

Oticon

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Document Version

Final published version

Publication date:

2002

License

Unspecified

Citation for published version (APA):

Holt Larsen, H. (2002). *Oticon: Career Development in a Project Based Organization - Think the Unthinkable*. Institut for Organisation og Arbejdssociologi. Handelshøjskolen i København. Working Paper / Institut for Organisation og Arbejdssociologi (IOA). Copenhagen Business School No. 2002.11

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Download date: 26. Sep. 2021



Working Paper

No. 2002.11

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- Think the unthinkable**

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Career Management in Non-Hierarchically Structured Organizations

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Introduction

This article deals with career development processes in Oticon, a Danish high technology company with approx. 3,500 employees of which 1,300 are located in Denmark. The company produces hearing aids and hearing care and is one of the world market leaders. The headquarters and production facilities are located in Denmark, whereas sales offices are found in most parts of the world. Oticon is part of The William Demant Holding Group of international companies which develops, manufactures and sells innovative and high-technology solutions incorporating micro-electronics, micro-mechanics, wireless technology, software and audiology. The Group operates in a global market. Its core business is hearing aids.

In 1990-91 Oticon underwent very extensive organizational changes which, among other things, introduced a project-oriented organization structure, an open office plan with mobile workstations, and a new paperless information system (Peters, 1992, Poulsen, 1993, Larsen, 1996, 1997, Larsen & Madsen, 1998, Soendergaard & Doejbak, 1998). These - and other organizational initiatives - have not only led to radical renewal of the firm but also fundamentally altered career development processes and employees' career opportunities.

In this article we present the organizational changes that started in the early 1990s, and the implications of these changes for career development. The case demonstrates how introducing new, innovative organizational structures and processes can affect career growth and advancement opportunities. The case shows the tie between organizational change and career issues, rejecting the traditional perception of career as an individual voyage in an organizational landscape. Oticon is a good example of what D. T. Hall (1996) called "The career is dead, long live the career" and the boundary career construct (Arthur & Rousseau, 1966). Key features of traditional career management like earmarking of management potential, formalized development programs, the use of promotions and organizational symbolism (e.g., privileges) etc. were simply not applicable in the "spaghetti organization" with no hierarchical structure, no traditional management positions, no high-flier program and not even an HR function. The nickname "spaghetti organization" reflects the complex, informal and almost anarchistic characteristics of the project organization, as it was initially implemented at Oticon. This is how "spaghetti organization" is defined by a project manager in the company: "The dynamic use of total work force mental capacity across professional borders in no formalized order."

The organizational changes were introduced by the CEO who was the driving force and principal change agent. The case shows how new ways of doing business can affect fundamentally the conditions for career management. Theory and practice do not provide much guidance on how organizations like Oticon can handle career management and development. In this instance, most

employees feel that the new flat, flexible organization structure and absence of bureaucracy and hierarchy is empowering. Some miss however the opportunities for pursuing a career by moving up a corporate hierarchy.

Background

The company was established in 1904 and is one of the world's largest producer of hearing aids. The headquarter, which is located in Copenhagen and has approx. 300 employees, is the topic for this case.

Being a fairly old, well established and fairly profitable company, the organization had by the mid 80's all the strenghts and weaknesses of traditional, hierarchical organizations including formal procedures, a conservative culture, employee loyalty and consensus-seeking (or conflict avoiding) behavior. Although the company had eventually achieved a position as the world's leading supplier of hearing aid, it faced up through the 80's increasing sales, financial and organizational problems:

- the top management team had an increasingly reactive and status quo maintaining way of managing the company
- top management put great emphasis on signaling consensus to the environment (including the board of directors), and thus supressing disagreement and differences in opinion
- the company was structured around three major functional areas which had only limited interaction and mutual communication
- research and development activities were suffering
- the company had great difficulties in establishing itself on the growing market for "in-the-ear" hearing aids, and focused too heavily on the more traditional "behind-the-ear" market.

The change process: Think the unthinkable

These problems escalated to a point where it was obvious that radical steps had to be taken. The first one was the recruitment in 1988 of a new CEO, Lars Kolind, who was given full responsibility for implementing the necessary changes in the organization.

