The Role of Leaders in Managing Organisation Boundaries

1. Introductory notes

In contemporary science, except pure sciences, the notion of boundaries does not have a clear-cut definition and is therefore polysemantic. While in mathematics the notion of boundaries is clearly defined and has precisely determined characteristics (Soltyś 2000, Fitchenholtz 2007), in sociology and humanities on the other hand, boundaries are defined based on a number of speculative and hypothetical assumptions. This way of looking at boundaries helps to explain why the notion of boundaries, including boundaries as applied in organisation and management research, is oversimplified (Richardson and Lissack 2001).

In a host of management concepts which attempt to determine the nature and essence of the organisation, organisations are perceived as entities with clearly defined boundaries. There is no detailed specification, however, of what those boundaries are, how to identify them, what functions they perform, and how to manage them. Obviously, to adopt simplifying assumptions for models which are abstract representations of actually existing phenomena is arguably proper, as it allows...
us to replace complex and sometimes difficult-to-comprehend dependencies and relations with relatively simple patterns (Skalik 1992) at specific stages of an insight into an organisation. If, however, details are not fleshed out to the assumptions in the process of organisation management, and if an organisation model based on an array of not fully verified hypotheses is transferred into real life, the solution thus obtained is not correct.

The above notes, which testify to the impact of actions taken by leaders on the nature and course of boundary management processes, open up research opportunities for characterising the role of leaders in the organisation boundary management.

The starting point for this paper is the identification of the nature of organisation boundaries and an outline of primary problems with the 21st century leadership, which subsequently allows insight into the role of leaders in the organisation boundary management.

2. Nature of Organisation Boundaries

The role and significance of the concept of boundaries in organisation and management science are derived from the assumptions of the systemic approach to defining the nature of the organisation. Looking at an organisation as an open system which interacts with its environment, validates a claim that an organisation’s success depends on the efficiency of such interaction with the environment, taking place across boundaries (Ashkenas and others, 1995). Each organisation has a unique set of boundaries, on the one hand allowing it to retain its identity, and on the other acting as a tool to model its relations with the environment. Therefore, boundaries are not unimportant, peripheral components of the organisation management system, but rather its critical constituents (Cilliers 2001), determining the ability to properly define the organisation’s activities and behaviours of its stakeholders (Pfeffer 1997).

Literature on the subject abounds in attempts to define the notion of boundaries, starting from specific and narrow definitions focusing on certain components of the organisation, enabling boundary identification, and ending up with broad and general proposals, which fail to emphasise any specific distinguishing factor of a boundary. The definitions refer to the nature of boundaries (Williamson 1991), indicate what organisations control (Santos and Eisenhardt 2005), define what organisations know (Brusoni, Pavitt and Prencipe 2001), specify what organisations are (Kogut and Zander 1996), and how they are perceived by their stakeholders (Schilling and Steensma 2002).
Without dwelling on a general discussion about ontological and axiological aspects of the notion of boundaries, this paper rather assumes that boundaries of an organisation, by determining the scope of its impact, represent a mechanism for the organisation's integration with its environment and enable it to pursue activities ensuring that it survives and develops (Cyfert and Krzakiewicz 2009). Boundaries so defined are described with the use of four characteristics: efficiency, governance, competence and organisational culture.

3. 21st Century Leadership

The quality of management in the 21st century will continue to depend on the same fundamental premises, that is leadership, processes and organisation. However, one of leaders’ most valuable assets will be the ability to create ideas and formulate challenges which enable integration of the organisation’s stakeholders and development of relations with the environment. The said ideas and challenges will remain promises undelivered on as long as they are not manifest in reality. Effective leaders must get involved in the processes of turning ideas and challenges into real-life activities for employees, by using a communication system which relies on organisation boundaries mechanisms, to inspire all stakeholders so they are willing to take on the challenges.

Attempts to get employees involved will lead to a rediscovery of the role and significance of personal contacts within the organisation, and outside it. The systems that contemporary enterprises rely on, such as the Internet and intranet platforms, are efficient communication mechanisms and organisations typically incur substantial expenses to implement and maintain them. This is arguably appropriate, yet managers very often fail to tell communication mechanisms from communication tools. Electronic channels are only tools of communication in the organisation boundary system. The Internet and intranet do not communicate with people – the communication takes place between people. Even the best system relying on electronic channels is not in a position to warrant efficient communication. Digital platforms speed up the flow of information and facilitate the communication process. Still, over 70% of electronic mail users do not reply to messages received immediately.

