

# THE BOUNDARYLESS ORGANIZATION

**BREAKING THE  
CHAINS OF  
ORGANIZATIONAL  
STRUCTURE**

**RON ASHKENAS**

**DAVE ULRICH**

**TODD JICK**

**STEVE KERR**

*"A very important contribution to the emerging thinking on preparing for competing in the future."*

—C. K. PRAHALAD, coauthor of *COMPETING FOR THE FUTURE*

---

# The Boundaryless Organization

Breaking the Chains of  
Organizational Structure

---

Ron Ashkenas

Dave Ulrich

Todd Jick

Steve Kerr



JOSSEY-BASS PUBLISHERS / *San Francisco*


Copyright © 1995 by Jossey-Bass Inc., Publishers, 350 Sansome Street, San Francisco, California 94104.

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the publisher.

Substantial discounts on bulk quantities of Jossey-Bass books are available to corporations, professional associations, and other organizations. For details and discount information, contact the special sales department at Jossey-Bass Inc., Publishers. (415) 433-1740; Fax (800) 605-2665.

For sales outside the United States, please contact your local Simon & Schuster International Office.

Jossey-Bass Web address: <http://www.josseybass.com>

 Manufactured in the United States of America on Lyons Falls Pathfinder Tradebook. This paper is acid-free and 100 percent totally chlorine-free.

#### Library of Congress Cataloging-in-Publication Data

The Boundaryless organization : breaking the chains of organizational structure / Ron Ashkenas . . . [et al.].

p. cm.—(the Jossey-Bass management series)

Includes bibliographical references and index.

ISBN 0-7879-0113-X

1. Organizational change. 2. Industrial organization. 3. Interorganizational relations.

4. Partnership. I. Ashkenas, Ronald N. II. Series.

HD58.8.B675 1995

658.4'063—dc20

95-18791

FIRST EDITION

HB Printing

10 9 8 7 6 5 4 3

# FOREWORD

---

by C. K. Prahalad

Building a high-performance organization, especially in a volatile business environment, is a worthy, if elusive, goal. With the dramatic changes in the business environment in the last decade—deregulation, disintermediation, new technology and growth of information technology, global competition, shifting customer expectations, and the emergence of new markets in Asia—old ways of doing business are becoming less and less relevant. The new business environment imposes new demands on managers. They have to engage in a fundamental reexamination of strategies, both at the corporate and at the business levels, as well as reassess the capabilities of their organizations to execute the new and often complex strategies. Most managers have little appetite for either fundamentally rethinking strategy or creating radically new organizational capabilities. Both tasks require a capacity to forget as well as a capacity to learn; they require tools for honest assessment of where one is and a capacity to conceive where one ought to be. The process of reexamining and reinventing

the company demands a new organizational theory and, at the same time, a critical evaluation of the limits of existing theory. It requires the capacity to think long term and, at the same time, create the financial and the organizational space for change through efficiencies. It is the appetite for this process of reexamining and reinventing that will separate the builders (leaders) from caretakers and the undertakers (managers and cautious administrators).

## The Search for High Performance

Under pressure for performance in a changing competitive environment, managers seem to gravitate toward improving the efficiency of existing organizational arrangements and implementing existing strategies. This is “doing what I know” better. Hence, the current managerial preoccupation with “implementation.” However, in different companies, a focus on implementation means different things, from downsizing to reengineering to various forms of “cultural change” programs. In the absence of clear guideposts, we see a wide proliferation of tools and fads that promise a simple cure-all. Yet the evidence is that even very popular implementation tools such as reengineering have not been unqualified successes. Moreover, all these initiatives consume an enormous amount of organizational energy.

The need for a comprehensive framework, a theory, to sort out fads from useful initiatives is obvious. Managers building a high-performance firm need a framework that enables them to evaluate initiatives, sequence them, and recognize the risks and time frames they involve. Managers building a high-performance firm must start with a point of view about the building blocks that contribute to the firm.

*The Boundaryless Organization* provides an excellent start to the process of discovering the essential building blocks of organizations that can cope with the complex strategies needed in the future. Implicit in the message of this book is the strategic imperative of competitive success: traditional notions of efficiency, such as quality of asset management, are not enough. We need to go beyond them and develop a new managerial scorecard.

