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Management during my lifetime – and beyond¹

ABSTRACT

This paper attempts to delineate managerial implications of all pervasive macro-level changes. More particularly the implications of 1) business cycles, 2) longer economic cycles, 3) the knowledge era, 4) the postmodern and 5) and the present cycle of cycles of civilizations are discussed.

So, 1) in business cycles there are comparable cycles between the tendency to centralize during a recession and the tendency to decentralize during a boom. 2) In the longer business cycle of information and communication technology new ways to re-organize work have emerged. 3) Knowledge-intensive organizations are more fluid with fewer organizational boundaries than manufacturing organizations of the industrial era. 4) In postmodern organizations the managerial margin is narrower and more tolerance of ambiguity is needed than in organizations of the modern era. 5) While the hegemony of the Western organizations is losing ground, business and managers have learned to work crossing cultural boundaries.

To begin with,

We who lived through the last decade of last millennium considered it to be a period of unforeseen and unforeseeable changes. The integration of the Western Europe and the disintegration of the Eastern Europe alone were re-

garded as epoch-making phenomena, albeit people have always seen their own time as especially dramatic. The paper attempts to outline changes that mould the world.

I shall present five ways of seeing the changes that affect us: business cycles, longer

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economic cycles, the knowledge era, postmodernism and cycles of civilizations. Management is contingent with these changes. I try to sketch these contingencies.

Business cycles

Business cycles come and go, there are ups and downs, booms and declines. The Great Slump in the early 1990s in Finland was the deepest that the country has ever gone through during peacetime (see Kiander & Vartia, 1994). It remains in the back of the mind of every Finn who lived through the period. But it was also an example of “the perennial gale of creative destruction” (Schumpeter, 1943, 84), and Nokia is the best-known Phoenix bird that came up from the ashes.

Bad times imply tough managerial measures. Painful decisions require centralization rather than decentralization. There are managers who would like to delegate disgusting decisions to the bottom, but it just does not work out that way. On the other hand, during business growth, decentralization is the rule (with exceptions). Units where authority has been delegated may increase costs, but it does not matter as long as it can be counterbalanced by increased income and profits.

All this sounds good and right and proper, but the practice is more complicated. Much of the thinking and measures that came into practice during the Great Slump in Finland are still with us. It may be due to a delay to adopt new thinking. But it is true, too, that the European Union and globalization at large have intensified the international (cost) competition, and this has been conducive to tight centralized cost control.

The recent global financial crisis has reinforced the tendency. It is neither in the realm of

this paper nor in the realm of my competence to predict, what will come out of the crisis. There are experts who say that what we have now is unique and that the world will never be the same again. But in line with the rubric of this paper, I cannot help recollecting that during a boom it is difficult to realize that what has gone up will come down and during a recession it is quite as difficult to see the light at the end of the tunnel.

Longer economic cycles

In addition to the normal business cycles longer economic cycles (first analyzed by Juglar 1862) have been identified. The best known of them are Kondratieff’s (1984, published 1925 in Russian) cycles. His empirical material indicated a pattern of fifty years’ economic cycles. Innovations accumulate towards the end of a cycle, and they breed the beginning of the next cycle. It is tempting (even though controversial) to derive predictions from Kondratieff’s theory: then, the 1990s would have been the final and declining phase of the fourth Kondratieff cycle. Indeed, the 1990s was an intense period of innovations in the information and communication technology (ICT). If this train of thought is correct, the early third millennium has been a period of growth based on these innovations. Contemporarily, it is possible to seize innovations much more rapidly and intensively than in the heyday of manufacturing industry.

There is ample literature on organizing the information function of an enterprise, but the literature on the impact of information technology on companies, their organization and business is less abundant. How to manage information and communication technology? Here we confront the predicament that we are trying to shoot at a rapidly moving target. When

we have learned to use and live with a new ICT-application, it has become dated by another new development. Nobody is able to predict what the future holds for developments in the ICT-sector. Nonetheless, some conclusions seem to be justified (cf. Laudon & Laudon, 2002).

Information technology allows flattening organizations, as control, particularly numerical control, is possible by a wider and deeper span than ever before. It does not always happen easily due to organizational inertia, bureaucracy and the resistance to change that the new technology creates. Besides, the technology is not without its own faults either. But re-organization of work is taking place. People can work at their home or where-ever they prefer. Even design can be exercised as teamwork and in shifts on different continents of the team members; this is how Boeing works. Mass-customization of products is made possible by the modern information technology. Cars can be manufactured in Uusikaupunki, Finland to match with the nail polish of a customer in San Francisco. Information technology goes through organizational boundaries, as a company can manage the network from its suppliers to its customers by means of integrated inter-organizational systems; so, when a shipyard accepts an order, its client begins selling the first cruise. Then the shipyard had better control the time-schedules of its subcontractors to avoid damages for delay including loss of reputation. This all facilitates globalization to its second power – the availability and transparency of information is unprecedented, and this information can be transmitted all over the world in real time. Only man's capacity to absorb all this is the limit.

These are the kind of things that every company encounters. Once companies have

learned this lesson, they are likely to confront e-business that transacts virtually all over the world without manufacturing or stocking up anything. All this allows and demands great flexibility.

The knowledge era

The change from industrial to knowledge era is well recorded in the literature (e.g. Hayek, 1945, Bell, 1973, Touraine, 1969, Toffler, 1980, Nurmi, 1997), in the OECD statistics as well as by the every-day work experience of my generation, so I do not go into details of it here. Suffice it to say that it has affected every aspect of life, management included.

