



# Book The Organization of the Future

Frances Hesselbein, Marshall Goldsmith and Richard Beckhard  
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## Recommendation

Editors Frances Hesselbein, Marshall Goldsmith and Richard Beckhard present a series of short essays by 39 authors describing the structure of tomorrow’s organizations. The essays, which are introduced by Peter Drucker, are organized into six main themes: shaping future organizations, new models for working and organizing, organizing for strategic advantage, working and organizing in a wired world, leading people in future organizations and understanding and improving organizational health. Given this approach and more than three dozen authors, some repetition is inevitable, so *BooksInShort* wonders if readers will prefer to dip in and choose articles that appeal to them the most. Generally, the book explicates broad trends in structural thinking, almost like a survey of organizational forecasting by top philosophers, authors and leaders in the field. This is sure to intrigue the executives charged with steering large organizations to and through this complex future.

## Take-Aways

- No single organizational form will work for all businesses.
- Organizations need to act like small companies - adaptable and nimble.
- The organization of the future will be boundary-less, so ideas, information, talent and rewards will move quickly as needed.
- The future organization will be like a chameleon, ever ready to change.
- Use motivational tools to help people develop new skills and a sense of mission.
- Work to attract, develop and retain a diverse group of talented people.
- Build self-esteem in your people, so they are better able to adapt to change
- Use situational leadership to consider each specific task and an individual’s readiness to perform it.
- A successful organization needs a healthy employee work-life balance to increase employee satisfaction and retention.
- You need diverse management skills to manage diverse people.

## Summary

# Shaping the Organization of the Future

Management expert Peter Drucker says that the world has been moving toward a society of big organizations with many employees since the 1860s.

Yet, since the 1960s, most big businesses have lost market share, while small or medium-sized corporations have grown. Thus, says Drucker, diseconomies of scale are moving business toward a networked society, rather than an employee society. Instead of the command-and-control model, the trend is toward relationships where no one controls or commands, such as alliances, joint ventures, partnership, minority participation plans and marketing agreements. Simultaneously, small companies with local or regional markets are being forced to compete in a global arena and to mount a global strategy.

“The larger the scale of a change program, the more likely it is to succeed.” [James A. Champy]

Such developments make new organizational forms necessary. No single type of organizational form will work - rather the trend is toward plurality and a pluralism of organizations, with different types for different purposes, work, people and cultures.

Given these new trends, you need to prepare for organizational change, says James A. Champy, chairman of the Perot Systems Corporation consulting group and author of Reengineering the Corporation. The most effective change programs have come from the top and were driven by vision, although design and implementation require broad input and participation throughout the company. Ironically, the most effective change programs are the most extensive ones, since an incremental change involves having to fight battles on too many fronts. When senior management is behind a large, visible program, the effort mobilizes everyone in the organization.

“The reconfigurable organization is the companion to the continually shifting strategy. When competitive advantage does not last very long, neither do organizations.” [Jay R. Galbraith]

When you are working to transform an organization, consider generational differences, advises Jay A. Conger, the chairman and executive director of the University of Southern California’s Leadership Institute. Members of different generations influence society differently. In the U.S. today, the Baby Boomers are entering the executive suite and the Baby Busters, or Generation X, are moving into front-line management. Their predecessors, the Silent Generation, greatly respected formal authority and believed in the command model. But Boomers and, even more so, Gen Xers, want more boundaries between work and their personal lives and are even less loyal to organizations and traditional authority. The Xers, especially, see themselves as independent. They are attracted to organizations that create a strong sense of community in their lives, since they had little of it as children.

“Increasingly, companies, even quite small ones, have to be run as ‘transnational’ businesses. Their market may still be local or regional, but their competition is global. Their strategy also has to be global, in respect to technology and finance, products and markets, information and people.” [Peter Drucker]

Michael Hammer, author of several books on reengineering, says business must recognize the growing power of customers and their demand for value. Organizations must empower employees to respond with increased speed and agility to satisfy customers. Though it means accepting risk and uncertainty, workers need autonomy to respond appropriately.

