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Ensuring efficient information flow in complex organizations

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Organizations with complex structures often struggle with maintaining efficient information flow. Utilizing a structured meeting cadence and empowering the frontlines can help.

Executive Summary

Problem	**Why it happens?**	**Why it happens?**
Large organizations, especially those with matrix structures, have information scattered in different parts, leading to inefficient decision making and a struggle to get up-to-date insights flowing across various levels and functions.	Emphasis on commands flowing top-down and lack of structured meeting cadence across levels lead to ad-hoc meetings for information sharing, ultimately jeopardizing both available data and time for problem-solving.	Activating structured information flow to the top with a focus on building trust and empowering lower levels to drive issue resolution and decision-making owing to their proximity to the source can address these issues.

Information is scattered in different parts within complex organizations

Organizations in today's world are becoming more complex as they grow and operate in technologically advanced environments, with rapidly changing market dynamics and evolving customer preferences. According to a survey conducted with 2500 business leaders[1], only 50% believe their organizations to be well-prepared for anticipating and reacting to external adverse circumstances and over 60% consider their organizations to be overly complex and inefficient.

Such complex organizations are characterized by multiple functions, hierarchical structures, and interconnected departments. On a holistic level, organizations define their objectives, with each department having their own goals and processes to contribute towards them. Considering various departments and functions, the information often becomes scattered and fragmented. This often happens when departments work in silos, keeping information to themselves thus hindering others in the organization from accessing it.

The volume of information generated across departments and processes can overwhelm traditional communication channels, leading to information overload. Therefore, insights and up-to-date knowledge are buried within emails and reports, scattered across the organization, making it challenging to access and utilize it effectively.

Efficient information flow and decision-making is consequently impacted

The dynamic nature of the market where organizations are operating requires them to be adaptable and flexible. Efficient information flow plays a crucial role in enabling them to be highly responsive to changes. At the same time, despite added complexity, interdependence and relationships between departments are key, as they rely on each other for data, insights and collaboration.

From a structural perspective, organizations with multiple hierarchical levels are further complicated by the presence of matrix structures. In such structures, a group of employees report to both functional managers (for instance department heads) and project managers. The employees' dual reporting role can lead to confusion, potentially conflicting priorities and ambiguity regarding the cadence and channels through which information should flow. In such organizations, decision-making authority is usually centered at the top and information flow typically goes top-down in the form of instructions and orders from executives to the frontlines.

This makes the organization sluggish and non-responsive to sudden changes. Information that needs to flow up the hierarchy for strategic decision-making encounters delay as it navigates through multiple layers of management. Decision-makers at higher levels struggle to obtain a consistent overview of the project's current progress and potential challenges. The subsequent slow decision-making affects project performance and can ultimately lead the organization to failure to compete in the industry[2]. Additionally, the matrix structures create conflicting directives, complicating the distribution of information and decision-making processes. In other terms, centralized leadership becomes an impossible nightmare. In such situations, strategic decisions may be made based on incomplete or outdated information, leading to suboptimal outcomes and missed opportunities[3].

Given this hindered flow and lack of updated information, commands flow top-down through ad-hoc meetings where up-to-date information is gathered from frontlines who feel stuck in a reporting loop. The figure 1 (the big loop) below illustrates a traditional management approach where focus is on pressurizing frontline employees and treating them as a means of extracting information rather than empowering them to make decisions locally. The reporting of information in relation to commands from the top means frontline employees are then waiting for decisions from the top, which means problems remain untouched for long periods until someone from the top realizes and takes a decision to resolve.

