Aes corporation: rewriting the rules of management essay sample

Business, Employment

The AES Company operated with informal, ad hoc style of management: there ware no staff functions or corporate departments and almost all traditional management functions were devolved to workers at plant level. Its rationale lied on decentralization, empowerment, team-based organization, incentive compensation, job security, and some controversial policies and practices. The company committed itself to integrity, fairness, fun, and social responsibility.

AES treats all their employees as responsible adults who are delegated to make decisions and taking risks for the company. This is based on their belief that the more authority figures there are in a given structure, the more likely it is that the employee will not make decisions for themselves. The company has tried to eliminate all groups of functional specialists, with only the accounting group existed, which is based at the corporate office and gathers financial information on the organization for reporting and auditing purposes.

AES organization chart shows a few layers of hierarchy. It was not based on any conventional model. Teams are based on areas of responsibility, having total responsibility for their given area with no single responsible person, both in operation and maintenance. AES ensure that there is never more than one specialist in a team, believing that more than one would cause conflict and therefore damage efficiency. They state that the team itself should be made up wholly of well-rounded individuals who support multitasking. There is also support for employees revolving so that individuals are able to appreciate the problems faced by other teams, and to

give employees a better understanding of the overall business. The company operates without any written policies or procedures. AES refers to its organizational structure as a honeycomb, with small, flexible self-managed teams who are able to operate cooperatively and efficiently without any centralized direction. Conventional managers collect information from other people and then make a decision. But at AES, each decision is made by a person or a team.

AES does not have division of labor, or specialization, believing that 2 specialists will cause conflict and therefore affect efficiency. They argue that the better the specialist is, the worse for the organization – as people with in their team will stop contributing. The company places ' team', above ' functional' synergy. This, however, leads to the wheel being continually being reinvented – a task that the organization believes leads to learning opportunities for individuals.

AES has a bottom-up loose organizational structure, and a dedicated company minded workforce, which allows the company to quickly adapt to new ideas, technologies and market forces. Teams are fluid, with employees able to be a member of a number of teams at the same time. Responsibility is pushed to the lowest possible level.

AES is highly decentralized and non-hierarchical organization, making it capable to minimize bureaucracy and emphasize project teams to develop and operate its plants.

As AES continues to grow without a centralized structure, it will become increasingly difficult for the organization to sustain autonomy. The company operates power plants throughout the world, but lacks centralized management staffs.

A decentralized system will eventually create a lax culture resulting in ambiguity regarding employee benefits, compensation, training, development, and also discipline. Although AES strives to maintain its core values, their informal approach to management may cause them to not be as agile in a competitive industry. At times AES may be taking the right actions in risking profits over integrity. But, there needs to be a better alignment of its actions so that the company can remain competitive in its industry.

The issues that may arise from decentralization include a tendency to make decisions that benefit a specific segment at the cost of the company. There could also be a duplication of services, which in turn wastes resources such as time and money.

AES should develop a human resource policy through employee participation as employees' involvement in corporate decisions is a fundamental part of AES' culture. The policy should clearly stated rules and procedures to allow all employees to perceive a message consistently. Such policy will help redirect employees to focus on other activities including enriching job related skills and enhance AES's competitive position in the industry. Since belief

and culture greatly vary from country to country, it would be suitable to have particular policy for each country.

AES can assign the drafting of such policy to each team in their plant-basing countries. Although AES is known to sacrifice profits to obtain employee satisfaction, they also need to review specific employee benefits to ensure that they are feasible. AES needs to make sure that results of all decisions are affordable by company's budget. The policy should include: vacation time and sick leave, training of new employees, ethics policy, including effective reporting system for building common knowledge. It is crucial that the AES management keeps communication with employees ensuring that all necessary and important information can reach top management in the most direct way. It is effective to prevent or reduce error or wrong decision from being made or a " stitch in time" could be made.

Information system should also be established for all projects and plants worldwide to be stored in a unique database. This has been proved to be the most effective and value-added system for management.

As AES's management style can be regarded as weird by many management people, yet its success has been well proven. Others should learn from their established culture, shared values, highly decentralization, minimizing bureaucracy, quick respond to changes in environment and regulatory, commitment to social responsibility, the way AES built employees' motive, responsibility, and fun, highly interacting among employees, empowering

and encouraging employees to try new things in order not to limit

innovation.