“The twenty-first century organization is characterized by responsibility, autonomy, risk and uncertainty. It may not be a gentle environment, but it is a very human one.” [Michael Hammer]

As for the "big" organization of the future, Ric Duques, chairman and CEO of First Data Corp., and Paul Gaske, the managing director of Keilty, Goldsmith & Co., agree that big organizations need to act more like small companies so they have more flexibility. Your organization can do this by organizing by product or service, not by size, so you can deal with your customers individually. You can split your business divisions into separate businesses, so your firm feels small to individual employees.

## Developing New Models

To adapt to all of this change and the need for nimbleness, it helps to think of your company as a reconfigurable organization, advises Jay R. Galbraith, of the International Institute for Management Development in Switzerland. To reconfigure your organization, form teams across departments; use internal prices, and establish partnerships to fill gaps in your capabilities.

“Organizations will increasingly be fashioned differently: for different purposes, different kinds of work, different people, and different cultures. We are rapidly moving toward a plurality and pluralism of organizations. We are rapidly moving toward the new organizations.” [Peter Drucker]

Reconfiguring also requires breaking through organizational boundaries. Ron Ashkenas, a management consultant, says many firms cling to traditional forms through a control-based hierarchy, while holding on to the illusion of transformation through reengineering and other change approaches. But halfway doesn't work. Future organizations need to be boundary-less, so you quickly can move ideas, information, decisions, talent, rewards, and actions to where they are most needed. A cross-boundary team can guide this effort.

“More informal, team and persuasion-based approaches will succeed with the Boomers and Generation X.” [Jay A. Conger]

You can also think of the future organization as a chameleon, says Doug Miller, president and CEO of the Norrell Corp. The future organization, like the chameleon, needs to be an ultimately adaptable organism. Its shape and appearance must change in response to different environments and environmental demands. Such an organization depends on flexibility, superior use of teams, focus on core competencies, increased diversity and a more active training and development program to increase individuals' skills.

“In the future, it will be even more difficult to stay on top, and a sure prescription for failure is standing still.” [Ric Duques and Paul Gaske]

In the future, organizations must be committed to learning, observes Glenn R. Jones, the chairman of Jones Education Networks. Identify the people in your organization who are willing to become lifelong learners and nurture their development.

## **Organizing for Strategic Advantage**

To build the organization of the future, motivate and develop your people. According to Rosabeth Moss Canter, a Harvard Business School management professor, you should have a "social contract of the future" that inspires people. Invest in your employees and their future by helping them gain the skills and self-reliance to function better in the new business environment, which will be leaner, downsized, diverse and project-oriented. Seek new motivational tools centered around the things people value, such as a mission statement showing the importance of their work, and the chance to learn new skills, build a reputation, enhance their careers, and share in the creation of value through entrepreneurial incentives.

“By thinking and acting like a small company, pursuing internal innovation vigorously, redefining corporate responsibility and aligning company culture, the big organization of the future should have a greater opportunity to become a long-term success rather than an also-ran.” [Ric Duques and Paul Gaske]

To compete, build your company's civic character, explains Philip Kotler, a Northwestern University professor of international marketing. A reputation of social responsibility can contribute to your company's performance in a time when many competitors offer similar products. Civic character provides a "sustainable difference" in the public's mind.

“As the leadership organization of the 21st century looks ahead to define its course, its next most valuable undertaking will be the identification of associates who are willing to become lifelong learners.” [Glenn R. Jones]

Centering your growth on your customers can also help you compete, says Martin E. Hanaka, president and COO of Staples, the U.S. office-supply chain. Try to understand specific customers and their requirements, rather than building around more traditional structures, such as product groupings, geographic differences and low prices. Seek strategic partnerships and outsourcing possibilities, such as contract manufacturing. Leverage your employees' talent by giving them more responsibility to respond appropriately to customers.

## **Working in a Wired World**

To gain a strategic advantage in the new environment being created by the spread of the digital economy, attract, develop, and retain a diverse group of exceptionally talented people, suggests international consultant Anthony F. Smith and Tim Kelly, president of

National Geographic Television. To attract the best, offer employees an opportunity to gain transferable skills and provide an open, candid environment. Let employees know about how fast they can advance and share the company's real mission and values with them. Expect to recognize and reward employees based on their merits and to provide systematic training and development through real-time feedback and coaching.