# From Asset Management to Resource Leverage

Beset by the new competitive reality, firms typically start to focus on better asset management (reduction of working capital) as well as on reduction of investment requirements by selective outsourcing. However, vitality in the medium to longer term comes not from asset reduction but from resource leverage. Managers must be able to get a bigger bang for the buck, better commercial results from the infrastructure in which they have invested. The brands, patents and technology, global supply base, physical infrastructure, and competencies that the collective and shared learning of the organization represents—that is, the physical and the invisible, intellectual resources of the firm—need to be leveraged. The reusing of intellectual assets to create new businesses and new sources of competitive advantage is a process of discovering hidden wealth and requires a new management process. *The Boundaryless Organization* implicitly accepts the need for resource leverage. The authors suggest four dominant themes that are critical to such leverage: speed (not size), flexibility (not rigidity, often disguised as role clarity), integration (not specialization), and innovation (not control).

Most often, the reason managers do not move beyond asset management to resource leverage is that the latter requires new ways of managing. The essence of such leverage is learning, sharing knowledge, redeploying knowledge, and bundling physical and intellectual assets in new and creative ways. Therefore, the capacity to transcend current administrative boundaries is a critical precondition for resource leverage. That boundary spanning, or creating of “boundaryless” behavior, is the substance of this book. *The Boundaryless Organization* is about the “how” of strategy.

## Creating the Organization of the Future

Basing their findings on their extensive experience in working with senior managers of some of the best-known firms, the authors identify



four essential boundaries to be spanned. These include hierarchical levels (breaking the tyranny of the vertical, status-driven boundaries), interunit divisions (breaking functional, business unit, and other horizontal boundaries driven by specialization, expertise, and socialization), barriers between internal and external organizations (breaking the boundary between the customer and the organization), and finally, global differences (breaking the boundaries between geographic markets and cultures). In large, well-established organizations such as GE, General Motors, Sears, IBM, and others, each one of these boundaries was an integral part of the management process. Call them bureaucracy, internal governance, or administrative heritage, these boundaries were real, and implicitly defined the range of competitive options available to each firm. It is no surprise, therefore, that these organizations were unable to adapt speedily to the changing competitive realities. A lack of organizational capacity to reconfigure physical and intellectual resources in new and creative ways—not as resources per se—had become their primary source of competitive weakness. GE was one of the first to realize the suffocating effects of the traditional boundary-based approaches to managing, effects that inhibited the organization's ability to leverage resources. GE initiated a process for systematically creating a "boundaryless" organization. The authors' experience is derived significantly from their work on this process, initially at GE and subsequently at other firms as well.

Boundaryless behavior is not about eliminating all administrative procedures and rules. It is about reducing the threshold of pain when creating new patterns of collaboration, learning, and productive work. It is about removing the restrictions, real and imaginary, imposed on individuals and teams by formal structures. Boundarylessness is about boundary spanning; it is about substituting permeable structures for concrete walls.

*The Boundaryless Organization* is organized in a user-friendly manner. The authors follow a simple structure to articulate their complex message about each of the four boundaries. They describe:

1. A logical reason for the need to reexamine the effects of a specific kind of organizational boundary (for example, vertical boundaries, or the hierarchy).
2. A method (an instrument) with which you can assess the state of your company along this dimension (for example, how hierarchy-bound your organization is).

3. A brief history of how this kind of boundary evolved. What were the theoretical underpinnings behind the organizing idea?
4. The consequences of the condition. When does an organizational practice become a pathology? (For example, hierarchy-based management was fine in slow-moving businesses, but in businesses that need quick response time and flexibility, hierarchies can become pathologies.)
5. The steps that can be taken to break old patterns and create the new patterns of boundaryless behavior (for example, creating a shared mindset).
6. The benefits to the organization from this approach.

Two themes dominate the book. First, creating a boundaryless organization takes time and perseverance. It takes repetition. It takes small acts, symbols, course corrections, coaching, and celebrations. It is not without pain. It takes training. It should involve all people in the organization. Most often, these simple and, at the same time, profound lessons are not well understood by leaders. Reinventing the company is not about a single initiative; neither is it an off-line activity. It is on-line, involves multiple initiatives, and is cumulative.

