

THE FUTURE OF WORK:

How the New Order of Work is Permanently Changing and Reshaping the Future of Small Business



As we continue to move further into the 21st century, the small business workplace won't be business as usual. Questions about who, what, where and how we work have different answers than they did 20 years ago, even 10 years ago. What's driving these changes? One word: technology. From a historical perspective, technology has always pushed forward new issues, challenges and opportunities. But the lightning-fast pace of technology's progress today has altered what a worker can bring to the table.

Mobile devices, Internet-based software and social media platforms are transforming the workplace. Bottom-line goals remain the same: to increase revenue, reduce costs and attract highly desirable employees. But for many employees, the traditional aspects of working out of an office and advancing up the corporate ladder are disappearing. In their place is emerging a more flexible, flat, collaborative and freelance-based work world.

Key structural trends under way in the economy today have changed what skills are considered to be of the most value – and that, in turn, is altering the future organization of the workplace.

Even before the recession began in 2007, the trends examined here were already in motion. This is because work is changing as a result of not only technology but also of broader external forces that include globalization, demographic shifts and societal trends. However, the recession was a significant turning point because many of the measures companies took to get through it – imposing reduced hours and unpaid furloughs, moving employees into lateral positions, and generally doing more with less – are continuing as today's new economy emerges. While the recession accelerated many of these changes and caused new behaviors, practices and systems to emerge, this shift was already in motion. Today, the kind of work we do is changing, and that is causing the structural boundaries of work to shift as well.



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Here is What We Will Examine:

The Knowledge Worker

- Knowledge will be the key source of comparative advantage for businesses and their employees in the 21st century.
- Workers with strong cognitive and entrepreneurial skills that involve abstract reasoning, problem solving, communication and collaboration will be in high demand.

Stepping Off the Ladder

- As information flows more freely and communication becomes easier, the corporate structure will become flatter and less hierarchical.
- Collaboration will be an essential part of the 21st-century work force.
- Many companies are supporting more “natural growth” of their employees by making career paths less standardized.

Location, Location

- Technology has made telecommuting a more feasible option.
- Mobility is a crucial part of developing a more flexible work force.
- Studies show that giving workers more flexibility leads to higher productivity.

In or Out?

- Because the Internet’s growing ability to handle various tasks is making many jobs less essential, companies will decide whose jobs matter most to their bottom line.
- By outsourcing to more temporary contractors and consultants, businesses can keep fewer traditional employees and save money.
- Beyond its use as a cost-saving measure, outsourcing globally can extend the workday to 24 hours and increase productivity.



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The Knowledge Worker



As companies make decisions about what their core functions are and what jobs are essential to them, the kind of work that will be in demand will focus less on general skills and more on understanding business processes, best practices, markets and other key assets of the organization that are not as concrete as aspects like word processing or data entry. Jobs requiring lower skills are easier to either automate or outsource to a faster, cheaper and possibly more efficient third party.

Just as businesses will look to become more focused and specialized, employees too will follow suit in order to differentiate and make themselves valuable to their organizations. The term “knowledge worker” is increasingly used to describe workers who don’t just provide

information but are also responsible for generating and conveying essential knowledge needed for making decisions. Often these skills requirements are manifested in increased demand for workers with higher education levels. These individuals are valued by companies because their specialized knowledge of a specific subject area, along with their ability to offer analysis and development within that area, helps to advance the company’s overall understanding of that area and the strategies they can then base around it. For more on how to attract and retain knowledge workers, please read [“Cultivating an Extraordinary Culture and Superstar Employees.”](#)

FACT: According to consulting firm McKinsey & Co., nearly 85 percent of new jobs created between 1998 and 2006 involved complex “knowledge work” such as problem solving and thinking up corporate strategy.

FACT: The Employment Policy Foundation estimates that within the next decade there will be a six million-person gap between the number of college graduates and the number needed to cover job growth.

