

Advances in Project Management Series¹

Beyond authority: Power to the people ²

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In Last month's article it was noted that effectuation recognises that opportunities are created and effectuation thus puts forward a 'new' entrepreneurial way of thinking about developing business. In particular, it was observed that effectuation recognises a plurality of possible new ends, given a set of available means (Dalcher, 2019; p. 5). Entrepreneurs expand the available problem space as they work through emerging opportunities, utilising the resources and connections at their disposal. It is not surprising therefore, that the vast majority of entrepreneurial ventures ultimately develop results that are significantly different to the initial concept they started with.

So, where do entrepreneurs find their inspiration and what resources can they rely upon?

Serial entrepreneur, Sir Richard Branson, puts it into context, when he states that '*clients do not come first. Employees come first*'.

The explanation is rather simple, as Branson quickly adds that '*if you take care of your employees, they will take care of the clients*'.

Branson's ideas do not appear to chime with post-industrial thinking that emphasises shareholder value. Indeed, they don't directly support a move towards stakeholder thinking either.

Putting your people first

Conventional wisdom dictates that businesses put their customers first, and endeavour to satisfy or even delight them. The customer is always right, goes the thinking, and after all we do need them to return and use our service that continues to delight them repeatedly...

This makes sense to the extent that business relies on customers to engage with the product or service so that the company can start collecting value from the new patterns of use. So, it would take a brave entrepreneur to turn things on their head and reverse the business model. But that's what successful entrepreneurs do...

¹The PMWJ *Advances in Project Management* series includes articles by authors of program and project management books published by Gower in the UK and by Routledge publishers worldwide. Each month an introduction to the current article is provided by series editor **Prof Darren Dalcher**, who is also the editor of the Gower/Routledge *Advances in Project Management* series of books on new and emerging concepts in PM. To see [project management books published by Gower and other Routledge publishers, click here](#). Prof Dalcher's article is an introduction to the invited paper this month in the PMWJ.

² How to cite this paper: Dalcher, D. (2019). *Beyond authority: Power to the people*, *PM World Journal*, Volume VIII, Issue IV (May).

HCL Technologies (HCLT) is an Indian multinational technology company headquartered in Noida, Uttar Pradesh, India. The company aims to deliver innovative technology solutions based around emerging ideas such as Digital, Internet of Things (IoT), Cloud, Automation, Cybersecurity, Analytics, Infrastructure Management and Engineering. HCLT was originally formed as a research and development division of HCL, and emerged as an independent company in 1991 when HCL ventured into the competitive software services business.

Vineet Nayar took over as the CEO of HCLT in 2005. Nayar (2010) candidly admits that when he took over he did not have a grand plan for the business. Indeed, while Nayar managed to completely transform his business, the phases for the transformation became clear to him only after the transformation fog had started clearing.

When Nayar took over, HCLT was one of the five major IT services companies based in India, with a global workforce of thirty thousand employees, operations in 18 countries and a yearly revenue of \$700 million (p. 3). Yet, Nayar quickly recognised that behind the impressive numbers, the company was moving more slowly than its rivals, whilst continually losing its marketshare, talentshare and mindshare. The company was dropping to the back of the pack (p.4) and needed drastic action to keep up with the competition and re-position its own ambition. Following extensive deliberation, the company made the commitment to change and embarked on a difficult journey to re-establish itself and recover its market position.

The change they embarked upon was a constantly evolving reflective journey that was meant to reflect their newly devised value and overarching priority which they defined as ‘employees first, customers second’ (p. 7). Nayar acknowledges that while their thinking defied conventional wisdom, it offered a new way of viewing their role (p. 7):

‘The conventional wisdom, of course, says that companies must always put the customer first. In any services business, however, the true value is created in the interface between the customer and the employee. So, by putting the employees first, you can bring about fundamental change in the way a company creates and delivers unique value for its customers and differentiates itself from its competitors. ...

‘Thus, when a company puts its employees first, the customer actually does ultimately come first and gains the greatest benefit, but in a far more transformative way than through traditional ‘customer care’ programs and the like.’

As product and services become commodities, companies are increasingly expected to distinguish themselves by how such services are delivered. However, such a fundamental shift in the relationship with market would necessitate a significant change in the way that companies are structured and managed.