The second theme is that success in current business is critical to provide necessary space and confidence to the organization. Focusing on business results is critical as a management group attempts to reinvent itself. Change not anchored in business results is likely to drift. Strategy provides the anchor and the rationale for reinventing the company.

These two underlying themes, so often missing in books on change and transformation, make this a book for line managers as much as a guide for HR professionals. The focus is on general management in a changing marketplace.

*The Boundaryless Organization* is a very important contribution to the emerging thinking on preparing for competing in the future.

Ann Arbor, Michigan  
July 1995

C. K. PRAHALAD  
Coauthor of *Competing for the Future*  
Harvey C. Fruehauf Professor of Business  
Administration and Professor of Corporate  
Strategy and International Business  
Graduate School of Business Administration  
University of Michigan



# FOREWORD

---

by Lawrence A. Bossidy

Nobody argues anymore with the notion that what it takes to succeed today is radically different from what it took yesterday and that tomorrow's success factors will be different as well. The speed of changes in the global market in an age of accelerating technological innovation means that there are no longer any certainties. New products and competitors emerge almost overnight, and the half-life of market strategies shrinks almost daily. It is the kind of environment in which great companies can be humbled very quickly—but where nimble, creative, and courageous organizations can thrive as never before.

To succeed in this environment, leaders need to rethink the traditional ways that work gets done. Whoever can contribute value—whether he or she is production worker, middle manager, specialist, vendor, customer, or senior executive—needs to be encouraged to collaborate with others and make things happen, without waiting for some central authority to give permission. The old questions of status, role,

organizational level, functional affiliation, and geographic location, all the traditional boundaries that we have used for years to define and control the way we work, are much less relevant than getting the best people possible to work together effectively.

For many organizations, this concept of boundaryless behavior sounds threatening and risky. After all, it means transferring decision-making authority away from executives and out to frontline workers; it means listening to customers and changing our products and delivery systems to meet their needs; it means forming partnerships with suppliers rather than just telling them what to do; and it means establishing coalitions with other parts of the company rather than defending turf. And when all this is taken together, it means that the role of manager, executive, and leader changes drastically—from controller and authority figure to stimulator, catalyst, cheerleader, and coach. So it is not an easy shift. However, in the environment of the 1990s and beyond, making such a shift is no longer a choice.

For the past four years at AlliedSignal, we have been working to make this kind of boundaryless transformation, not only in our management team but throughout the company. It has not been painless or easy. Nor is the transformation complete. We still get hung up on titles, status, roles, rules, functions, and geographic differences that divide us rather than bring us together with each other and with our customers. But by becoming more boundaryless, we have been able to establish and achieve new standards of excellence for today. And most importantly, we are far more capable of succeeding in an unpredictable future.

If your organization is ready for this kind of transformation, *The Boundaryless Organization* will provide a simple but provocative framework either for getting started or for accelerating the pace. I will be asking all of our managers to read it, to learn from the rich cases that it contains, and to use the tools that might be helpful to them. But make no mistake, this is not a cookbook or a how-to guide. Too many managers today are looking for the quick-fix elixir that will make them winners overnight. It does not exist, either in this book or elsewhere. The authors of *The Boundaryless Organization* rightly argue that we do not need new buzzwords about organization but new ways of thinking about our organizations. As such a new way of thinking, this book is

not a solution but a set of ideas that should cause all managers to rethink how they get work done.

In the final analysis, there is no substitute for your own creativity and leadership, for your creation of your own boundaryless agenda. And that is the uniqueness of *The Boundaryless Organization*. It is not a prescription but a challenge. It is up to you to take advantage of it.

*Morristown, New Jersey*  
*July 1995*

LAWRENCE A. BOSSIDY  
*Chairman and Chief Executive Officer*  
*AlliedSignal Corporation*

# PREFACE

---

This book grew out of our experiences with one of the largest and most ambitious organizational change efforts ever attempted, the GE Work-Out process. Late in 1988, Dave Ulrich was asked by Jack Welch, chairman and CEO of General Electric Company, to pull together a team of academics and consultants who could help GE engineer a major transformation in the way it did business. Among others, Ulrich enlisted Ron Ashkenas, Todd Jick (then at Harvard University) and Steve Kerr (then at the University of Southern California). For the next several years, all of us worked intensively with a variety of GE businesses to reduce bureaucracy, speed cycle times, and create increased capabilities for change. Periodically, we met with others involved in Work-Out to share experiences and learn from each other.