Managers should remember that emotional involvement of employees in the communication and subsequently management process is vitally important for smooth operation of an organisation. Trust should be the key differentiator for the actions of contemporary managers. There is however a marked difference between accepting something and showing trust. A frequent mistake made
by contemporary managers is that they develop such an organisational culture that the stakeholders accept, but do not trust it, which narrows down the actual cultural boundaries, in effect being much more restricting than desired. Effective managers should build an atmosphere which helps stakeholders of an organisation believe in the adopted strategy’s effectiveness, trust decisions taken by managers and make sense out of their work in the organisation.

Managers must see the importance of using lessons learned, both positive and negative. Failures can also teach how to be successful in the future. If the assumed objective is not attained, many managers would look for a magical formula to answer the question “why did it go wrong?”, rather than accept the reality as it is. Contemporary leaders and managers must therefore rethink the processes taking place over the previous decades.

4. Evolving Competition Paradigm

Contemporary organisations are increasingly less focused on products and services they offer, but rather on activities as a result of which those products and services are manufactured, and on acquiring and retaining personnel able to ensure high efficiency of key processes. Organisations keen to retain the capacity to build a lasting competitive advantage in the future must achieve excellence in boundary management, both with respect to internal relations and external interdependencies.

The new competition paradigm emphasises the need to compete on the external market for excellent collaborators and employees with higher qualifications, rather than compete by offering unrivalled products and services. Thus, the rate of staff fluctuation and key collaborator retention time becomes an important indicator to evaluate the quality of management staff.

Future organisation leaders should concentrate on employee learning and knowledge development processes, which should enable them to identify new opportunities and develop better understanding of their environment’s needs. Their skills should differ from those of classical leaders in that they need to discern not only threats, but also be able to identify ways of dealing with them, and must be able, through boundary management processes, to formulate proposals for new ways of working and development of new strategies to ensure a higher level of harmonisation between the organisation and its environment.

An atmosphere which is conducive to a learning organisation’s growth is also conducive to the development of corporate value for shareholders. Managers who
wish to become leaders are aware that their efficiency depends not only on the
development of their competence, but also, or rather first and foremost, on their
ability to share knowledge. The process of learning across internal boundaries
appears particularly important in the context of the workforce fluidity.
By developing healthy bonds between an organisation and its participants,
leaders have a role in reducing the fluctuation level which, from the organisation’s
standpoint, generates substantial costs. In the world of truly free transfer
of knowledge, employees are attracted by those organisations which offer them
knowledge formation and development opportunities while involving them in
organisation management processes.
Leaders should spend a lot of effort to stimulate the employee learning process
by sharing their experiences with the reports. Leaders’ success may inspire their
employees’ actions. Leaders should therefore continuously analyse learning
potential in the process of experience sharing across the organisation, as well as
the potential for improving actions and passing on their knowledge to employees
so that it is effectively acquired by the latter.
Success in the future will require the formation of an entirely new set
of organisational behaviour standards, which facilitate organisation management
in the presence of a continuous change. Appropriate roles in the organisation
and interpersonal relations, trust in employees, establishing conditions
for development, the ability to share information and evaluate common work,
acceptance and understanding of the organisation’s mission are key attributes
in the process of contemporary organisation management.

5. Impact of Globalisation

Non-continuous change in competition is marked by the multitude of its
directions. Most experts at management indicate that economic deregulation
processes (e.g. in the power sector, telecommunications, healthcare and municipal
services) and globalisation processes resulting in a growing importance of new
markets (e.g. China, India, Brazil) have a material bearing on management
theory and practice. Such factors as ever-continuing technology convergence
(e.g. combination of knowledge from food production and pharmaceutical
industries, communication, computer technology and consumer electronics),
and the blurring of boundaries between sectors, significantly modify
the competition environment. All those forces have an effect on both large, well-
developed and recognised transnational corporations, and on relatively small,
newly established companies. However, the impact of those forces on the two
groups mentioned above and their adaptation potential may vary. The “old” and responsible companies with a long tradition should forget about the methods of doing business used thus far and use new methods of working with the environment across the system of boundaries.

