Middle Managers Face Squeeze As Firms Try New Structures

Genteel Class of Memo Writers Becoming Obsolete

By Sally Lehrman
Special to The Washington Post

About a quarter of the middle managers at a General Motors Corp. parts plant in Bay City, Mich., were given the golden handshake a few years ago. It wasn't anything they did. Just a sign of the times.

As cost pressures, competitive concerns and a wave of mergers convince companies to gut their middle management ranks, a revolution is taking place: a genteel class bred for meetings, memos and long lunches is dying. In its place are hands-on decision-makers with sharpened skills and broadened responsibilities.

"We are seeing new organizational forms," said Tom Peters, best known for his books "In Search of Excellence" and "Passion for Excellence." "I think we're really in the middle of something."

Executives, placement agencies and organizational experts say managers should brace for more upheaval and for lasting change as companies realize that the twin pressures of short-term profitability and new technology are making old styles of management obsolete.

"It's the combination of American companies that got fat, dumb and happy after World War II and the technology revolution," said Peters.

During the comfortable years, layers of management at utilities, insurance companies, retail giants and auto manufacturers swelled in corporate headquarters buildings.

"There was a whole gracious way of life. It was easy, resources were plentiful," said David Bowers, president of the management consulting firm Rensis Likert Associates in Michigan.

Today, boards of directors will toss out a president willing to tolerate an unproductive corporate elite, said Gerard Roche, chairman of the New York executive search firm Heidrick & Struggles.

"The action at the top is intense," said Roche, who attests that he helped recruit John Sculley for the chief executive slot at Apple Computer Inc. and Stephen Wolf for the chairmanship at United Airlines. "Directors and chief executives are very sanguine about saying, 'Joe's not doing the job, let's get in someone who can.' "

Roche said his clients are demanding a "results-oriented, bottom-line-oriented, profit person—who can turn things around without taking a lot of time or management structure."

Often, that means the new president gets

corporate elite, said Gerard Roche, chairman of the New York executive search firm Heidrick & Struggles.

"The action at the top is intense," said Roche, who attests that he helped recruit John Sculley for the chief executive slot at Apple Computer Inc. and Stephen Wolf for the chairmanship at United Airlines. "Directors and chief executives are very sanguine about saying, 'Joe's not doing the job, let's get in someone who can.' "

Roche said his clients are demanding a "results-oriented, bottom-line-oriented, profit person—who can turn things around without taking a lot of time or management structure."

Often, that means the new president gets his machete out, said Roche.

Not everyone agrees, but a growing number of management experts say the deep middle management cuts yield a vital, ener-

In the process, some middle managers find they have greater autonomy and influence.

When Philip Morris Companies Inc. took over General Foods Corp., the company consolidated a string of vice presidents' jobs into three division presidents—and vowed to clear out 2,000 middle managers. "Things got better," said one former West Coast general manager who later resigned after a dispute with his boss.

In some cases, the new autonomy has reached all the way to the factory floor, forcing middle managers to shed another traditional element of their jobs: surveillance of the work force.

Before the cuts at the GM parts factory in Bay City, "the production manager . . . sort of stood over the factory and cracked the whip," said plant manager Patricia Carrigan. Now, "hourly workers are monitoring their own time, authorizing their own payroll and setting their own vacations."

Changes like that turned the plant upside down when they were implemented at Carrigan's say-so three years ago. She put workers in charge of designing their own jobs, which included keeping track of their own cost and quality statistics. This year, the plant's productivity rate improved 8 percent and customer complaints about parts produced at the plant fell 60 percent.

At the same time, Carrigan slashed white-collar ranks through attrition and incentive programs. The jobs of those remaining are also very different today.

The worn carpet Carrigan was forced to replace in the comptroller's office underlines the change. The comptroller, who once kept close guard over costs, pricing and competitive information in a lonely office, now hosts a parade of hourly workers seeking material for proposals and analyses.

"Some managers had to change their style," Carrigan said.

The ranks of the middle managers haven't just collapsed because of tough-minded executives bent on cutting costs. Technology also has made such changes inevitable.

By making information abundant—and easily malleable—personal computers and various telecommunications instruments have collapsed the corporate hierarchy, organization experts say. Machines do the work of scores of managers who once spent their days translating, adjusting, amending and forwarding information layer to layer.

"Now you get to do all that and make a decision, too," said Carol Scott, associate dean of the University of California, Los Angeles graduate school of management.

style," Carrigan said.

The ranks of the middle managers haven't just collapsed because of tough-minded executives bent on cutting costs. Technology also has made such changes inevitable.

By making information abundant—and easily malleable—personal computers and various telecommunications instruments have collapsed the corporate hierarchy, organization experts say. Machines do the work of scores of managers who once spent their days translating, adjusting, amending and forwarding information layer to layer.

"Now you get to do all that and make a decision, too," said Carol Scott, associate dean of the University of California, Los Angeles graduate school of management.

The new breed of middle managers has learned that computers can make their jobs easier and improve communications between various areas of the company.

Factory managers, said Scott, discover

TOM PETERS
. . . "We don't need these people"

computer—I think powerful, wonderful, wise thoughts,' " Scott said. "Most people coming out of B-school . . . feel uncomfortable if they can't get their hands on the data themselves."

The information explosion will keep middle managers lean, according to many executives and organizational theorists, even though their ranks may fluctuate depending on such factors as the economy's health.

Some companies may cut too far, and some cut poorly, but overall the disappearing managers won't return.

"We literally don't need these people," said management guru Peters. "We needed them before the computer because we needed hordes of accountants to count things—we needed people to process information."

No industry or type of manager is safe, many experts believe, which already has raised concerns about where these people find jobs, if they do.

William deRecat, president of an outplacement firm bearing his name, said most of the orphaned employees find new jobs. Many start new businesses, perhaps offering consulting services in their old specialties.

According to deRecat, about 24 percent of the displaced managers he has counseled within the past three years found jobs in the finance, insurance and real estate sectors.

Another 22 percent moved into high technology, industrial or consumer products companies, and about 18 percent started their own business.

In fact, the widespread middle management layoffs are giving birth to a whole generation of entrepreneurs, said Eric Flamholtz, president of Management Systems Consulting Corp. in Los Angeles.

ment firm bearing his name, said most of the orphaned employees find new jobs. Many start new businesses, perhaps offering consulting services in their old specialties.

According to deRecat, about 24 percent of the displaced managers he has counseled within the past three years found jobs in the finance, insurance and real estate sectors.

Another 22 percent moved into high technology, industrial or consumer products companies, and about 18 percent started their own business.

In fact, the widespread middle management layoffs are giving birth to a whole generation of entrepreneurs, said Eric Flamholtz, president of Management Systems Consulting Corp. in Los Angeles.

"People have been successful in everything from deal-making assistance to technical advice," he said.

Others move to smaller companies that