MANAGING

A BLUEPRINT FOR

THE NEW

NETWORKS AND

ORGANIZATION

STRATEGIC ALLIANCES

DAVID LIMERICK

AND

BERT CUNNINGTON

MANAGING THE NEW ORGANIZATION

*A Blueprint for Networks
and Strategic Alliances*

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FOREWORD

The 1980s were a period of great turmoil. From the increased friction generated by policies designed to protect national markets to the fall of the Berlin Wall, the environment confronting managers became markedly more turbulent. Both the rate of change and the complexity of the interactions of those caught in the change increased sharply and combined to challenge managerial creativity and innovative capacities. As a result, management in both the corporate and government sectors became more venturesome and willing to experiment with new strategies, structures, and cultures in search of solutions to unstructured problems.

Significantly, the experiments frequently involved alliances with those outside as well as inside the walls of the organization. David Limerick and Bert Cunnington contend that such experiments were not accidental but indicative of the emergence of a new managerial paradigm they call the Fourth Blueprint. In contrast to the three previous paradigms or blueprints (Classical, Human Relations, and Systems), the Fourth Blueprint uses the model of the loosely coupled network to explain the problems now facing management and the logic behind proposed solutions.

The "new organization" is described in this book as a network functioning at two levels. At the macro level, networks are made up of suppliers, contractors, customers, and even competitors linked together in collaborative activity. At the micro level, the organization itself is made up of a network of individuals participating in a multitude of systems of action in cooperative and coordinated ways.

However, network organizations are no managerial panacea. They are difficult to manage and require skills in addition to those required to manage typical hierarchical command structures. To make matters worse, the discontinuities confronting traditional organizations have undermined the basis of the psychological contract that once bound people to work together with management. Members of an organization can no longer expect the organization to look after them in return for their diligence and loyalty. This marks the end of the "corporate citizen" and the emergence of the new "collaborative individual" seeking empowerment and meaningful work.

In the terms of this book, collaborative individuals are autonomous and proactive—characteristics that may lead to an emphasis on individual subgoals and a concern for local issues, thus undermining the organization's essential unity. If the organization is not to disintegrate into warring factions, it must be held together by transcendental values that overarch all corporate activity, values such as respect for the individual, customer service, and the pursuit of excellence. A Fourth Blueprint manager must become a *manager of meaning,* creating both a culture and attitudes in which empowerment becomes an asset rather than a liability.

Managing the New Organization is an important and provocative book that deals with these issues in a coherent and unified way. I am sure the readers of this book will be challenged in their assumptions about successful managerial practice as they discover new ways to think about the role of management in the 1990s and beyond.

July 1993

                                         George Kozmetsky
                                         Director, IC² Institute
                                         University of Texas, Austin

PREFACE

Managing the New Organization is the result of a long odyssey that started in 1984. In that year, together with our colleague Brian Trevor-Roberts, we were asked by the Australian Institute of Management (AIM) to undertake a study of what was coming down the road for management. Basing our work on John Naisbitt's assumption that the best way to see the future is to understand what is happening now (Naisbitt, 1982), we launched a study of fifty high-performing business and government organizations in Australia. The results of that study were published by the AIM in a monograph entitled *Frontiers of Excellence* (Limerick, Cunnington, and Trevor-Roberts, 1984).

The timing of that study was serendipitous. As Merryl Louis (1985) argues, if you want to understand a culture, you need to see it under conditions of change. At the heart of our study was a series of in-depth interviews with the CEOs of those organizations. We found them right in the middle of transforming their organizations into the new organizational form that lies at the heart of this book. They were downsizing, chopping away at their corporate headquarters, decentralizing, attempting to move into global markets, forming alliances with over-

seas organizations, and trying to encourage proactivity in their internal units.

Their cultures were changing, too—they were becoming more individualistic, and yet more collaborative. The CEOs themselves were deeply involved in putting together what we call *metastrategy*—a new configuration of strategy, structure, and culture. They spent much of their time wrestling with the complexity of managing meaning—of communicating their new vision to others in the organization and of managing a new corporate culture. CEOs of government departments and organizations were going through very similar processes. Although some of their priorities were different, they, too, were struggling to create new organizational forms.

