



Karl Marx was right. Workers do control the principal means of production. It's called the brain. Kjell Nordström of the Stockholm School of Economics spoke to Les Pickett.

FUNKY

"Picture this: people in software houses in Frankfurt and shipyard workers in Stavanger; creatives in Chinese ad agencies and suits in offices in Sydney; factory workers in Los Angeles and derivative traders in Singapore. Around the world, workers control the principal means of production.

What they all have in common is that they use their brains and, sometimes, their brawn to create new wealth. In a modern company, 70 to 80 per cent of what people do is now done via their intellects. The critical means of production is small, grey and weighs around 1.3 kilograms. It is the human brain.

The human brain is gloriously complex and intricate. It is capable of outperforming the most powerful computer on earth. Laboratory research shows that even if nine tenths of a brain is removed it will still work. Try doing that to a car or video.

While the human brain is celebrated as the most wonderfully designed, incredibly intricate mechanism, the matter of who actually owns it is blissfully simple. It is not controlled by shareholders, investment funds or any other body. It is controlled, for better or worse, by each individual.

Brainpower dominates modern corporations. It is their essence. We are increasingly competing on competence. The trouble with intellectual capital, or brainpower, is that it is ethereal and elusive. We even lack a proper language to describe knowledge. For all the checklists and models, calculating the power of the brains assembled in a room, let alone a corporation, is close to impossible.

In the wild market economy

that now exists, it is increasingly difficult to differentiate yourself. There is only one way out. Do something else. Do something the world has not seen before. Innovate so that you are, for a moment in time, unique and

uniquely competitive. But you will have to be unique in new ways. The old way of achieving uniqueness was to add a few extras to your product. This no longer works—it will be copied within days, perhaps hours, and consumers are no longer so easily fooled.

People can make your organisation, your products, and your service solutions unique. How you manage and lead people, and how you organise your operations, determines whether you succeed.

Organising is the art of achieving extraordinary things with ordinary people. In our times, organisational innovation means creating conditions that enable a constant flow of creativity, not churning out yet another standardised product or service. The funky firm needs to be different, look different, and work in new ways.

All modern companies compete on knowledge, but knowledge is perishable. We must treat it like milk—we have to use it within a certain time or it becomes sour and loses its value. Continuous innovation, both revolutionary and evolutionary, is a necessity.

In the new economy there are no speed limits. The need for renewal is something that applies to everything in the organisation; it concerns everyone, goes on everywhere and is non-stop. Agility rules. Speed is all.

The ability to forget—unlearning—

is becoming a key asset in a business world changing at the speed of light. We are facing a world of chaos and genuine uncertainty. The future cannot be predicted—it has to be created. Funky business means there will be many more questions with fewer universal answers. Either you see things happen or you make them happen.

The aphorism 'knowledge is power' has been used for decades in a loose sort of way. Today, knowledge really is power. Knowledge is the new battlefield for countries, corporations and individuals. You can't build a wall around knowledge. You can't isolate it. It is in the air,

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in cyberspace. It is crackling down phone lines. Today, knowledge spreads instantly and internationally. Business practices evolve faster than ever before. Business schools and universities spread the word with remorseless efficiency.

Leadership and management are more important than ever. The most critical resource wears shoes and walks out the door around five o'clock every day. As a result management and leadership are keys to competitive advantage. They differentiate you from the mass. How a company is managed and how a company is led are vital differentiators. They can create sustainable uniqueness.

The boss is dead. No longer can we believe in a leader who claims to know more about everything and who is always right. Management by numbers is history. Management by fear won't work. If ➔

SEVEN FEATURES OF THE FUNKY FIRM

- smaller
- flatter
- temporary
- works horizontally, in processes
- uses rapid systems
- increasingly networked
- control is more indirect.

BUSINESS

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management is people, management must become humanagement.

The job is dead. No longer can we believe in having a piece of paper with 'job description' at the top. The new realities call for far greater flexibility. The days of the long serving corporate man, safe and sound in the dusty recesses of the corporation, are long gone. Soon the emphasis will be on getting a life instead of a career, and work will be viewed as a series of gigs or projects. Inevitably, new roles demand new skills. Thirty years ago we had to learn one new skill per year. Now it is one new skill per day. Tomorrow it may be one new skill per hour.

