



Corporate LEGO

With more free agents and outsourcing, non-core functions within organisations are interchangeable and easily rebuilt around value-creating units.

Organisations have already started to be more permeable and flexible. Increasing use of consultants, freelancers and other temporary staff has blurred the boundary between employee and contractor in many large companies. In addition, the outsourcing of such functions as IT, HR, finance and other so-called 'back-office' jobs, often to different countries, has saved money but also increased the complexity of the organisational framework. While many companies today still see themselves as entities with employees in control of a wide range of value-creating and support activities, by the end of the decade more and more organisations will be networks.

'While there will be a permanent core to the business, it will become increasingly small and more of a direction-setting and delivery-choreographing entity.' Businesses of 2020 will have fewer people managers in charge of cohorts of workers and more project managers ensuring that the right activities are undertaken in the most effective manner irrespective of whether the project team is internal or external to the organisation. Some examples of this shift are being collated in the world's business schools and associated organisations such as the Management Lab in California. What they are pointing to is a world where organisations are becoming increasingly unbundled and recombined around different tasks and issues. The ability of companies to manage a community, rather than employees with

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a clear reporting line, presents a challenge that will be difficult for many to deal with. Some business leaders are already learning how to play Corporate LEGO. In fast-changing markets and technology areas, more and more companies will have to learn to plug and unplug capability from inside and outside the organisation on a project-by-project basis.

The initial drivers for change in organisations are generally cost and efficiency. Pressure on costs, reach and access forced many firms to outsource or offshore many of their commoditised functions. Conversely, to date, most companies have generally kept their value adding, differentiating capabilities 'within the tent' – R&D, marketing and design have all been viewed as the key capabilities and so have been protected, nurtured and kept close to the strategic heart of the firm. However, as companies and brands are becoming increasingly more differentiated by the world-class expertise they can access to create and deliver their new products and services, some organisations are now obliged to plug and unplug

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the leading-edge capabilities to meet ever more challenging local and global needs.

As Chris Meyer highlighted in his initial perspective on the future of work: 'Web 2.0 is teaching organisations about the power of collective work product, leading to Enterprise 2.0, an organisational form with porous boundaries, shared responsibilities, greater transparency, and fewer mandatory rules and practices.' Increasingly decentralised corporations are fast becoming a combination of amalgams of a series of independent capabilities that share common processes, systems and cultural norms but are structured as separate business units or profit centres with independent management and customers. Rapid changes in technologies, markets and strategic priorities are increasingly resulting in the separation and reformation of corporate structures using these independent units as organisational building blocks.

One major influence on, and catalyst for, this has been the widespread embracing of the 'open innovation' philosophy, where ideas flow into the organisation from an ever increasing ecosystem of partners, universities, consultants, customers and entrepreneurs. In firms such as P&G, which has staked a huge bet on the open innovation philosophy with its Connect + Develop approach, this has already meant a shift to engaging a wider, deeper supply base of innovation than was traditional with just internal marketing,

approved agencies and R&D as the focus. In a similar vein, Novartis has already relocated its R&D HQ from Switzerland to Massachusetts and is now well plumbed into the local biotech system; and the likes of Microsoft, IBM and Intel have all set up research labs in Beijing to access the local talent, especially around the field of speech recognition. These companies are, in their different ways, all demonstrating the ability to unbundle organisational capabilities from one part of the business and align them with a wider external ecosystem. Open innovation has encouraged the heart of an organisation's future growth to become a network. Going forward, several leading commentators see a similar shift on the horizon for strategy.

Over 30% of the US population are already 'free agents' working either independently or as subcontractors. Within ten years, around half of the Western workforce is expected to be self-employed, increasingly working on a project-by-project basis. This fundamental change is providing a plethora of experts and consultants available as subcontracted resources to be pulled in and out of firms as needs demand. At the same time, how we work is changing. The project team members of today, and certainly tomorrow, are increasingly people who have grown up in the connected world. As many of these 'digital natives' go mobile and become 'digital nomads', they will be looking to create value wherever, whenever, using whatever devices they like. In the 'always connected' world this becomes an accepted way of life for those who can contribute the most.

As Swedish academics Kjell Nordstrom and Jonas Ridderstrale forecast over a decade ago in their book *Funky Business*, we have a world in which there are 'people worth employing' and 'organisations worth working for' but by 2020 this will increasingly be on a

temporary project-by-project basis. As such 'the heart of value creation for organisations will increasingly shift outside the traditional corporate boundaries to embrace people more interested in portfolio careers than company progression.' This places greater challenges for companies across the board, especially in managing risk.

With outsourced back-office functions, organisations can manage risk to delivery and support through contractual service-level agreements (SLAs) that set out exactly what needs to be done and to what standard. In the world where innovation, strategy and the best ideas sit outside the organisation and are developed by a group of individuals who are attracted by the challenge and opportunity for addressing them, the way companies manage corporate risk necessitates a fundamental shift from the past. Where business model discussions mean that know-how is freely shared outside the constraints and protection of intellectual property regulations, trust between colleagues and project teams becomes ever more important. As one workshop participant saw it:

"The ability of corporations to serve their customers is largely driven by access to and the use of data. Data

integration is a growing challenge. The future will see more agile corporations, more decentralisation and new IT infrastructures."

At the same time, more organisations are seeing a future in which their brand can no longer be managed. In one workshop, old and new economy companies discussed how the ability to 'broadcast' your brand to customers and the outside world was already being replaced by participation in networks. Rather than brand managers, organisations are progressively having internal reputation managers – value-protecting professionals that mix traditional PR and investor relations with proactive participation in pivotal social networks. What is more, these individuals increasingly sit outside the corporate entity and work as consultants. Moreover, as highlighted by the foresight on differentiated commoditised knowledge, 'with the growth of the creative commons and open source movements, core components of corporate and institutional knowledge will increasingly be shared without restriction'. In a world where Corporate LEGO is the biggest game in town and companies continue to seek to grow globally through fast and more effective innovation, some pivotal business challenges for the next decade are already quite clear.



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