A DIFFERENT KIND OF COMPANY

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It now seems to be received wisdom that General Motor's bureaucracy and inward-looking mindset caused the company's downfall. At a minimum, it is quite an irony to have General Motors, the company that invented the modern corporation, fail because of its "corporate and workplace culture", as even the Wall Street Journal has observed. But there may be something much bigger at work here. The GM bankruptcy could well mark a milestone, a passing of an era of a certain management approach.

The age of the corporate hierarchies that control information flows and resource allocations, the imperial CEOs, and the cultures that reward docile obedience may be officially over. That management approach may simply be out of date[1], and a new one is needed. Why? Because as the competitive environment is changing faster than ever before, the only way to respond is with near-constant innovation. And as corporations face this tougher problem to solve, they need to tap into their peoples' higher-level capabilities to solve tough problems. The management practices originally invented largely at GM to allocate the effort of human workers may simply no longer work when the goal is to get workers to commit not just their time but their hearts and minds. Maybe it was fine to command obedience and punctuality when jobs were repetitive tasks; but you cannot mandate imagination, problem-solving, or genuine engagement. Yet companies need those skills now because they must adapt every day to a business environment that is tougher and changing faster than ever before.

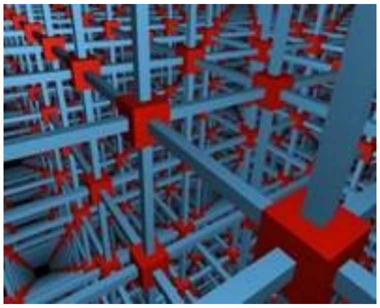
Companies need to mobilize higher-level human capabilities and apply those to work. Those that give lip service to this shift or fail to recognize it altogether may simply fade away. They will continue to do only what they already know how to do, and as a result will slowly optimize and command-and-control themselves into irrelevance. Just like General Motors.

There is nothing utopian or pollyannish about the alternative. We can observe a different management system in high-performing internet companies today, those that are winning in an industry in which the basis of competition shifts constantly. For companies whose business is affected by the internet, it may not be a choice but a necessity for survival to embrace a new management approach: to reallocate authority and power within the organization, and create the conditions for an unprecedented increase in collaborative problem-solving and the creative experimentation that is indispensable to adapt to a rapidly changing business environment.

It takes a different leadership, environment, and sometimes different people to achieve this result. In this model, the CEO is not the all-knowing "smartest person in the room". Rather, a critical role for the CEO is to define a purpose for the company that creates meaning for the people who work there, and lead by example in a culture of collaboration. Without meaning, there simply cannot be the level of engagement that is necessary. Defining a meaningful purpose that will inspire an organization, not a hollow and generic bromide, is as difficult as it is important. "The leader's job is to inspire, communicate, and choose", says the noted scholar Warren Bennis. Collaboration is crucial because the evidence shows that groups make better decisions than individuals, and that innovation is in fact a social process, a team sport[2]. Smart companies are creating competitive advantage from their ability to harness collaboration and achieve a higher level of problem solving and adaptation.

It would simply be naïve to believe that a company can force people to collaborate, or that they do it naturally no matter the environment. The leaders of an organization must create a culture and an environment in which the conditions exist for collaboration.

This requires transparency, information that is broadly available, tools to facilitate collaboration, and cultural norms that encourage, recognize and reward participation. And granted, even among knowledge workers, not everybody wants this kind of change and the increased accountability that comes with it, but the best do because it will make work more meaningful and more lucrative as new reputation systems (think of corporate versions of eBay's seller ratings) allow the best to rise to the top, making the market for talent more transparent. In fact, some people argue that over time, high-performance companies will use market structures, not hierarchies, to organize work. Organizations would ultimately evolve to become markets of ideas, projects, and tasks. Like all markets, they would have their own "regulations", including standards and protocols to define the participants in the market (i.e., "the kind of people we want to work in our company"), and to foster the trust and transparency necessary to facilitate their interactions[3].



A new management approach would be difficult to create in any circumstance, and impossible in a culture of hierarchical decision-making where withholding information helps somebody look smarter or gain power, and teamwork is defined as the adherence to group consensus, no matter how disconnected from reality. This is documented in the many post-mortems on General Motors, Countrywide or Citigroup, and illustrated most vividly by a former banking CEO stating in July of 2007 that "as long as the music is playing, you've got to get up and dance", as Wall Street was about to burn down. Not to mention that reallocating authority and power within organizations is heavily resisted by those who have benefited the most from the current system of centralized command-and-control.

Internet technologies help break through those barriers, so it should not be surprising that we see this new management approach emerge first in internet companies. Heretofore, the internet has created value primarily by reducing inefficiencies in the marketplace, between buyers and sellers of goods, or creators and consumers of content. Now the same is happening inside companies, in the form of collaboration tools and practices inspired by the web that facilitate information sharing and organized participation. The interactions that result from these social networks multiply a company's knowledge base and innovation capability. This trend is inevitable because it is driven by human nature's desire to self-express and get recognition from others. These aspirations are now enabled by technologies that people are embracing feverishly outside of work, like Facebook or Twitter. On websites outside corporate walls, people already rate the performance of their managers for the world to see, and conduct a conversation about what is happening at the office. Type in "work at Google" on YouTube and you will see 49,000 videos, or see what employees are saying about 26,000 companies at Glassdoor.com. People want to share their views, to participate. Winning companies are harnessing these new behaviors and putting them to productive use inside the workplace.

In the emerging management era, success will accrue to companies that develop the ability to tap fully into people's intelligence and creativity to manage the continuous adaptation required to compete and win in an ever changing business environment. By embracing these changes now, companies may not only accelerate their exit from the current crisis but also build the new competitive advantages they will require for longer term success.

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(1) The Future of Management—Gary Hamel, HBS Press 2007

(2) Group Genius—The Creative Power of Collaboration, Keith Sawyer, Basic Books 2007

(3) The Future of Work, Michael Malone, HBS Press 2004