

Management and the New Workplace

The world of organizations and management is changing. Rapid environmental shifts are causing fundamental transformations that have a dramatic impact on the manager's job. These transformations are reflected in the transition to a new workplace, as illustrated in Exhibit 1.4. The primary characteristic of the new workplace is that it is centered around bits rather than atoms—information and ideas rather than machines and physical assets. The shift from an industrial age to an information age has altered the nature of work, employees, and the way

EXHIBIT 1.4

The Transition to a New Workplace

	The Old Workplace	The New Workplace
Characteristics		
Resources	Atoms—physical assets	Bits—information
Work	Structured, localized	Flexible, virtual
Workers	Dependable employees	Empowered employees, free agents
Forces on Organizations		
Technology	Mechanical	Digital, e-business
Markets	Local, domestic	Global, including Internet
Workforce	Homogenous	Diverse
Values	Stability, efficiency	Change, speed
Events	Calm, predictable	Turbulent, more frequent crises
Management Competencies		
Leadership Focus	Autocratic Profits	Dispersed, empowering Connection to customers, employees
Doing Work Relationships Design	By individuals Conflict, competition Efficient performance	By teams Collaboration Experimentation, learning organization

place itself.²⁴ The old workplace was characterized by routine, specialized tasks and standardized control procedures. Employees typically perform their jobs in one specific company facility, such as an automobile factory located in Detroit or an insurance agency located in Des Moines. The organization is coordinated and controlled through the vertical hierarchy, with decision-making authority residing with upper-level managers.

In the new workplace, by contrast, work is free-flowing and flexible. The shift is most obvious in e-commerce and Internet-based organizations, which have to respond to changing markets and competition at a second's notice. However, all organizations are facing the need for greater speed and flexibility. Empowered employees are expected to seize opportunities and solve problems as they emerge. The workplace is organized around networks rather than rigid hierarchies, and work is often virtual. Thanks to modern information and communications technology, employees can often perform their jobs from home or another remote location, at any time of the day or night. Flexible hours, telecommuting, and virtual teams are increasingly popular ways of working that require new skills from managers. There are an estimated 9 million telecommuters in the United States, for example, and the number is expected to increase over the next few years. AT&T has 7,500 fully mobile workers.²⁵

It used to be that when you showed up for work, you knew where to go and what to do. Not any more. Increasingly in the new workplace, companies such as Cleveland's Lincoln Electric move employees around and change salaried workers, for example, to hourly clerical tasks, paying them differently for each assignment. Some places even keep a roster of on-call employees who stick by the phone, waiting to hear if they are needed that day.

At Lincoln Electric, employees are required to cross-train in a number of jobs; that way, needs can be filled in one area as another has surplus labor. This has allowed Lincoln Electric to offer long-term employment to its workers, as well as operating with a lean workforce, which helps increase productivity. This commitment to employees includes taking back workers whose subsidiary was sold.

Rick Willard had worked in a Regal motor plant in Arkansas for 30 years. When Lincoln sold Regal, the 56-year-old knew he would have a job back in Cleveland with Lincoln Electric, but he just didn't know what kind of job. In fact, since he's returned, he's had four jobs, most recently making circuit boards and then learning to make welding harnesses. Clocking 50 hours a week, he still earns only half of what he did at Regal, where his work as a machinist paid better. On the positive side, Willard keeps his complete benefits and will be eligible to retire with full benefits at age 60.

Willard doesn't agree with complainers who want steady, predictable pay, because then perhaps the job would disappear. "It's good for the company and sometimes good for the employee. You still have a place to go."²⁶

Teams in today's organizations may also include outside contractors, suppliers, customers, competitors, and free agents who are not affiliated with a specific organization but work on a project-by-project basis. The valued worker is one who learns quickly, shares knowledge, and is comfortable with risk, change, and ambiguity.

Lincoln Electric

<http://www.lincolnelectric.com>

where employee brainpower is more important than physical assets.³⁷ Moreover, managers often supervise employees who are scattered in various locations, requiring a new approach to leadership that focuses more on monitoring and providing direction and support than on giving orders and ensuring that they are followed.