After a 2-year period of rationalization and cost reduction, which reduced sales and administration costs by 20%, the newly appointed CEO suggested in early 1990 a very broad "package" of innovative and radical initiatives in organizational structure, job design, information technology and physical layout of the company. All these recommendations were described in a 7 pages memo, called "Think the unthinkable" which was written by the new CEO and distributed to all staff in March 1990. The suggested changes were:

- increasing competitiveness by utilizing human and technological resources in a more efficient way, hence reducing the overhead costs which at that time exceeded the actual production costs

- replacing a hierarchical job structure with a project based organization where each employee is involved in a number of (often cross-organizational and cross-functional) projects at the same time, and where each project is considered a "business unit" with its own resources, time schedule and success criteria
- abandoning traditional managerial jobs and attributing managerial authority to the project groups or the individual employee
- reducing drastically written paper communication by establishing electronic scanning of all incoming mail and introducing very comprehensive information technology systems, networks etc.
- facilitating physical mobility by creating an open space office where each person has a cart or trolley (i.e. filing cabinet on wheels containing the computer, the phone and a limited space for paper) which can be moved around in the office.

The overall objective - which was stated explicitly in the memo of the CEO - was increasing the productivity by 30% in three years. This explains the name of the development plan: "Project 330".

The plan was implemented in August 1991 when the headquarter was relocated to a building which had been especially designed to support the physical, organizational and technological flexibility of the organization.

Thus, in order to maximize the physical flexibility, a fairly big open space office made the free movement of the trolleys possible, and the coffee bars and the café (which is not supposed to be called a canteen) created extensive opportunities for informal exchange of information and experiences. The three floors were connected by a wide staircase where people unavoidable "bumped" into each other. (The elevators were only used by disabled persons or to move the trolleys from one floor to another and required a key from the reception).

Project teams became the basic organizing unit of the new organization. These teams had from 2-3 up to 20 or even 50 participants, and the project leader could choose *how* to achieve the agreed upon objectives of the project, and *who* should be a member of the team, as long as he or she met the project specifications (in terms of time, resources and quality). Everyone could in principle become a team leader, provided he or she had the necessary technical and leadership skills.

Strong emphasis was put on providing abundant facilities for information technology, and to speed up the employees' familiarity with the computers, all staff was equipped with a computer at home. All incoming mail was delivered to one particular room where the employees came to read it. All important mail was scanned into the electronic information system, after which the paper was shredded. Written communication within the organization was almost exclusively computerized.

Finally, funds allocated to research and development were tripled. The reason for this was partly an emphasis on the quality based, upper part of the hearing aid market, partly a strategic decision to focus increasingly on the small "in-the-ear" hearing aids. This in itself represented a huge technological challenge, as it is much more difficult to obtain a satisfactory sound quality in the tiny "in-the-ear" hearing aids.

A number of symbolic acts and psychological elements supported the change process:

* The CEO stressed clearly and frequently that most of his ideas about managing an organization came from the boy scout movement which he is - and for a long time has been - involved in. This philosophy implied (in the company) that work was driven by personal motivation and enthusiasm as well as willingness to share knowledge and work as a team across borders

* The CEO had no office himself, but moved around when appropriate with his trolley like any other employee.

* The paper-shredder in the mail-room was connected to a transparent tube which passed through the building, including the café. The symbolic effect of seeing all the shredded paper when you passed the tube or had lunch was quite noticeable. The tube – which is still kept as a cultural artifact – signified a liberation from written communication, as well as the speed and agility of electronic communication. In addition – and somewhat paradoxically - it also institutionalized the belief in the strength of oral communication, negotiations and agreements. Paper was replaced by either e-mails or handshakes, so to speak.

The project organization implied that there were hardly any middle managers left. Top management decided which projects should be started up and who should be the project leaders, but the project leaders had (and still have) the responsibility for managing resources, outcome, budget and time table for their own project. Any staff member was encouraged to put forward project proposals. A number of senior specialists (mainly middle managers from the "old" organization) were given a role as "centers of technical expertise", but did not have a managerial role in a traditional sense and did not have any subordinates. In principle, it was a two-layers organization (consisting of the management team and "the rest" – consisting of all employees regardless of the way in which they were involved in projects and/or were technical experts). As a consequence of the organizational design, titles and job descriptions were abandoned. The fact that all employees could in principle become project leaders meant that a project leader for one project could be an ordinary member of other project teams.