The good news, according to James O’Toole and Edward E. Lawler III’s *The New American Workplace* (the follow-up to the U.S. government’s 30-year-old report *Work in America*), is that Americans can help prevent this estimated future shortfall of college graduates and create more knowledge workers by encouraging public policy reforms, especially those pertaining to grades K-12 public education. In order for high school graduates to be likely to go on to college, their basic skills performance (especially in mathematics and science) must be greatly improved. O’Toole and Lawler also assert that community colleges need to start being used more effectively as prime providers of skills training and retraining.



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“Knowledge will be the key source of comparative advantage for businesses and their employees in the 21st century,” says Lynn Karoly, a senior labor economist at RAND. As organizations and the nature of employment relationships continue to change because of emerging technology and globalization, Karoly adds, jobs will favor strong cognitive and entrepreneurial abilities. In demand are the high-level skills needed for managing, interpreting, validating, transforming, communicating and acting on information. Valued attributes include nonroutine analytic skills such as abstract reasoning, problem solving, communication and collaboration. Workers with these skills can perform tasks requiring a level of action that can’t be done easily by computer software.

Taking it a step further, Dr. Graeme Codrington, futurist and founder of TomorrowToday.biz, says the next decade is going to be remarkable in terms of the technological advancement that will happen and its subsequent impact on information.

“The greatest technology won’t be found on a shop shelf or catalog. It will be how we process information. And it is a revolution,” says Codrington, a speaker for Vistage in the United Kingdom. “If we are changing how we deal with information, where we go to find information, who we trust to give us information, what we do with that information, how we store it, how we access it and process it and share it, well that’s going to change everything.”

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FACT: The U.S. Department of Labor points to occupations in fields like network systems and data communications as well as computer software engineering among those projected to grow the most explosively by 2016. Over the next seven years, the number of jobs in the information-technology sector is expected to swell 24 percent – a figure more than twice the overall job growth rate. Jobs in mathematics and across the sciences are also expected to expand.

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When they have more extensive skills, workers are allowed to make more decisions. Online stock trading is a good example. Brokers are no longer needed to simply process transactions. What they must do now is provide knowledge to their clients on the future course of markets and investment needs.

Karoly explains, “Knowledge work requires the capacity for abstraction to make sense of patterns and symbols, the ability to view problems in the context of complex systems, the aptitude for experimentation to understand how systems behave and the capacity to work collaboratively with others to solve difficult problems.”



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Rob Carter, the chief information officer at FedEx, told TIME magazine last year that the online game World of Warcraft offers a glance at the future worker. In the game, each team faces a fast-paced, complicated series of obstacles called quests, and each player, via an online avatar, must contribute to resolving them or else lose his or her place on the team. The player who contributes most gets to lead the team – until someone else contributes more. The game, which counts 10 million fans, many of them in the 20-something millennial generation, is highly collaborative and very demanding. Carter says that playing it successfully requires the exact same skills people will need more of in the future to be successful in the workplace.

Employers will continue to view and rely on the human capital and knowledge base of their employees as a critical asset to the organization's overall success. As a result, pay and incentives will continue to be structured in a way that motivates workers to take greater responsibility. With employees getting greater decision-making authority, the traditional distinction between labor and management is blurring, with jobs becoming more flexible and broadly defined.



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Stepping Off The Ladder



Because of technology, the one-size-fits-all hierarchical structure under which companies have operated since the industrial revolution will shift. Translation: The corporate ladder is so 20th century. As information flows more freely and communication becomes easier, a flatter structure is emerging that benefits all employees, from managers to interns.

Instant messaging, cloud-based file storage, and other business-grade Web 2.0 social media tools allow managers to go outside of their team or department and join forces with people across all levels, inside and outside of the organization, and around the globe. What results is a more level playing field on which employees, regardless of their job title or level of seniority, can participate and share ideas.

People who would never have interacted with a manager before can do so now directly and become part of the decision-making process. Since managers have a full view of who is contributing, how a project is progressing, and where their input is needed, a level of transparency emerges that would not be achievable in a company that relies on a traditional pecking order.

But technological advances are making an impact on more than just mobilizing the work force. In a *Forbes* article last year, Andrew McLoughlin wrote, “The enterprise is no longer a closed entity. As well as enabling employees to work outside of physical office walls, SaaS (Software as a Service) tools have made it possible for people to communicate effectively over firewalls and across the communication silos that have developed in traditional businesses.”