It was at GE that we first heard the term *boundaryless organization*, an integrative theme that Jack Welch began using in 1990. At first, we were not sure what the boundaryless organization meant and feared it

might be just another slogan or buzzword. But over and over again, throughout GE, we stumbled on aspects of the boundaryless theme. For example, in the early days of Work-Out, we conducted hundreds of "town meetings," where managers were asked to hold direct dialogues with their employees, and we saw how difficult it was to overcome the vertical boundaries between managers and their people. At the same time, we began to see the disconnections, the horizontal boundaries, between functions and departments.

As Work-Out progressed and the vertical and horizontal boundaries became increasingly more permeable in GE businesses, we began to focus on relationships between GE and its customers and suppliers, the external boundaries. Dave Ulrich already had written extensively on how human resource practices could create greater customer commitment. Building on these ideas, we began helping GE businesses hold town meetings with customers and suppliers. Todd Jick conducted the first one, between GE Appliances and Sears, and it was followed by many more.

By 1991, we also were looking at global linkages, as GE businesses shifted from domestic to truly worldwide concerns. For example, Ron Ashkenas took part in an extended effort to integrate GE Lighting's domestic business with its European acquisitions, including its new Hungarian partner, Tungsram Ltd., the first major acquisition of an Eastern Bloc company by a Western concern.

By 1992, we realized that GE was engaged in a fundamental paradigm shift that encompassed altering multiple organizational boundaries simultaneously. With that shift in mind, Kerr, Jick, and Ulrich began creating a conceptual framework that would shape managers' understanding of the boundaryless organization and what they could do to achieve it. This framework became the GE program known as the Change Acceleration Process (CAP). Since 1992, hundreds of GE managers and many of their customers and suppliers have utilized CAP to break down boundaries of all sorts.

By 1993, we realized that the boundary-breaking issues facing GE were becoming universal. More and more organizations were struggling with new structures and processes meant to increase fluidity across boundaries. Yet most firms lacked a working model for thinking about those issues comprehensively. They were attacking boundaries piece-

meal with a variety of strategies. Thus, we decided that the insights we had gained from GE and from dozens of other organizations could form an action framework with general applicability. To make the framework useful, we set out to create not only a conceptual model of the boundaryless organization but also a set of simple tools that managers could tailor to their individual requirements to help them implement boundaryless change. *The Boundaryless Organization* is the result.

We want to emphasize that the framework we have created is not based on GE, nor is *The Boundaryless Organization* a book about GE. Since GE has been a leader in creating a boundaryless organization and has been a formative learning site for all of us, we have drawn on its experience and a number of GE examples. However, we also have drawn on the learnings and insights of numerous other organizations, and GE examples constitute no more than 10 percent of our examples. Further, although Steve Kerr is currently a GE executive, this book was largely written while he was on the faculty of the University of Michigan. Thus, the GE view represented in this book comes solely from the external consulting perspective.

To make the information in *The Boundaryless Organization* easily accessible, we have organized the book as follows. Sections devoted to vertical, horizontal, external, and geographic boundaries describe how these barriers both help and hinder organizations and how managers can permeate them or break them down where necessary. Detailed examples from many organizations show the real difficulties that boundaries cause in today's businesses and the practical solutions that managers and consultants are currently applying. Brief questionnaires assist executives, managers, and their teams to evaluate their own organizational boundaries, need for change, and readiness for change. Finally, our concluding chapter is designed to help executives examine the nature of their personal boundaries and identify the specific leadership challenges they will meet as they take their organizations into the twenty-first century.

Since organizations of all sizes have boundaries that increase costs, slow production, and stifle innovation, our model and related tools for loosening and permeating boundaries can be used by executives and managers in large, midsized, or small businesses of all kinds. And since all levels of management affect how organizational boundaries operate,



and since those boundaries in turn affect the work of everyone in an organization, managers at any level can apply appropriate selections of the tools we describe.

