

Inverting the Organisational Structure from Traditional to Employee First: a Case Study Analysis

This paper evaluates a case study to demonstrate the impact that personality constructs and sociological phenomena have on business performance, focusing in particular on the sub-issues of chain communication networks, resistance of senior management to change, and illusions of unanimity preventing senior managers from voicing their concerns to their peers. The paper aims to analyse these sub-issues through the application of the Five Factor Model (FFM) of personality, Hofstede's cultural dimension of Power Distance, and the sociological theories of Groupthink, Chain Network Communication Model and the Abilene Paradox. This report provides several recommendations designed to prevent the occurrence of these issues in the future. Such recommendations include a leadership workshop designed to develop change management skills, the implementation of inviting frontline employees to senior management team meetings to promote opportunities for open and fluid communication in the workplace, and designating a devil's advocate role in each Senior Management Team meeting.

Keywords: organisational structure, Power Distance, Groupthink, change management, Chain Network Communication, Abilene Paradox

Introduction

In 2005, Vineet Nayar was appointed President of HCL Technologies, India's fifth largest IT service provider at the time and the employer of over 55,000 employees. Nayar was immediately faced with the problem of unrealised profit potential due to declining market share to competitors who were growing at nearly twice the rate of HCL and declining consumer awareness in the IT services industry (Nayar, 2010). Nayar was determined to change the business model and strategy of HCL to regain profits and market share and embarked on a journey of analysis. Through consultation with HCL customers, employees, and members of the Senior Management Team (SMT) Nayar revealed three sub-issues underpinning the problem HCL was facing: customer-facing employees were not able to communicate upwards to management to raise concerns from the frontline, some of the SMT resisted the need for change and felt the past

*Corresponding author. E-mail: jessica.m.turk@uon.edu.au

performance of the company was evidence change was not necessary and other members of the SMT recognised change was necessary but had not raised their concerns earlier and feared it was too late. This report analyses these issues through the application of the Five Factor Model (FFM), the cultural dimension of Power Distance, and the sociological theories of Groupthink, Chain Network Communication Model and the Abilene Paradox. Recommendations of measures to be implemented to avoid and overcome the occurrence of these issues in the future are presented.

Background

The former CEO of HCL Technologies, Vineet Nayar, took his company from a state of declining market share and consumer awareness to tripling its profits and becoming a leader in the Indian IT Services Industry in just five years. Nayar revolutionised his company structure by leading a radical organisational change to invert the business structure and put managers into the service of employees. This decision was underpinned with sub-issues which can be analysed using sociological and personality frameworks and models. The evaluation of three of these sub-issues is now presented.

Sub-issue 1: The issue of customer-facing employees not being able to communicate upwards to management to raise issues from the frontline

The chain network communication model is characterised by a sender at the top of the hierarchy, communicating information down to receivers who may in turn, pass information downward to receivers below them or upwards to the sender above them (Carroll & Burton, 2000). HCL's traditional hierarchical structure created and perpetuated a chain network communication model within the organisation and prevented employees from communicating directly with the CEO and SMT (Nayar, 2010). Nayar discovered this communication issue was causing significant issues to the quality of the service being provided through a series of forums he held with frontline employees. Nayar identified the one-way communication network in place at HCL was preventing employees from communicating upwards to management and ultimately blocking problems and ideas from being actioned (Ramaswamy, 2009). The stagnated flow of communication created the issue of employees being isolated from directly contributing to the innovation of HCL and prevented the company from delivering on the value HCL clients were looking for. The employees were the primary link between HCL and the customer, and were unable to communicate issues or problems upwards that would see value increase in the client and company relationship. Nayar recognised in order to empower employees to become audible it was critical the communication network was improved.

To address the communication network issue, Nayar implemented a ticketing system which allowed employees to raise issues with their manager directly and put the employee in control of determining if the issue had been addressed satisfactorily. The ticketing system introduced a two-way communication network, emulating a completely connected communication model characterised by information flowing freely between all members of the network (Carroll & Burton, 2000). Whilst this was beneficial in improving

communication upwards and empowering employees to raise issues and ideas to contribute to HCL's growth, it created the issue of middle managers seeming to lose their managerial power (Nayar, 2010). As the ticketing system essentially made the manager accountable to the employee, the hierarchical structure of power was disrupted. The inversion of accountability of managers to employees, and the empowerment of the frontline to contribute to HCL's growth was a change that was more than just an organisational change; it was a cultural change of great significance.

Hofstede's study of cultural dimensions describes five dimensions or constructs that can be used to describe the culture differences between countries (Ghosh, 2011). Power Distance (PD) is one of the five cultural dimensions that Hofstede identified in his model of cultural differences and is described as the degree to which a culture or country accepts inequality as normal (Hofstede, 1993). A high PD organisational culture is characterised by downward vertical communication with little to no horizontal communication (Ghosh, 2011). This high PD gives employees little to no ability to contribute to company direction or raise issues or ideas with managers, as was evident in HCL. As reported by Bochner and Hesketh (1994), India's culture is characterised by high PD with an index of 77. This created the issue for Vineet Nayar of implementing a low PD culture against the cultural norm. The cultural significance of the change Nayar proposed and implemented provides context to explain the issue of the resistance he received from his SMT when he raised the need to change with the group, and also why some members of the SMT had previously not voiced their desire to change.