“Ensuring continued human development is perhaps the most effective means for retaining talent. In retaining the best, organizations must be perceived as credible. And because credibility is a perceived phenomenon, organizations must periodically survey their talent base to determine the appropriate course of action necessary for maintaining and building credibility.” [Anthony F. Smith and Tim Kelly]

Take steps to build self-esteem in your people, since it is a critical component of adaptability, advises psychotherapist Nathaniel Branden, the father of the self-esteem movement. Your self-esteem is influential, since the high self-esteem enables you to inspire others. To build your self-esteem, operate responsibly and consciously. Enhance your self-esteem by encouraging consciousness, self-acceptance, self-responsibility, self-assertiveness, purposefulness and integrity throughout your firm. Deepak (Dick) Sethi, AT&T's assistant director of executive education, proposes building self-esteem through respect, responsibility, resources, risk-taking, rewards, recognition, relationship, role modeling and renewal.

## Leading in the Future

Marshall Goldsmith, the founding director of Keiltry, Goldsmith, and Co., which provides customized leadership development, says people increasingly want to be entrepreneurs rather than work for major corporations, and that more employees are knowledge workers. To retain high-impact employees, identify those you want to keep and let them know you want to keep them. Give them recognition and opportunities for development and involvement. Offer a more relaxed, less bureaucratic culture.

Under the Situational Leadership model, you focus on a specific task and the individual's readiness to perform it, according to Paul Hersey, founder and chairman of the board of the Center for Leadership Studies, and Dewey E. Johnson, a California State University management professor in Fresno. Using this model, distinguish between engaging in task behavior - where you spell out individual or group duties and responsibilities - and relationship behavior - where you engage in two-way or multi-way communication. Encourage either low or high dimensions of either task or relationship behavior, depending on whether your employee needs to be more follower-directed or more leader-directed.

Be aware of the effects of emotions, tempo, and timing in managing people, cautions Pierre J. Everaert, executive vice president of the board of management at Philips Electronics in the Netherlands. Adapt your style to work with customers and employees of different backgrounds, gender and social positions. Appreciate the cultural differences of different groups, including respecting their traditions and learning how to understand their attitudes properly. John Alexander, vice-president for communications at the Center for Creative Leadership, and Meena S. Wilson, a research associate there, say that leadership across cultures requires five vital capabilities: heightened self-awareness, the habit of inviting feedback, a thirst for learning, work-life integration and a respect for differences in others.

## Organizational Health: New Definitions

Looking toward the future, you can create a healthier organizational environment. One way is to promote better employee work-life balance, says Lewis E. Platt, former Hewlett-Packard board chairman, president and CEO. Creating this balance helps you retain good people, thus gaining a competitive edge. At Hewlett-Packard, increased employee satisfaction translated into increased customer satisfaction. Healthy organizations stay in a learning mode and manage for diversity. R. Roosevelt Thomas, Jr., founder and president of the American Institute for Managing Diversity, says this approach not only means managing diverse types of people, but having a diversity of management skills adaptable to managing under different conditions, as the rapidly changing environment requires a nimble, adaptable organization.

Organizational consultant Richard Beckhard teaches that healthy organizations have a strong sense of purpose, use a team management style with an executive team at the top, respect customer service and are information-driven.

## About the Authors

**Frances Hesselbein** is chairman of the board of governors of the Peter F. Drucker Foundation for Nonprofit Management and editor-in-chief of its journal, *Leader to Leader* She was awarded the Presidential Medal of Freedom, the United States of America’s highest civilian honor, in 1998. **Marshall Goldsmith** is a founding director of Keilty, Goldsmith and Co., a provider of customized leadership development. He is the confounder of the Learning Network, an association of the world’s top consultants. **Richard Beckhard** is an organization development consultant, author of six books, and former professor at the Sloan School of Management, Massachusetts Institute of Technology.

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