Technology is reshaping our world. It is the rhythm section of funky business. The central contribution of technology to funky business is in creating information systems. Today information flows freely. You can't avoid it.

Institutions are contractual

arrangements, sets of agreements that bind people together within political parties, marriage, companies and groupings. Institutions are the slumbering bedrock of our world. They are all the social structures that we humans create to promote stability and predictability. Institutions rest in large mausoleums as we busily go about our daily lives. They have a sense of timeless permanence. Untouched and apparently untouchable.

Traditionally, the role of institutions has been to simplify. Strong and stable institutions subsume our freedom and this reduces uncertainty. We are free, but within tidy parameters erected by our institutions.

Institutions are not renowned for their creative, innovative or entrepreneurial abilities, but they are changing. They must. In a wired world, where knowledge can easily be detached from people and places, competitiveness will depend upon having the best systems and institutional environments.

The idea that 'longevity is

attractive because it is better than dying' is a tidy but not very persuasive argument. Yet faith is still placed in companies lasting a long time. If they are around for a while, surely they must do some good. Yet greatness

is fleeting and, for corporations, it will become ever more fleeting. The ultimate aim of a business organisation, an artist, an athlete or a stockbroker may be to explode in a dramatic frenzy of value creation during a short space of time rather than to live forever.

Chaotic times are here again. The trouble is that the human race does not react very well to uncertainty. Avoiding uncertainty is human nature. Companies bring in consultants to provide 'uncertainty reduction'. We can't figure out what is happening, so let's bring in some people who are really bright and have a model to deal with this sort of thing. The consultant's report is nothing more than a corporate comforter.

Uncertainty reduction is a ritualistic part of corporate life. When you start a job, you

Forget organisational pyramids with the CEO sitting atop them. Who wants to work in pyramids, the greatest tombs ever created?

should spend a day or two in an induction program. The organisation tells you how to behave. It is dressed up in nice, friendly corporate language, but that is basically what is happening.

Uncertainty gives leaders, anywhere in organisations, a new job. They must produce uncertainty. Real leaders challenge people. They do not control them. True leaders set people free.

Time is the new religion of our age. We are addicted to speed. The new society operates in real time. What once used to take three years, then took three months, then three days, then three hours, and then three minutes, now takes three seconds—approaching zero. In the real-time economy prices are set second by second, companies compete on how fast they can be to develop, make and launch products. This is the CNN society, instantly linked by satellite to where the action is. It is a remote control reality. If you cannot arouse my interest, if you don't appeal to my values, I will zap to someone else who can. We have to do business MTV style. Or else, zap! In such a world, it is staggering that companies keep on publishing annual reports.

The days of the large and

diversified conglomerate are over. In an age of abundance, sharp is beautiful; being sharp and narrow is ravishingly beautiful. The antidote to the mindless pursuit of synergies is to become intensely focused on those businesses where you clearly have a global competitive edge. Companies have to be turned from blunt instruments into sharpened precision tools. Identifying core competences is navel-gazing. Instead, look inside and discover yourself. Do some soul-searching. What are you really good at? What are you better at doing than everyone else? Only the focused will flourish.

The problem with most organisations is not that they know too little, but that they do not know what they know. Knowledge

is dispersed without anyone having a clear picture of the total stock, how and where it flows, nor the location of specific capabilities. To thrive we must create a learning organisation. This requires us to realise and acknowledge that we are not perfect.

Learning does not happen automatically. The speed of a company will be determined not by the fastest and smartest people but by the slowest and least skilled. Enabling learning is one of the key tasks for any leader. Leaders must ensure the continuous transfer of knowledge across organisational boundaries. The individual parts must be able to reflect the whole.

