

**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

Question

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**

Structure

Interim conclusion from MIT research

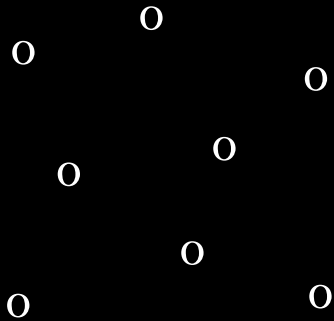
- **Highly decentralized systems will be much more important in the future.**

Linux

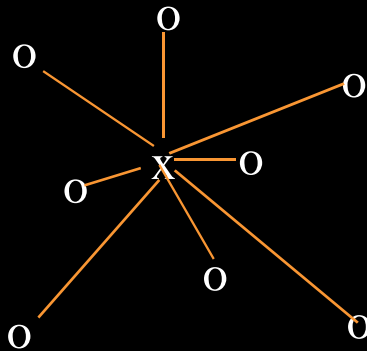
- **Computer operating system**
 - **Unix for PCs**
- **Developed and tested by thousands of volunteer programmers around the world**
- **> 3M users today**
- **No one “in control”**

Organizations in the 20th century

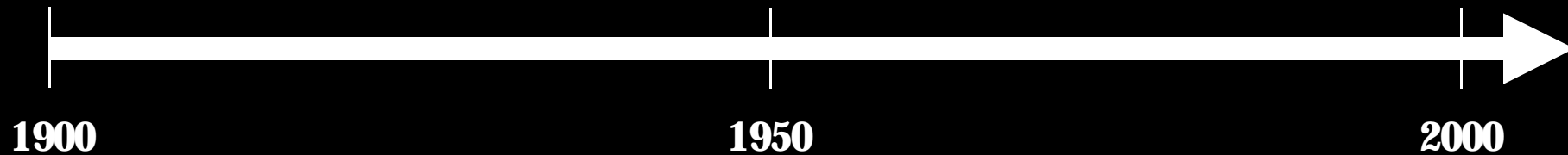
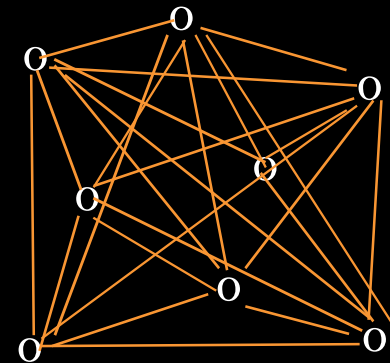
**Small, local
businesses**



