

Creating the New Organization

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The challenge is not only making organizations efficient and effective, but building a humane society of organizations.

- ❑ *Like it or not, we face the complete redesign of our institutions.*
- ❑ *We have no well-accepted model for new organizations.*
- ❑ *Technological change and technological transfer will continue to drive organizational change.*
- ❑ *The challenge is not only making organizations efficient and effective, but building a humane society of organizations.*

The myriad of challenges implied above, came under scrutiny during the conference on "Creating the New Organization," hosted by George Washington University School of Business and Public Management, and sponsored by MCI Communications Corporation, and Price Waterhouse.

The answers offered as possibilities for transforming large organizations explored a wide range of management approaches: alliances, networking, partnering, virtual organization and internal markets. Several presenters explicitly said they used the principles and practices of quality management as part of their change process. Almost all presenters emphasized core elements of quality (e.g., developing a shared vision, trust, empowerment, partnering, and customer focus) as parts of their broader efforts.

The conference reflected the continuing relevance of quality in organizational change, as well as the need for quality efforts to develop in conjunction with the other emerging approaches to organization. As Robert Kuperman, CEO of Chiat/Day Advertising, put it: "As technology alters reality, the question is how does an organization manage change faster than the competition, while at the same time emphasizing quality, value and quickness?"

Changing Times

"A lot of things we thought we understood have become unglued," Ray Miles of the University of California, Berkeley, reminded his audience, suggesting that perception explained their presence at the conference.

Peter Drucker underscored the same perception, saying that, "We are in the midst of the greatest transformation of humanity. Not only has our work changed, but the world in which we work has changed dramatically. ... People are uneasy. Decisions are not made in the domestic economy. They are made in the world economy. Money and information have become global. ...We have to look at the economy differently. Normally we look from production out. We need to look at things from the customer inward."

Making the equation even more challenging, Drucker told attendees, "Be sure you spend enough time with non-customers. That's where the real changes occur."

Changing Approaches

Presenters described organizations going through rapid transformations in today's era of increasingly discontinuous change.

"The future is about a new paradigm, whose building blocks are information plus knowledge. In the old economy, information is controlled. In the new economy information is shared," said Gerald Taylor, president and COO of MCI. Taylor described the emergence of knowledge companies as characterized by flat structures, multi-disciplinary teams, outsourcing and being virtual organizations. As central as technology is to a company like MCI, Taylor still said, "What differentiates MCI is its people." A core MCI value, he said is "to treat technology as a slave and its people as royalty."

Michael Malone, co-author of *The Virtual Organization*, told attendees that the order of magnitude of change occurring since 1945 will only continue to increase. Malone sees as the first change the production of virtual services and products designed to be modified as consumers require. Organizations, he said, then will begin to shift. with the understanding that what makes for success now will be a burden for the future.

Ron Olkewicz, CEO of Telepad, Inc., a high technology company, concurred. "The truly successful company of the future," he said. "will be entirely different from the successful corporation of yesterday." He noted a key difference between a virtual organization and one that outsources is that the virtual organization has a shared vision and its partners (suppliers, employees, and customers) have a compelling reason to do business together. Customers and the employees are partners in the whole range of the process.

Kuperman of Chiat/Day emphasized the need for organizations to be "adaptive to change." Chiat/Day, he said, has redesigned itself to be a continuing series of strategic business units organized around specific clients, each having their own profit and loss statements. As part of transforming itself to become a fluid organization, Chiat/Day is eliminating conventional office arrangements. Instead of being anchored to their offices, employees are encouraged to spend whatever time is needed with their workgroups and clients. Necessary contact is enabled through an array of telecommunications and computer links, which allows the staff to be closer to its customers' needs and reduces project cycle time considerably.

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On the theme of active communications and management, Michele Hunt, director of the Federal Quality Institute, said that we need to "connect the dots." That is, managers have to connect the different change efforts and provide employees a framework for how these change initiatives relate to one another. In a very simple way, this bridging of approaches can distill the major themes of change so that they are understandable and workable for the panoply of organizations that make up the federal government.

Russell Ackoff, chair of INTERACT, stressed an interactive systems view of organizations. He emphasized the fundamental difference between modifying a system and transforming that system. For instance, he warned that it is ridiculous to introduce a quality program into units that are not customer-oriented because "you cannot survive unless you serve the customer well." Ackoff called for major transformation through the democratization of organizations, the creation of conditions for learning (and not hiding mistakes), and the introduction of an internal market economy, where the rules of the free market become applicable inside, as well as outside, the organization.

Further elaborating on the variety of forces driving the new organization, Stephen Goldsmith, mayor of Indianapolis, IN, described how he had chosen open competition as his administration's major vehicle for stimulating innovation, breaking up bureaucracy, fostering empowerment and yielding customer responsiveness. While his administration has retained an existing quality management effort, Goldsmith said he is using activity-based costing and outsourcing competition with outside vendors to accelerate reinvention of the city government.

New Technologies, New Realities

Coming from another direction, Governor David Walters of Oklahoma, described how his administration integrated information technology, communications and quality practices to improve performance in his state. With no budget increase, Oklahoma, he said, has built a better basis for executive decisions and access to data. One result of its investment in telecommunications and technology is that Oklahoma has the largest digital tele-medical network in the country, allowing access to high quality medical service in both rural and urban areas of the state. Walters sees technology and communication as enablers which need to be integrated with TQM.

Humane Society of Organizations

Governor Walters reflected the views of many presenters who said that, while we must invent new structures and new strategies, a crucial change has come to human relationships brought on by information technology.

One outcome we face in this new era is the end of "the job" as we know it. Ray Miles suggested that a new human resources perspective is emerging, emphasizing continuous education, with individual careers, not jobs, being rekindled through education and training. The need is to build reservoirs of capability through cross-training across organizational boundaries.

According to Terri Holbrooke, vice president of Global Communications, Novell, Inc., the recent Novell/WordPerfect merger sheds some light on what new organizations might be like. Novell and WordPerfect, two organizations with very different personalities and collectively 9000 people, merged over a 6-month period. To succeed, the transition needed both an organized process and a tolerance for healthy chaos. While employees were autonomously creating the "internals" of the company, executive management worked to determine basic policies and necessary competencies. Novell's culture motivated employees to act autonomously. Novell employees had come to see themselves as mobile professionals "empowered to figure out what needed to be done."

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Michael Malone, Author, The Virtual Organization

Supporting the transition was a premise at Novell that education is legitimate as an investment by the organization in its people. Lifelong learning, rather than lifetime employment, is the hallmark of its new reality, with core learnings centering on entrepreneurship, the marketing of one's own services, and developing the skills to manage/work in a civil and productive manner. Equally important in this approach to organization is making a "contribution." In the new organization, employability and job security are becoming equated to the contribution one makes.

Michael Malone summed up much of the conference by saying, "A new driving force is not customer satisfaction, but customer ecstasy. The key component in the process is trust-between consumers, manufacturers, suppliers and employees. Customers will define organizations, with mass customization defining every corner of society."

"Everything will come down to trust and the quality of education," he said. According to Malone, we have the "philosopher's stone." The issue is whether we have the skills to go with our emerging opportunities.

The conference provided a much needed venue to hear first hand from pioneers who are building prototypes of "the new organization." The broad range of approaches indicated the need for quality management practitioners to become part of an active dialogue with these trailblazers in the framing of our organizational and societal future.

For further information about the conference, contact Dr. William Halal, The George Washington School of Business and Public Management, (tel: 202-994-5975).

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