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The Corporate Lattice: A Strategic Response to the Changing World of Work

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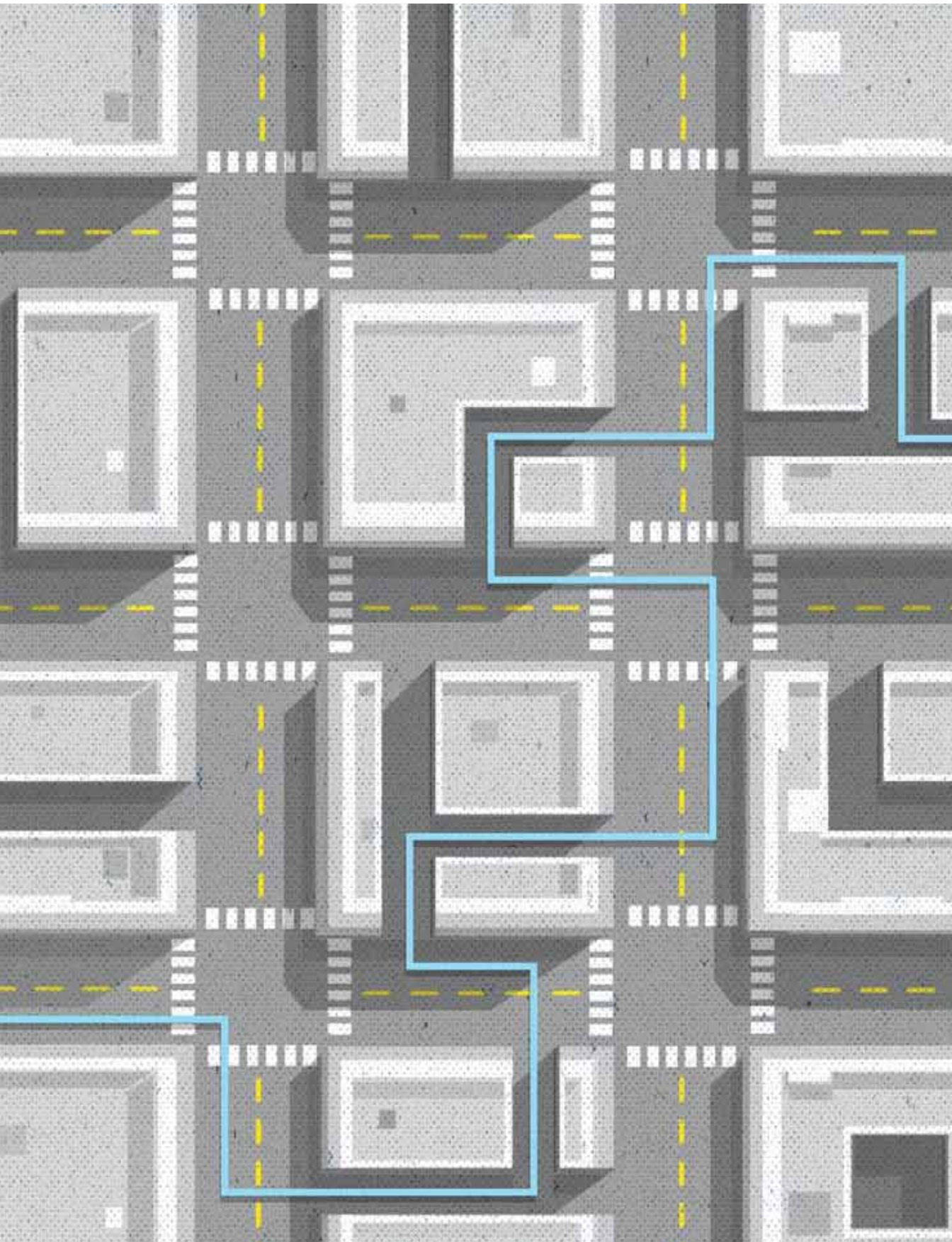
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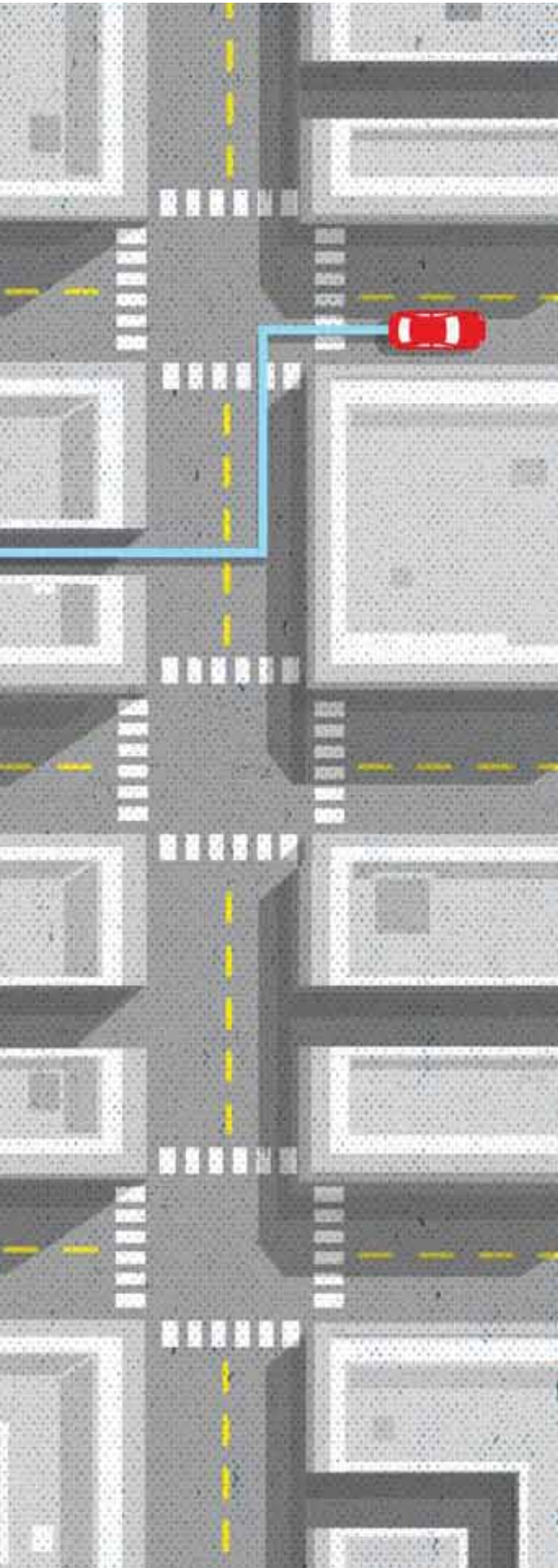


