McKinsey Quarterly

ORGANIZATION PRACTICE

Listening to employees: The 'Beyond Bureaucracy' M-Prize winners

Seven winning entries in a contest McKinsey cosponsored with Gary Hamel's Management Innovation eXchange (MIX) and *Harvard Business Review* reveal executive thinking on the importance of engaging employees in an open and realistic way.

The Beyond Bureaucracy Challenge is the second of three contests in a yearlong competition in which executives describe inspiring management innovations. (In September, we published the winners of the first phase, the Management 2.0 Challenge.) In this second phase, managers were asked to describe practices that better engage their employees, empower them to manage themselves, or provide a perspective on the organization from the outside in. A panel including McKinsey partners and external experts chose seven winners from a field of 106 entries. These winners come from a wide range of companies, including technology leaders, industrial organizations in Brazil and Norway, and a Japanese insurance company.

While the programs differ in form, they share an awareness of the connection between employee engagement and organizational productivity. Here we briefly describe each winning entry and suggest some related reading from the Quarterly. Visit the MIX site to see the complete list of entries and to learn about the third phase of the competition: the Long-Term Capitalism Challenge.

Editors' note: The judges for the MIX contest include business leaders, academics, editors, and McKinsey consultants. The analysis and opinions expressed in the winning essays do not necessarily reflect the views of McKinsey & Company or of its individual consultants.

1. Letting employees choose their next assignment

This entry ("WeOrg: The freedom to choose") describes how managers of a product team at Microsoft offered employees the chance to pick their next assignment, rather than having the leaders hand down those decisions. In this case, to retain top talent in a competitive market and to boost employee satisfaction, team leaders pitched their projects to employees, allowing them to evaluate the opportunities and chart their own course. Some managers worried that participants would only join teams with the coolest leaders. But employees soon realized the potential for greater advancement on teams with fewer members, which helped balance the distribution.

See also James Eddy, Stephen J. D. Hall, and Stephen R. Robinson, "How global organizations develop local talent," on mckinseyquarterly.com.

2. Taking a realistic approach to budgeting

Executives at Norwegian oil and gas company Statoil were looking for ways to make it more nimble and more realistic about its goals. This entry ("Taking reality seriously— towards a more self-regulating management model at Statoil") describes their new approach to year-end budgeting, which breaks it out into three different sets of numbers. These included targets ("what we want to happen"), forecasting ("what we think will happen, whether we like what we see or not"), and resource allocation ("trying to use our

resources in the most optimal and efficient way"). Separating the numbers gave managers the freedom to be realistic about each. For example, they can present ambitious sales targets without compromising the integrity of their forecasts.

See also Kevin Coyne, "Enduring Ideas: The business system," on mckinseyquarterly.com.

3. Making better decisions through online communities

Electronic Arts, which develops video games and other interactive entertainment, turned to a familiar technology—online communities—to coordinate decisions in its globally distributed organization. This entry ("Managing beyond the organizational hierarchy with communities and social networks at Electronic Arts") describes how the company developed and encouraged participation in these communities, which act as cross-functional decision-making bodies. The communities complement the more traditional project teams, helping to share best practices, to shape decisions that affect multiple teams, and to identify experts.

See also Eric Matson and Laurence Prusak, "Boosting the productivity of knowledge workers," on mckinseyquarterly.com.

4. Improving morale through transparency

When insurance company Tokio Marine Nichido Systems realized that its employees were burned out, it launched internal reforms to improve communication, morale, and productivity. This entry ("From bureaucratic, divided, passive, and exhausted to productive, creative, autonomous, and happy company") describes how, in addition to opening office workspaces and setting flexible work hours, managers instituted several more radical reforms. Among these were changes to the salary structure (now determined partly by age, partly by performance) and better communication between board members and employees.

See also "Taking organizational redesigns from plan to practice: McKinsey Global Survey results," on mckinseyquarterly.com.

5. Devoting one day a week to personal pursuits

Why should people spend their most energetic years working for an organization's goals while putting off their true passions until retirement? This entry ("Retire-a-Little: Enabling more fulfilled working lives"), from Brazilian industrial conglomerate Semco, proposes letting employees "buy" one day each week to spend on external pursuits, such as art, athletics, or nonprofit work. Once retired, those employees could trade back the hours for meaningful part-time work in their later years.

See also Peter Bisson, Elizabeth Stephenson, and S. Patrick Viguerie, "The productivity imperative," on mckinseyquarterly.com.

6. Developing talent by teaching focus

Executives in the IT department of biotech company Genentech noticed that organizations often invest heavily in assessing talent but relatively little in developing it. This entry ("Growing people: The heart of the organizational transformation") describes how these executives created a different type of talent-development program, inspired by the principles of mindfulness and current research on self-motivation. Employees choose a skill they want to improve and then receive guidance and peer coaching on how to focus on a specific goal and develop their capabilities to achieve it.

See also Scott Keller and Colin Price, "Organizational health: The ultimate competitive advantage," on mckinseyquarterly.com.

7. Creating a nonhierarchical workspace

In this entry ("Cutting the cord: Vodafone UK's revolutionary approach to mobility, flexibility, and productivity"), the chief executive of the telecommunications company Vodafone UK describes how it transformed its headquarters into a more open, less hierarchical workspace. There are no offices and no dedicated desks, so employees can set up wherever they think they will be most productive—ideally, alongside the group they are working with at the time. This mobility has a leveling effect on the traditional hierarchy, since no executive is very far out of reach.

See also Andrew Campbell, Sven Kunisch, and Günter Müller-Stewens, "To centralize or not to centralize?," on mckinseyquarterly.com. ○