Rather than a single-minded focus on profits, today's managers must recognize the critical importance of staying connected to employees and customers. The Internet has given increased knowledge and power to customers, so organizations have to remain flexible and adaptable to respond quickly to changing demands or competition. In some e-commerce organizations, managers have almost totally ignored profits in favor of building customer relationships. Although all organizations have to be concerned with profits sooner or later, as managers of numerous failed dot-coms learned, the emphasis these companies put on developing customers and relationships is a reflection of trends affecting all organizations.

Team-building skills are crucial for today's managers. Teams of front-line employees who work directly with customers have become the basic building block of organizations. Instead of managing a department of employees, many managers act as team leaders of ever-shifting, temporary projects. At SEI Investments, all work is distributed among 140 teams. Some are permanent, such as those that serve major customers or focus on specific markets, but many are designed to work on short-term projects or problems. Computer linkups, called *pythons*, drop from the ceiling. As people change assignments, they just unplug their pythons, move their desks and chairs to a new location, plug into a new python, and get to work on the next project.³⁸

Success in the new workplace depends on the strength and quality of collaborative relationships. Partnerships, both within the organization and with outside customers, suppliers, and even competitors, are recognized as the key to a winning organization. New ways of working emphasize collaboration across functions and hierarchical levels as well as with other companies. E-business models that digitally link customers, suppliers, partners, and other stakeholders require managers to assess and manage relationships far beyond the confines of the traditional organization.

An important management challenge in the new workplace is to build a learning organization by creating an organizational climate that values experimentation and risk taking, applies current technology, tolerates mistakes and failure, and rewards nontraditional thinking and the sharing of knowledge. Everyone in the organization participates in identifying and solving problems, enabling the organization to continuously experiment, improve, and increase its capability. The role of managers is not to make decisions, but to create learning capability, where everyone is free to experiment and learn what works best.

Application: Managing Crises and Unexpected Events

Many managers may dream of working in an organization and a world where life seems relatively calm, orderly, and predictable. Today's world, though, is marked by increasing turbulence and disorder. Organizations face various levels of crisis every day—everything from the loss of computer data, to charges of racial discrimination, to a factory fire, to a flu epidemic. However, these organizational crises have been compounded by crises on a more global level. Consider a few of the major events that have affected U.S. companies within the last

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few years: an energy crisis in California that led to a virtual state takeover of the energy market; the massacre at Columbine High School, which prompted schools all over the country to form crisis teams to deal with school violence; the grounding of Concorde jets for 14 months after the fiery crash of an Air France Concorde in Paris. And then the U.S. was hit with the most devastating and far-reaching event of the twenty-first century to date: the September 11, 2001, terrorist attacks in New York and Washington that destroyed the World Trade Center, seriously damaged the Pentagon, killed thousands of people, and interrupted business around the world. The subsequent bombings in Afghanistan, continuing uncertainty over terrorist activities, and a deepening recession continue to affect companies worldwide. Anthrax scares altered companies' advertising and marketing plans as they weighed the public's perceptions of the U.S. mail. Organizations scrambled to implement videoconferencing as airport security checks stretched travel time beyond the point where business flights made economic sense.

Dealing with the unexpected has always been part of the manager's job, but our world has become so fast, interconnected, and complex that unexpected events happen more frequently and often with greater and more painful consequences. All of the new management skills and competencies we have discussed are important to managers in such an environment. In addition, crisis management is an emerging need that places further demands on today's managers. As California Governor Gray Davis put it, "Extraordinary times . . . require extraordinary leadership."³⁹ Some of the most recent thinking on crisis management suggests the importance of five leadership skills.⁴⁰

1. Stay calm.
2. Be visible.
3. Put people before business.
4. Tell the truth.
5. Know when to get back to business.

Stay Calm. A leader's emotions are contagious, so leaders have to stay calm, focused, and optimistic about the future. Perhaps the most important part of a manager's job in a crisis situation is to absorb people's fears and uncertainties. Leaders have to suppress their own fears, doubts, and pain to comfort others. Although they acknowledge the danger and difficulties, they remain rock-steady and hopeful, which gives comfort, inspiration, and hope to others.

Be Visible. When people's worlds have become ambiguous and uncertain, they need to feel that someone is in control. George W. Bush got off to a shaky start as a crisis leader following the September 11 terrorist attacks because people didn't know where he was. As soon as he became visible, practically the entire country rallied behind him.