The Corporate Lattice:

A Strategic Response to the Changing World of Work

BY CATHY BENKO, MOLLY ANDERSON
AND SUZANNE VICKBERG
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The corporate ladder has been the de facto standard shaping the way companies—sometimes consciously and sometimes not—have operated for the past century. But deeply held ladder assumptions are limiting our ability to respond to the changing corporate landscape. Continuing to invest for the future using yesterday's blueprint is futile. What's needed is a new model for driving agility and high performance in today's world of work.



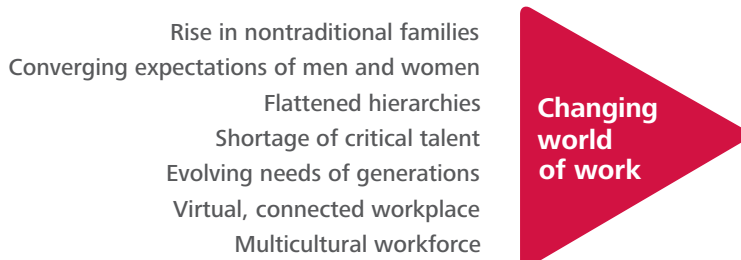
The corporate ladder model took hold at a time when the central business goal in the emerging industrial economy was achieving economies of scale. The ladder proffers a worldview in which power, rewards and access to information are tied to the rung each employee occupies. Its hierarchical structure governs how information flows and whose ideas matter. It defines career success as a linear climb to the top. Ultimately, the ladder's one-size-fits-all approach assumes employees are more alike than different, and want and need similar things to deliver results.

But the workplace isn't what it used to be. While 60 percent of corporate value creation once depended on hard assets, now more than 85 percent relies on the intangible assets of brand, people and intellectual property.¹ Organizational structures are, on average, 25 percent flatter than they were 20 years ago.² Technological advances, globalization and the rise of knowledge work have resulted in work and workers being less bound to physical locations or set hours; teams are often dispersed across locations and time zones. And the work itself is less routine, with the growth in nonroutine tasks outpacing routine tasks by 20 percentage points since 1960.³ Project work, one example of nonroutine activity, has increased 40-fold over the past 20 years, making collaboration and teamwork more important than ever.⁴

The workforce isn't what it used to be either. Family structures have changed markedly, with a mere one in six U.S. families mirroring the "traditional" structure upon which the ladder model was built, where Dad works and Mom stays at home. Women now constitute half the U.S. workforce and are the primary breadwinners in 40 percent of U.S. households.⁵ Men in dual-career couples now report one-third greater work-life conflict than women.⁶ Younger generations are bringing different attitudes about what it takes to motivate them at the same time older workers are looking for flexible options to stay in the labor market. In just about every way, employees are more diverse than ever – including their very definitions of success.

The convergence of these trends, summarized in Figure 1, irreversibly alters the corporate landscape.

Figure 1: Forces driving the changing world of work



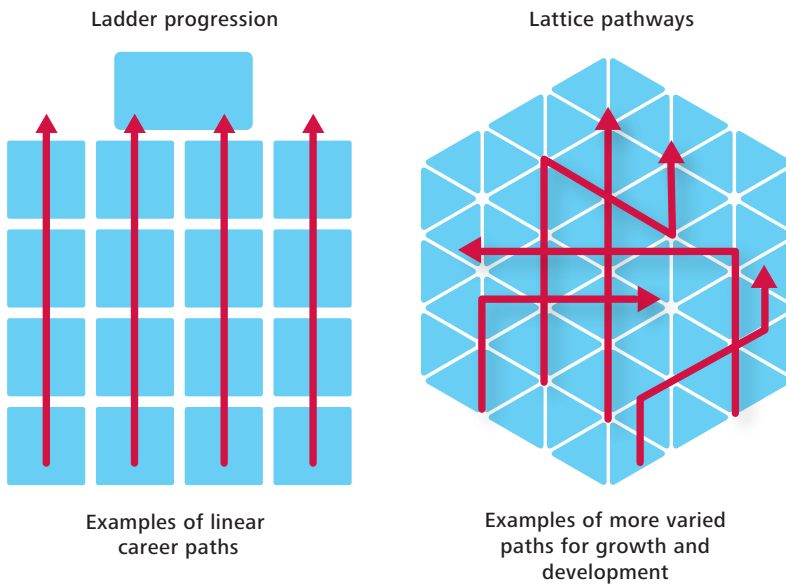
FROM LADDER TO LATTICE

The *corporate lattice* model, in contrast to the traditional ladder, is more adaptive, and therefore better suited to align with the changing needs, norms and expectations of today's workplace. In mathematics, a lattice is a three-dimensional structure that extends infinitely in any direction. In the real world, lattice structures are evident everywhere from a garden's wooden trellis to the metalwork of the Eiffel Tower to the emerging matrix structures and network models companies are adopting. The corporate lattice metaphor signals a shift in mindset and outlook as we cross the chasm from the Industrial Age to the knowledge economy. It represents the multidirectional, flexible and expansive nature of how successful organizations work today. And it marks an inflection point in the ways careers are built, work is done and participation in organizations is fostered. Collectively, we call these changed ways of thinking and acting the "lattice ways" as shown in Figure 2.