We realize that changing the nature of organizational boundaries is a challenging task. *The Boundaryless Organization* was written to make that task a little easier.

## Acknowledgments

Many contributors helped us transform this book from an embryonic idea to a finished product. First and foremost are the many clients and management colleagues who asked us to work alongside them in breaking down boundaries and who were willing to share their experiences in this book. It is always easier to give advice from the outside, knowing that others have the ultimate responsibility for implementation and for dealing with the consequences. We have immense respect for the organizational pioneers and leaders noted in this book and for the countless other managers who have trusted our ideas and valued our experiments. We have learned much from them. Credit for results is all theirs. Any inaccuracy regarding their stories is our responsibility.

A number of consultant colleagues also helped to make this book possible. In particular, several members of Robert H. Schaffer & Associates provided cases and read drafts of the manuscript, including Keith Michaelson, Suzanne Francis, Harvey Thomson, Matthew McCreight, Robert Neiman, Nick Craig, Rudi Siddik, Elaine Mandrish, Harlow Cohen, Richard Bobbe, and Nadim Matta. Matta also created much appreciated first drafts of several of the self-diagnostic questionnaires. Robert Schaffer provided not only cases but also general wisdom about the persistence needed to complete a book. Sumantra Ghoshal, now of the London Business School, offered insights and encouragement during Todd Jick's two years of on-site research and teaching at INSEAD about what globalization really means. Wayne Brockbank and Dale Lake, both at the University of Michigan, and Warren Wilhelm of AlliedSignal also provided invaluable feedback.

Jossey-Bass editor Sarah Polster was the first to recognize that the concept of the boundaryless organization could be expanded into a management book. Through many months of rough drafts, she maintained her belief in our ability to create a good book, always reminding us that “there’s a book in there somewhere.” We hope readers will agree with her assessment.

To produce the final draft, we relied heavily on Rick Benzel, our development editor, surrogate writer, and sometime conscience. More times than we care to remember, Rick took our collective thoughts and structured them, helping us convey them clearly and concisely. We owe him an enormous debt of gratitude.

Emilieanne Koehnlein, administrative assistant at Robert H. Schaffer & Associates, was also critical to our project. She provided word-processing support for the entire manuscript, pulling together multiple documents in different formats, tracking down all of the endnotes, and generally keeping the project together. We could not have completed this book without her. We also wish to acknowledge the contributions of Ginger Bitter, who provides administrative support for Dave Ulrich.

Finally, in any project that requires work beyond the already overstretched boundaries of professional life, families are the real heroes. For all their unconditional support, despite our many missed evenings at home and our weekends away, we wish to acknowledge and thank our wives and children: Barbara, Eli, Shira, Ari, Wendy, Carrie, Monika, Michael, Rose, Zoe, Adina, and Mary Ann.

We promise not to do it to you again without asking.

July 1995

Ron Ashkenas

*Stamford, Connecticut*

Dave Ulrich

*Ann Arbor, Michigan*

Todd Jick

*Cambridge, Massachusetts*

Steve Kerr

*Ossining, New York*

# THE AUTHORS

---

**Ron Ashkenas** is a senior partner in Robert H. Schaffer & Associates, a management consulting firm based in Stamford, Connecticut, and in Toronto. For many years, Ashkenas and his colleagues have pioneered results-driven approaches to organizational change, using many of the methods described in *The Boundaryless Organization*. His clients have included Motorola, General Re, AlliedSignal, General Electric, the World Bank, and many other public and private firms.

Ashkenas also works extensively with corporate staff specialists and internal consultants to help them improve the bottom-line impact of their professional contributions. He has lectured on this subject for the Institute of Management Consultants and has run numerous workshops for corporate staff groups. He has been a member of the New York Human Resource Planners board of directors and currently serves on the editorial board of *Human Resource Management*.

Prior to joining Schaffer & Associates in 1978, Ashkenas received a B.A. degree (1972) from Wesleyan University, an Ed.M. degree (1974) from Harvard University, and a Ph.D. degree (1979) in organizational behavior from Case Western Reserve University, where he also held several research and teaching assignments. He has published dozens of book chapters and articles on organizational change and improvement; his articles have appeared in the *New York Times* and in such journals as