Put People before Business. The companies that weather a crisis best, whether the crisis is large or small, are those in which managers make people and human feelings their top priority. Top managers of Thomson Financial, which had about 200 employees in the World Trade Center and 1,800 elsewhere in downtown Manhattan, spent little to no time at all on business issues for the first few days after September 11, concentrating instead on the physical

and emotional needs of employees and helping the families of the 11 Thomson workers lost in the attacks.⁴¹

Tell the Truth. Following the 2001 collapse of Enron Corp. and charges of unethical and possibly illegal activities, top managers at Enron compounded the crisis by destroying documents, refusing to be straightforward with employees and the media, and stonewalling investigators by pleading the fifth amendment. Managers at Arthur Andersen, Enron's accounting firm, also reportedly handled the crisis by destroying documents and pleading the fifth.

Know When to Get Back to Business. Although managers should first deal with the physical and emotional needs of people, they also need to get back to business as soon as possible. The company has to keep going, and most people want to be a part of the rebuilding process, to feel that they have a home with the company and something to look forward to. The rejuvenation of the

FOCUS ON LEADERSHIP

American Express Reacts

Kenneth Chenault had just been hired for his dream job as chairman and CEO of American Express Co., becoming one of the few African Americans ever to head a major U.S. corporation. He knew he would face challenges, but he never imagined in his worst nightmares anything like what happened.

While he was on a business trip to Salt Lake City, and talking on the telephone with a colleague back in New York, terrorists crashed airplanes into the twin towers of the World Trade Center, just across the street from American Express headquarters. Chenault immediately telephoned security and instructed them to begin evacuation procedures. Over the next two days Chenault set up a command center in Salt Lake City and held hourly conference calls with top executives to keep tabs on what was happening and to deal with immediate problems. He learned that the attacks had left 11 American Express employees dead or missing. "He was there, and he was in the middle of it," said one manager.

American Express was already going through some difficult times before the September 11, 2001, terrorist attacks. In his first year on the job, Chenault twice reported disappointing financial results and announced layoffs of almost 7,000 jobs. Now, as the number one issuer of credit cards and the number one travel agency, he knew American Express would be at the center of an economic storm. Chenault knew that everyone—from the lowest-ranking employee of the company to the biggest shareholder—would be looking to him for leadership.

Even while he stayed in Salt Lake City, Chenault took control, gathering information and taking steps to ensure the safety of employees. From the moment the crisis began, Chenault remained calm, steady, and focused, dealing with personal losses, refusing to complain about his company's

problems, listening to employees and sharing their grief, taking care of customers, doing favors for other companies, and getting the company back to business as quickly as possible. Every decision he made was guided by his concerns for employees and customer service. After ordering the evacuation, his next move was to have the call center track down each and every employee. Then he turned to customers, helping 560,000 stranded American Express cardholders get home, waiving delinquent fees on late payments, and increasing credit limits if customers needed it.

When he returned to New York, Chenault gathered his employees at the Paramount Theater, where he expressed his own despair, anger, and sadness and gave employees a chance to do the same. At the end, he told them, "I represent the best company and the best people in the world. In fact, you are my strength, and I love you." Thus began the long healing process. Chenault continued to be a highly visible leader. In his visits to the various temporary offices, he exchanged hugs and handshakes, tears and laughter. When President Bush visited New York, Chenault was there, stressing the need for greater airport security, joining with New York mayor Rudolph Giuliani and Governor George Pataki to ask for more aid, and meeting with other business leaders to support the president's plan for economic recovery. During all this time, Chenault was also studying his company's financial problems and how to help the organization survive this extremely difficult period in its history. "If you're the leader, you've got to feel you're the person where the decisions rest," he says. "This is no time for excuses."

SOURCES: John A. Byrne and Heather Timmons, "Tough Times for a New CEO," *Business Week* (October 29, 2001), 64-70; and Patrick McGeehan, "Sailing into a Sea of Troubles," *The New York Times* (October 5, 2001), C1, C4.

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business is a sign of hope and an inspiration to employees. Moments of crisis also present excellent opportunities for looking forward and using the emotional energy that has emerged to build a better company.

Crisis management is an important aspect of any manager's job, particularly in today's turbulent times. This is a challenging time to be entering the field of management. Throughout this book, you will learn much more about the new workplace, about the new and dynamic roles managers are playing in the twenty-first century, and about how you can be an effective manager in a complex, ever-changing world. One manager found out through horrors just how important a leader is during a crisis, as shown in the Focus on Leadership box.