Figure 2: Three lattice ways



Lattice ways to build careers. The U.S. Department of Education estimates that 60 percent of all new jobs in the early 21st century will require skills that only 20 percent of the current workforce possesses.⁷ Keeping pace with today's rapid rate of change and skills needed to succeed is an important way companies become more agile. It requires a continual focus on growth and development. Yet today's flatter organizational structures mean companies have fewer options for developing their people by moving them "up." In response, lattice organizations are broadening career pathways (shown in Figure 3) to include lateral and diagonal directions and planned descents along which people can grow. Career moves across organizational silos make employees more versatile, increasing strategic flexibility.

Figure 3: Comparison of ladder and lattice career paths

Changes in how careers are built are benefitting workers as well. People know that keeping their skills relevant in a fast-changing marketplace is a key to job security. And of employees who are looking to change jobs, almost half cite a desire for better career growth, making a strong focus on development and expanded career options critical levers in attracting and retaining today’s talent.⁸ Expanded career options also enable people to find more ways to fit their lives into their work and their work into their lives—what we call “career-life fit”—another way employees across both genders and generations benefit.

The global law firm Orrick, Herrington, Sutcliffe LLP illustrates how lattice ways to build careers is playing out. Orrick realized that launching a new career model could help address two key issues: client dissatisfaction with the price-value ratios of legal service providers and significant changes in the expectations of law school graduates who want flexible career options. Orrick’s model now provides a variety of career options rather than a single, linear path to partner.⁹

“The model recognizes that moving forward in one’s development is not limited to moving upward on the traditional career ladder. There are many ways of progressing one’s career and contributing meaningful value to the organization,” says Laura Saklad, chief lawyer development officer.¹⁰ Advancement is now performance-based rather than tenure-based with specific core competency criteria to guide decisions. By aligning promotions and corresponding billing rate increases with the lawyer’s skill set and level of experience, client value is better aligned with fees. And, by basing promotions on competency development, the pace at which

each career develops is individualized since people attain various levels of proficiency at different rates. A custom career track allows individuals to tailor their development based on their career interests and goals as well as their life needs. Compensation also has changed to enable the new approach. Rather than base bonuses on billable hours or firm profitability, bonuses are based on what matters most to clients – quality, efficiency and contribution. All of these changes improve the value clients receive.

Lattice ways work is done. The lattice also represents the transformation from work being a place you go during set hours each work day to something you *do* in a dynamic, increasingly virtual workplace. Technology has enabled new possibilities for the where, when and how of work. Globalization, virtualization, modular job and process designs, and team-based project work, among other workplace advances, leverage ubiquitous and expansive technologies from broadband to Web 2.0 in innovative ways. These technologies both respond to and drive the changing world of work. The benefits of virtual work are significant and range from lower real estate costs to greater workforce productivity and retention to shorter cycle times, improved business continuity and even a “greener” footprint from less commuting. Individuals gain too with increased flexibility and more choices for when and where they do their work.

Thomson Reuters’ transformation of the decentralized finance functions of more than 40 companies in their portfolio is a good example of lattice ways to work in action. Dubbed the “FinancePlus” transformation, this effort redesigned work to be performed in shared service centers around the world by global teams rather than individuals. As a result, knowledge must be transparently shared on common platforms that everyone can access. In the past, there were seldom more than a few select people who had the total picture of any particular business. Now entire teams understand how things work, leading to greater job modularity. Projects can be staffed in multiple ways based on the needs of the moment, making finance more agile.