Managers are faced with a cultural and intellectual diversity in an unprecedented scale. It is very likely that soon some 30 to 40% of management teams’ members at large transnational corporations will be Asian countries’ residents. The need to understand cultural differences will be a formidable challenge in this context, both for Western and Asian managers.

As the capital expenditures on new product research and development projects surge, and as the product lifecycles shrink, managers will have to mitigate the market risk by using subcontracting, thus increasing their dependence on the external network of partners, which necessitates correct delineation of the organisation’s external boundaries.

The world market can be depicted as a pyramid of consumers, based on their economic potential. New and emerging opportunities in such countries as China, India and Brazil, are positioned in low-income segments. Supporting those markets fundamentally impacts the management processes at multinational corporations (Prahalad and Lieberthal 1998).

Organisations should address the expectations of the various markets by transforming their boundaries in the value creation chain in their industry, and boundaries in the product offering, and adapt their products, services and development lines to fit with the local requirements. Mc Donald’s is offering lamb rather than beef burgers in India taking into account religious constraints there, while Baskin-Robbins produce ice cream with green tea for the Japanese market.

Still, we should remember that sometimes an erroneous modification of boundaries in the product offering and adaptation to the local requirements may hinder acceptance of the product. For instance, an American restaurant chain TGI Friday, by launching its sites in Korea, included a number of local dishes in their menu. The analysis of their failure case on the market has shown that by choosing TGI Friday, customers wanted American dishes and were disappointed to see those they were already familiar with.

Globalisation may offer benefits, but also stifle organisation development, depending on the political and economic situation in a given country. Globalisation will always entail a high level of risk. The key issue therefore becomes an organisation’s ability to swiftly respond to dynamic change.
6. Impact of Diversity on Managing Business

Transnational corporations are increasingly more involved in the emerging markets, which adds new dimensions to the analysis of cultural boundaries. The institutional infrastructure, political systems and intellectual heritage in the emerging markets materially differ from the solutions applied in Europe-based civilisation. The variety of models is also a consequence of a different role of the family in business, attaching less importance to the employees’ commitment than to his/her skills and productivity. Transnational corporations establishing their regional affiliates should learn to incorporate those differences. The ability to reflect the differences in one’s approaches to divergent cultural questions is of critical importance for the establishment of relations between managers and the environment of transnational corporations, specifically of their affiliates and subsidiaries.

Managers should skilfully switch between a given country’s culture and business practice. They should also take account of the fact that the management culture and systems of values differ from the mainstream business practice and should have due regard for key and ethical characteristics of the market they are operating in. The acceptance of differences and specification of overall objectives means that getting involved all those who are affected by the broad management culture represents a new and particularly important asset in corporate competitiveness.

The requirement to change the management ways of working in the process of influencing the organisation’s external boundaries is more than obvious. Formal structure and hierarchy, mandate and governance, control and coordination, experience and track record in a given industry – all of them are challenged and tested for durability.

Traditional solutions require verification in the context of new expectations towards management systems. For instance, the convergence of technologies and changes in sector boundaries put a question mark over the actual usefulness of industry experience and long employment record. A traditional experience from the food industry is of minor value when a problem involves a new domain of knowledge, such as biotechnology or gene therapy. Track record in conventional banking is rather useless when one is faced with virtual reality.

Managers should therefore take it for granted that their accumulated experience will be gradually losing its importance and whether the value of their knowledge is retained will be determined by their ability to recognise the role of intellectual diversity. Particularly important is the sourcing, retention
and integration of new talent within the organisation. Length of service, authority and power should become auxiliary to management talent. Under the circumstances, formal mandate is of relatively little importance.

The success of contemporary organisations will hinge on their efficient use of talented staff. Talentcentric organisations keep searching for new employees, and for ways to efficiently use their potential and ensure working conditions which abound in creative watersheds and challenges.

People create organisations and people can destroy them. The most precious thing in business is not technology, or funds, but people. The main driver of the 21st century organisations’ development was their stakeholders. In his book “Human Equation”, J. Pfeffer, professor at the school of business with the Stanford University, argues that companies which correctly manage their staff outdo those which can’t by 30 – 40% (Pfeffer, 1998).