The Learning Organization

Managers began thinking about the concept of the learning organization after the publication of Peter Senge's book, *The Fifth Discipline: The Art and Practice of Learning Organizations*.⁴² Senge described the kind of changes managers needed to undergo to help their organizations adapt to an increasingly chaotic world. These ideas gradually evolved to describe characteristics of the organization itself. There is no single view of what the learning organization looks like. The learning organization is an attitude or philosophy about what an organization can become.

The learning organization can be defined as one in which everyone is engaged in identifying and solving problems, enabling the organization to continuously experiment, change, and improve, thus increasing its capacity to grow, learn, and achieve its purpose. The essential idea is problem solving, in contrast to the traditional organization designed for efficiency. In the learning organization all employees look for problems, such as understanding special customer needs. Employees also solve problems, which means putting things together in unique ways to meet a customer's needs.

To develop a learning organization, managers make changes in all the subsystems of the organization. Three important adjustments to promote continuous learning are shifting to a team-based structure, empowering employees, and sharing information. These three characteristics are illustrated in Exhibit 1.5 and each is described here.

Team-Based Structure. An important value in a learning organization is collaboration and communication across departmental and hierarchical boundaries. Self-directed teams are the basic building block of the structure. These

learning organization

An organization in which everyone is engaged in identifying and solving problems, enabling the organization to continuously experiment, improve, and increase its capability.

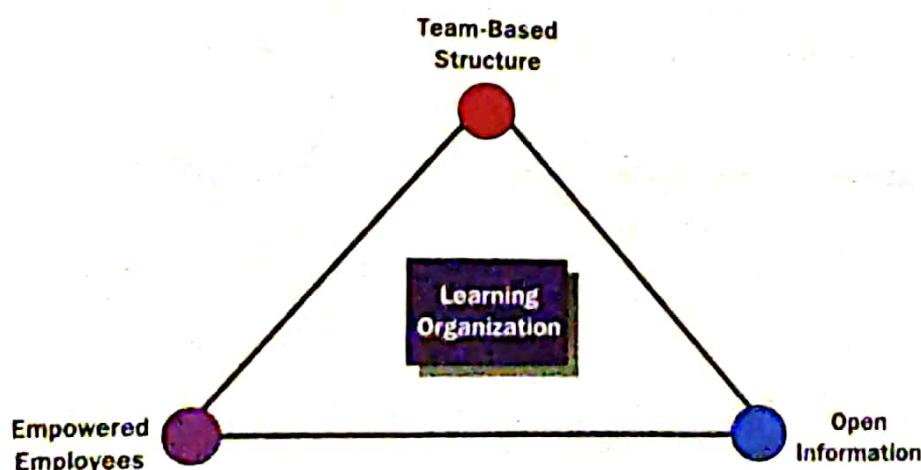
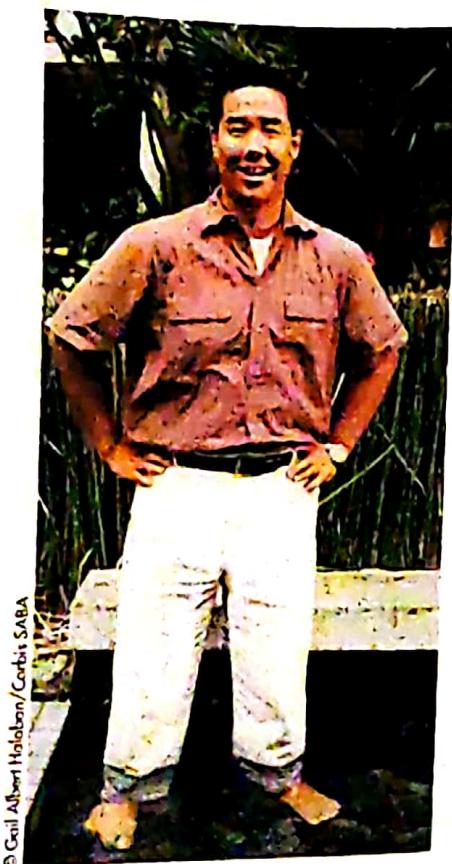


