# How Large Companies Can Remain Nimble In The Age Of Breakneck Speed

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It is common knowledge that large companies tend to get overly bureaucratic over time. As business grows in size and scope, so does the number of employees. This growth in business and headcount highlights the need for consistent customer and employee experience, which in turn drives the formulation of internal rules, policies, processes and procedures. Generally speaking, the larger the organization, the bigger the internal regulation or bureaucracy. Initially these rules and policies bring about a sense of order, transparency and consistency. They provide a backdrop for effective decision making and behavior. However, there comes a point when the internal bureaucracy becomes so cumbersome that the organization loses its agility, and fails to innovate or respond to the market fast enough. This is because many companies become too inward focused without realizing it. Even while rules and policies get outdated fairly quickly, they are slow to update or change them in a timely manner. Eventually, many go into extinction because of this inertia. Of the original Fortune 500 list published in 1955, only 12% of the companies still exist.

In today's market, speed is everything. A key question facing large companies therefore is how to remain nimble and agile in an ever changing landscape. Corporate Boards insist that management establish detailed policies, procedures and limits of authority guidelines for nearly everything that the company does. With increasing responsibility placed on Board Directors, this need is understandable. But when the same policies and limits – which are always established for good reason at a certain point in time – start to become counter-productive, no one reacts fast enough to do something about it. This phenomenon is not new. Steve Kerr, in his academy classic article titled "**On the Folly of Rewarding A While Hoping for B**" provided many such examples over three decades ago. For instance, he points out that while most companies hope that their officers would downsize, delayer and restructure their organizations as needed in order to remain efficient and nimble, what is rewarded is adding staff, adding budgets and adding Hay points. Even while some of the most valuable companies today are run by just a handful of staff, jobs in big companies are evaluated based on headcount, budget and "scope," leaving little incentive for anyone to *rightsize* or delayer proactively.

The rate and speed of disruption now is greater than ever before, so Kerr's warning is even more relevant today. Unless companies find a way to act fast, they risk extinction. So what's the solution? Neville Isdel, former CEO of Coca-Cola had an interesting way to describe Coke's organizational dilemma, which was to decide what the center does and what the field does. He called it ***Freedom Within a Framework***, which gave tremendous freedom to geographic leadership teams to run the business as they saw fit as long as they remained within a pre-designed framework. A minimum core was non-negotiable and every geography was required to abide by those guidelines, and everything else was left to the discretion of the geographies. The answer to today's need for speed might just be something along the same lines.

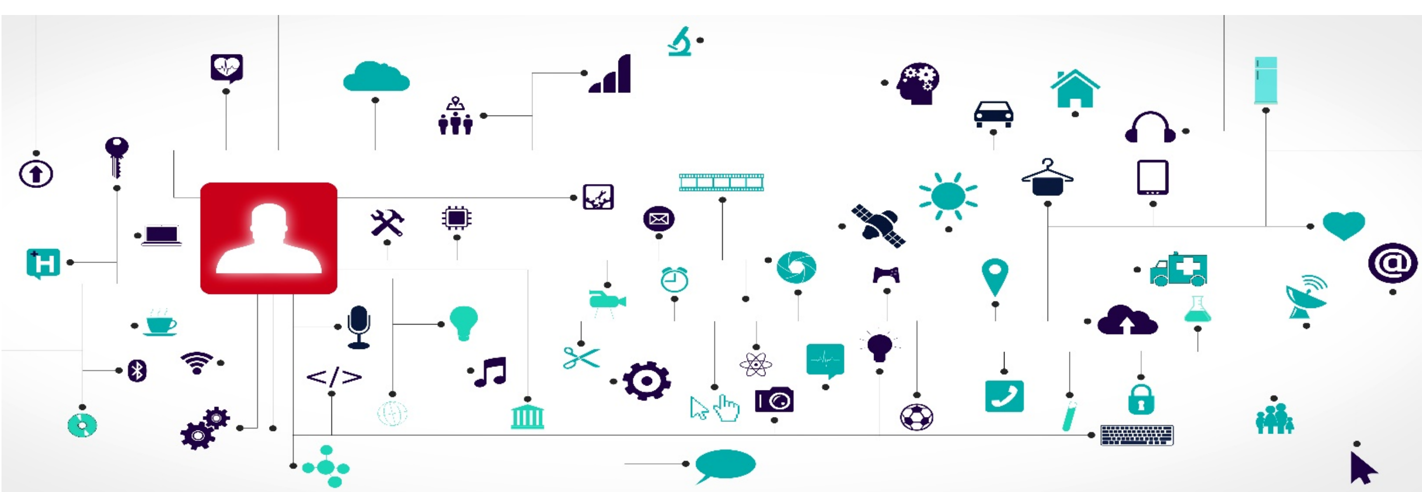
But how can ***Freedom Within a Framework*** be used as a general principle? On one hand, rules are needed to maintain order and integrity. On the other hand, the rate of change demands flexibility and agility to survive and thrive. One way to solve for this dilemma might be to lead more with values and less with rules because:

- The shelf life of values is much longer than that of rules and policies.
- Values tend to be broader than specific rules – they provide principles or guidelines for behavior rather than strict boundaries.
- A company's rules and policies usually stem from its values. At least they should. So as long as employees do not violate the values while conducting business, everything should be fine.

A simple example will illustrate the idea. A company's rule book might say that employees must show up at work punctually at 9AM every day. To enforce this rule, many companies introduced the punch card system which records arrival and departure times of employees. The same company's values might include things like:

- Think and act like an owner
- Provide excellent customer service at all times
- Strive for excellence to produce the best possible outcomes for the company

It is no secret that with 24/7 connectivity, business has also become 24/7. Employees in different time zones routinely work at odd hours of the night to meet customer needs in another time zone, or to attend global conference calls. So as long as someone is living the values diligently and delivering satisfactory results, how important is the 9 am punctuality rule? And what's wrong with a manager allowing their people flexibility as long as there is no let up on productivity, integrity and overall results? It is ironical that on one hand companies expect their employees to think and act like owners, on the other they impose rules upon rules, leaving no room for creativity.



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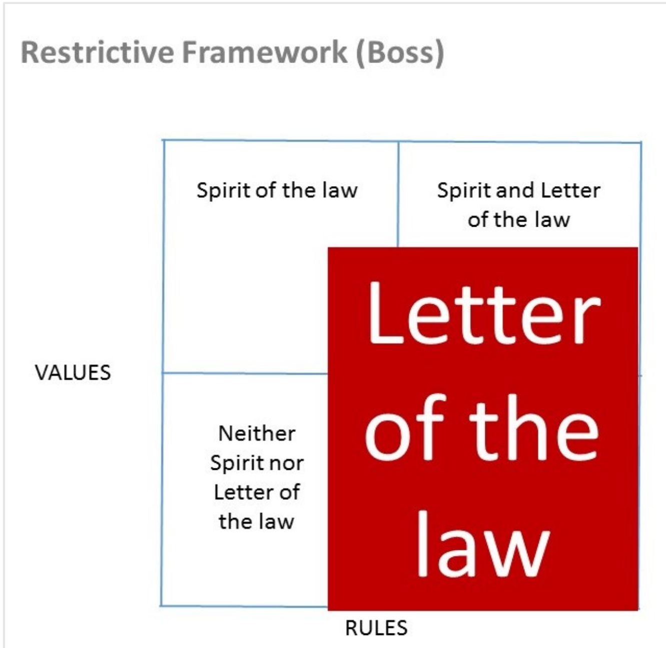
This example uses a relatively simple issue to demonstrate the *Freedom within a Framework* idea, but the principle of values based decision making and performance management can be equally applied to complex business situations. To begin with, it requires proactive focus on the part of management to make sure that the red “letter of the law” quadrant below does not get too big and cumbersome over time.

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