While beneficial, these new ways of working were foreign to many managers and some challenges did surface. For example, managers in Thomson Reuters’ U.K.-based sales and trading division were accustomed to having the people who reported to them sitting together in the same office, in the line of sight, but now 40 percent of staff live outside the country in which their manager works.¹¹

Says David Turner, executive vice president and chief financial officer of Thomson Reuters Markets: “At first it didn’t make sense to people that managers could lead people in other locations or that we could build a team culture across geographies. Over time, employees realized if you utilize technologies and different ways of

communicating, people can be just as effective remotely as they can sitting next door to you.”¹²

The FinancePlus transition to service bureaus has thus far yielded approximately \$50 million in annual savings.¹³ The transformation has helped leaders make better decisions, delivered improved forecasting and planning, and strengthened regulatory compliance functions as well. Employee surveys also show that a clear majority (80 percent) rate the company’s flexibility efforts favorably – that’s five points higher than the average at other high-performing firms.¹⁴

“We were starting to cross-pollinate knowledge and appropriately drive broader thinking. We began to get a relevant marketing comment out of the manufacturing guy or a supply chain comment out of an engineering person.”

Lattice ways to participate. With its strong horizontal as well as diagonal and vertical supports, the visual image of a lattice reflects organizational relationships, interactions and communications that function in a network-like fashion unconstrained by top-down hierarchy. Lattice organizations are sharing information transparently, creating communities and providing more collaborative, inclusive and meaningful options for

employees to contribute regardless of their level on the organizational chart. New ways of fostering participation are helping organizations meet a new challenge – the rise of nonroutine and project-based work, which requires greater collaboration and is more difficult to achieve as teams become more dispersed and virtual. Lattice organizations are finding ways of working across the invisible borders of geography, hierarchy and function. As they realize that good ideas can come from anywhere, these organizations are reaping the rewards of increased innovation.

That’s what AT&T found with one of its social media experiments. John Donovan, AT&T’s chief technology officer, was looking for a nonhierarchical approach to harness knowledge and creativity.¹⁵ Leveraging social media, Donovan created a mass participation approach to innovation featuring a Web site that allows anyone to contribute an idea, become a collaborator on someone else’s idea, provide encouragement and critical feedback, assess a concept’s marketability, challenge its engineering and affordability, and the like. Each employee is able to vote on the caliber of the insights and rate additional postings of suggestions and comments, earning the contributors reputation points.

“This is meritocracy at its best – a highly diverse set of people, in every sense of the word, crowdsourcing and crowdstorming,” says Donovan. Individuals can customize their level of participation – from merely being a spectator to

actively participating and racking up reputation points. And, as Donovan says, “In an *American Idol*–type fashion, unknown talent is revealed and great innovations can see the light of day.”

By the end of its third quarter, the site had more than 24,000 members, 2,000 ideas, and over a million page views – and it’s still growing.¹⁶ Such results are a strong measure of participation’s role in generating greater recognition for individuals and greater engagement in the business overall. The first season’s winners have been funded and are moving from PowerPoint to prototype.

WHY LATTICE THINKING MATTERS

While efforts to advance a company in any one of these lattice ways are beneficial, the power of the lattice is amplified by the compounding effect that occurs when these ways of thinking and acting reinforce one another to improve productivity, innovation and the ability to develop, retain and engage the right kinds of talent. Table 1 illustrates the connections between the lattice ways, and the case of Cisco illustrates how all three lattice ways work in tandem. CEO John Chambers became a fervent believer in reinventing the company after the dot-com boom went bust, and while he didn’t expressly set out to create a lattice organization, Cisco became lattice-like in both its structure and culture.