Cultural diversity imposes important limitations on the effect an authority, power, coordination and corporate control may produce. An authority which helps to influence other people’s behaviours is currently offered not by the power of the administration, but by commonly subscribed for and observed values and a set of organisational behaviour models.

The volatility of the environment necessitates the analysis of how important ownership and control boundaries are. In global markets, sourcing components manufactured by specialised producers working in a network requires that the managers involved have learnt how to influence what is not under direct control of their enterprise. Internalisation of specific habits, distribution of competitive tasks, the use of proprietary information as well as attempts to reduce the overall expenditures by using the functionality of the entire systems requires readiness to build a strong information structure. This in turn requires such conditions to be ensured in which the management process analysis methods are clear, precise and unambiguous. Information should become the organisation’s resource, rather than remain the source of purely individual power.

Of vital importance is the response time, both when it comes to boundary management in the context of global supply networks, and with respect to production preparation aspects, or cooperation with customers with the use of IT. Overdeveloped boundaries and lengthy internal instruction distribution paths, coupled with the dependence on a multi-stage approval as a form of control have already lost their function. The exercise of control is possible only through learning and delegating responsibilities to employees at all levels in an organisation, as well by empowering lower tiers so that they can take decisions.
Therefore, a whole new meaning is added to such general concepts as value and organisational behaviours, which in practice tend to be underrated. Intellectual leadership becomes equally important as formal or visionary leadership. Information infrastructure and improved analytical methods may be the source of a lasting competitive edge. Sourcing talents and specifying the boundaries of the organisation’s competence, and cultural boundaries, may become a more important task than financial resources management. What appears indispensable is to ensure sensitivity to cultural diversity and its incorporation into the process of organisational culture formation.

The main driving force behind the accelerating rate of transformation in practical activities of organisations is the information technology. Technologies change the way tools are used, as well as the range of problems they can solve. In effect, managing becomes more and more complex and abstract. As the use of technologies becomes more and more frequent, the perceptions about the ways of using those technologies must follow that trend and change. Management work requires increasingly more knowledge and skills. According to McKinsey, 70% of jobs in Europe and 80% in the USA require high intellectual performance. There is also a growing demand for leaders who will offer a new view on the organisation’s operations. The skills of managers, notably top level managers, which have thus far testified to their professionalism, are subject to a stricter verification of how they are aligned with the competence boundaries in the organisation.

Qualifications from a specific industry and functional knowledge are high on the wanted list. Employees should however display a broader spectrum of assets, if they are to succeed in an evolving and highly competitive environment. For instance, Bill Gates from Microsoft pays utmost attention to how the “needed” people are sourced for his organisation. Every month, he receives over 10,000 CVs, but only 2% of the applicants are successful. To quote Bill Gates, he does not look for employees with strictly technical knowledge. An ideal candidate for Microsoft is a person with experience of new technologies, but also able to quickly master new habits and skills, helping him or her keep up with the change. Companies need creative people with knowledge of the market mechanics, the entrepreneurial spirit, and the ability to solve problems and act without specific instructions which limit the scope of their activities” (Chowdhery 2003).

Contemporary organisations require that their managers, rather than specific skills linked with a specific job, show a particular work attitude, a system of values or a specific mindset. To what extent the system of individual values
and perceptions of employees is aligned with the organisation’s culture is a vital indicator helping to predict staff fluidity, as well as effectiveness of an organisation.

For many employers, the primary evaluation criterion is to test the candidate for "learn-how" rather than "know-how" attitude. They argue that organisations need people capable of adapting their competences to the scope indicated by the organisation’s competence boundaries, and to such a level that will allow them to track changing technologies, adapt and improve their work (Hall 2008).

Thus far, organisations have required from their stakeholders experience and appropriate intellectual abilities, allowing them to transform information into knowledge and make reasonable decisions. If we look at problems generated by the omnipresent infrastructure and the impact of those technologies on work, then it turns out that we are still a long way from efficiently using those new instruments. J.F. Veiga and K. Dechant (2003), in their research on information technologies’ impact on work efficiency of mid-level American managers, have found that 58% of respondents argued that “information technologies did not make their life easier, but caused them to be busier than before”. Over 55% of the respondents said that the benefits of using information technologies were unreasonably overrated, while almost the same-size group of respondents claimed that it took them as much time to master new information technologies as was saved owing to their application. Half of the respondents subscribed for the view that information technologies lead in practice to an excessive information overload.