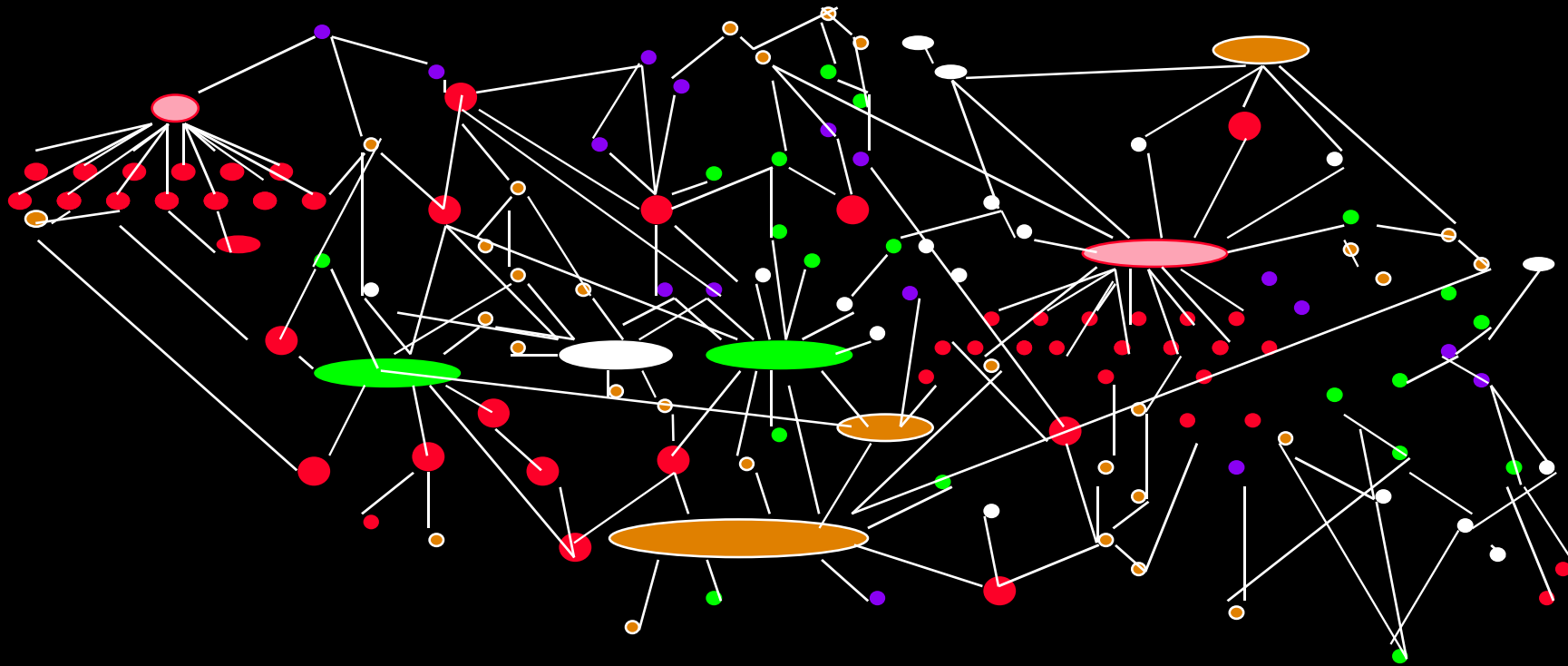
**Large, centralized
corporations**



**“Delaying”,
“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

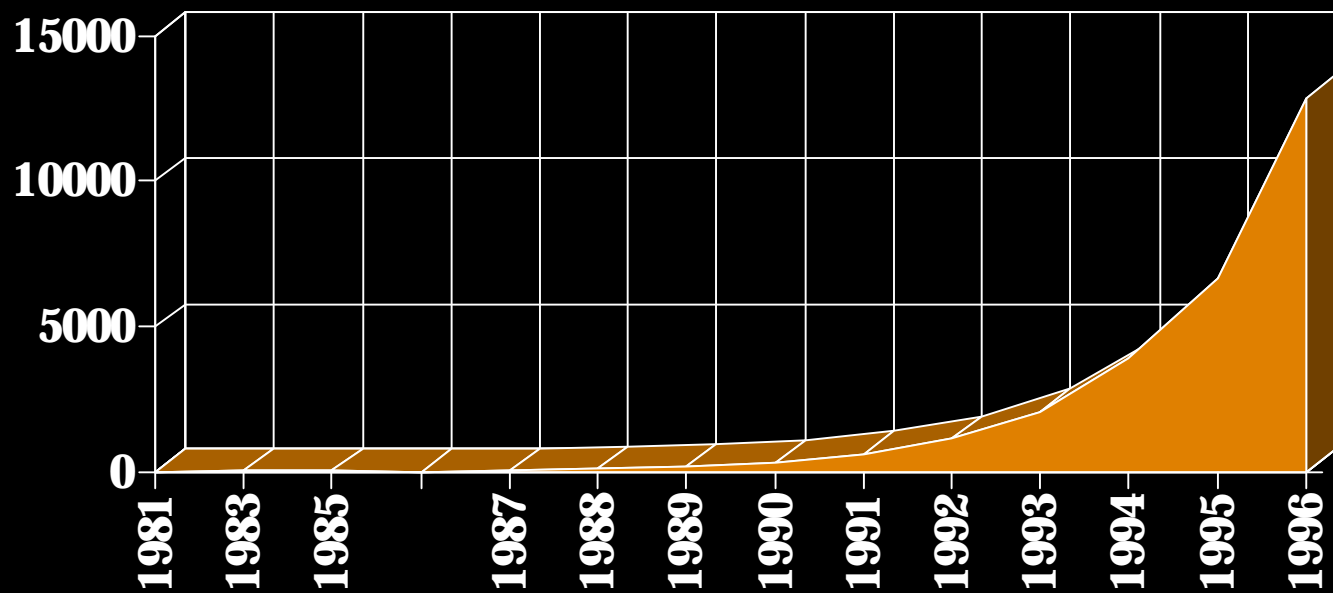
- **Over 15,000 small firms**
 - Average no. of employees < 5
 - State-of-the-art factories, warehouses, and other equipment
 - Cooperative ventures for purchasing, logistics, R&D
- **Brokers (*impannatori*) coordinate work**
 - assemble groups of firms to meet needs of specific customers
 - electronic 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?**

Internet

Internet hosts (thousands)



Internet (cont.)

- **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**

Question

- **How much of the intelligence of people throughout an organization can we use in a decentralized organization?**

Videotape courtesy of

**Cinematrix
Interactive Entertainment Systems, Inc.**

voice: 415-892-8254, fax: 415-892-4469

Process

Interim conclusion from MIT research

- **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?

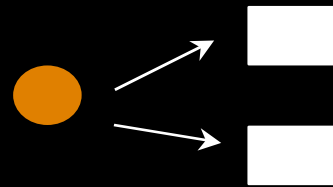
Step 3: What are the dependencies among these activities?

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

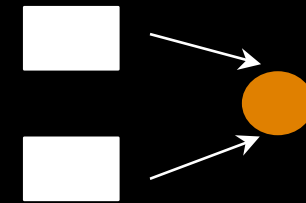
Three elementary dependency types



Flow



Sharing



Fit

Key:

 Activity

 Resource

Managing flow



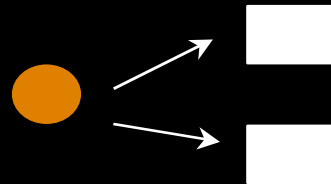
- **Centralized**

- **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



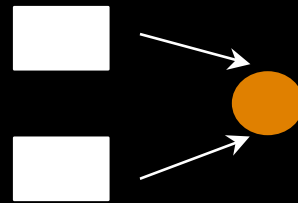
- **Centralized**

- 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?**