Partner Up

McLoughlin, who is the co-founder and executive vice president of strategy at collaboration software specialist Huddle, says that because information is stored centrally and is accessible to anyone who needs it rather than locked away on a laptop or buried in an inbox, other staff and external contractors can get whatever files they need instantly. This means there are no information gatekeepers, which makes collaborating across departments, companies and countries much simpler. And collaboration is essential in the 21st-century workplace.

Consider the case of Yum! Brands, the largest restaurant company in the world with brands such as KFC, Pizza Hut and Taco Bell under its belt. Last year, the company partnered with Jive Software to enable 6,000 employees to collaborate more effectively. In a highly competitive business, Yum! has to continually generate profitable new ideas for domestic and international markets.



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Using Jive's platform, Yum! employees across the globe can ask each other questions about different menu ideas, search for information on projects in different countries and set up project teams. Brand managers across the organization can also share their best practices. Dickie Oliver, Yum! vice president of global IT, says that this allows employees to break out of silos and share knowledge.

Moving Up, Down and Sideways

The corporate ladder made sense when the common assumption was that work had to take place in office buildings and jobs focused on the individual. Each rung that a worker climbed brought more prestige, rewards, access to information, influence and power. With ideas, development and recognition more fluid now, jobs don't have to follow a standardized path. What will take the corporate ladder's place are more customized career paths that move laterally and diagonally, as well as up and down.

At companies such as Cisco, moving laterally is part of turning executives with high potential into versatile leaders. Vice presidents, for example, spend time in their company's manufacturing, materials procurement, finance and customer service departments. As a result, they have a broader understanding of how the company operates as a whole.

The Great Recession helped this trend along, too. One of the upsides to a fragile job market is that it has forced people to look harder at what they really want to do instead of just following a conventional path. More companies are beginning to support "natural growth," giving their employees the flexibility to do more or less of a specific part of their job or to move laterally into a new position.

A good example of this is the impact of Deloitte's Mass Career Customization program in which employees can "dial up" or "dial down" certain aspects of their jobs. Each Deloitte employee has twice-a-year evaluations for addressing career path. The focus is not just on setting career targets but also larger life goals. Employees can ask to do more or less of a certain aspect of their job, such as travel or client services. They can also move laterally into a new role. These changes may or may not include a pay cut.

The program began as a way to keep highly skilled women in the work force, but other groups interested in flexibility quickly emerged including millennials demanding better work-life balance, parents in need of time for taking care of their children, and baby boomers wanting to ease into retirement. Last year, Deloitte rolled out the program to all 42,000 U.S. employees.



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To create an environment like this “takes more than technology,” said Molly Anderson, Director of Talent for Deloitte Services LP, in a Harvard Business Review article earlier this year. “Work cultures have to change too. Well-established face-time norms need to give way to a focus on results. Effective approaches to address low performance also have to be in place because while a lot of people are more productive working flexibly, some aren’t.”

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FACT: In 2009, Deloitte executives were talking to more than 80 companies working on similar programs.

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Managers need training to help them see the benefits, and individuals need to change how they work, too, Anderson said. Greater freedom results in greater responsibility. Virtual work requires more frequent communication about progress, more intentional investments in relationships, and better management of personal boundaries. Without making these and other changes, workers could experience issues ranging from not staying visible enough to earn a promotion or not having enough downtime.

A New Generation

Another reason why the ladder is collapsing can be found in the multigenerational work force. For one thing, Generations X and Y (the latter also referred to as millennials) don’t look to be following in the baby boomers’ footsteps. Working long hours to move up and get a corner office is no longer the definitive path to success.

According to Vistage speaker Dr. Gustavo Grodnitzky, a psychologist-turned-organizational leadership consultant, much more than the above-mentioned traditional job ideals, millennials value having more time and flexibility, as well as the opportunity for personal growth, quality relationships, and finding a cause for the work they do. He calls these the five “magnet factors” that will keep millennial-generation workers engaged for the long term – and that idea of a corner office is no longer a factor for them.

