



## ORGANIZATIONALLY DEFICIENT COMPANIES IN THE 21<sup>ST</sup> CENTURY – AND WHAT TO DO ABOUT IT

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If you are thinking that your company will glide through this first decade of the 21<sup>st</sup> Century without engaging in any full-blown, organizational changes, I encourage you to think about this more carefully. These are the reasons why you'll need to consider changes – sooner, rather than later.

To survive in the 21<sup>st</sup> Century, today's companies must make changes in:

- Their organizational ***direction*** to ensure competitive value;
- Their orientation to ***globalization*** to understand its meaning to the organization;
- Their ***technologies*** and other methodology to ensure currency and relevance;
- Their ***customer diversity*** both in the U.S. and in other countries;
- Their ***productivity*** and work ethic because those efforts and meanings are changing as new generations enter the workforce; and
- Their ***market share*** for a new understanding of the meaning of profit margins, as these factors radically alter in new market environments (*excerpted from my book, ALL THE MOVING PARTS: ORGANIZATIONAL CHANGE MANAGEMENT*).

### **Organizational Direction for the 21<sup>st</sup> Century**

Unless you have recently taken your organization through full-blown strategy development, the direction in which your organization is currently going will be one of the first areas in which change strategies must be adopted. Mike Zafirovski at Nortel Network Corporation knows the challenges of changing directions for a company. He has within the past year taken his company backward in order to go forward, effecting changes of direction along the way. And he acknowledges that those directional changes have not been achieved without some adversity. But Mr. Zafirovski's challenge is to turn



the company around and head in a completely different direction in order to remain “in the game” in the current operational environment.

Another new CEO, Alan Mulally at Ford, has radical changes-of-direction to effect, as well. What the *Wall Street Journal* calls his “gut-wrenching agenda” will mean that in order to turn around Ford’s North American market share, trim its 8 brands, and turn out cars that have a “Ford feel,” there will need to be a radical restructuring that will be accompanied by downsizing.

To hasten the pace of change, processes should be *clear* and *understandable*. A clearly delineated path always makes it possible to achieve clear measurements of the progress and to chart a straight and unvarying course to achieve change.

### **Globalization in the 21<sup>st</sup> Century**

Wal-Mart is one of the world’s largest companies and a clear global competitor. They’ve learned a lot through the years about the vagaries of the global market and the company has expanded in some countries and reduced efforts in others in recent years. Even if your company does not engage in overt global practices, you will, nevertheless, be affected by the global markets and their requirements. In my company, a 40-person management consulting firm, we now send team members to work in foreign markets when our client corporations have interests there. We, ourselves, are not marketing products in these markets, but we, are nonetheless, engaged in the global movement.

I serve on the U.S. Chamber of Commerce Small Business Council, and at a recent conference in Washington there was strong emphasis on global markets for small businesses in the U.S. – it’s the wave of the future for U.S. companies. For one thing, the populations of many other countries is much more vast than that of the United States. At one time, large populations in these countries – such as China, Africa, Asia, India – were of no consequence for American businesses because their populations could not afford our goods and services. But that is changing rapidly. It behooves us, therefore, to pay attention to these statistics: the U.S. population is currently about 300 million, projected to reach 467 million by 2050. In startling contrast, the Chinese population is currently 1.4 billion, expected to reach 1.6 billion by 2050; the Indian population is 1.1 billion, projected to reach almost 2 billion by 2050; the African population is 900 million, to reach 2.3 billion by 2050; the Asian population, taken as a whole, is currently 4 billion, expected to reach over 6 billion by 2050; and the Latin American population is currently 600 million, to be at over 900 million by 2050. It can readily be seen that American ingenuity will be reaching far afield in the future, in order to remain competitive so that current business growth rates can continue.



### **Technology for Businesses in the 21<sup>st</sup> Century**

The use of technology to expand one's company is the real challenge for the early part of this century. Opening the door to customers and the general public, and using the latest technological advances (of which there are ever-increasing numbers) allows organizations to adopt a complement of change strategies that will work.

A good example of opening the door to customers is Lego's Mindstorms products that became more valuable after the company opened up the source code and allowed customers to respond online. Customers then had the chance to contribute their ideas to make the product line a much better one, and the company benefited in higher-quality products and greater sales volume. Intel Corporation operates in a similar fashion by asking university scientists to contribute ideas to its company through a technological "community of collaborators."

Sharing of proprietary corporate information certainly isn't for every company but the phenomenon is a true 21<sup>st</sup> Century one and should be seriously considered for the enhancement of processes and products that are either foundering or that could be improved. There are many other ways to use technology to ask customers to be involved – through virtual focus groups, marketing and sales groups, and evaluation approaches, to name a few. Current studies show that the average person reads around ten megabytes of material a day; hears reports amounting to 400 MB each day; and sees one MB of information every second. It is startling information, therefore, that cellphone technology within the decade will have enough storage capacity to be able to video a user's *entire life*. It is also anticipated that in a very short time there will "remote controls for life" which will contain all that one needs to function in modern life – that is, these devices will contain cellphone capability, flash drives, health monitors, microphones, recorders, maps, laser pointers, remote controls for cars and houses, passports, make-up kits, burglar alarms and so on.