Table 1: Connections between lattice ways

	Careers	Work	Participation
Careers		Changes to work and careers propel a shift toward results and away from face time	New forms of participation offer more options to learn, build relationships, and build personal brands
Work	Career-life options expand along with anytime, anywhere work options		Virtual collaboration and networks enable redesigned work processes
Participation	Transparency enables more candor about career options and how they fit with life choices	Work increasingly relies on flexible teams that need to collaborate transparently	

From me to we. The cornerstone of Cisco’s transformation was its move from an individualistic culture to one based on collaboration, which lies at the heart of lattice ways to work and participate. In 2002, Cisco began to implement a system of cross-functional councils and boards designed to both speed up the company’s responsiveness to market conditions and push decision-making down to lower levels of the organization.

“If you look at how most companies are organized, they are built around an informational discontinuity where just a few people at the top are presumed to have access to vast amounts of knowledge,” says Brian Schipper, senior vice president of human resources. “In a world where most people can access information about any

Efforts to help workers be more mobile have generated an extra hour of productivity per day per employee. A 2008 study of approximately 2,000 teleworkers at Cisco in five global regions estimated \$277 million in annual productivity savings, more than 47,000 metric tons of greenhouse gas emissions avoided, and employee savings in gasoline costs of more than \$10 million.

subject in less than five minutes, this notion is outdated.”¹⁷

But Cisco quickly learned that it was not enough to simply put smart, capable leaders on the councils and boards. They needed to identify clear processes and outcomes in order to be successful. So they created a “taxonomy” for councils, defining a process for developing a vision, a strategy and an execution plan for each. It stressed mutual accountability and teamwork. And to make sure this shift was given the needed focus and commitment, reward systems for executives were changed to recognize collaboration – Chambers announced that 30 percent of senior executives’ bonuses would be based on how well they collaborated with others, a structural change in the reward system designed to support the larger cultural change already going on.¹⁸ Within a few years, the culture began to change.

“We really started to see the benefit after our initial improvements,” says Randy Pond, executive vice president of operations, systems and processes. “We were starting to cross-pollinate knowledge and appropriately drive broader thinking. We began to get a relevant marketing comment out of the manufacturing guy or a supplychain comment out of an engineering person.”¹⁹ And the councils and boards are expanding leaders’ capabilities too.

“People have opportunities for natural leadership and development in ways that we couldn’t provide before,” says Susan Monaghan, former vice president of employee engagement. “Through experience, we are changing the way people lead. People are learning something that they can never unlearn. Over time, this changes the face of the culture.”²⁰

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Lattice leadership development. As collaborating in this way became the norm, Cisco realized it needed to develop leadership talent differently. It began to make lateral moves an important part of executive development to build the breadth of business perspectives that collaboration requires. The story of Ana Corrales, vice president of global business operations, provides an example.²¹ She joined Cisco in 1996 as a manufacturing planner to leverage her expertise in operations research. She then made a series of horizontal moves that gave her a broad portfolio of experience. Her move to manufacturing plant operations netted her people leadership skills to add to her already formidable analytical strengths. Additional moves took her to materials acquisition at the front end of the supply chain, to finance, to customer service, and to working with sales taking customer orders and processing them. Today Corrales is a vice president in charge of business models, a role that requires a cross-functional perspective.

As Corrales' experience illustrates, Cisco is engineering custom development paths for its high-potential employees that include lateral moves to build future skills. Top leaders now conduct an annual review identifying who is ready to move and which positions would most benefit the individual and the organization. And to make its model scalable and repeatable, Cisco learned that it needs to teach leaders how to do a better job of talking with their people about career growth and development. A starting point was to define a set of leadership competencies so that there would be a common language for talking about career options – choices to move horizontally as well as vertically. The system pushes hard to make sure personalized career conversations are effectively discussing career interests and exploring potential moves in all directions.

Rethinking the workspace. Cisco's focus was not limited to executive levels – it has also changed its workplace to enable global operations with virtual, dispersed teams and, in the process, give employees more choice in how they work. In 2003 it began introducing what it calls the collaborative, connected workplace, which gives all employees a greater ability to customize how they accomplish work through a broad choice of workspaces and virtual work options. Cisco, as a manufacturer of an array of cutting-edge tools to catalyze mass participation, employs a rich set of technologies to enable collaboration – including wikis, video blogging and social networking. The collaborative, connected workplace has increased transparency, an ongoing emphasis in Cisco's effort to broaden how participation happens.