A journey to change

Nayar and his team developed a four-phase transformation journey to engender the new structure and mindset needed to create the required change (paraphrased below):

- **Mirror Mirror:** Creating the need for change – by confronting the truth through a series of frequent and open conversations and continually evaluating the current

position, whilst also turning employees' eyes away from the past and towards a better possible future state

- **Trust through transparency:** Creating a culture of change – transformation requires people to align themselves and work together towards a goal and ask questions of each other as they push the envelope of transparency in communication and information sharing
- **Inverting the organizational pyramid:** Building a structure for change that supports people in the *value zone* – the place where value is really created, which happens to be the interface between the customer and the employee
- **Recasting the role of the CEO:** Transferring the responsibility for change from the office of the CEO to the employees in the *value zone* – whilst transforming the company into a self-governing organisation

Nayar notes that the *value zone*, where the power is created, is often buried inside the organisation devoid of the authority required to increase the speed and quality of innovation and decision making. Value creators are often accountable to line managers and hierarchies, who do not directly contribute to creating value. But because they hold the formal authority, and the value, creators are accountable to them, such 'superiors' occupy a *zone of power* (p. 12). To address such concerns requires organisations to intentionally invert the pyramid so that blocking or value limiting management and hierarchical structures that embed such inequalities can be removed or mitigated.

The shift makes formal management and managers, as well as enabling or supporting structures such as HR, finance or training, accountable to those who actually create value (p. 12). Without making such shifts, meaningful change is impossible. HCLT even created an electronic trouble ticketing system where employees could open a trouble ticket on any of these functions and management would have to resolve these issues within a certain period of time, especially given that the ticket would only be closed by the employees.

To engender beneficial change, leaders and managers must therefore stop thinking of themselves as the only source of change (p. 13). They must instead ask questions, '*seeing others as the source of change, and transferring ownership to the organisation's growth to the next generation of leaders who are closer to the value zone*'. (ibid.). The value of the change approach adopted by Nayar is in being able to unleash the power of the many, and loosen the stranglehold of the few who are currently in senior positions.

Individuals can begin to question processes and explore methods for improvement. Experimentation is essential: Many small catalysts are utilised to shift thinking and initiate the journey to create meaningful and sustainable change. This implies many small experiments with various practices in an effort to determine which ones make a difference.

'Only in this way can you begin to create a company that is self-run and self-governed, one in which employees feel like the owners, are excited by their work, and constantly focus on change and disruptive innovation at the very heart of the value zone.' (p. 13)

‘The role of the CEO is to enable people to excel, help them discover their own wisdom, engage themselves entirely in their work, and accept responsibility for making change.’ (p. 164)

Nayar’s change journey fired the imagination of both employees and customers and set HCLT on a journey of transformation that has made it one of the fastest-growing and most successful and profitable global IT services companies and, according to BusinessWeek, one of the twenty most influential companies in the world. Fortune magazine characterised HCLT’s management as the world’s most modern and Vineet Nayar himself was selected in the elite list of Thinkers Fifty. The book chronicling the experience and the process has become a best seller, selling over 100,000 copies in seven languages.

The concept initiated by Nayar has continued to evolve within the company and has now transformed into a truly *employee driven, management embraced* paradigm. The approach allows micro innovations to gather greater momentum and become new employee-led business lines. With tens of thousands of employees participating in collaboration, sharing and on-line social innovation platforms, the company continues to embrace innovation in the digital space. The results are convincing: Revenue has tripled, with a 24% Compound Annual Growth rate. The number of customers has also tripled over a five-year period and the future of the company, which is continuing on its innovation and improvement journey, appears to be promising.

Creating positive organisations

The successful transformation at HCLT re-positions employees at the core of organisational innovation, achievement and success. Engagement is crucial and the case clearly hints at the need to develop a deeper understanding of the social domain and its impact on performance, as well as on organisational and business success. The relationship between individuals and the wider organisation plays a major part in defining and determining the dynamics for success and requires a much deeper scrutiny. Our guest authors this month are happy to rise to the occasion and explore such issues. The contribution was written by Ian MacDonald, Catherine Burke and Karl Stewart and draws on the second edition of their book, *Systems leadership: Creating positive organisations*, published by Routledge.