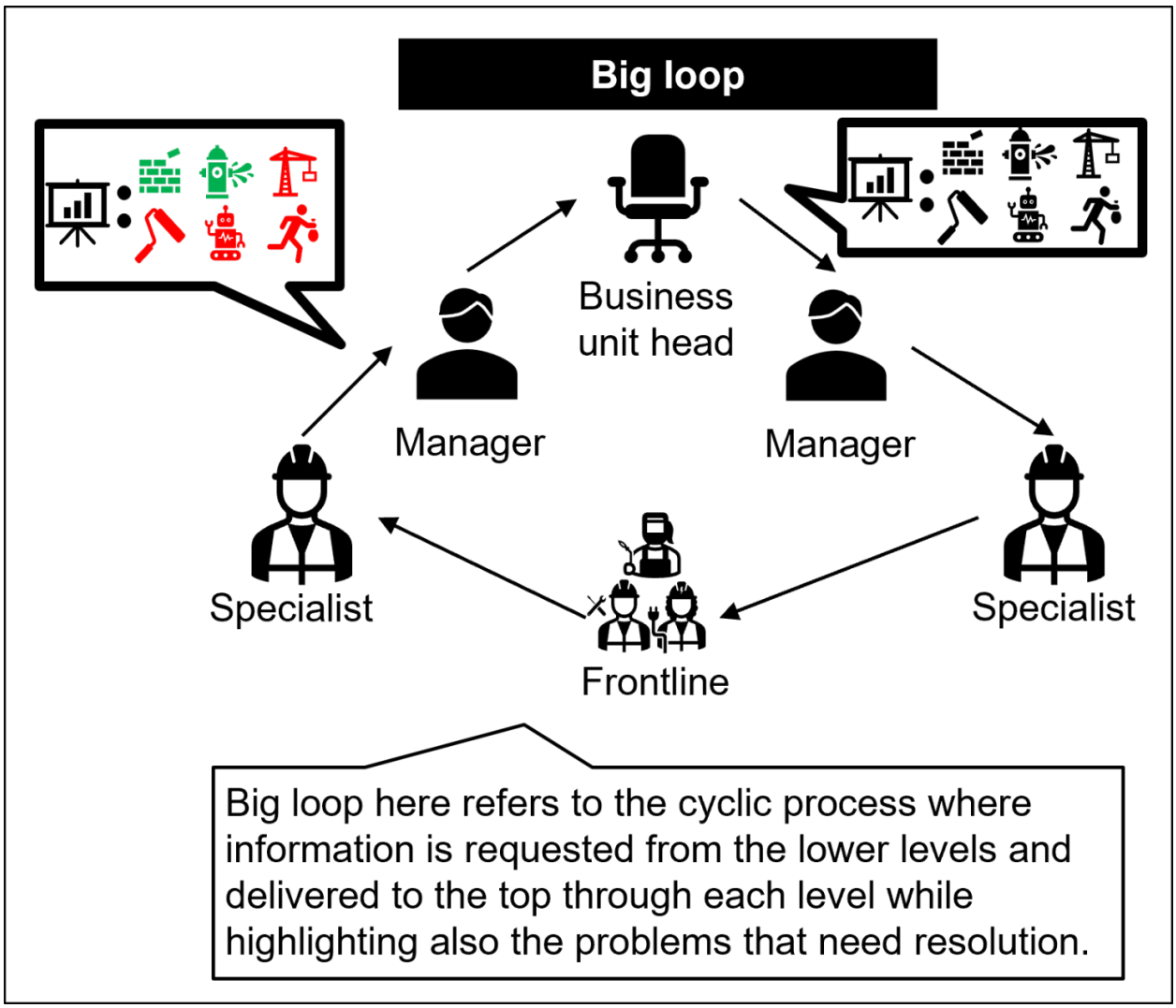


Figure 1. Original big loop where commands flow top-down.

Combined with scattered information, this contributes to increased levels of stress and frustration among employees. As individuals navigate the complexities of dual reporting relationships and decentralized information sources, they also struggle in responding to commands coming from the top. This leads to feelings of lack of ownership and disengagement, inefficiency and burnout, ultimately impacting overall organizational performance. Therefore, addressing the challenges posed by scattered information in matrix organizations is essential not only for improving information flow and decision-making but also for fostering a positive and productive work environment for all employees.

