off nearly 40% of his own staff, or about 20 people.

Downsizings bring the political boundary into play as perhaps no other management decision does. In the face of massive cuts, people struggle to defend their own interests, resources, and jobs. Concerned that the high level of retrenchment would demoralize his staff, the HR vice president was determined to manage the downsizing process
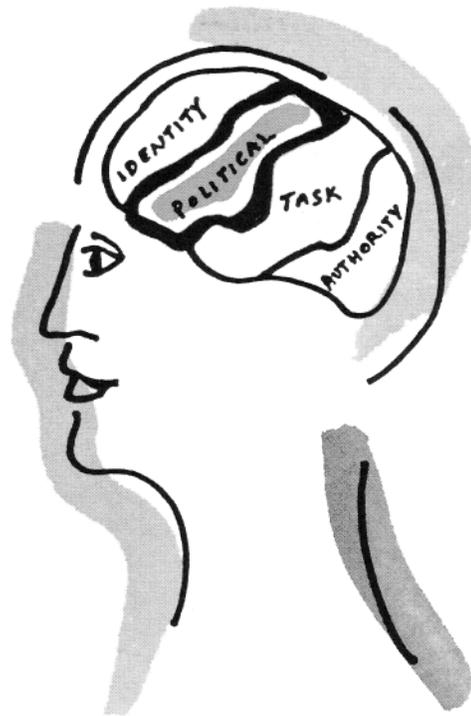

In any organization, interest groups sometimes conflict, and managers must know how to negotiate productively.

in his own department in a way that would contain the politics of the situation.

The crucial decision he made was to ask subordinates to help him design a new and smaller human resources organization. The vice president believed that if people helped plan the cutback, the subsequent layoffs might feel less arbitrary and personal.

Because they would understand the strategic logic behind the downsizing, those who left could do so with dignity, while those who remained would trust senior management's motives and plans.

At a meeting with his eight direct reports, the vice president divided them into two task forces. He asked both teams to come up with a wide range of possible configurations for the new human re-
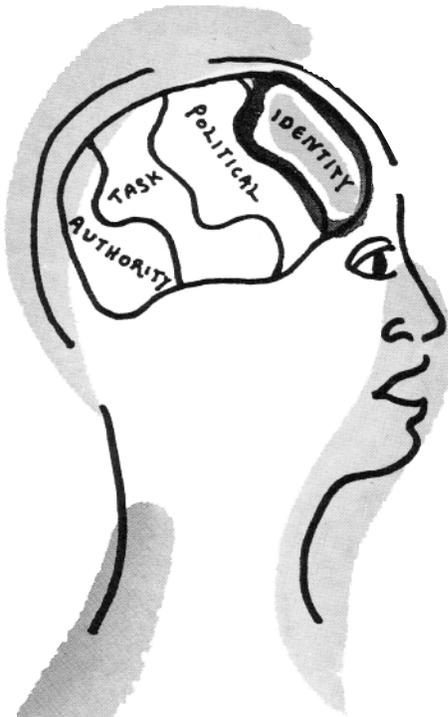
In a workplace where performance depends on commitment, organizations must connect with the values of their employees.

sources organization and to recruit some of their own subordinates as task force participants. The teams were to consider issues such as reporting relationships, spans of control, organizational structure, and new combinations of functions.

What's more, the vice president said, each of the proposed scenarios had to recognize four major constraints and challenges. First, head count had to drop by 40%. Yet the HR department also had to take on two new responsibilities: managing the companywide retrenchment plan and retraining the company's engineering personnel and sales force to function effectively in the new integrated organization. Finally, time was of the essence. The task forces had less than a month to come up with their proposals.

During this meeting, the HR vice president didn't just give orders. He did some extremely sophisticated work at both the authority and task boundaries. For example, his decision to ask the task forces for a variety of possible configurations rather than to come up with a single recommendation placed a clear authority boundary between himself and his subordinates. Because he took the responsibility for making the final decision, they didn't have to.

This authority boundary effectively contained the potentially destructive politics of the situation. Notice that the vice president didn't try to eliminate the politics altogether. Since each configuration was simply one among many possible alternatives, task force members felt free to advocate vigorously for a particular configuration without undermining the group's work. People could express their core interests without getting into a political deadlock. At the same time, the vice president also helped to contain politics by delineating a clear task boundary. By specifying a charge, a set of constraints, and a tight deadline, he helped task force members focus on the work.

The vice president also understood that he had to interact with his direct reports as individuals, not just as subordinates or technical specialists. The entire management team in the HR department confronted an unavoidable fact: some of the task force members were designing themselves out of a job. So at the end of the meeting, the vice president offered to meet with each of his subordinates privately. In the next two days, all eight met with the vice president for a confidential conversation about their own futures. What were their prospects? What would they do if the reorganization meant they had to leave the company? How might the vice president help them either to adapt to a new role at the company or to find a job elsewhere?