“Instead, success will be defined not by rank or seniority but by getting what matters to you personally,” said Bruce Tulgan, head of the consulting firm Rainmaker Thinking, based in New Haven, Conn., and author of *Not Everyone Gets a Trophy*, a book about managing Gen Y (TIME, December 2010). “Companies already want more short-term independent contractors and consultants and fewer traditional employees because contractors are cheaper. And seniority matters less and less as time goes on, because it’s about the past, not the future.”



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Key to all of this, of course, is adaptability. In a podcast with Vistage earlier this year, Laura Goodrich, a thought leader on workplace dynamics, discussed why having the willingness to change is so important now. Having the ability to be “change-adaptive” is critical, she says, and leads to exploring how and where those changes are going to take place. Another equally important factor is that business leaders have employed their teams to “operate with their high beams on.”

“And that’s the term that I use [to say] that they’re really scanning the marketplace, that they’re looking for changes and opportunities, because new innovations are present. We can learn about them,” she says. “But another piece I find is that given the challenge in the marketplace, a lot of leaders have their heads down and they’re running – and they’re running really fast. And while I really want to acknowledge how hard it has been and the hard work that people have put in the last couple of years, we all know what happens if we’re running with our head down.”

So external communication becomes really important in order to understand what changes, innovations and possible impacts could affect small businesses in the future. “And [we must be] creating the space to come back and engage in that kind of dialogue, ongoing dialogue, because that insight will give us an understanding as to how and where we should be change-adaptive.”

Companies that have evolved in these ways, according to The New American Workplace, are called High-Involvement Companies. Organizations following this emerging management model experience fewer layoffs and less turnover as a result of offering workers challenging and enriched jobs, plus a say in the management of their own tasks.



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Location, Location



In the early part of the 20th century, the workplace of the future shifted from a noisy, dirty factory to a spacious centralized room with desks lined up in orderly rows that would later become cubicles. In this century, the workplace is shifting again. But this time there is no uniform structure for where American workers will perform their job duties. It could be at the kitchen table, or perhaps a café, or at a cooperative space like The Hub, which started in London and is now on four continents and plays host to hundreds of ambitious entrepreneurs.

In the past, work was tied to a physical location. Now, it's not. Why? Information technology has turned the assumptions of where work should happen and the role of centralized office buildings inside out. Since documents and files are exchanged and monitored electronically, it's less essential for all of a company's workers to be located in the same place to get their jobs done. With high-speed Internet connections, laptops, PDAs, tablets and Software-as-a-Service (SaaS), people can now work as effectively when they're on the move as they can when sitting at their office desks.

Chris Brogan calls what's happening in the workplace right now "work shifting." Brogan is a blogger, entrepreneur, columnist and speaker known for delivering added value and building communities. "This is the whole idea of the mobile and distributed workforce. We've had telecommuting for a really long time, but telecommuting has still always been a very tethered experience. Virtual companies are more and more commonplace."

Adding to that sentiment, Dr. Gustavo Grodnitzky says, "Flexibility means boomers have to give up their philosophy of face time. Face time being, 'If you're not at work and I don't see you at work doing work, then you must not be working.' That's a big boomer belief. Boomers have to stop focusing on people's presence – meaning where they are – and focus on their outcomes, what they're achieving."

As a result of this kind of flexibility, a number of things unfold that end up mutually benefiting the employee and the company. The worker can save time commuting, find a better balance between work and personal obligations, and generally be more productive. There was a time, and not so long ago, when the phrase work-life balance caused old-school Corporate America to roll its collective eyes. Then, along came the Great Recession in which companies were forced to look for ways to save.



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The Disappearing Corner Office

Rounds of layoffs created leaner companies requiring less office space and needing to renegotiate leases for smaller spaces. In the last three years, companies have given up 137.8 million square feet nationwide, according to the real estate research firm Reis, and many would probably put more on the market if they could. Other companies are reducing their real estate expenses, which are generally the second-largest cost after employees (The New York Times, January 2011). No longer viewed as some sort of favor handed out by benevolent employers, flexibility has become a compelling business strategy.