EXHIBIT 1.5

Elements of a Learning Organization



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As president and chief operating officer at oil company Unocal, Tim Ling is among the young executives who are eschewing the oil industry's traditional closed, old-economy methods to embrace open information and communication. Ling prodded Unocal employees, from drillers to managers, to share information and become financially sophisticated. To extend the benefits of this open information culture, Ling also wants to get expert analysis from outside the company by feeding seismic data via broadband to geologists around the world.

teams are made up of employees with different skills who share or rotate jobs to produce an entire product or service. Traditional management tasks are pushed down to lower levels of the organization, with teams often taking responsibility for training, safety, scheduling, and decisions about work methods, pay and reward systems, and coordination with other teams. Although team leadership is critical, in learning organizations the traditional boss is practically eliminated. People on the team are given the skills, information, tools, motivation, and authority to make decisions central to the team's performance and to respond creatively and flexibly to new challenges or opportunities that arise.

Employee Empowerment. Empowerment means unleashing the power and creativity of employees by giving them the freedom, resources, information, and skills to make decisions and perform effectively. Traditional management tries to limit employees, while empowerment expands their behavior. Empowerment may be reflected in self-directed work teams, quality circles, job enrichment, and employee participation groups as well as through decision-making authority, training, and information so that people can perform jobs without close supervision.⁴³

In learning organizations, people are a manager's primary source of strength, not a cost to be minimized. Companies that adopt this perspective believe in treating employees well by providing competitive wages, good working conditions, and opportunities for personal and professional development. In addition, they often provide a sense of employee ownership by sharing gains in productivity and profits.⁴⁴

Open Information. A learning organization is flooded with information. To identify needs and solve problems, people have to be aware of what's going on. They must understand the whole organization as well as their part in it. Formal data about budgets, profits, and departmental expenses are available to everyone. At Solelectron Corp., the world's largest and fastest-growing contract manufacturer, managers widely share information to carry out the company's guiding principles: superior customer service and respect for individual workers. "If you really want to respect individuals," says Winston Chen, "you've got to let them know how they're doing—and let them know soon enough so they can do something about it."⁴⁵ Open information becomes extraordinarily important in organizations that deal with ideas rather than material goods. Managers know that providing too much information is better than providing too little. In addition, managers encourage people throughout the organization to share information. At Viant Inc., which helps companies build and maintain Web-based businesses, people are rewarded for their willingness to absorb and share knowledge. Rather than encouraging consultants to hoard specialized knowledge, CEO Bob Geit says, "We value you more for how much information you've given to the guy next to you."⁴⁶

Managing the Technology-Driven Workplace

The shift to the learning organization goes hand-in-hand with the current transition to a technology-driven workplace. Today's organizations can't be managed and controlled in the same way organizations were managed 100 years ago—or perhaps even 20 years ago.

The physical world that Frederick Taylor and other proponents of scientific management measured determines less and less of what is valued in organizations and society. Our lives and organizations have been engulfed by informa-

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tion technology. Ideas, information, and relationships are becoming more important than production machinery, physical products, and structured work in virtual teams, connected electronically to colleagues around the world. Even in factories that produce physical goods, machines have taken over much of the routine and uniform work, freeing workers to use more of their minds and abilities. Managers and employees in today's companies focus on opportunities rather than efficiencies, which requires that they be flexible, creative, and unconstrained by rigid rules and structured tasks.

In addition to employees being connected electronically, organizations are becoming enmeshed in electronic networks. The world of e-business is booming as more and more business takes place by digital processes over a computer network rather than in physical space. E-business refers to the work an organization does by using electronic linkages (including the Internet) with customers, partners, suppliers, employees, or other key constituents. For example, organizations that use the Internet or other electronic linkages to communicate with employees or customers are engaged in e-business. A company might set up an intranet, an internal communications system that uses the technology and standards of the Internet but is accessible only to people within the company. The intranet looks and acts like a Web site, but it is cordoned off from the public with the use of software programs known as firewalls.⁴⁷ Some companies extend the communication system's function with an extranet, which gives access to key suppliers, partners, customers, or others outside the organization.

E-commerce is a narrower term referring specifically to business exchanges or transactions that occur electronically. E-commerce replaces or enhances the exchange of money and products with the exchange of data and information from one computer to another. Three types of e-commerce—business-to-consumer, business-to-business, and consumer-to-consumer—are illustrated in Exhibit 1.6. Today, most e-commerce takes place on the Internet. Companies

e-business

Work an organization does by using electronic linkages.

