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Management trends may be costly

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Leaderless work teams, empowered employees and elimination of "redundant" managers are among the latest management trends to hit corporations. But are trends like this good for employees and corporations?

"Often not," says Ron Capelle, a Canadian expert in the field of organization design for corporations and government. His research of more than 12,400 employee positions at 42 organizations found that nearly 50% of manager-employee relationships could be better designed. A survey of Canada's largest 2,000 private sector employers found that companies that had better organization design had significantly better performance.

These newest management trends are based on the premise that by removing direct management and giving employees the independence to do their work they will become more involved and committed. But often that is not what happens. Instead autonomous teams and employees are left without direction or supervision, and they quickly lose connection to the company and its purpose.

"The relationship between managers and their employees is fundamental to a company's success, but is often overlooked by executives who may not realize the expensive problems associated with following the latest management trends," says Capelle, who has consulted with national and international organizations including the Bank of Montreal, GlaxoSmithKline, Four Seasons Hotels and Resorts, the International Red Cross, and Revenue Canada.

The alignment of manager-employee relationships – the most significant part of organization design – is the spine of any company. Too many layers of management and the spine becomes compressed. Managers will micro-manage staff, and employees are unable to perform to their full capabilities. Too few layers of management, and gaps occur. This is what happened as a result of corporate downsizing. Many organizations wiped-out middle management in the hopes of streamlining processes and saving money. But all too often, companies were simply left with critical gaps in management. Without the direction and supervision of management, employees lost connection to the company and its mandate.

It was this downsizing trend that led to the demise Britain's oldest merchant bank. In 1995, Barings Bank went broke after a rouge derivatives trader lost more than $1 billion. The trader had been working in Singapore without adequate supervision or direction from a manager. "This is a case where a poor management structure actually killed the organization," Capelle explains.

"Organization design is strongly linked to employee and customer satisfaction, and financial performance. Yet many corporations unintentionally create obstacles to employees doing their work by ignoring this alignment," says Capelle. "This is a horrendous waste of human resources." Ron Capelle is president of Capelle Associates Inc., a Toronto-based consulting firm. An internationally recognized expert in organization design, Capelle has appeared on radio and television, is a frequent conference presenter, and has written articles for professional journals. He has a Ph.D. from York University, is a Certified Management Consultant (CMC); a Certified Organization Development Consultant; a Registered Psychologist (CPsych); and a Certified Human Resources Professional (CHRP).