The introduction of the Information and Communications Technologies (ICT) gives rise to organizations based on processes and focused on the market.

The introduction of the ICT into companies has brought about a significant reduction in the costs of communication that goes a long way to helping interaction among employees. In this way, large enterprises can enjoy the freedom of a small company while taking advantage of scale economies typical of large organizations. This is what the MIT professor, Thomas Malone, maintains in his book “The future of work.”

The ICT contribute to the decentralization of tasks as they can be carried out from anywhere outside the office while advancing coordination through setting up teamwork tools. Thus, technology gives rise to organizations based on processes and focused on the market, teamwork and flatter structures with decentralized responsibilities.

As you might expect, the transformation of companies into less hierarchical organizations entails certain difficulties. For example, it multiplies the likelihood of making mistakes or duplicating the information due to the easing of control by top management. However, in many cases flat organizations get higher profits than those very rigid hierarchical structures. This is what is known as the paradox of power: the more power the company offers, the more power it gets.

These profits come from the increase in the business capacity to react to external changes, the reduction in the costs of overseeing the activities of the employees and the increase in work satisfaction. When the organizational structures are flatter, the worker enjoys greater power when it comes to decision-making and feels more involved in the company. In this way, the ICT have allowed companies to benefit from what is known as empowerment, which is delegating power and authority to the lower ranks and providing them with the feeling that they have full responsibility over their own work.

eBay is a good example of the benefits a company gets when it hands over more freedom and power to its employees. The online auction company has 430,000 users who live from selling their products on the Internet. If those people were counted as workers in the company, eBay would be one of the main creators of jobs in the United States, ahead of McDonald’s. eBay does not have any social expenses. Moreover, it also gets paid a percentage on each sale those “employees” make on its webpage.

These changes in the work environment bring about the need to adjust the business culture to the new scenario, where managing must focus on gaining the benefits of “coordinating and cultivating” employees instead of ordering and controlling. In this way, the overall organization must create a new cultural framework that is strong enough to replace the hierarchy.
New management must be based on flexibility and the ability to respond by giving priority to “organizational capital”. In fact, according to some authors, the differences in the increase in productivity created by the ICT that spring up among enterprises can be put down to the changes in the organizational design of each company.

Is this what happens in Spanish companies? A recent study by e-businessCenter PwC&IESE entitled “The ICT as an agent of change in Spanish companies. Present situation and future tendencies” refutes this. More than half of the enterprises surveyed deny that their organizations are getting flatter, while 76% say that the number of middle managers has not been reduced. The authors of the study maintain that this may be due to the fact that improvements in productivity and the changes can only be seen in the long term.

The study also says that almost 90% of the enterprises analyzed recognize the need to increase the ir employees’ IT skills so that they can really take advantage of technology. However, in order to get the most out of a flat organization, companies must train their employees while giving them more freedom.

What will the organization of the future be like?

Technology, Key in Human Capital
Paqui Carvajal, Manager at PwC
In the future, one of the main concerns of companies is still going to be attracting and retaining talent. And technology plays an important role in this. The most advanced enterprises in talent management revise not only their strategies and processes but also their systems to take advantage of people’s talent. They have specific technologies to manage their human capital that allow them to combine learning, communication, knowledge and development management initiatives.

Similarly, the organizations that are worried about retaining and motivating their human resources as well as having a commitment with them work on formulae that offer flexibility and improve the conciliation between private and professional life. The technologies available today and the possibilities of connectivity undoubtedly provide an ideal scenario for these kinds of initiatives, one of which is telework, which is used on a growing scale in American companies.

According to data from the Saratoga Institute, American companies in 2003 achieved a return on investment of 1.40 euros for every euro spent on remuneration and profit bonuses, while in Europe the ROI was 1.13 euros for each euro invested. A question for thought; are the abovementioned initiatives influencing this difference?

Future Tendencies
Brian Subirana, IESE professor
Without a shadow of a doubt, the organization of the future will depend heavily on this decade. However, let me take the ideas of Prof. Malone as explained in his book “The Future of Work” and make them mine (with a slight transformation) and outline a future where three tendencies are going to converge. Firstly, technology is going to be more and more fundamental in the management of organizations, not merely by automating administrative or production functions but by enabling activities to be coordinated and
by helping in the direct management of people. Secondly, in spite of the fact that there will always be exceptions, organizations will tend to be more and more decentralized. We are going to gradually move from centralized to weak hierarchies, later to democracies and finally to markets. At the extreme, people are only going to participate temporally in organizations that will be set up just to satisfy certain projects. The only component of an organization that will prevail over time will be technology and the digital trace of the organization. Thirdly, valuation criteria of organizations based on financial metrics will give way to more sophisticated criteria based on intrinsic motivations of the members who make up the organizations and their clients.