The human resource responsibility was undertaken partly by the project leaders, partly by a number of coaches. Each employee appointed a coach for himself or herself. The coach could only turn down the request if he or she was already the coach for a fairly large number of employees. In addition, all the project team leaders, for whom a specific employee worked at any given time, had - collectively – the responsibility for certain HRM issues like salary adjustment, performance management etc. So, in short, the organization had three "managerial structures": project team leaders, functional experts and coaches.

Hence, the traditional managerial hierarchy has been replaced by three types of roles:

- project managers (which the overall responsibility for projects)
- senior specialists (being centers of professional expertise in functional areas)
- coaches (performing a mentor and other HR related roles).

None of these replace the hierarchical structure, but they support – jointly, but from three different corners – managerial processes of the organization. This meant in practice that you as an employee went

to the the project team leader(s) if you had a problem with the project, you went to the expert if you had a technical problem and you discussed career plans with your coach. The three underlying parameters (project structure, functional expertise and emphasis on human resources) were seen as the most vital competitive factors of the organization.

Evaluation of the organizational changes

In general, the radical changes in organizational features led to a successful integration of audiology, psychology and technology. The success can be attributed to the following factors:

- there was "room for improvement" in the organization when Project 330 was launched
- the board of directors gave the new CEO almost complete freedom of action
- the organization itself felt a strong need for change
- the changes were implemented in a radical and immediate way
- the existing organization was consolidated (by cost cutting rationalization), before the radical changes were initiated
- a common set of values were explicitly dealt with and accepted
- the organizational change affected mainly the organizational core
- structure, organization and technology were changed at the same time
- the new culture got a chance to become established before further changes were implemented
- a consolidation of the achieved changes and results created a new balance.

(Poulsen, 1993).

The "quiet revolution" was generally met by enthusiasm (or in few cases resignation) by the employees. The top management team of the old organization was eventually replaced or internally re-deployed (which would probably have happened in any case). Almost all staff was brought into the new organization. Hence, it is noteworthy that the "revolution" was done with and through the already employed people and not – which probably would have been done in some other cases – by replacing the previous employees by "new blood". In the years to follow the turn-around, there were only few resignations and the turnover rate has remained very low. Due to the (increasingly) fast growth of the company, the numbers of employees has gone up considerably during the years.

Today, overall management ideology and practice has largely remained the same, but a number of specific changes have been made. The project organization has been "professionalized" in the sense *that* fewer people are now assigned as project team leaders, *that* it has become a proper career path, and *that* a training program in project management has been launched – all making it more selective

and exclusive to become a project manager. The role of functional experts has been preserved, but has developed into more traditional business units or staff functions. The ambition of creating a "paperless organization" has proved to be too idealistic, so there is lots of paper in the organization – albeit probably less than in comparable organizations. The coach role has been preserved, but the company has got a proper HR function and HR director. The actual HR responsibility is, however, (usually) assigned to the project team leader – hence strengthening this role even further. Lars Kolind, who initiated the radical changes in 1990-91, resigned in 1998 and was replaced by Niels Jacobsen, who had been with the company from 1988 and "co-managed" the company with Lars Kolind until Kolind resigned.

In the next section, we will look at the consequences for career.

Career development = f(challenge, responsibility, project management, visibility, prestige)

As mentioned above, Oticon is "violating" all prerequisites of traditional career management. Vertical hierarchical progression does not exist; nor does titles, fast track program, internal management courses, succession plans etc. The possibilities for career development in Oticon are closely linked to the work situation in itself. The opportunities for development on the job, challenge, influence, and responsibility are enormous. Studies show (Larsen, 1997) that, generally, there is great satisfaction with these features even though not everyone feel they have had the opportunities for development that they would have liked. Career development is not just a question of the challenges and the responsibilities one holds. It is also a question of whether one is involved in project management, is visible to others, and enjoy a certain amount of prestige. ("Prestige" is not meant in a hierarchical sense, but being involved in prestigious projects). Generally speaking, career development for most people requires "more of everything" in that success seems to be measured by factors such as range of responsibility, budget, closeness to the top management, which part of the organization one belongs to, and personal status. Power is a matter of personal achievement, not formal roles. Possessing knowledge means power – if it is utilized and shared. Monopolizing knowledge and preventing dissemination of information is weakening the power base of a person, rather than strengthening it.