Sub-issue 2: The issue of members of the Senior Management Team not raising their opinions that change was necessary

Abatecola, Mandarelli and Poggese (2013) describe the role that personality plays in influencing management outcomes, in particular the Five Factor Model (FFM) of personality. The FFM is regarded as one of the most consistent personality models, and consists of five traits: Conscientiousness, Agreeableness, Neuroticism, Openness to Experience, and Extraversion (McCrae & Costa, 2003). High scores of Agreeableness (A) are characterised by an individual's desire and concern for social harmony (Cooper & Pervin, 1998). When Nayar first presented his findings to the SMT, some members strongly agreed that there was great cause for concern but until then had not voiced their concerns (Nayar, 2010). This behaviour is characteristic of individual's with high scores of A, whose desire for social harmony is so strong they do not seek to cause disagreement with their peers. As these members had withheld their concerns instead of raising them for discussion with the SMT, the team had continued with business as usual and had ignored the decline in market share and the growth of external competitors. The lack of discussion of these factors created the issue of members of the SMT being under the illusion that the entire team was in unanimous agreement that the company's performance was satisfactory.

The Abilene Paradox refers to a group dynamic in which members of the group do not speak out or raise their concerns against a group decision as they mistakenly believe their preferences are misaligned with the preferences of other

members (Harvey, 1988). Members of the SMT had recognised change was necessary but had not spoken out against the decision to continue operating under the current business model and strategy until Nayar confronted the team with the reality of HCL's current state of performance (Nayar, 2010). By remaining silent and withholding their concerns, which were evidently valid upon deeper investigation of the current state of HCL, the SMT had continued to operate under its current model and business strategy which was further entrenching HCL into a business model that was costing them clients and profit. The mistaken belief that members of the SMT had singular opinions and concerns that were not similar to others in the group prevented them from raising their concerns sooner and further entrenched the SMT's belief their course of action to continue with business as usual was the right choice. Despite the breakthrough of managers voicing their awareness and desire for the need to change, Nayar was still faced with the third sub-issue of the remainder of the SMT resisting the need for change. Nayar recognised in order to implement the radical change required to change HCL's culture and adopt a new business model and strategy, unanimous support from his senior management team was required.

Sub-issue 3: The issue of members of the Senior Management Team resisting Nayar's proposal to invert the structure

Janis' theory of Groupthink is characterised by a lack of critical thinking in familiar groups which are more concerned with reaching a favourable decision among all members than deliberating and debating (Hensley & Griffin, 1986). The mixed reactions Nayar received when he presented his proposal to the SMT are characteristic of a team suffering from Groupthink. The lack of discussion of this issue appeared to be caused by illusions of invulnerability and unanimity. Many members of the SMT felt that HCL's past performance was evidence that change did not need to occur. These illusions of invulnerability had created an environment in which the SMT were ignoring external and internal factors that were causing the company's market share to decline. The SMT were also mistakenly operating under the illusion of unanimity that all members of the team did not believe change was necessary, as discussed in sub-issue 2. Had Nayar not raised these issues with the SMT, they most likely would have continued to operate the business as they currently were with no consideration for the decline in clients and profits. The illusions of invulnerability and unanimity also created the issue that many members of the SMT were not open to change or discussing an ambiguous issue.

Openness to Experience (O) is one of the five traits of the FFM as discussed in sub-issue 1. Low scores of O are characterised by an individual's preference for dealing with straightforward and obvious problems over complex and ambiguous situations, and resistance to change (Migliore, 2011). The reactions of resistance that Nayar received when he presented his analysis of the company's current and expected performance to his SMT were characteristic of a team with low scores of O. Whilst some members agreed that change was necessary, many of the SMT were not open to discussing the problem and instead took the position they would prefer to continue business as usual. Low scores of O also can explain why this issue had not been raised previously despite declining profit and market share. The mixed reactions Nayar received are characteristic of a dysfunctional decision-

making team, which was hindering the SMT from making proactive decisions with the best interests of HCL's performance in mind. The SMT were under the false illusion that change was not needed and were pursuing courses of action that were familiar and obvious, further contributing to HCL's unrealised profit potential and loss of customer's to its fast-growing competitors.

Conclusion

As presented in this paper, the sub-issues that underpinned HCL's organisational change were inhibiting the organisation from realising profits, and were ultimately causing market share decline to their competitors. The chain communication network and high Power Distance culture were preventing HCL employees from contributing to the growth of the company and from delivering on the value HCL customers were seeking. The sociological phenomena of Groupthink and the Abilene Paradox occurring in the SMT were hindering the team from making proactive decisions with the best interests of HCL's performance in mind. The impact of these phenomena were compounded by the addition of low scores of Openness to Experience and high scores of Agreeableness, preventing members of the SMT from raising their concerns and speaking out against their peers. It is evident from the information presented that had Nayar not conducted the analysis of HCL's current performance against the industry and presented these issues to his SMT, the business would have been unlikely to challenge or change its operating model, leading to greater profit and customer loss to their competitors. The following section will present recommendations designed to assist HCL and other organisations to avoid the occurrence of these issues in the future.

Recommendations

This paper presents three recommendations to address and overcome the issues presented in the main discussion. The first recommendation is designed to continue to address the issue of a chain communication network and sustain the contribution of frontline employees to the growth of HCL. It is recommended members of the frontline be invited to attend regular SMT meetings to foster open and fluid communication between all levels throughout the company. In these meetings it is recommended an item be added to the agenda to ensure time is allocated for frontline employees to bring forward innovative ideas or problems to present to the SMT for discussion. The second recommendation is designed to address the issue of managers not raising their concerns in meetings. It is recommended in every SMT meeting a member be assigned the role of devil's advocate. This recommendation ensures that in every SMT meeting, a member will challenge discussion points and decisions and will encourage others to challenge points they do not agree with. The third and final recommendation is designed to address the issue of resistance to change and ultimately create a pro-change environment where innovation is embraced. It is recommended all leaders and managers in the organisation attend a six-session leadership workshop over the period of 6 months to provide the skills and tools to effectively manage change throughout the organisation.

Acknowledgement

The author gratefully acknowledges the guidance of Dr Deborah Meyer in the preparation of this paper.

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