



THE 21ST CENTURY ORGANIZATION

About 50 years ago, Peter Drucker coined the term “knowledge worker” to describe a new class of employee whose basic means of production was no longer capital, land, or labor but, rather, the productive use of knowledge.

Today, these knowledge workers, who might better be called professionals, represent a large and growing percentage of the employees of the world's corporations. In industries such as financial services, health care, high tech, pharmaceuticals, media and entertainment, professionals now account for 25 percent or more of the workforce.

These talented people are the innovators of new business ideas.

They make it possible for companies to deal with today's rapidly changing and uncertain business environment, and they produce and manage the intangible assets that are the primary way companies in a wide array of industries create value.

Productive professionals make big enterprises competitive, yet these employees now increasingly find their work obstructed. Creating and exchanging knowledge and intangibles through interaction with their professional peers is the very heart of what they do. Yet most of them squander endless hours searching for the knowledge they need - even if it resides in their own companies - and coordinating their work with others.

The inefficiency of these professionals has increased along with their prominence.

Consider the act of collaboration. Each upsurge in the number of professionals who work in a company leads to an almost exponential - not linear - increase in the number of potential collaborators and unproductive interactions. A company with only 10 professionals has some 50 thousand potential bilateral relationships.

The same holds true for knowledge: searching for it means trying to find the person in whose head it resides, because most companies lack working “knowledge markets.” One measure of the difficulty of this quest is the volume of global corporate e-mail, up from about 1.8 billion a day in 1998 to more than 17 billion a day in 2004.

As finding people and knowledge becomes more difficult, social cohesion and trust among professional colleagues declines, further reducing productivity.

A flawed organizational design.

Today's companies do very little to enhance the productivity of their professionals. In fact, their vertically oriented organizational structures nearly always make professional work more complex and inefficient. These vertical structures - relics of the industrial age - are singularly ill suited to the professional work process. Professionals cooperate horizontally with one another throughout a company, yet vertical



structures force such men and women to search across poorly connected organizational silos to find knowledge and collaborators and to gain their cooperation once they have been found.

The result is endless meetings, phone calls, and e-mail exchanges as talented professionals - line managers or members of shared utilities - waste valuable time grappling with the complexity of a deeply flawed organizational structure.

A new organizational model

To raise the productivity of professionals, companies must change their organizational structures dramatically, retaining the best of the traditional hierarchy while acknowledging the heightened value of the people who hatch ideas, innovate, and collaborate with peers to generate revenues and create value.

Companies can achieve these goals by modifying their vertical structures to let different groups of professionals focus on clearly defined tasks. Just as the 21st century has seen new types of organizations and new ways of doing business arise, so, too, will there be new management trends, ideas, and techniques. While running after every trendy idea is hardly a recommendable strategy, the wise manager will learn, study, and apply the best current thinking.

At the start of the 21st century, the following rate to be the most important ideas regarding management:

- **Management is for everyone.**
As educational levels rise and information technology accelerates, the distinction between "managers" and "workers" will fade away and management knowledge will be everyone's responsibility.
- **Management is for learners.**
As information becomes the chief product of every business and as knowledge continues to explode, everyone will be a learner and the manager's foremost task will be to promote learning.
- **Management is based on communicating.**
As techniques for planning, strategizing, decision-making, and problem solving become the common province of everyone in the organization, the need for improving communication will be paramount and managers will be increasingly using dialogue and other communication tools.
- **Management is about change.**
As technology and information reshape all our lives, change management will be "business as usual" and managers will be change agents who guide everyone to find and embrace the best new practices.



- **Management is broad based.**

As boundaries disappear within organizations and in the world at large, the scope of management will grow and managers will be organizational development experts, diversity experts, facilitation experts, consultation experts - and much more.

To motivate the collaborative behavior that makes this new organizational model work, companies must create metrics that hold employees individually accountable for their contribution to collective success - an idea called holding people "mutually accountable."

Such metrics are particularly important for senior and top managers but are required, more broadly, for all self-directed workers. People who are great at developing the abilities of other talented people or at contributing distinctive knowledge, for example, should be more highly valued than those who are equally good at doing their own work but not at developing talent or contributing knowledge.