Structured meeting cadence, focused on empowering lower levels, to enable fast decision-making while engaging the top levels in critical issue resolution

To address these challenges, there is a need to transition away from the traditional top-down approach of commanding and giving directions to a more decentralized bottom-up approach with an integrated feedback loop from the top. This is characterized by meetings at lower levels for alignment on progress and initiating updated flow of information, from frontlines through the hierarchy to the top management, with feedback instead of commands flowing in opposite direction. This is crucial for all kinds of organizations but particularly for complex organizations where the need for empowerment is even greater for increasing information

flow and enabling efficient real-time decision-making. The transition, as illustrated in figure 2, is driven by the realization that frontlines possess not only valuable insights and expertise but also the firsthand knowledge of ground realities to drive information sharing and decision-making.

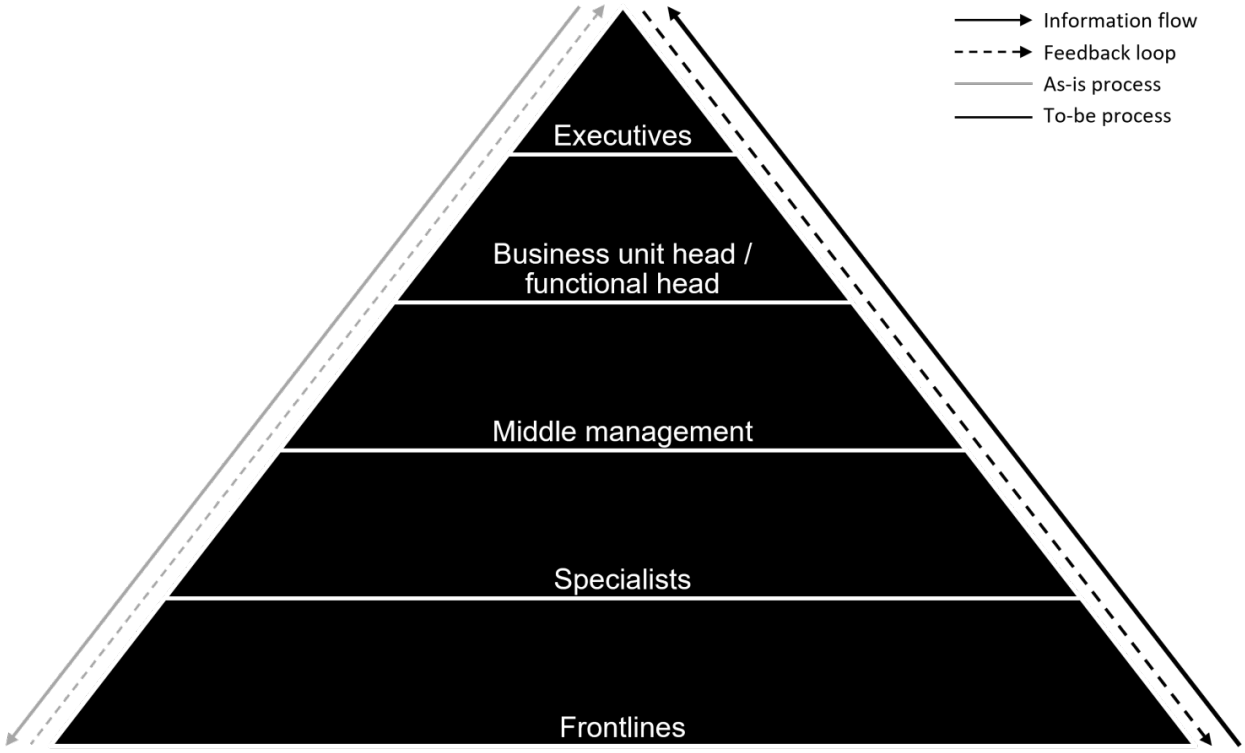


Figure 2. Information flow transition from top-down to bottom-up.

