

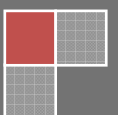
2012

Reinventing Work, Reinventing the organization

Drucker Challenge Essay Contest-2012

Siddharth Wadehra, the author of the best-seller book 'Asia Incredible' argues why organizations fail, how the enterprise model is fast evolving and the roles innovation and bureaucracy play in an enterprise. The essay is a subtle take on how enterprises across the globe are reinventing themselves to survive the cut-throat competition. The essay ends with how the author sees the enterprise evolving in the future.

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“The best way to predict the future is to create it.”

-Peter Drucker

Why enterprises fail

On Sept 21, 2008 the two remaining investment banks Goldman Sachs and Morgan Stanley converted themselves into deposit taking commercial banks as the investment banking sector in the world's most powerful economy breathed its last. With Lehman Brothers having filed for bankruptcy a week earlier and Merrill Lynch sold to the Bank of America and Bear Stearns now a property of J.P Morgan, the so-called world's most powerful financial sector had succumbed to the greed of money and power hungry individuals. This failure of enterprise was attributed to a lapse in regulation and macro-economic policies. Law firms, rating agencies, accountants, bankers, business schools—all had their part to play in the unfortunate demise of the enterprise. Although numerous books and documentaries capture the essence of the recession, little is known about the *deeply flawed management model* which allowed bankers to pursue their own interests ahead of their companies and shareholders. Poor risk management policies, perverse incentive systems and lack of a long term unifying vision was what was encapsulated in the flawed management model and which served as the final nails in the coffin of these multi-million dollar enterprises.

General Motor's bankruptcy draws our attention to the company's failure to adapt fast to the changing times. One of the best selling business books of those times- 'Concept of the Corporation' by Peter F. Drucker were case studies of the hugely successful GM's business model and the ideas put forward in the book were copied widely into a business model, a model which worked well for years in the industry which was dominated by the Big Three. Peter Drucker, meanwhile, always believed that management was a practice, like medicine or law and that the practitioner's job was to continually challenge the theory and bounds to redefine the 'what'. By failing to reassess its 'what' GM today is a feeble shadow of the robust corporation which thrived over half a century. Their model of bureaucracy with a clear entrenched hierarchy, formal rules and procedures, standardized inputs and outputs and 'dispassionate' decision making were challenged by the new found customer independence and the arrival of Japanese competition. This is yet another example of a fragile management model which was exposed by its inability to keep up with fast changing competition and times. Enron and Tyco are examples of other high profile bankruptcies which just reflect the organization's disenchantment with management.

Zeroing down to the root cause, the enterprise today is a corrupt identity with a majority of the employees unhappy with their managers. Positive role models seem to have disappeared from the scene as management as a profession today has lost all its respect. But there is a silver lining to the dark cloud. The fast changing world today has gone through economic and political transformation where new markets have recently opened up and associations been formed integrating the world economy into that of a global village. Also, with the

Information and communication technology, accessing information today is just a click of the button away. We also cannot discount the increasing awareness of the companies today towards the society and the environment and most of these emerging trends have led to the change in the economic logic of the company. Peter Drucker also, in most of his works, has advocated revolutionary change in the years to follow. Capital today has been replaced by knowledge as a scarce resource and the enterprise today is fast reinventing itself. For an enterprise today formal authority is fast becoming history, competition has given way to collaboration, time cycles are becoming shorter and organizations today are focussed on making better choices, diversifying less and strengthening their core competence and forte.

The evolving enterprise model

Drucker believed that the ‘theory of business’ had three different parts—specific mission of the company, the core competencies needed to accomplish it and the assumptions that surrounded the environment of the organization. They define what the enterprise stands for and how best they can maintain a competitive edge in the industry. The enterprises today are building smarter business models based on their long term mission, evaluating and trying it in the business environment. They do realize that a successful enterprise model for an energy company cannot necessarily be implemented in a technology company. Also, within the same industry there are variants in the enterprise model—for example Microsoft, Linux and Google operate with different models but compete head-on for the operating system market share. Enterprises today are canvassing the enterprise model innovation to build a competitive advantage for themselves. They do realize that in the cut-throat competitive environment where products and services are fast copied by adversaries, a distinctive enterprise model could be the source of competitive advantage.

Let us consider the case study of Vineet Nayar led HCL Technologies. He believed that everyone in the highly competitive commoditized Indian IT market believes in unparalleled service to the customer, but an employee is one who creates a solution. He initiated a number of innovative concepts like ‘*Destroy the office of the CEO*’, bringing to light the parallel hierarchy which he intended to establish. He created over thirty communities of interest where employees could collaborate outside their hierarchy and in a short span of a little over two years, over 20% of the company’s revenue was accounted for from the ideas which these communities of interest generated. The innovative concept of ‘*Reverse Accountability*’ provided hikes to deserving managers and placed the results on the web for everyone in the company to derive encouragement from. Vineet talks about the idea of ‘*Amsterdam Window*’ in his book ‘*Employees first, Customers second—turning conventional management upside down*’ where he talks about large windows helping to keep the house clean—the idea being the bigger the window, the more glass you have in your house and the more visible the dirt is. This was the inspiration behind his concept of ‘*Mirror, Mirror on the Wall*’ brought out before all employees the dirt in the company and brought out in the open areas where the company desperately wants to improve in. They also created service level agreements for

every employee complaint where the administrative department was supposed to raise a ticket for any unsatisfied employee and only the employee could close the ticket upon receiving the appropriate solution to his problem. These measures have redefined the DNA of the company and unleashed new energy and confidence among the employees.

