Inventing the Organizations of the 21st Century: The Dawn of the E-lance Economy

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What's going on?
Driving forces for change

- Global markets and global competition
- Increasingly rapid pace of change
- New views of people
- New technologies
Where are we going?
Some possibilities

• Speed
• Structure
• Process
S P E E D
How long does it take to build a house?
Videotape courtesy of:

Building Industry Association of San Diego

San Diego, California
Breaking the mold with speed

- Federal Express package delivery
  - and new mail order retailers
- Wal-Mart inventory replenishment
- Japanese auto product development
Interim conclusion from MIT research

• Highly decentralized systems will be much more important in the future.
Linux

- Computer operating system
  - Unix for PCs

- Developed and tested by thousands of volunteer programmers around the world

- > 3M users today

- No one “in control”
Organizations in the 20th century

- Small, local businesses
- Large, centralized corporations
- "Delayering", "Empowerment", "Outsourcing", "Networked organizations"
What will these networked organizations look like?
Scenario: The E-Lance Economy

- 1 - 10 people per firm
- Temporary combinations for various projects
- Examples
  - Making films
  - Construction
Nokia Display Products

- US subsidiary of Finnish company
- Sells PC displays manufactured by parent
- $160 million revenues
- 6% market share
- 5 employees
- Outsourced sales, customer service, logistics, advertising, manufacturing, etc.
TopsyTail

- Hair care products
- $80 M revenues
- 3 employees (CEO, CFO, Marketing Director)
- 20 outsourced vendors include:
  - tool makers, injection molders, package designer, logo designer, fulfillment houses, mailing list firm, PR, distributors, sales reps
- Keeps inside:
  - new product development and marketing strategy
Textile industry near Prato, Italy

- Over 15,000 small firms
  - Average no. of employees < 5
  - State-of-the-art factories, warehouses, and other equipment
  - Cooperative ventures for purchasing, logistics, R&D

- Brokers (impannatori) coordinate work
  - assemble groups of firms to meet needs of specific customers
  - electronic market for production capacity

- Result: Preferred material for fashion designers around the world
Questions

• What if the managers of an organization are not in control?

• What if power, ownership, and action initiatives come from throughout an organization?
• **Decentralized design principles**
  
  - “*No one in charge*”
  - Agreements needed only on interaction protocols
  - Anyone who follows protocols can be a
    » Service provider
    » Service user
    » Network provider

• **Result:** Amazing growth and flowering of innovation
Beyond the centralized mindset

- Birds
- Free markets
• How much of the intelligence of people throughout an organization can we use in a decentralized organization?
Process
Processes (not structures) are the key building blocks for inventing new organizations.
Analyzing the “deep structure” of business processes

Step 1: What are the goals?

Step 2: What are the core activities?

Step 3: What are the dependencies among these activities?

Step 4: How can these dependencies be managed (i.e., coordinated)?
Three elementary dependency types

**Flow**

**Sharing**

**Fit**

Key:

- Activity
- Resource
Managing flow

- **Centralized**
  - Assembly line specifies exact nature and timing of handoffs from one station to another

- **Decentralized**
  - Construction industry: Contractors buy supplies as needed from independent suppliers
Managing sharing

- **Centralized**
  - Managers assign people to projects

- **Decentralized**
  - Merck: Project leaders have to recruit other researchers who bring their own resources
Managing fit

- **Centralized**
  - Senior designer tells other programmers what to do

- **Decentralized**
  - **Microsoft**: Programmers detect problems after each daily build and negotiate with each other to solve them
Conclusions

• “Empowerment” is not just a fad, but a response to fundamental changes in the economics of communication and decision-making.

• Better models of the “deep structure” of business processes will help us understand, manage, and invent the networked organizations of the future.

• What do we really want?