A manager's feelings are *data*: valuable clues to boundary relationships and a real part of real work.

These conversations were painful but productive. They helped the subordinates feel that the vice president valued their thinking and would not discount their own personal dilemmas during the reorganization. The vice president showed that he could stay connected to them as people and to their

own personal situations, even though he was the source of their immediate stress.

The private meetings also served another important purpose. By meeting with each of his staff members, the vice president helped to contain the uncertainty and risk, the difficulty and the pain, associated with downsizing. Naturally, his subordinates were preoccupied with their own personal welfare. But at the same time, they identified with the vice president's authority and wanted to satisfy him. Because he was connected to them emotionally and not only through a formal role relationship, they accepted him as their leader and were willing to do the work he expected of them. This emotional connection also helped them look beyond their immediate interests.

Over the next two weeks, the task forces produced a total of nine configurations. The discussions were stormy, and occasionally department heads strongly supported a particular design because it served their interests best. But their loyalty to the vice president and commitment to accomplishing the task he had given them meant they couldn't simply discount plans that might threaten their own jobs.

The vice president drew on a number of the plans to sketch his desired configuration. Then he worked with his direct reports, three of whom were to lose their jobs, to implement the new organizational design. While difficult for everyone involved, the implementation went smoothly. HR staff members believed in the new organizational structure. They were convinced that it fit well with the company's new business strategy and would enable the human resources department to do its job in an extremely difficult situation.

Even more important, people felt they had been treated with dignity. They had taken part in a "crisis team," doing important work at a critical time. They had helped the HR vice president and the company find the best solution to a difficult problem.

Getting Started: Feelings as Data

The HR vice president knew almost instinctively how to enact the right kind of boundary relationships with his subordinates. But what about the manager who is not so skilled? Where does he or she begin? To manage the new boundaries of flexible organizations, the best tools managers have are their own feelings.

At first glance, this claim may sound unlikely. After all, many managers tend to discount their feelings as having nothing to do with work. In particular, they view negative feelings as dangerous and disruptive. Either they ignore them, grit their teeth, and get on with the job, or they dismiss them as something merely personal, their own problem, unrelated to their work.

Yet anyone who has ever been part of a group that worked well together remembers how good that experience felt. When people have productive working relationships, they feel at ease, relaxed, and focused on their work. Work of this quality resembles a good conversation, in which people are "in sync" and everyone has something valuable to offer. When this happens, employees experience work as not only productive but also creative, innovative, and, quite simply, fun.

Similarly, when a work interaction has gone wrong and people are in the heat of a difficult situation, they often feel terrible. They become frustrated, angry, confused, and sometimes even ashamed. "I hate this," they find themselves thinking. "This isn't working." "I can't be productive." "I don't like the way 'X' is behaving." In such situations, people feel as if they are swimming against a strong current. Any sense of achievement or accomplishment they glean from work comes *despite* their participation in the organization or team, not because of it.

So too in the examples we have described. A common denominator in all of them is the presence of strong feelings: the engineer's defensiveness when questioned by a shop-floor worker; the shame and anger of that worker, feeling put down by the engineer; the contempt that product design team members felt toward anyone not part of their intense team experience; the anxieties that led to the paralyzing conflicts at the financial services company.

Such feelings aren't just the inevitable emotional residue of human work relationships. They are *data,* valuable clues to the dynamics of boundary relationships. In this respect, feelings are an aid to thinking and to managing; they are a real part of real work. Like the human resources vice president, the best managers understand this intuitively. They not only manage with their heads but also with their gut feelings.

To be good boundary managers, executives must be able to decipher frustrating and difficult personal relationships and diagnose why they have gone wrong. Doing so requires acknowledging their own often intense personal responses to work situations. Much as managers learn how to make subtle distinctions when interpreting empirical data, boundary management also requires developing a more precise language for describing the feelings people experience at work.

But at the same time, managers also need to know how to distance themselves from their own

experience and feelings – in a sense, to depersonalize them – in order to see how their own responses are symptoms of a broader group process. In fact, the stronger the negative feelings people have about a work interaction, the less likely those feelings are "just personal" and the more likely they are a symptom of a real organizational problem. Feelings are important signals to managers that they must step back and examine their work relationships.

For example, had the engineer been able to ask himself, "Why do I feel so attacked?", then his encounter with the worker might have had a more productive outcome. Similarly, the defensiveness of the product design team in response to questions from top management should have been a sign to team members and the COO that there was a fundamental structural problem in the team's relationship to the executive group. Finally, had senior executives at the financial services company understood their frustration with the first design committee as a symptom of a failed work process, rather than as evidence that the individuals on the team lacked "horsepower," the managers might have avoided making the same mistake twice.

Using one's own feelings to diagnose relationships on the job is hard work. Yet an awareness of feelings, one's own and those of others, is crucial to making flexible organizations work. It is the way to discover the boundaries people need in relationships to achieve their best. It is at the very heart of management in the "corporation without boundaries."