Drawing blood from Peter Drucker's perspective on activities of management—setting objective, organizing, motivating and communicating, measuring and deployment are the enterprises today which are employing newer methods to motivate employees, redefining their goals, making smarter decisions and coordinating activities in a better way. Mistakes are being celebrated and recruits are being chosen on their potential and attitude rather than their qualifications. Peer review systems are being implemented and all major projects are being pre-approved to induce organic growth and agility into the system. Generic scenario planning, feedback systems and quality circles are fast being replaced by concepts like employee engagement. Social awareness, Web 2.0 and the tech-savvy Generation Y with their fresh set of ideas have been instrumental in the evolution of the enterprise. Companies like 3M and IEKA are perfect examples of simplistic enterprise model's that has evolved over time. Toyota and McDonalds have shown how a simple strategy, if executed the best in the industry could serve as a role model for everyone else. Southwest Airlines and Dell Computers are potent of how distinctive strategic position and long term vision are ingrained into their continually evolving enterprise model.

The demise of bureaucracy

Bureaucracy is being replaced by the self-organizing *emergence* model which has a relatively relaxed set of rules. While the bureaucratic style is best for attaining the desired efficiency, reducing waste and ensuring consistent quality the emergence model lays more emphasis on adaptability, innovation and employee engagement. But, this concept of shared space thinking is not free from its own set of challenges and most global enterprises are doing their best to strike the perfect balance between both. The hierarchical model is under constant evolution as the modern enterprise is in quest to find the right blend between traditional bureaucracy and the market model. Every enterprise is customizing the model as per its mission and vision keeping in mind the common traits of personalization, transparency and finding the right talent and capital from the market. The emergence model often makes use of collective wisdom, the idea being that a larger group of individuals with different points of view will often reach a final decision than a smaller group of people or a single CEO. We draw the example to Srinivas Koushik, the CIO of Nationwide Property and Casualty Company who initiated a management blog to open up communication lines. With the effective use of technology, he sought opinions on key matters related to the company which helped him frame better decisions and helped him clear his thought process.

The concept of shared thinking is fast reinventing the enterprise, but having said that some level of hierarchy is absolutely necessary for any company to function. There certainly are limits to the model of de-layering companies which has been adopted in recent times.

Innovation

“Innovation is the specific instrument of entrepreneurship. The act that endows resources with a new capacity to create wealth.”

- Peter Drucker

Another trend which has helped in the reinvention of the enterprise is the importance which companies world-wide give to Innovation. Most companies today are designing value added ways of harnessing collective wisdom of the crowd and are trying their best to tap the enormous potential there is for innovation in large companies. So much is the importance laid on innovation today that most enterprises have innovation wings which are responsible for sharing the best practices with everyone in the company. Toyota’s innovative operative model has been customized and used by companies’ world over. Most enterprises are getting employees and subordinates getting involved in matters of real substance—from coming up with new ideas, solving tricky problems and making difficult decisions.

This apparent trend could be understood better when we consider the case study of IBM’s Innovation Jam. What was so unique about the project was the fact that it was for the first time in the history that an enterprise the size of IBM was trying to come up with business innovation solutions together from a common base of knowledge. Inspired by the success of their ‘Values Jam’, their CEO Sam Palmisano decided on a company-wide innovation project, which was to span three stages. The employees were incentivised to jam on most recent market trends and blend them with their internal ideas to come up with plausible solutions. With IBM’s concept of ‘*Building a smarter planet*’ stage-1 questions were framed so that employees would be comfortable in discussing and innovating on their real-life problems. The stage spanned over 72 hours and discussed problems of daily relevance like smarter healthcare or reducing traffic congestion. Stage-2 pulled out core ideas from the discussion and each of these ideas was woven into a business case and was open to employees again. Participants were asked to throw up unique proposals and rate and comment on proposals of fellow employees. Stage-3 helped the enterprise zero down on key business ideas which IBM would invest in. Among the ideas shortlisted were ideas like branchless banking for the masses and smarter healthcare systems. Over a period of time, the company has taken several steps and invested considerable capital in these outcomes.

Innovation Jam is a regular feature with the company today and most companies today are tapping into the collective wisdom within the company’s boundaries to innovate. Although it is very easy to emulate trends in social networking and crowd sourcing, it is extremely important to strike a perfect balance between opportunities that technology offers today and the ground reality of effectively managing an enterprise. Innovating through collective intelligence would require a change in mindset and operational behaviour with senior management in the organization, which at times, is not easy to come.