The *Frontiers* study gave us abundant evidence that massive change was afoot, yet back in 1984, the broad outlines of the new organization were still somewhat blurred. Australian organizations—and Western organizations in general—were still evolving the new organizational form. In 1987, Cunnington undertook a similar study of spin-off organizations in California's Silicon Valley and Oregon's Silicon Forest. He brought back with him interviews and other data on organizations facing very high levels of discontinuous change. They were experimenting with different forms of organization that had vital entrepreneurial capacity—organizations that in later chapters of this book we call *dual organizations.*

Moreover, the extent of internal and external networking among these organizations was impressive. The picture of the new organization began to come into focus, and the extent of the new challenges to management became more obvious.

During the next few years, we undertook four further lines of development. First, we began to discuss our findings and our ideas extensively in workshops with managers and with other academics in Australia, Canada, the United Kingdom, and the United States. We were somewhat startled and very reassured by their responses. It seemed that we were echoing many of their own experiences and analyzing many of the same new challenges and opportunities.

Second, we wrote a series of articles on our findings and ideas and found that they were readily accepted and published in British, U.S., and Australian journals (Cunnington and Limerick, 1987; Limerick and Cunnington, 1987, 1989; Cunnington and Trevor-Roberts, 1986; Limerick, 1989, 1990; Cunnington, 1990, 1991a, 1991b). The comments that these publications stirred up from both managers and academics helped us further refine our picture of the new organization and brought us opportunities to look at more organizations. We found that gaining feedback through a planned, systematic process of workshops transforms research into part of the process of *action learning*, involving spirals of action-reflection-discussion-action.

Our third task was to undertake an ongoing survey of the emerging literature on organizations. Here we found something very curious. Much of the experimental and academic literature was still bound by conventional paradigms. It explored notions such as organizational commitment within the older paradigms of the integrated organization (see, for example, Bateman and Organ, 1983; Bateman and Strasser, 1984). But there were studies (such as those reported in Kanter, 1989a, and Pascale, 1990) scattered throughout the literature that came from more direct and recent observations of management in practice. These studies tended to reflect the different elements of our own experience. What we were observing was the emergence of a new blueprint—the *network organization.*

Finally, in 1991, Cunnington spent six months at the IC^2 Institute at the University of Texas, Austin, investigating specific instances of network structures such as consortia, joint ventures, flexible manufacturing networks, business incubators, and strategic alliances. (The IC^2 Institute is a major research center for the study of innovation, creativity, and capital—hence its name. The institute studies and analyzes information about the enterprise system through an integrated program of research, conferences, and publications. Through collaborative activity, it generates a strong interaction between scholarly developments and real-world issues.) This research gave us further insight into the special skills required for the management of network structures.

Scope and Treatment

Managing the New Organization sets out to interpret the new network organization and to map its implications for management. We do not assume that all organizations have experienced changes of the kind described here, nor do we aim to colonize everyone's working world. Just as network organizations are quintessentially designed to innovate, so this book is more than just an interpretation of events. It stretches the boundaries of management theory. It attempts to offer insights into new strategies of managing organizations and suggest ways in which managers in business and government enterprises, large and small, can revitalize their organizations. Our challenge has been to find a framework that pulls together all the insights from our own research as well as those from the literature and from workshops. We draw on all those resources in this book. Where we rely on our previous research, we attempt to cite studies directly, without being overly cumbersome. Where we include the views of those with whom we have participated in workshops, we cite them without giving a further source reference. Some (especially those in governmental organizations) were reluctant to be quoted by name on controversial issues; we have left their quotations anonymous. Wherever possible, though, we have attempted to let our managerial sources speak for themselves. Of course, we take responsibility for the way in which we have put their views together and for the interpretive framework of this book.

Audience

This book is for all managers—those who work in network organizations and those who do not. Those who do will find here much with which they are intimately familiar. The chapters that follow will give them an opportunity to share the experiences, problems, and approaches of others who are exploring similar new managerial worlds.

      Those who work in the more familiar territory of conventional organizations will find many of the ideas in *Managing the New Organization* and many of the experiences of the new

generation of managers strange and somewhat disturbing. The new world may creep up on them. Forewarned is forearmed. They will also find that once immersed in this world, it becomes one of challenge and creativity. We invite all managers to test the waters and embrace the new and different.

