

Managing in the 21st century

The 20th century model for designing and managing firms, which emphasizes hierarchy and the importance of capital and labor inputs, lags behind the need to emphasize collaboration and wealth creation by talented employees. It also actually generates unnecessary complexity that works at cross-purposes with critical goals of innovation, flexibility and competitive advantage.

Wealth and power in the 21st century will increasingly depend not only on new products and services but also on new business models and educational systems.

Given the current environment of ongoing globalization, the digital age's dramatic technological changes and the declining predictability of strategic planning models, only new approaches to managing employees and organizing talent to maximize wealth creation will provide firms with a durable competitive advantage. It won't be easy to discard decades of management orthodoxy while balancing revolutionary thinking with practical experimentation for CEOs and managers to "feel their way" to new, innovative management models.

From reading the history of management and pioneers like Frederick Taylor, one realizes that management, as a learned discipline, was designed to solve a specific problem — how to do things with perfect replicability, at ever-increasing scale and steadily increasing efficiency.

Today poses a new set of challenges. How do you build an organization as nimble as change itself? How can you mobilize and monetize the imagination of every employee in your firm —

every day? How do you create your firm as a highly engaging place to work? These challenges simply can't be met without reinventing our 100-year-old management model.

To start, consider the impact of technology developments and globalization on your customer base. These forces are creating a fundamental discontinuity. Technological advances and globalization are creating a set of opportunities — or challenges — that didn't exist before.

At some point, realization can come that a firm's struggle to take advantage of new opportunities is hindered because the organization was not designed for this new competitive world.

Throughout history, technological innovation has always preceded organizational and management innovation. Today, we have to turn traditional management orthodoxy on its head. For example, the old model said: "How do you get people to serve the firm's goals?" Today, one should ask: "How do you build the firm that merits the gifts of creativity, passion and initiative?" You can't command those human capabilities in your employees. Imagination and commitment are elements that people choose to bring to work every day — or not. This is just one critical question

business ownership and management will need to address for their firm to be effective in the future.

The availability of powerful new tools for coordinating human effort will profoundly change the work of management over the next few years, due to the need for firms to become more adaptable, innovative and even "exciting" places to work.

Another force looming on the horizon is a revolution of future employee expectations. The Y-Generation is the first group to grow up on the Web. Their basic assumption is to be rewarded on the basis of what one does, rather than on the basis of title, credentials, providence or anything else.

The traditional hierarchical model is not effective at organizing thinking-intensive work of self-directed people. These people need to make subjective judgments based upon their own special knowledge. Such people work in all firms, in all industries, and in the digital age, it is these people who create wealth. We need a model for such work — a model that uses hierarchical decision-making only for activities that need that authority, such as allocating resources, holding people accountable or appointing people to jobs — but also enables self-directed professionals to

consistently collaborate with their peers. Management's challenge therein is to create mechanisms to enable such collaboration for the firm to be both effective and efficient, allowing the organization to work horizontally as well as vertically. Senior managers must remember: thinking-intensive people are increasingly self-directed — directed as much by their peers as by their superiors.

The outline of the 21st-century management model is becoming clear. Decision-making will become more peer based. Strategies will be built from the bottom up. Power will be a function of competence rather than of position.

What will be the specific metrics to assess the effectiveness of a management model in the future? Who knows? We are just taking the first steps of what is likely to be a fairly long journey. The pieces are coming together, but the picture is not complete to any meaningful degree.

Recall, Frederick Taylor often talked about the need for a mental revolution when he was trying to move organizations from the craft-based model to the factory model. Today, we need a new mental revolution. Some firms will lead. Some firms will follow. The global and technological factors today have created a different environment than existed in the past. These changes call for new management and organiza-

tional models. But, we won't be able to reinvent management for this new century without some uncertainty, trauma and risk taking.

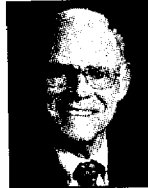
We may not realize, but more global economic integration has taken place in the past 25 years than in the previous 10,000 years of human history. Yet, the organization and management of firms are lagging behind the changes existing in today's world economy.

Before us is an exciting opportunity. For the first time, the ability to create wealth is beginning to be liberated from the two traditional primary inputs — labor and capital. Ideas are being monetized in ways never before conceived. As a result, America and the world are richer places.

The picture here is broader than simply the creation of financial wealth. It includes an environment that encourages, and may even require, stimulating work environments and more interesting jobs for employees to create more valuable products and services for America's and the world's consumers.

Happy holidays.

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