Transitioning to a bottom-up approach poses a challenge of its own since most people within organizations are resistant to change[4], and there can be significant skepticism on its effectiveness. Empowering frontlines represent a key cultural change in ways of working for traditionally hierarchical and complex organizations which are more used to commands flowing top-down. This requires a mindset shift where most employees should be on-board with the value brought by empowering frontline staff. Clear communication focusing on how empowerment contributes to faster decision-making is crucial to getting employees on board. These further needs commitment from the leadership team not only through speeches and presentations, but through actions of participating in and promoting the new approach.

Training for leaders should be considered as well to enable them to adapt to their new roles as facilitators instead of authoritative figures. Through establishing transparent communication, trust is built in the frontlines which is crucial as employees need to understand their input is valued even when they might make mistakes. Since any kind of change is difficult and cannot happen overnight, appropriate time must be factored in, especially to allow for adjustment as roles and responsibilities are redefined and employees learn new ways of working.

Implementing a structured cadence bottom-up offers a solution to the challenges of scattered information and inefficient decision-making within complex organizations. However, the big loop in figure 1 needs to function properly with reporting (information flow) from front line

employees, along with clear and timely feedback on what actions to take for any issues raised. This then means frontline employees implement those actions and report results in the subsequent cycle, bringing awareness to all levels. The outcomes can then be tracked, and this especially enables frontlines to understand what actions need to be taken for the problems raised, increasing their capabilities. At the same time, they are empowered to take ownership of decision-making and information sharing through activating the “small loop”. This reduces load on “big loop” as issues are proactively resolved before they need to be reported or create delays (see figure 3).

The “small loop” refers to meetings and problem-solving sessions at the grassroots level which provide a forum for frontline teams to discuss insights and engage in issue resolution. They serve as a platform for cross-functional collaboration, enabling teams to align their efforts, identify synergies, and address issues proactively. Therefore, frontlines are encouraged to avoid escalating each small issue by building their skills and being empowered to take ownership for taking decisions at their level. Only critical unresolved issues are escalated to the top levels, which then utilizes the “big loop” in its true sense. The information flowing to the top though each level with an integrated feedback loop for the resolution of critical issues not resolved by the frontlines forms the revised “big loop”, illustrated in figure 3. The “small loop” and “big loop” are categorized as such based on the number of hierarchical levels involved in those discussions. Frontline meetings (in the small loop) usually cover 1 to 2 of the lowest levels in an organization and escalation of critical issues (in the big loop) could involve 3 to 4 hierarchical levels. With an efficient and correctly operational cadence, the number of issues being raised for resolution in “big loop” will reduce as frontlines build their capabilities and more issues are addressed in the “small loop”.