The future

Social media, 24*7 news and a globally interconnected world have banded together which has today reduced the decision making cycle and as far as the future is concerned, business would be defined as the speed of thought or decision making. Successful adoption of social web and participation strategy is rooted in as much in business culture as it is in business operations. Influencing the smart customer today just isn't easy—with the plethora of options available to him to choose from, his decision to buy the product would stem when he connects the dots between experiences, perceptions and the attitude of the employees. A peep into the crystal ball of the future shows a hyper-connected, relentlessly paced business environment and a strongly defined culture which gives everyone in the company the confidence to take astute decisions quickly.

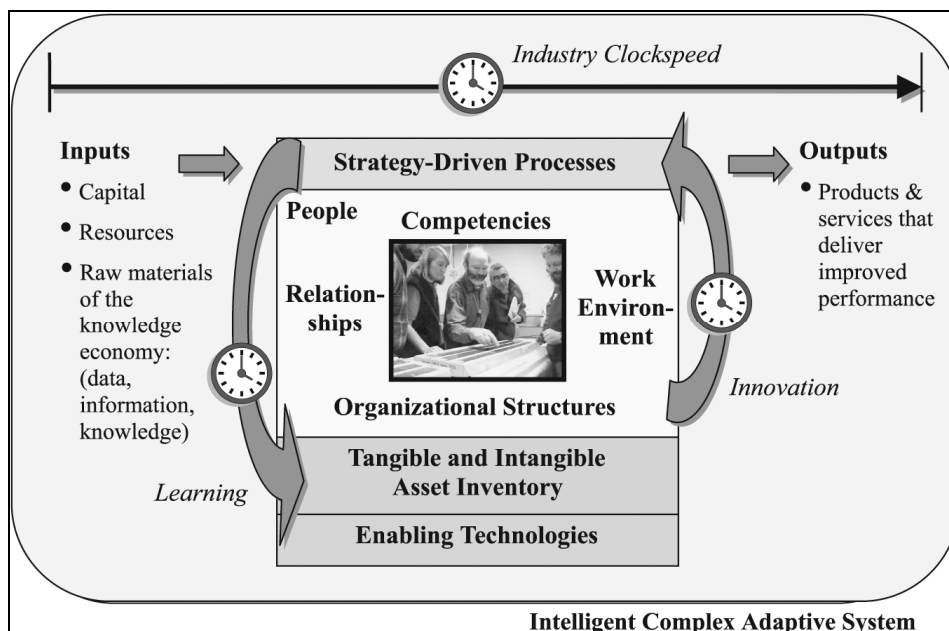


Figure 1- Speed of business decision

“Effective leadership is not about making speeches or being liked; leadership is defined by results not attributes.”

-- Peter Drucker

Real-time leadership is going to be the call in the future. A future business leader would be expected to be strong, resolute, flexible and should have the potential to go to great lengths to delight his customers by mobilizing outstanding people who have the leadership presence or charisma. But the success of the enterprise is not just going to be the charismatic leader's doing. He must be ably helped by a purposeful team and hence not just finding the right talent, but talent one can trust is going to be the key going into the future. The enterprise of the future cannot have a dedicated customer service team that might connect with the customers when needed. Instead, the open natures of online communications, trending into the future, give us an indication that 'all roads lead to customer experience'. Every member

of the evolving enterprise has his/her stake in the overall customer experience and would be the public representative of the brand, even if his official role prohibits him from doing so. Enterprises of the future would be cultivating ‘superstar mentality’ and not just superstar individuals.

Conclusion

The enterprise today is fast evolving. This future is going to be defined by speed, by new expectations and demands from customers and dynamic ever-shifting systems and tools. The future belongs to an era of open communication and reciprocal and real time online participation. This change isn’t about technology of social media but how businesses would adopt when the customers embrace this change. We are indeed experiencing history. The next generation of human and business connectivity has already found its way here. Success would accrue to businesses which are present, agile, responsive and prepared. The stage is indeed set and for any business to be a superstar, the enterprise would indeed have to truly *reinvent* itself.

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About the author:-

Siddharth Wadehra, an author and entrepreneur has been the winner of numerous business



innovation awards around the globe. A Computer Engineer by education, not only has Siddharth has worked on numerous software applications for which he holds patents/copyrights but also presented papers in different forums on a range of technical topics. Siddharth has close of three years of credible work experience with Silicon Valley giants Sun Microsystems (now Oracle) and IBM before studying business at the Asian Institute of Management, Manila where he has participated and won in numerous business plan competitions- including a podium finish at the regional finals of the Hult Global Case Challenge-2012 at San Francisco. Siddharth has also been a guest speaker at in numerous Business schools in Asia and Europe including IESE Spain's *Doing Good Doing Well* conference—a forum on responsible business organizations.

Siddharth has been a technology buff, sports enthusiast and an avid quizzer. He enjoys studying Business Laws and has industry knowledge on Cyber Laws and E-Commerce Laws. Siddharth is coming out with his book 'Asia Incredible' this March in which discusses the changing business landscape in Asia, the opportunities which the huge Asian markets pose and urges youngsters and aspiring MBA's to take up to entrepreneurship rather than the conventional path.