In order to avoid such problems, managers should reasonably approach the process of developing and applying ICT systems. They should become aware of the boundaries of their own competence, helping them to understand the emerging problems, analyse facts and take decisions. They must know where the employment of specific technologies is bound to produce good effects, and where it undermines work efficiency improvement.

7. Role of Organisational Culture

Harmonisation of actions within an organisation is achieved upon understanding by all stakeholders of the organisation’s mission, specifying the purpose of the organisation and indicating how the process of resources allocation proceeds within the organisation. Where the mission, the actual scope of the organisation’s operations and the system of behavioural models of the participants are consistent, an integrated organisational culture model
is formed, which determines the decision-making algorithm, providing a purpose to the stakeholder’s actions and being the primary reference in the decision-making processes. To what extent the system of individual values and perceptions of employees is consistent with the organisational culture model in place, determines the efficiency of the organisation’s operations (Nogalski 1998). Organisational culture so understood, being a set of standards and values which determine the way in which the organisation’s stakeholders behave, is a factor which sets a given organisation apart from others (Hofstede 2000).

The leader’s job is to continuously struggle with red-tape trends which stifle employees’ potential and undermine their willingness to share in change in the organisation. Contemporary leaders must be able to promote such atmosphere as is conducive to the development of the required skills and strive for knowledge, so that the stakeholders can participate in the decision-making processes concerning organisational resources allocation.

Defining boundaries from the standpoint of organisational culture therefore necessarily becomes the quest for an answer to the question about the purpose and method of organisation’s operation, and how it relates to views, ideologies, values, beliefs, expectations and standards shared by the stakeholders (Cameron and Quinn 2006). A change in the nature of the organisation and its cultural foundations is an extremely complex process. For the organisational culture change process not to reduce the organisation’s efficiency, managers need to take actions aimed at trust-building, increasing the participation level and involvement of all stakeholders. Instrumental in the success is therefore building an appropriate organisational culture, which can be compared to a gradually erected structure. From the standpoint of ensuring boundary consistency, the process corresponds not so much to a grand event, but rather to a set of minor projects which emerge in the process of the organisation’s adaptation to the challenges and changes in the environment in a longer run, and integrate stakeholders as well as form a desirable atmosphere within the organisation (Krzakiewicz and Cyfert 2011).

8. Transformation of Management Processes

The focus in management processes should be on extending the organisation’s boundaries, searching for new business development opportunities, and on radically changing the ways of customer support. Equally important is the mobilisation of the company’s strategic assets, that is employees, to search for such opportunities. Since the competitive advantage is achieved over
a relatively short period, it is important that, by changing the boundaries of its competence, the organisation is able to generate as many potentially effective business ideas as possible. The above should be followed by speedy verification and adaptation of the new concepts so that the best potential ideas can be translated into operating activities. The effort to extend the boundaries should be so intense as to allow a quick return on investment. To that end and by appropriately modelling project hierarchy boundaries, flexible project teams should be established in an organisation, whose members can carry out such tasks. If the above actions are implemented, the overriding strategic objective is no longer to defend the competitive advantage already gained, and the use of strategic human resources and the development of pioneering business areas increases in prominence.

The holistic view of business is of particular significance if the problem is relating to the changed business model, where the change involves extension of operational boundaries in the value added stream. This holistic approach, involving a gradual increase in the scope of knowledge, through continuous transformation and complementation of the big picture, ensures a speedier knowledge acquisition as compared with the conventionally Cartesian learning track, which stipulates that one first gets to know individual aspects, whose sum is the big picture. Whenever an issue emerges, one or several constituents of what went wrong are analysed, and subsequently follow-up actions are carried out to correct the identified dysfunctions, with results aggregation occurring only later. Future organisations will not focus on analysing reasons for the organisational constituent dysfunctions, but be focused on swift identification of a precise big picture of genuine business opportunities.