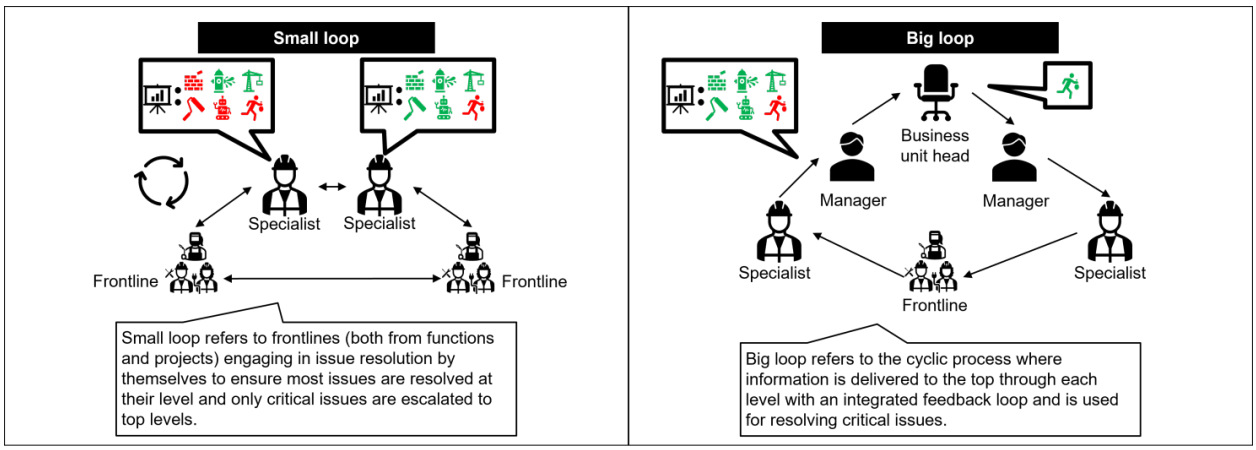


Figure 3. Small loop and big loop framework for driving issue resolution.

Owing to their proximity to the action, frontline teams are better positioned to identify and address operational inefficiencies as well as drive continuous improvement and innovation at the grassroots level. A structured cadence utilizing the small loop and big loop framework takes advantage of frontlines’ better positioning and decentralizes decision-making, allowing them to respond swiftly to emerging opportunities or challenges without waiting for approval. Employees are empowered to leverage their expertise and insights to make informed decisions that are aligned with organizational goals and objectives. By decentralizing decision-making authority, organizations streamline information flow, reduce bureaucratic / hierarchical barriers, and improve responsiveness to market dynamics. Implementing a

structured cadence bottom-up represents a proactive approach to addressing the challenge of scattered information within complex organizations.

Complex organizations with matrix structures can learn from this approach for efficient information flow

This approach was utilized to improve information flow for a global industrial goods manufacturer dealing with multi-billion-dollar CAPEX projects, which was struggling with availability of right information at right levels. Through implementing a structured cadence bottom-up, frontlines were encouraged to take ownership of information sharing and decision-making, thereby activating the small loop. Insights into critical project-related issues not resolved at the frontlines were shared promptly across the functions and up through the hierarchy, activating the big loop, while fostering a culture of collaboration and empowerment. Furthermore, the case company was able to address concerns of conflicting priorities and communication inefficiencies arising from dual reporting within matrix structures, as dependency on orders from multiple managers was reduced through the empowerment of frontlines. Along with streamlined decision-making, the case company's responsiveness to challenges was also enhanced. Ultimately, the shift in focus from top-down control to bottom-up empowerment assisted the case company to be more informed and well-equipped to deal with complexities arising from changing business environments.

Learnings from this approach are applicable for a wide range of organizations, particularly those with matrix structures spanning across regions and business units. For instance, considering global consumer goods companies operating with highly complex matrix structures; these companies can leverage bottom-up cadence and activating small loop approach through encouraging frontline employees in different regions and product lines to share insights, challenges, and best practices. Consequently, this can help them drive agile product development and market responsiveness which are critical for innovation and growth. As another example, companies providing industrial products and services often possess complex structures with project teams and functional teams forming a matrix organization. In such organizations, frontline engineers and project teams can utilize bottom-up cadence in the form of daily meetings to discuss potential issues in ongoing projects, and possible solutions. This improves communication between the two parts of the organization, leading to prompt problem-solving and decision-making. Moreover, in the pharmaceutical industry, companies can utilize the small and big loop framework for issue resolution to push for increased productivity in new product development which is a relatively slow process owing to complex structures and information sharing levels.

Thus, it is crucial for organizations to transition towards an empowerment approach instead of classical commanding approach to significantly improve their information flow. As has been discussed, when implemented correctly, organizations, particularly those with complex structures, can reap benefits of enhanced communication, streamlined decision-making and dynamic and responsive culture. The transition to a more informed bottom-up approach with an integrated feedback loop from the top not only addresses the challenges associated with scattered information, but further positions the organization for sustained success in an increasingly competitive and fast-paced business environment.

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