FACT: Studies show telecommuting can help businesses cut real estate costs by 20 percent and payroll by 10 percent.

The telecommuting trend was accelerating long before the economy tanked, but the downturn certainly helped speed the process along. Some of those other cost-cutting measures included reducing hours, enforcing unpaid furloughs, and moving employees into lateral positions. In some cases, these solutions were temporary and business has either returned to or is getting back to “normal.” For other organizations, though, the recession provided an opportunity to design more flexible careers, and that in turn is changing the physical structure under which businesses operate.

FACT: Eighty-two percent of the companies on Fortune’s 2011 100 Best Companies to Work For list offer telecommuting options.

“With work shifting, you have to start looking at those benefits and those opportunities because it doesn’t cost you much more. In fact, it costs you more to house a person. When I was building a data center and then the related headquarters space several years ago for a wireless company I worked at, it was like \$9,500 a year per cubicle to house an employee. Well that kind of adds up,” Brogan told Vistage members in a recent podcast. “So that’s a benefit to you as a company if you want to actually house them offshore: You have smaller lease space; you have smaller function costs. You just have to do the math. It’s simple math.”

Innovative corporate leaders are already recognizing and capitalizing on what flexibility can bring to their work force by striking a balance between virtual and physical workspaces. When done correctly, the rewards can be increased productivity and lower costs without sacrificing company culture or individual motivation.



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Look at a company like Best Buy, which implemented a system called ROWE, Results-Only Work Environment, and has found productivity up by 40 percent in some cases. The objective is to judge performance based on output, not hours. Since implementing the program in 2006, average voluntary turnover has fallen dramatically. Employee engagement, which measures employee satisfaction and is often a barometer of retention, is up, too, according to the Gallup Organization, which audits corporate cultures.

More and more, employers are figuring out that they no longer need to pay workers to drive to a central location. Mobile technology allows for the exchange of files at the end of the day – across very different time zones – with that information returned to desktops in the morning. Work happens wherever there is an Internet connection. Thus, workflow is no longer confined to certain hours. It's 24/7.

This is especially valuable in an economy that is becoming increasingly global. Co-workers may never meet in person, or will only do so when there's an urgent matter requiring a team session. Mobility is a crucial part of developing a more flexible work force that is better equipped to meet the needs of a changing global economy. The same technologies supporting telecommuting for U.S. workers extend on a global scale to international teams coordinating efforts across vast geographic distances.

Productivity Payoff

But the real benefit for companies is that this more versatile way of working can raise productivity. Researchers from Brigham Young University (BYU) found that employees with more flexibility work longer hours than those without. The study consists of data from 24,436 IBM employees in 75 countries and identifies the threshold at which 25 percent of employees reported that work interfered with personal and family life. For office workers on a regular schedule, the breaking point was 38 hours per week. Those given a flexible schedule and the option to telecommute clocked in 57 hours before experiencing such conflict, squeezing in a couple of extra days' worth of work each week.

Not all of those extra hours were telecommuting hours, notes lead study author E. Jeffrey Hill, a professor in BYU's School of Family Life. The typical high-flexibility work arrangement includes a mix of office time and working from home, with the venue depending on the task at hand. Hill, who worked at IBM in 1990 when the company started its telecommuting push to save on office space costs, recalls that managers were skeptical in the beginning. Now, more than 80 percent of IBM managers agree that productivity increases in a flexible environment.



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Another study, by Corporate Voices for Working Families, substantiates productivity benefits among lower wage employees (generally those earning \$12 or less). Eighty percent of those who work flexibly (and 79 percent of managers whose people do) say this flexibility improves team productivity and effectiveness. Factors identified as raising productivity include fewer interruptions and distractions as well as lack of stress from commuting or having a life need unmet. The greater argument for adapting to this more mobile way of working may be the cost of not doing so. If CEOs don't find ways to embrace change, Brogan says, they risk that their talent will move on.

