Management for the immediate future

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How should continuous change be dealt with? The right combination of short-term financial and long-term economic efficiency.

The aging population. Globalization. Convergence of sectors. Deregulation. The search for innovation. Growing consumer demand for value. All of these changes present a challenge for today's organizations, which must make short-term decisions with a high level of flexibility.

This situation is explained by IESE Prof. Guido Stein in “Management para el corto plazo” (“Management for the Short Term”), a technical note in which he summarizes the ideas of management guru Peter Drucker to offer a guide to running companies in today's climate.

The impact of current changes varies according to whether growing, mature or declining sectors are being analyzed, says Stein. Consequently, they require appropriate types of management.

Growing sectors change quickly. Managers who work in them must be able to take the lead in innovation and assume risks.

Leaders in mature sectors must focus on specific areas, and especially on those in which demand can be satisfied at a lower cost thanks to technological development.

In declining sectors, managers must focus on cutting costs while at the same time increasing quality and service.

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Knowledge organizations

In this new environment, IT plays a crucial role in creating value. Managers must deftly handle the Information-Knowledge-Action triad and be able to make correct decisions. To do so, they must be able to eliminate unrelated data, organize information, select it and interpret it. For this reason, it is important to have knowledge workers.

These workers need organizations to make their knowledge provide results and money, as much as the organizations need them. This double outlook implies the correct combination of short-term financial efficiency and long-term economic efficiency.

For example, as stakeholders in pension and investment funds, knowledge workers demand short-term results. At the same time, as their retirement nest egg is at stake, they demand management that would increase the value of their investment in the long term. Although they are not irreconcilable objectives, they do differ, and as such require a separate and balanced treatment.

Managers must guide these workers towards production and satisfaction. One of the ways to achieve this is motivation. And one way of doing this is to increase years of training.

The aim is to complement technical and humanistic aspects, general factors and specialization.

The value of the work is, therefore, the increase in intellectual and ethical terms, or anthropological improvement, since the essential aspect of work is ultimately making a personal contribution.

In terms of organizations, a feedback process should be allowed to take place, by virtue of which the person who obeys (i.e., the person learning) sends his/her orders to the person who commands (i.e., the person who teaches). Both manage at their own level. The “working individual” is not as important as the “individual's work.”

The new paradigm

Transformations require new organizational paradigms and management models. The response has been the rise of the individual corporation, a flexible organization that takes advantage of each employee's knowledge and idiosyncrasies.

Organizations exist to achieve an objective. When this is determined, emphasis must first be

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placed on the “law of organization,” i.e., concentration. The most important decision in terms of objectives is not “what to do” but rather “what to stop doing.”

This is followed by prioritizing and retaining focus. These actions must be based on the definition of alternatives rather than on opinions and emotions.

When what must be done has been ascertained, priorities must be identified, as it is impossible to do a little of everything, and consensus must be reached.

A balance must be reached between the objectives of the organization and the desires and needs of its members; between the institution and the need for flexibility in terms of personal skills.

By the same token, according to Drucker, organizations must be structured around principles or constitutional rules that move them towards effectiveness and efficiency.

However, rather than needing new ways of acting, workers require new ways of understanding. In this paradigm, the organization is a framework for action that does not only require new ways of acting.

The idea that “governing is doing” must be dispensed with. Governing is making basic decisions and doing so efficiently. This principle is achieved by decentralization and delegation. Knowledge workers are those who govern. At their core is knowledge.

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