“If you don't drive transparency, you create blockages for the knowledge flow in the business, and then collaboration does not work,” says Pond. “Collaboration fundamentally can't work without transparency.”²²

Cisco emerged from the recession of the early 2000s more profitable than ever, and it is now one of the top 100 largest companies in the world in terms of market capitalization and revenue. Beyond changing a formerly top-down culture and providing more avenues for employees to engage, Cisco estimates that its efforts to increase collaboration have generated a business impact of close to \$700 million, a significant amount even for such a large company.²³ Efforts to help workers be more mobile have generated an extra hour of productivity per day per employee. A 2008 study of approximately 2,000 teleworkers at Cisco in five global regions estimated \$277 million in annual productivity savings, more than 47,000 metric tons of greenhouse gas emissions avoided, and employee savings in gasoline costs of more than \$10 million.²⁴ The company is also widely regarded as an employer of choice.²⁵

In one high-technology company with a lattice career model, lateral moves are common and the company works hard to value contributions regardless of which rung on the ladder an employee occupies. But the CEO only sends out recognition communications to celebrate vertical promotions rather than a mix of promotions and significant accomplishments.

THRIVING IN THE CHANGING WORLD OF WORK

The lattice model reframes workplace suppositions, providing a framework to organize and advance a company's existing incremental efforts into a comprehensive, strategic response—and mindset shift—to the changing world of work. To advance a lattice posture, leaders can adopt the following strategies:

Connect the dots. Many organizations recognize the individual impact of workplace and workforce trends that are transforming the business world, but until now the convergence of these trends has been obscured. The result has

been a mix of reactive solutions designed to address a few of the trends – and often in point-solution fashion. This approach has increased the proliferation of programs while falling short of the desired results.

Flexible work arrangements, for example, are typical program investments designed to retain valued employees – but they often fail to do so. Studies by the American Institute of Certified Public Accountants have found that while the majority of public accounting firms have been aggressive in implementing flexible work arrangement policies over the years, the two most prevalent reasons why

employees leave are still working conditions (schedule, hours, assignments) and work-life issues.²⁶ Why? Studies show individuals who initiate flexible work arrangements often feel stigmatized as an “exception to the corporate ladder norm.” For such programs to really work, the norm itself needs to change. The corporate lattice model opens up the aperture of what comprises acceptable norms.

The importance of making connections between workplace trends further reinforces why Cisco’s move toward a more collaborative culture couldn’t stop at just creating councils and boards. To be successful, these bodies needed guidance on how to develop and operate collaboratively, as well as aligned reward mechanisms, transformed leadership development methods, and even reconfigurable workspace arrangements.

Organizations also must ensure that they are connecting the dots between messages and actions, modeling the change they want to see. For example, in one high-technology company with a lattice career model, lateral moves are common and the company works hard to value contributions regardless of which rung on the ladder an employee occupies. But the CEO only sends out recognition communications to celebrate vertical promotions rather than a mix of promotions and significant accomplishments. This action makes employees unclear what the company really values: ladder or lattice?

Adopt an options orientation. The name of the game in this new world of work is *options*. In financial investments, options provide a hedge against market uncertainty, providing flexibility to buy or sell at a later time when more is known about market conditions. Similarly, the lattice model employs an options orientation to give businesses a hedge against future uncertainty. Options range from when, where and how work is performed to various ways in which people can access information, offer input and collaborate across geographical, hierarchical and functional boundaries. The fast-paced, technology-driven, information-heavy nature of work today means that organizations must have the agility to react and respond to the changing landscape – and options create such strategic flexibility. The Thomson Reuters finance organization example illustrates how the virtualization of work processes on common systems paired with changes to physical office workspace provided more flexibility for both the organization and its people.

