

Forum

21st-CENTURY MANAGEMENT

Tomorrow's Company Won't Have Walls

By RALPH H. KILMANN

FOR many companies, the classic forms of corporate organization no longer work very well. This is evidenced by the way some of the best-known companies in the world have failed to keep pace with changes in the marketplace. It is also evidenced by the failure of many companies to develop a global perspective.

In the past, successful companies had these attributes: A well-defined management hierarchy, a well-accepted way of compartmentalizing and assigning the companies' work tasks, and an ingrained mindset. People believed in their company's way of doing things. And among most top managers, the idea that a company should own its assets — its factories, equipment and distribution systems — was paramount.

But circa 1980, the world changed. As a result of the computer and telecommunications revolutions and the explosion of information, the world has become more accessible and change has become more rapid. Increasingly, competition has become global, companies have joined forces, markets have become deregulated and new competitors have entered the fray.

To operate successfully in this environment means that companies must begin to rethink the way they are structured. They need new forms of organization that closely parallel the changes taking place throughout the world. Companies need a system of managing people and information that cuts across the traditional boundaries. They need new forms of management that will be able to form bridges between companies and institutions like research universities, government regulators, community watchdog groups and the governments of other nations.

A 21st-century form of organization is gradually beginning to take shape. I call this new structure the "network organization." And while some companies have already adopted one at-

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tribute or another of this new form of organization, no one company does it all. It is possible, however, to highlight the critical ingredients necessary to build network organizations capable of flourishing in the post-1980's world.

The perfectly competitive organization of the future will be an elaborate network of people and information, each exerting an influence on the other. A diagram of this network organization might show a small hub at the center surrounded by a widely dispersed and elaborate array of resources that I call the network.

The hub of the organization will be comprised of a small staff that will be responsible for the strategic and management focus of the company. It will set priorities and company standards, and it will work out ways to motivate the other members of the company.

The small group of people that work in the hub will be connected to each other personally, through their physical proximity. They will rub shoulders and exchange ideas. But because the network organizations of the future will be global, they will be connected electronically to people who work outside the hub. The hub will also control the company's assets.

At the hub, the traditional division of labor will be replaced by a contemporary division of knowledge orga-

The challenge is to manage a big global network from a small hub.

nized according to new categories: setting goals and marking the results; collecting strategic information; identifying customer needs; attracting resources; delivering new services, and keeping the network together. In this manner, the hub will assume some of the functions of a broker, conflict negotiator, facilitator and think tank. And the traditional management hierarchy will be replaced by people at the hub who have the relevant information to contribute to the topic at hand.

Outside the hub, the network organization will carry on its functions of providing products and services by entering into a number of different negotiated arrangements to extend the influence of the company. Network organizations — which will be rich with information — will recognize that certain functions can be better done elsewhere. As a result,

these companies will enter into joint ventures, partnerships, associations, informal cooperation agreements, consortiums and temporary deals that will stretch today's traditional definitions of where one company ends and another begins. By being open to these informal and formal links, network organizations will be able to gain access to the entire world.

THE hub of the network organization will be small, centralized and local. At the same time, it will be connected to an extended network that is big, decentralized and global. People from the network and from outside the company will join the group at the hub for periods of time and then leave it.

But the network organization will also present its own set of paradoxes. For instance, how will these new organizations be able to manage the often conflicting interests of the centralized hub and the decentralized network? And how can a system that is both centralized and decentralized be unified and coordinated and quick to respond to changes in the marketplace?

For the global organization of the future, the ability to acquire new products, services, technologies and capital will not be the problem. The marketplace is crowded with each of these as never before.

But for exactly this reason, the challenge for each company will be to nurture its own unique culture and develop the quality of its human resources. That is because competitive advantage will rest increasingly in the way each network organization gathers and assesses information, makes its decisions and then carries out those decisions.

The 21st century will be full of organizational surprises. The challenge of arranging cooperative efforts between companies to achieve strategic gains is beginning to emerge. Changes in the marketplace have given companies from around the world the opportunity to develop these new linkages. Advances in telecommunications technology also enable companies to bring people together for competitive advantage. The time has now come to form new global collections of companies, and to fully utilize human relationships. ■