Of course, working faster is not a question of trying harder—just try doing the wrong things twice as fast—but working smarter. Even though the new economy comes without speed limits, creativity cannot be forced upon people. To be creative we need slack. We need resources and time. We need time to sit down and reflect. We need time alone. We need time to play around. We need time to experiment. We need time to have casual conversations with others. ➡ 20

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Funky Inc. applies organisational solutions capable of combining and recombining knowledge across any type of border at the speed of light. And hierarchy simply is not for hyphenation and combination, it is for separation and division. So forget organisational pyramids with the CEO sitting atop them. Who wants to work in pyramids, the greatest tombs ever created by man? Playgrounds must gradually replace the pyramids.



Bio

Dr Kjell Nordström is based at the Institute of International Business at the Stockholm School of Economics and helped found the prestigious advanced management program, which attracts the elite of Scandinavian business leaders. His research has focused on internationalisation.

Nordström is on the board of directors of a number of international companies and has advised many other organisations across the globe.

Kjell Nordström to Australia

Dr Nordström will present the opening keynote address at AHRI's 60th anniversary annual convention in Sydney 18–21 May 2003. (www.2003convention.ahri.com.au)

We must bid farewell to Neanderthal behaviour and thinking. The traditional hierarchical firm won't be a problem in the 21st century—it won't be around. The new organisation will be heterarchical—containing many hierarchies of different kinds. Today, we need to transform complexity into simplicity. No matter how much we fight it, bureaucracy always comes back to haunt us. So we have to keep putting stakes through its heart.

Meaningful leadership is about stirring the pot rather than putting on the lid.

Mobilising forces is no longer straightforward. People don't snap to attention. They don't passively fall into line. When power is in the hands of the people, intimidation and threats do not work. And, if they do work, you hired the wrong people.

People may no longer be so obedient, but that does not mean that leadership is redundant. On the contrary, the funky world requires limitless leadership. This will not involve our traditional notion of a leader. Not that traditional leaders ever really existed. Real leaders exist only in the heads and hearts of those who believe in them.

A major role of leaders is to infuse chaos into order. Leaders must challenge people to depart from the patterns of the past and to destroy the present profit-makers by creating new ones. Meaningful leadership is about stirring the pot rather than putting on the lid. Funky leaders are creators of chaos as much as originators of order.

The most intensive learning experiences tend to occur when we fail rather than when we succeed. Most of us learn in such a haphazard and occasionally unhappy way.

Failure happens. Give people trust and it will happen more productively. We are not saying that leaders should promote risk taking per se. Rather, it is a question of making it less risky to take risks. Give people freedom and they will pursue their own creative byways. Give people time and creative results will emerge.

Human beings are not bulk goods. They come in different shapes and forms. You either manage this differentiation or watch as

your most previous assets walk out of the door. If you educate people and then treat them as morons or just a human resource, the best ones will leave. To attract and retain good men and women we have to treat them as individuals. The only way you will find out how much people differ is by listening to them. Blind loyalty is undoubtedly dead. Today's employees are more questioning and demanding. They are confident enough to air their concerns, grievances and aspirations.

During revolutions you throw

out the rulebook. In this new environment there are no rules, there are no laws, nothing is given. Revolutions are lawless, spontaneous and dangerous. There is constant motion—perpetual crisis.

Traditional roles, jobs, skills, ways of doing things, insights, strategies, aspirations, fears and expectations no longer count. In this environment we cannot have business as usual. We need business as unusual. We need different business. We need innovative business. We need unpredictable business. We need surprising business. We need funky business.

Of one thing we can be sure: the average never wins. It never has and never will. If we behave like all the others, we will see the same things, come up with similar ideas, and develop identical products or services. At its best, normal output will produce normal results. In a winner takes all world, normal equals nothing. But, if we are willing to take one little risk, break one tiny rule, disregard a few of the norms, there is at least a theoretical chance that we will come up with something different, actually get a niche, create a short-term monopoly and make a little money.

Funky business is like playing the lottery. If you participate, there is a 99 per cent chance that you will lose. On the other hand, if you do not take part, your chances of losing are 100 per cent. To succeed we have to go for that single per cent. The future belongs to those who seize the opportunity to create it—those who dare to take risks, break rules and make new ones.

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