An options orientation also benefits the bottom line. Corporate performance increasingly depends on how much discretionary effort individuals put into their work, often referred to as employee engagement, as shown in Table 2.²⁷ Yet people’s motivations—what drives them to put in discretionary effort—are more varied than ever, as are their views of what success means for them. How can companies respond to this high level of variability? Similar to the way mass product

Table 2: Engagement and bottom line benefits

Companies with higher engagement deliver better results than those with lower engagement:

- Earnings-per-share growth is 160 percent higher
- Return on assets is 100 percent higher
- Revenue growth is 150 percent higher
- Profitability is 40 percent higher
- Productivity is 78 percent higher

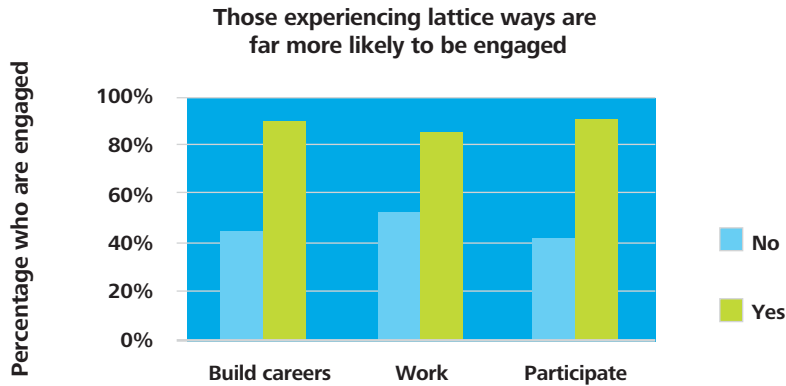
customization lets companies cost-effectively offer tailored options to customers, lattice organizations customize the workplace. Companies define the parameters of choice and let employees choose from defined options. When employees have a greater say in what their work experience is, they are more engaged and perform better.

Deloitte* has seen a great payoff from adopting a lattice mindset. Investing in its development has affirmed the power of offering structured options in lattice ways to build careers, to work, and to foster participation as it relates to engaging our people. Our results show that those experiencing lattice ways are twice as likely to be engaged as those who are not, as shown in Figure 4.²⁸

Measure what matters. As the when, where and how of work expands to accommodate an increasingly virtual and global workplace, it is rendering “face time” less relevant. While time clocked “in the office” has never been a particularly effective performance metric, it has been a way to account for people’s time and whereabouts. But it is fast becoming an irrelevant proxy for contributions. Instead, organizations need to provide their managers with the training, tools and mindset to value productivity and contributions – not just activity.

“In many organizations, time put in at the office is seen as a valid measure of commitment and competence,” notes Lotte Bailyn, a professor at the MIT Sloan School of Management. “There can also be deep-seated beliefs about what is considered real work. And these beliefs often overemphasize technical tasks and underemphasize relational tasks.” She adds that another common challenge is the practice of never presenting a problem until someone has a solution. “Then people aren’t concerned ever with preventing problems, but just with heroically solving problems, even if they cause them by themselves. These assumptions about very

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Figure 4: Lattice ways and engagement

basic things get in the way of changing how work happens.”²⁹

Companies shifting to a corporate lattice model are redefining meaningful contribution. Orrick provides a good example. The firm shifted from evaluating attorneys on quantifiables like billable hours—a measure of input—to items like quality, efficiency and client satisfaction – measures of output. And AT&T’s use of “reputation points” to represent people’s level of participation also illustrates the redefinition of contribution.

The level of competitive intensity has doubled in recent years. Typical careers now zig and zag. Work has shifted from where you go to what you do. And participation in organizational life has gone from top-down to all-in. Together these changes signal the end of traditional assumptions about what it takes to achieve strategic flexibility and sustain high performance. The corporate lattice model both accelerates this transformation and illuminates the road ahead.

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