"Your talent is seeking a better life balance whether or not you're offering it. Most companies, in America especially, have proven to their employees repeatedly that they don't care," he says. "You've got to understand that you are in the satisfying-their-desires business just the same as you are your customers. The more you get them equipped to do what they need to be better, the more then you're going to succeed and have the experience you want."

Open Space

Traditional office spaces aren't going to disappear. Face-to-face communication can sometimes speed up decision-making and information flow in ways that virtual work environments cannot. But the notion that mobility develops a more flexible work force better equipped to meet the needs of a changing economy is also here to stay. So, many companies are redesigning the enclosed office spaces that remain to be more flexible environments that provide a mix of open and closed areas for workers to use as needed. Benefits of these modern hybrid office spaces include more creativity, information sharing, teamwork and coordination.

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FACT: The average amount of space per employee nationwide, in all industries, has dropped to 250 square feet from 400 square feet in 1985, according to Jones Lang LaSalle, a commercial brokerage and property manager. Within 10 years, that is expected to drop further to 150 square feet.

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Employees can work individually in a quiet space or with colleagues in open, collaborative team areas or rooms. Combined with technological advances, teams can work together in the same physical location or virtually. At Cisco, hundreds of mobile workers at its campus in Milpitas, Calif., can use a variety of communal workspaces that include work stations, privacy rooms, open project spaces, team rooms and more. The spaces are designed to support various kinds of virtual collaboration.



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Examples of this trend abound. One floor of an Intel building, which once held 600 employees, now holds 1,000, and Deloitte decreased their square footage by 42 percent (despite a personnel increase of 10 percent) when they relocated to their new headquarters. Both companies made up for the decreased amount of employee personal space by having redesigned work areas be more comfortable, aesthetically pleasing, well equipped and communal – open for things like collaboration and videoconferencing.

Sabre Holdings (which owns Travelocity.com) saves millions each year by having reduced its five Dallas buildings to two and replacing offices with shared cubicles and desktop computers with laptops. They are now making similar changes at their offices around the world to continue saving even more. And AT&T has replaced traditional spaces with their innovative and flexible “tPlace” workspaces, which include on-demand desks and videoconferencing and allow people to work closer to home.

While conventional wisdom once deemed open environments as inhibiting work, now they’re more commonly being thought of as encouraging interaction, which raises productivity.

The New Era of Flexibility

According to a Skype survey, which includes responses from 1,000 professionals at about 500 businesses of all sizes, flexibility is becoming the new norm. About 62 percent of businesses reported having employees who work remotely either full time or part time. Of these companies, 34 percent of employees conduct work away from the office, spending about 40 percent of their time at either a client site, at home or in public spaces. These numbers show an actual physical shift away from the cubicle to homes, hotels, airports and other locations, within the same city or even across continents.

The percentage of companies that allow remote work varies by the size of the business. Larger businesses are more likely to allow remote work as a matter of policy than small businesses. This is not only because it is becoming easier and cheaper to work remotely, but it’s also becoming clear that remote working programs benefit both employees and employers by creating increased productivity, reduced overhead and happier employees.

Of the respondents who were decision makers and managers, 75 percent said working from home was becoming more acceptable, and 56 percent said those who worked from home were more productive. Videoconferencing and desktop video are two communication technologies Skype expects to see increase in usage most over a two-year period, followed by VoIP, room-based video, mobile phones and instant messaging.



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In Or Out?



Just as companies are discovering that a central location is not as essential as once thought, they're also figuring out which jobs are essential. The jobs of the future will probably have very little to do with processing words or numbers. These are tasks that a computer algorithm can handle. The need for people to act as placeholders, errand runners or receptionists is disappearing. And as a result, companies will figure out who their essential people are and outsource the rest.

Obviously, job outsourcing isn't new. Tech companies in Silicon Valley began contracting out software-coding jobs to companies in India nearly two decades ago. But the practice is now gaining strong momentum here in the United States.

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FACT: The number of independent contractors is up by more than one million since 2005, according to Jeffrey Eisenach, an economist at George Mason University. More than one in five of them work in management, business or finance, and boutique employment agencies have started popping up to serve this part of the labor market.