Overview of the Contents

The structure of the book reflects the general logic of our overall argument. In essence, we argue that:
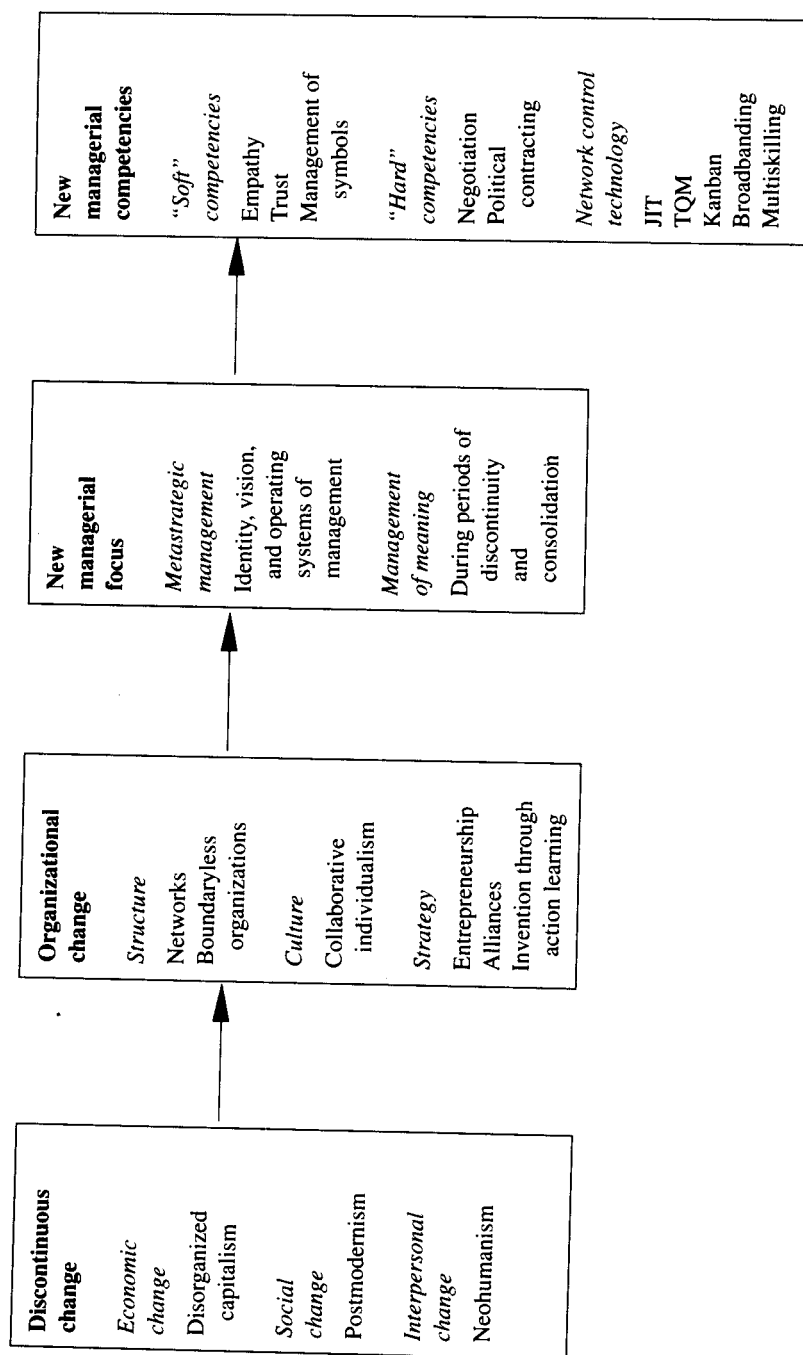
- The 1980s were a period of stark, discontinuous change in the economic, social, and interpersonal arenas of the Western world.
- These changes have led to new organizational strategies, structures, and cultures—to a new organizational configuration.
- The new organization demands different strategic management processes and new ways of managing change.
- The new processes, in turn, require new sets of managerial competencies.
- The new organization presents a host of emerging social problems that will have to be addressed.

Figure P.1 illustrates the essential elements of the new organization. These elements form the foundation for the book's contents.

We begin Chapter One by looking at the social, economic, and interpersonal changes of the 1980s, drawing briefly on the perspectives of major schools of thought such as postmodernism, neohumanism, and disorganized capitalism. We show how the changes are leading to new organizational strategies, structures, and cultures and require a different managerial mind-set.