The management process may no longer rely on the assumption that there are rigid boundaries within organisations and that employees can be allocated to certain pre-defined positions within the organisation, that the organisation is a relatively stable entity, typically with a hierarchical structure of specific jobs. Quite the contrary - the employees will enjoy greater freedom in transferring within the organisation, forming teams or working groups which can be integrated to provide maximum synergy. Boundary modelling processes should be based on transferring members of an organisation so as to ensure efficient cooperation enabling the identification of new opportunities for the organisation’s development.

One of key aspects becomes the development of incentive schemes for teams, based on rewarding efficient actions which produce fast growth. When incentive schemes are developed, more focus should be on interaction between people
within teams, which is an acknowledgement the role of boundaries in the formation of new ideas and in ensuring a fast growth.

9. Summary

The configuration of boundaries of the organisation depends on variables of both internal and extraneous nature. In the process of boundary management, leaders undertake to transform the organisation's business model, position the organisation within the industry’s value creation chain, define resource allocation methods and the level of expected efficiency, as well as develop governance and control mechanisms. Boundaries impose certain operating conditions on the organisations but also create opportunities to develop, which means that adopting false assumptions on their configuration may frustrate the attainment of strategic objectives. Interactions between the strategy, the business model and the boundaries of the organisation, based on the feedback mechanism, follow a model in which every change in the environment which entails reformulation of the strategy should translate, through a business model, into the configuration of boundaries.

The relevance of the boundary management process should require leaders to find a certain optimum system of boundaries which facilitates sustainable development of the organisation, since non-sustainable organisations may either extend their boundaries too far and in consequence lose control of the organisation's operations, or, when the boundaries are not extended, the organisation may stagnate. The adoption of the above way of looking at the nature of organisations corroborates the claim that an appropriate system of boundaries both internally and in external interactions, is one of the primary building blocks of competitive advantage.

Since the concept of boundaries is multifaceted and variable, the process of managing boundaries is extremely complex and requires adoption of a systemic approach to improvement. It should be noted here that when defining the primary characteristics of boundaries and determining their impact on the organisation's operations, boundaries should not be treated as barriers or limitations. Rather, boundaries are mechanisms which ensure internal cohesion within the organisation and the required level of the organisation's adaptation to change in the environment, rather than factors which limit its development.
Summary

The paper notes the importance of the boundary concept in the organisation and management theory and practice and attempts at identifying the role of leaders in the organisation’s boundary management processes.

The starting point is the assumption that looking at an organisation as an open system which interacts with its environment validates a claim that an organisation’s success depends on the efficiency of such interaction with the environment, taking place across boundaries, which means that boundaries are not unimportant, peripheral components of the organisation management system, but rather its critical constituents, determining the ability to correctly define the organisation’s operations and behaviours of its stakeholders. This assumption required the consequent identification of the role of leadership in the boundary management processes. The paper discusses the role of leadership in the 21st century, the evolving competition paradigm, the impact of globalisation and diversity on corporate management, the role of organisational culture and management process transformation.

Streszczenie

W artykule, wskazując na znaczenie koncepcji granic w teorii i praktyce nauk organizacji i zarządzania, podjęto próbę charakterystyki roli przywódców w procesach zarządzania granicami organizacji.

Punktem wyjścia Autorzy uczynili założenie, że postrzeganie organizacji w kategoriach systemu otwartego, prowadzącego wymianę z otoczeniem, pozwala na wyprowadzenie wniosku, że powodzenie organizacji uzależnione jest od sprawności współpracy z otoczeniem, realizowanej przy wykorzystaniu granic, co oznacza, że granice nie są mało istotnymi, peryferyjnymi komponentami systemu zarządzania organizacją, ale stanowią jego krytyczną składawkę determinującą możliwość prawidłowego zdefiniowania aktywności organizacji i zachowań jej uczestników. Przyjęcie powyższego założenia pozwoliło na określenie roli przywództwa w procesie zarządzania granicami. W artykule odniesiono się do istoty przywództwa XXI wieku,
zmieniającego się paradigmatu konkurencji, wpływu procesów globalizacji i różnorodności na działalność kierowniczą, roli kultury organizacyjnej oraz przekształceń procesów zarządzania.

References