Concepts like knowledge-intensive firms (Nurmi, 1999), knowledge management (Nonaka, 1991), competence-based competition, core competence (Hamel & Heene, 1993), organizational intelligence (Halal, 1999), intellectual capital, (Ullrich, 1998), organizational learning and learning organizations (Dodgson, 1993) can be seen as variations of the theme. They all emphasize that the managerial thinking and measures developed in the manufacturing industry are not applicable to knowledge-intensive firms. Knowledge-intensive organizations are neither hierarchical nor departmentalized, but markets of knowledge and ever-changing networks of relationships. The line between management and operations is blurred and leadership cannot be obtained nor maintained without competence on the operative level. The line between strategy and operations is quite as blurred, because important strategic impulses emerge from the operative competence developed at the customer interface (Kirjavainen, 1997). The organizational boundaries of the firm are no more clear-cut than those within it, but customers, outside partners, subcontractors,

and even competitors make up a network that is in a continuous state of change. The organization is a loose, labile, virtual ad hoc, even disposable force-field of interactions and an ever-changing network of relations. Esteem counts more than status, leadership more than management. Management is not separate from operations; it is part and parcel of them – partaking, selecting, supporting, accelerating, directing the interface between operations and customers (Nurmi, 1999).

There are, however, businesses that are both knowledge-intensive and capital-intensive. Biotechnology is a good case in point. Biotechnological investments may take more than ten years to mature. This requires patience and risk tolerance from the financier. Financial concerns create a pull towards centralized management. So, there is a tension between the short-term needs for human resource management and the long-term financial management.

Postmodernism

Postmodernity is one more idea that heralds a changing epoch. It was originally a movement in arts and later it developed into a general philosophy of everything and a method of analysing anything. It is an enigmatic concept and it evades all definitions (see Lyotard, 1984, 81). But it can also be taken literally in that it talks about the end of the Modern Times as a period of Western history. According to postmodernism the Enlightenment did not produce the happiness for mankind it sought for. Science and technology made possible the unforeseen cruelty, wars, exploitation of people and environmental damage that the last century witnessed. The Faustian *angst* for knowledge has bred anomie, a vacuum of values and ignorance of what is good and what is bad. As religion and

other institutional carriers of morality have eroded, what is left is the moral responsibility of the self-reflective individual (Bauman, 1996). Postmodernists see deconstruction and difference as liberating forces and foresee discontinuity, indeterminacy, fragmentation, distrust of totalizing discourses, instability, even chaos as characteristics of the era we are entering.

Postmodernism has found its way into management literature as well. It is, however, more interested in management research and the philosophy behind it than in management as an empirical phenomenon. Postmodernists are better at criticizing and deconstructing prevalent ideas than in suggesting recommendations (e.g. Alvesson, Hardy & Harley, 2008). All this in mind, some thoughts about “postmodern management” can be jotted down: Management must recognize ambiguity, uncertainty, irrationality, complexity, tensions, paradoxes, indeterminacy, play and contradictions as characteristics of organizations. The managerial margin is narrower than in the modern bureaucratic or in the Fordist mass production organizations. Management is essentially an attempt to define social reality, meanings and symbols by way of organizational culture (Berg, 1989, Ahonen, 1996 and 2001). Interestingly, Reponen (2001) comes close to these thoughts when writing about the management of universities.

Cycles of civilizations

Oswald Spengler (1921) was the first to put the Western civilization in perspective in *Der Untergang des Abendlandes*. He suggested that the Western culture is close to its final stage or decline. On the other hand, Fukuyama (1992) was bold enough to argue that the Western civilization is “the end of history” or the end of mankind’s ideological development, as Western

liberal democracy is the the final and universal form of good human government. But then again, Huntington (1996) argued that only the nature of conflicts has changed: While the conflicts used to be economic, ideological and between nations, henceforth they will be between cultures and civilizations. The most important of the latter are the Western, the Islamic and the Chinese civilizations. Huntington's argument has gained popularity due to recent international conflicts.

Actually, business has spearheaded in learning to work with and in different countries, cultures and civilizations. International business and cross-cultural management have found their way in the curricula of business schools and on the agenda of business leaders (Nurmi & Darling, (1997). Cross-cultural trade has boomed despite temporary setbacks. Political embargoes are not effective. The Islamic world with its oil (read money) remains attractive to business people. Far East is not only an important business partner, but has even given lessons to the Western management thinking and practices (e.g. Hipsher, Hansanti & Ponsuwan, 2007). It seems that the Far East is beating the West in what was its competitive edge, viz. technological and economic efficiency. One reason for this is a communitarian and collective management style compared to Western management relying on individual responsibility. These styles do not seem to converge. Management must adapt to local conditions and management culture. This holds true as regards Western companies investing in China or Chinese companies investing in the West. The test of this confrontation is to come. Money and profits make up powerful incentives. It is also good to bear in mind that economic ties between countries make mutual interests, bind the partners together and as such

are a most important contribution to the world peace.

Finally,

Where does this all boil down to? What will be the future of global management? My most honest answer is that I do not know. I have written an article in the late 1960s on management in the 1970s and another in the late 1970s on management in the 1980s. They were based on an analysis of the most renowned management thinkers of the time. I shall not show these articles to anybody – they look extremely naive from today's perspective. It seems that human vision is inadequate to scan what lies ahead. So, let me put it the following way:

The future does not unfold but it must be made. I cannot see that the trend towards globalization could be turned back – despite cries for protectionism – but within this trend we can work for the welfare or illfare of people. Similarly, the knowledge era and information and communication technology provide possibilities for releasing people from bonds of poverty and an improved balance between man and his environment. But all this can also be used to confine people into new impenetrable castes or to increase the control by the high and mighty. Even though we cannot turn the tides of history at our will, there is a margin within which we have opportunities for better or for worse. Mankind has the managerial and leadership responsibility to make good things happen. ■

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