In Chapter Two we review conventional ways of managing organizations, explaining how each of the previous blueprints is related to the key problems of its time and how, with the rapid and discontinuous changes of the 1980s, it became inadequate. The model of organizational choice that still domi-

Figure P.1. The Essential Elements of the New Organization.

Discontinuous change	Organizational change	New managerial focus	New managerial competencies
Economic change Disorganized capitalism	*Structure* Networks Boundaryless organizations	*Metastrategic management* Identity, vision, and operating systems of management	*"Soft" competencies* Empathy Trust Management of symbols
Social change Postmodernism	*Culture* Collaborative individualism	*Management of meaning* During periods of discontinuity and consolidation	*"Hard" competencies* Negotiation Political contracting
Interpersonal change Neohumanism	*Strategy* Entrepreneurship Alliances Invention through action learning		*Network control technology* JIT TQM Kanban Broadbanding Multiskilling

nates most Western managerial thinking presents managers with a dilemma that cannot be resolved, and that results in pendulum swings between centralized and decentralized organizations. The 1990s solution transcends this dilemma.

Chapter Three gets to the heart of the new organization. As change becomes more discontinuous, organizations need more entrepreneurial cultures. Contemporary organizations are therefore experimenting with new organizational configurations; networks are fast becoming the dominant organizational form of the 1990s.

Chapter Four examines the advantages and problems of networks. Drawing on the experiences of modern managers around the world, it outlines nine basic managerial principles adopted by successful network managers and gives examples of each of the approaches.

The corporate culture of the new organization is very different from that of the conventional organization. The loyal corporate citizen is being replaced by the autonomous, collaborative individual. Chapter Five discusses the characteristics of the new individual and the conflicts between the new cohort and the older one, and suggests ways of developing the skills and values of collaborative individualism.

The new organization also demands new conceptual skills from its strategic managers. Chapter Six explores *metastrategic management,* which goes beyond strategic management to focus on managing the very identity of the organization. The chapter describes the challenges of managing the key stages of the metastrategic cycle during periods of both continuous and discontinuous change and introduces the concept of *self-transcendence*—the capacity of the new manager to envision the organization as a whole and to grasp its potential to transform itself and assume a new identity.

Chapter Seven details the inadequacies of current models of organization development and articulates the challenge of organizational transformation: changing and aligning the vision, mission, and culture of the organization. It critically examines the ideas of transformational and charismatic leadership and compares them with what managers actually do in practice to bring about transformation. We conclude that modern orga-

nizations need to transform themselves into action-learning communities.

The final chapter, Chapter Eight, pulls together the themes developed throughout the book. It argues that the key concepts that underlie the new organization are autonomy, empowerment, and collaboration. It reviews strategies and techniques for managing the new organization and then discusses key problems posed by the new paradigm, which may affect the long-term vitality of the organizations.

The chapter details ways in which the problems can be managed or influenced and concludes by suggesting that tensions within the new paradigm will eventually trigger a move to a Fifth Blueprint, which will focus on the issue of power equalization. It suggests that the future holds great opportunities for social entrepreneurship—for the invention of new managerial and social systems.

We hope that you enjoy this odyssey as much as we have and that you find a new excitement and a new promise in the new organization.

THE AUTHORS

David Limerick is Foundation Professor of Organisational Behaviour, planning head of the Graduate School of Management, and dean of the Faculty of Commerce and Administration at Griffith University, Brisbane. He received his B.A. degree (1956) in psychology from the University of the Witwatersrand, his B.A. degree (1964) in industrial psychology from the University of South Africa, and his Ph.D. degree (1970) in industrial administration from Strathclyde University. He has worked and held visiting professorial appointments at universities in Australia, the United Kingdom, and North America and has been a consultant on strategic change and alliances to several Australian and international business and government organizations. He has written widely in international journals, on the emerging shape of the new organization.

Bert Cunnington is senior lecturer in marketing and strategy and deputy dean of the Faculty of Commerce and Administration at Griffith University. He received his Associate Diploma (1969) in engineering from the Queensland Institute of Technology and his B.S. degree (1972) in physics and mathematics, his

M.B.A. degree (1975), and his Ph.D. degree (1982) in management, all from the University of Queensland. His research has focused on technological innovation and diffusion and the management of clusters and strategic networks in areas such as Silicon Valley and Silicon Forest. He has recently returned from a period of study at the IC^2 Institute at the University of Texas, one of the major think tanks and research centers for networking in the United States.

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