Some employees react very positively to this, while others do not. As one interviewee expressed it (in Larsen, 1997): "My guess is that for approximately half of the employees, the concept of a career has little meaning. That is, they are not worried about their career advancement. The other half do worry about this. Half of them probably think that there are too few career opportunities in the company. They have trouble understanding or accepting that a career in Oticon means something other than advancement along a traditional organization hierarchy. They feel uncomfortable with the "informal career scoring board" of who gets on what projects, who has the most personal influence, and who is most visible to the top executives." Traditional criteria for managerial success don't exist, and there are not many status symbols and material trophies to show off (e.g. to the surroundings). You can't use titles, size of the office or restricted access to information as signals of status, because there are no titles, no individual offices and information is free-floating.

Oticon is a text book example of the learning organization. The possibilities for professional and personal development are proclaimed to be - and *are* to a vast degree indeed – unlimited, and if one knows how to exploit these opportunities, he or she is able to develop competencies that are valued

by the organization. However, what in principle is an arena for professional, personal and managerial development, is seen by some as unclear roles and decision making processes, lacking systematization and plans - or maybe even anarchy. Some feel that vagueness and the lacking planning are not only inescapable consequences of the chosen way of organizing the company. Rather, they are part of, maybe even the catalyst for, the learning process! Others point out that limited learning possibilities create lagunas of unexploited resources, causing insecurity and competitive, aggressive behavior. What for some is "the good career" entailing individual, flexible personal development possibilities, become a struggle, a limitation and a barrier against development for others. Project management is not a viable career ambition for these individuals.

Career development in Oticon is (just as in other companies) widely characterized by social processes. Personal contacts and a well-functioning network may be of even greater importance in Oticon than in other companies. Personal contacts are critical to get a good project idea accepted or to become part of a desirable project team. Albeit there is no proper hierarchy, the mere fact that there is a top management team means that there is a platform for approving and launching new projects. However, the project structure and importance of networking fuel aggressive, competitive "You must have a lot of self-confidence in order to make it here," as one person expressed it.

Possibilities and limitations

In short, the case shows how the "old" Oticon got into trouble, despite (or because of?) its market success up until the 70s and early 80s. It shows, how organizational and technological changes are intertwined, and how important it is to have a precise strategic outlook when initiating a turn-around process. It shows how a knowledge based organization can reveal previously untapped human resources by changing working conditions, job content and managerial style. And it shows, how one individual (the CEO) by his own value system, his visible behavior, his trust in people and his courage to experiment got the company into a good shape.

From the outset, the belief in the strength of the organic, flexible project management ideology was almost unlimited. In this democratic form of management, in principle everyone has a chance to become project leader and serve as a team member in other project. However, it turned eventually out that some projects were viewed as more important than others. Also, some projects were more successful than others, in terms of how well the team members worked together and what the outcome of the team effort was. So employees competed with each other to be part of the projects they perceived as most desirable.

Also, there was – after the first few years – a growing recognition that project management was simply not professional enough. It could not be handed out as a "democratic commodity" to become a project manager. This led – as described above - to an intensive project management development program and a closer screening of who were assigned to become project managers. The roles of project managers were spelled out, a systematic selection procedure for project managers was implemented, courses in project management were conducted, and external recruiting of people with project management experience was introduced.

The professionalization of project management (and managers) is illustrating how Oticon is deliberately stressing the largest possible distance to traditional concepts of management – and at

the same time sneaking elements of traditional management in through the backdoor. As one employee expressed it: "Employees can't speak openly about management development and about moving up in the hierarchy. Traditional management views have become practically taboo. However, traditional management problems still exist." Another person said, "Oticon *does* need management, but it is odious to speak of management". Others speak about "the hierarchy that isn't there, but naturally is there anyway". And: "Functional managers - well, we don't call them that, of course, we call them technical specialists for development and economy and marketing etc., but in fact they are function managers".

Employees have mixed feelings about the consequences of this for career. On the one hand, some find it pleasant not to have to compete for limited promotions. On the other hand, some find this frustrating in that there are few obvious ways to advance in the company.