To think seriously about what new technological developments will mean to businesses requires that we ask how these advances can best be used to access customers. With the wealth of marketing and interactive opportunities that are on the horizon, we must plan for their reality and use them well for future gains.



### **Diversity of Customer Base in the 21<sup>st</sup> Century**

Customers are not only diverse in their knowledge, use, and preference of technical devices, but the important customer bases of the future will, themselves, be highly diverse – from generational diversity to global-racial-ethnic-demographic and geographic diversity. All of these will require both comprehensive and specific marketing strategies that have never been done before.

As companies have become more global, there have been great learning experiences related to the buying public of other countries. Wal-Mart's experiences in the global marketplace have been instructive. When Wal-Mart entered Mexico its strategy was to form a 50/50 partnership with an established Mexican company, thus gaining the expertise to later enter Latin countries as a wholly-owned subsidiary. One of the interesting lessons learned was that store design and lay-out changes were necessary to accommodate the custom of whole families shopping together.

While it is unlikely that there will be many companies prepared to assume Wal-Mart's global positioning, the experiences like these are informative for those who seek either to enter the world market or simply to attract a more diverse customer base within the U.S. All organizations who stay in business through the first decade of the 21<sup>st</sup> Century will need to attract a more diversified customer base, either in the Continental U.S., or abroad. In the U.S., the new growth in the numbers of African Americans, Latinos, Asian Americans, and Native Americans definitely require that a business focus be directed toward these groups and their members. Businesses that are ensured future success will be those who can understand the preferences of these new consumers and find ways to incorporate their needs into business offerings.

### **Work Ethnic, Productivity in the 21<sup>st</sup> Century**

While productivity has been increasing in the U.S. in recent years, it is being achieved in ways that are far different than was formerly the case in American business. Computers, technology, and mechanization have, of course, assisted with this process, but it's also become a growing orientation toward "doing the right things and doing things right" which has forged the American workforce that, today, produces far more, far faster and far better than any other country in the world. The quality of the product that can be achieved in the U.S., as opposed to qualities derived from manufacturing outsourced to other countries in the world, is one of the dilemmas of globalization that face modern companies.



Modern day worker productivity and other involvements center on motivation factors affecting the worker. And worker motivation is prompted primarily by worker emotions and the workers' emotional and physical reactions to the work environment (a discussion far too extensive for the purpose of this article). Modern companies are adjusting their work environments to suit new generations of workers who are far more inclined to be motivated by such things as flexible work schedules (as in the recent case of Best Buy's corporate office staff), as well as involvement in production and marketing decisions.

### **Organizational Market Share and Profit Margins in the 21<sup>st</sup> Century**

Today's business world requires new and different ways of acquiring market share and, thus, achieving acceptable profit margins. For established companies, the exercising of change strategies will be needed to retool existing processes in exchange for newer methods of "accosting the market." Take for example the new practice in large law firms of designating a full-time manager to take the helm. Whereas law firms for the past 100 years have rested secure in the notion that clients would come to them, new management acquisition practices have them appointing managers who operate like CEOs and who travel the world to acquire and meet with clients.

Another market share/profitability decision was made by a hospital that has gone backwards in order to go forward. The Virginia Mason Medical Center has made aggressive moves to cut health care costs in novel ways. Through consultation with one of its largest insurers, Aetna, Inc., and other large, local employers, the hospital revamped its treatment of some expensive ailments by cutting down on high-tech tests and high-end specialists. However, once the process was instituted, the more cost-effective the Center became the bigger its financial hit under the pricing/payment schemas. This circumstance prompted establishment of a novel market-share solution, whereby the medical center is paid (that is, rewarded) for advocating cheaper treatment processes. Everyone wins through this novel and forward-thinking solution, but it required thinking about the organization and its functioning in very different ways.

Other companies, like United Airlines, have become aware of a new profits environment that has allowed them to secure new market share and increased profit margins. A recent win in China to provide the first direct air service to China is valued at a \$250 million-a-year business addition and one that is highly-profitable.



## **Summary**

To do business successfully in the 21<sup>st</sup> Century means that adequate attention must be paid to the organization's **direction**; its involvement in and interaction with **globalization**; attention to emerging **technologies**; and the need for changes toward customer **diversity**; as well as the company's new worker **productivity and work ethic** (that is, motivation); and the new elements affecting **market share and profit margins** of companies.

As discussed in my latest book, all of these change elements will require special attention to **all the moving parts** of an organization, and, certainly, will require that a first step be that of re-establishing your company's strategic systems for the future.

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