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extranet

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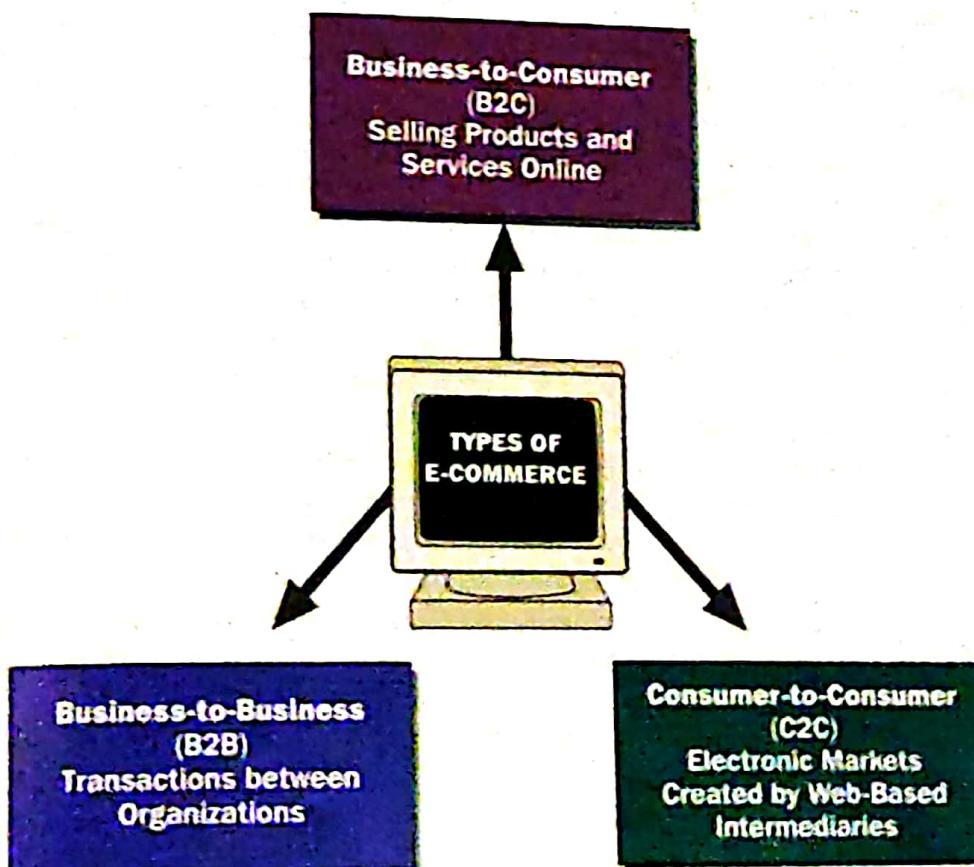
e-commerce

Business exchanges or transactions that occur electronically.

EXHIBIT

1.6

Three Types of E-commerce



such as Gateway, Amazon.com, 800-Flowers, Expedia.com, and Progressive.com engaged in what is referred to as *business-to-consumer e-commerce (B2C)*, because they sell products and services to consumers over the Internet. Consumers can log onto Internet Web sites and purchase computers, books, CDs, flowers and gifts, airline tickets, insurance policies, or practically anything else they desire. In addition, they can pay bills online, chat with consultants about business opportunities or with doctors about medical problems, shop for the lowest-priced refrigerator directly from the manufacturer, or check the history of a used car.

Although this is probably the most visible expression of e-commerce to the public, the fastest growing area of e-commerce is *business-to-business e-commerce (B2B)*, which refers to electronic transactions between organizations. Many companies handle B2B commerce over private *electronic data interchange (EDI)* networks. For example, Wal-Mart has used a private network to transmit sales data to suppliers such as Procter & Gamble, where the network can automatically trigger a shipment of new products as they're needed to restock Wal-Mart's shelves.