So, there are pros and cons to a spaghetti style organizational structure when it comes to career development. The "unthinkable" proved to be not only thinkable but also realistic and successful. The firm showed that it could be financially successful and have an exciting, dynamic organization at the same time, hereby disconfirming pessimistic views that the "revolution" would take place at the expense of business success. However, many modifications of the radical organizational design have been made. For instance, the idea of the movable workstations was realized, but the physical setting (trolleys which can be moved) is only changed a couple of times a year now - not several times per day, as it was initially envisaged. Project groups have been retained but are now supported by a professional project management organization. The "free and equal" access to projects still exists, but a discreetly informal "project hierarchy" and personal status variations send (in)visible signals about where to turn in order to tap resources and secure good tasks. The vision and the fundamental human values regarding the employees are still unflagging, but have been revised, so the values now are supported by statements listing the obligations for management as well as the individual employee (see Table 1). The nearly religious conviction that management should not be personified and hierarchically rooted is undiminished, but some employees experience unsatisfactory career development opportunities. The company maintains that every employee - despite education, job assignments and position in the organization - has a career and may shape a career, but still a minority of employees consider themselves to be placed outside the Oticon mainstream. This is partly caused by the "survival of the fittest" culture of the company which is to the benefit of people who can and want look after themselves and make a difference. "Survival of the fittest" means that opportunities are not served to you on a plate, but have to be found and gained. Career success is exclusively a matter of your ability to create your own career path, not just follow a path which has been established by the organization. Communication channels are not clearly marked roads through the landscape - you have to find your own path. Systems, procedures and reporting are kept at a minimum - so you have to search information, reflect and act yourself. Power bases are earned, not given to you, and are based on knowledge, initiative and the capability to employ oneself. If career is defined as the subjective perception and interpretation of development opportunities, challenges and work achievements, Oticon is a superb career environment. In contrast, the company does not cater for and does not meet the expectations of people with hierarchical career ambitions. These are not catered for in a spaghetti organization like Oticon.

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Oticon's Management Philosophy

Oticon's fundamental human values	How do we implement them?
We assume that Oticon employees want to take <i>responsibility</i> if they get the opportunity.	Whenever possible (especially within a project), an employee chooses his tasks, work hours and place of work.
We assume that Oticon employees want to develop and <i>grow in their jobs</i> and experience new challenges within the company.	We make it possible for an employee to assume several tasks at the same time, if he is interested and qualified - possibly with the support of colleagues.
We assume that Oticon employees want the greatest possible <i>freedom</i> , but at the same time accept the necessity of having a clear and structured <i>framework</i> - chiefly in the form of an accepted strategy and approved plans.	This freedom is possible because Oticon has the fewest rules possible, and because we encourage the staff to use their common sense instead of slavishly complying with the rules.
We assume that Oticon employees want to have qualified and <i>fair</i> feedback to their work and a salary corresponding to their contribution.	All levels of management - technical, staff and project managers - should give honest feedback to their employees - negative as well as positive. All employees participate in an annual talk with their mentor. When adjusting salaries, Oticon considers the evaluations of relevant project and technical managers, to achieve a fair salary assessment.
We assume that Oticon employees want to be <i>partners</i> in Oticon, and not adversaries.	At intervals, we offer the staff Oticon shares at a favorable rate so that they benefit financially from the success to which they have contributed.
We assume that Oticon employees want the <i>security</i> that derives from improving themselves in their current jobs so that they are able to get another job if they - for one reason or another - should leave Oticon.	We make it possible for staff to improve themselves in their jobs and to assume other tasks in the company wherever relevant. We expect employees to take the initiative and to be willing to make an effort - possibly by participating in courses in their spare time.
We assume that Oticon employees want to be treated as <i>grown-up, independent people</i> .	Oticon's entire way of operating is based on this.
We assume that Oticon employees want to <i>understand</i> how their own tasks fit into the <i>context</i> of the whole company.	Oticon is an open company where all employees have access to as much information as possible. The limits are set partly by the data protection law and partly by the fact that certain pieces of information are so sensitive that we cannot run the risk of them getting into the wrong hands. When Oticon is quoted on the Copenhagen Stock Exchange, we shall have to respect the stock exchange rules of conduct, which set limits to openness concerning certain types of information.
We assume that Oticon employees are more interested in challenging and exciting tasks than in formal status and titles.	We have a minimum of titles and no formal career planning. We seek, however, to give each employee the possibility of personal and professional development through varied and ever more challenging tasks.