MacDonald, Burke and Stewart are concerned with how people come together to achieve a productive purpose. Their work emphasises the role of social systems and structures and offers an important contribution that helps to put the case in a wider context: People have a strong need to contribute and belong. The success of organisations may thus depend on their ability to form and sustain social organisations that satisfy and support such needs. The authors clarify that poor social organisation, which includes poor leadership, is a major driver of poor productivity, which is likely to lead people to give up or maintain a minimalist approach required to sustain their position.

Positive organisations can fulfil the needs of individuals and play an active part in building a worthwhile society, to which individuals and citizens would aspire to belong. MacDonald, Burke and Stewart pay particular attention to the relationships and divisions that form between the social, technical and commercial domains of work. The domains offer a useful distinction when thinking about framing issues or work, authority and interactions. Positive leadership offers the ability to integrate the different domains and perspectives in order to solve problems and devise more holistic and ‘healthier’ organisational designs. While the technical and commercial aspects may be well understood and well explored, the social domain merits more

attention. Moreover, the interaction between the three different domains is particularly important to explore and build upon in an effort to improve organisations, their productivity, and the well-being of their employees.

Rather than offer a recipe, MacDonald, Burke and Stewart encourage leaders to consider, analyse and predict the consequences of their decisions. To support such deliberations they develop the vocabulary, language, models and propositions needed to consider types of social organisations, domains of work and the nature and use of authority in social organisations. They thereby provide the means for considering the achievement of organisational purpose, the need for creative and purposeful working and the productive relationship between the organisation and its employees.

Creating *positive organisations* is an extremely appealing notion and the use of systems leadership offers many advantages and fresh insights. Organisational design has been an extended area of interest with many contributions. Nonetheless, the work of MacDonald, Burke and Stewart offers potential hope for greater productivity.

Positive organisations are essential to the development of a healthy and just society. Whilst there is no quick and easy solution, creating long term sustainable success depends on understanding the principles and ideas presented by the authors in a wider holistic perspective and endeavouring to position and design organisations that can help individuals to thrive within the social structures and arrangements that we devise.

The power of social organisations

Stanford (2007) notes that purpose of organisation design is to create high-performing and adaptable enterprises. However, she also concludes that in order to be successful, such design must involve much more than focusing on the organisation chart and reporting arrangement: Crucially, *‘it needs to include the culture, group processes, leadership, measurement and stakeholder engagement if it is to result in an organisation that is aligned in a way that will achieve the organisation’s strategic goals.’* (ibid., front sleeve)

Attempts to decouple people from the technical aspects of work through scientific management (Dalcher, 2017), have failed to simplify the systemic complexity required in modern organisations. Indeed, connecting the technical aspect, to the organisational and personal perspective (Mitroff & Linstone, 1993) or to the social and commercial domains (MacDonald et al., 2018) emphasise the need to develop holistic understanding of the connections and interactions and explore the inevitable impacts on performance, productivity and the enduring success of the business.

People, individuals, play a crucial part in the success of organisations and yet their role is often ignored as we endeavour periodically to create a new understanding based on the technical needs and priorities. If only life were that simple...

We live in an age of social and connected systems. As we increasingly endeavour to tackle new domains, undertaking and challenges through the use of new technologies, collaboration models and platforms, the role of humans in achieving enduring success is likely to become more pronounced and critical.

‘In economic terms we have gone from an Industrial Economy — where we hired hands — to a knowledge economy — where we hired heads — to what is now a Global Human Economy — where we hire hearts.’

(Seidman, 2015, p. 1)

The new challenges would require entrepreneurs such as Richard Branson to see and position our very own people in new ways. They would also require pioneers such as Vineet Nayar to be brave and creative in inverting structures and designs in order to empower the value creators within the value zones in our organisations to create new opportunities and relationships, whilst decoupling old structures and ways of thinking in order to enable them to innovate and effectuate. Only very few leaders would invert power structures in search of true achievement and innovation. The rest of us, will need guidance, models and insights such as the ones produced by Macdonald, Burke and Stewart to open our eyes, analyse the different relationships across the domains and create *positive organisations* that can endure in healthier and more supportive settings. People will continue to be central to our enduring success, and we must therefore create new ways of unshackling them from the past, allowing them the freedom of the future and enabling their transformation journey between the two.

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