More and more companies are using Web-based technology because the Internet systems are easier to use than EDI and are accessible to a larger number of suppliers and vendors.⁴⁸ Large organizations such as General Electric, Carrier Corp., and Ford Motor Company purchase billions of dollars worth of goods and services a year electronically via Internet or private computer linkages to supplier companies.⁴⁹ GE is focused on "digitizing" every function it possibly can, from buying airline tickets to paying suppliers. For example, GE used to process more than 3 million paper invoices a year. Now, most of GE's purchasing and payments are handled digitally. GE managers predict that automating transactions with suppliers will save the company well over a billion dollars a year.⁵⁰ Ford Motor Company purchases a large portion of the steel it uses to build cars through e-Steel. Rather than Ford managers having to go through a maze of processes and paperwork before steel ends up on the assembly line, e-Steel software automatically tracks steel movements on an Internet-based system.⁵¹

Some companies have taken e-commerce to very high levels to achieve amazing performance. Dell Computer pioneered the use of end-to-end digital supply-chain networks to keep in touch with customers, take orders, buy components from suppliers, coordinate with manufacturing partners, and ship customized products directly to consumers. This trend is affecting every industry, prompting a group of consultants at a Harvard University conference to conclude that businesses today must either "Dell or be Delled."⁵² These advances mean managers not only need to be technologically savvy, but they become responsible for managing a web of relationships that reaches far beyond the boundaries of the physical organization, building flexible e-links between a company and its employees, suppliers, partners, and customers.⁵³

The third area of e-commerce, *consumer-to-consumer (C2C)*, is made possible when an Internet-based business acts as an intermediary between and among consumers. One of the best-known examples of C2C e-commerce is Web-based auctions such as those made possible by eBay or QXL. Internet auctions have created a large electronic marketplace where consumers can buy and sell directly with one another, often handling practically the entire transaction via the Web. Another popular area of C2C commerce is peer-to-peer file-sharing networks. Companies such as Napster, BearShare, and Morpheus provide the

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technology for swapping music files, video clips, software, and other files. This area of e-commerce will likely grow in coming years.

In an increasingly digital world, many organizations and employees deal almost entirely with intangibles such as ideas and information. Consider Frederick Taylor's comment about the kind of worker needed in the iron business a century ago: "Now one of the first requirements for a man who is fit to handle pig iron as a regular occupation is that he shall be so stupid and so phlegmatic that he more nearly resembles in his mental makeup the ox than any other type."⁵⁴ The philosophy of scientific management was that managers structured and controlled jobs so carefully that thinking on the part of employees wasn't required—indeed, it was usually discouraged. How different things are today! Companies such as Microsoft or Ipswich that develop software and Internet applications depend on employees' minds more than their physical bodies. In companies where the power of an idea determines success, managers' primary goal is to tap into the creativity and knowledge of every employee.

New electronic technologies also shape the organization itself and how it is managed. Technology provides the architecture that supports and reinforces the new workplace. For example, one approach to information management is enterprise resource planning (ERP) systems, which unite all of a company's major business functions, such as order processing, product design, purchasing, inventory, manufacturing, distribution, human resources, receipt of payments, and forecasting of future demand. Because ERP weaves together all of the company's systems, managers anywhere in the organization can see the big picture and act quickly, based on up-to-the-minute information.⁵⁵ ERP prompts everyone, from the CEO down to a machine operator on the factory floor, has instant access to critical information. Thus, ERP also supports management attempts to harness and leverage organizational knowledge.

Peter Drucker coined the term *knowledge work* more than 40 years ago,⁵⁶ but it is only in recent years that managers have genuinely recognized knowledge as an important organizational resource that should be managed just as they manage cash flow or raw materials. Knowledge management refers to the efforts to systematically find, organize, and make available a company's intellectual capital and to foster a culture of continuous learning and knowledge sharing so that a company's activities build on what is already known.⁵⁷ Information technology plays an important role by enabling the storage and dissemination of data and information across the organization, but technology is only one part of a larger management system.⁵⁸ A complete knowledge management system includes not only the technology for capturing and storing knowledge for easy access, but also new management values that support risk-taking, learning, and collaboration. Rather than seeing employees as factors of production and looking for ways to use human and material resources for greatest efficiency, today's most successful managers cherish people for their ability to think, create, share knowledge, and build relationships.

enterprise resource planning (ERP)

Systems that unite a company's major business functions—order processing, product design, purchasing, inventory, etc.

knowledge management

The efforts to systematically find, organize, and make available a company's intellectual capital and to foster a culture of continuous learning and knowledge sharing.

Management and Organization

Management philosophies and organizational forms change over time to meet new needs. The workplace of today is very different from what it was 50 years ago—indeed, from what it was even 10 years ago. Yet there are ideas and practices