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Going Hollywood

As companies looked for ways to save during the recession, freelancers became more attractive because businesses didn't have to shell out for benefits or 401(k) plans. Some labor and business experts say that this contingent work force could become a permanent solution, eliminating a significant number of full-time jobs with benefits. Those jobs include the highly skilled, such as scientists, engineers and managers. As project-based work becomes more of the norm, companies may turn to a small network of professionals that work as needed.

Comparisons are often made to how films in Hollywood are produced. Each project brings together a new team of individuals and small specialized firms – actors, directors, screenwriters and producers – to fill the necessary roles. This is in contrast to the days when big movie studios controlled the entire production process. In this new business model, individuals compete in a global market for project opportunities and work on multiple projects at any given time. Project teams continually dissolve as old projects are completed, and also form as new ones begin. Projects may last just a day or two, and teams consist of workers located all over the globe.



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Figuring out what jobs to outsource depends greatly on the company. In addition to software-coding and lower-skill data entry jobs, accounting and administrative process-oriented functions like payroll distribution often go because they can be performed less expensively and more efficiently by an outside agency. Some businesses hire out entire departments such as human resources, finance and accounting by arranging for a professional employment organization or service that supplies part-time chief financial officers and comptrollers to handle those duties.

“There’s no single answer to who is essential and who is not, but what HR departments and strategy leaders should be doing is to define precisely what talent and value mean for them,” says Dr. Codrington, the founder of TomorrowToday.biz. “I don’t think most companies do this. They don’t define talent fully. It’s a gut instinct, and you really need to work out which functions and what type of workers contribute to the bottom line.”

Codrington says that examining cost-benefit is what’s key. “Companies have cut fat and muscle by stripping out IT, training, administrative support....In many organizations, these departments are essential for productivity. Many companies just look at the cost and don’t fully look at the benefit that these categories of workers bring.”

The 24-Hour Cycle

The growing use of independent contractors is in some ways a result of companies focusing more on their core competencies, skills and services, says Karoly, RAND senior labor economist. She adds that a lot of trial and error goes into figuring out the most appropriate strategy for deciding what functions to keep in-house or hire out.

“There will be a tendency to outsource or use nontraditional employment relationships when it’s a noncore function and when mechanisms are in place to monitor and ensure that the desired level of service is being provided,” Karoly says. “The reason for doing things in-house is that you can monitor or control the quality of the work. If there’s reason that you can’t get a certain level of service, you keep it in-house.”

Payroll often gets outsourced because it’s a very standardized function. Everyone needs it, but not everyone needs it in-house. A broad range of IT and business process operations jobs, like call centers, have been outsourced to countries with educated, English-speaking workers. In India, high-skilled computer programmers develop software while engineers design microchips. These jobs were once limited to higher-paid workers in more advanced economies.



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As companies have gained more experience with contracting and developing strategies for controlling quality, the range of jobs that can be outsourced has grown. Service-related functions such as lower-skill data entry and computer programming have given way to jobs such as accounting, finance, graphics, industrial design, research and higher-level programming.

Beyond its use as a cost-saving measure, outsourcing can extend the workday to 24 hours. Whether analyzing financial data, evaluating insurance claims or developing software, work is continuous for a company using a networking system that gives access to staff based in very different time zones. The future workplace will consist of companies blending permanent staff with outside contractors to offer greater flexibility as well as capacity to work around the clock.

Some analysts even say corporations could disappear to the point where the basic unit of the economy is no longer the corporation but the individual. As the hierarchical corporation defined the organization of industry in the 20th century, some argue that the new form of business organization for the 21st century will instead be based on electronically connected networks of freelancers.

In conclusion

Technology has allowed a new, flexible organization to evolve; one that extends beyond office walls and values knowledge and expertise. This organization maximizes productivity, improves efficiency and gives each staff member the chance to participate.

When employees come to work, managers will know. If anything can be measured, it will be measured. Management will know when their employees log in, what they type and what files they access. In this new work environment, not just the boss but also the team as collaboration wins the day. Internet technology makes working as a team and synchronized to a shared goal easier and more productive than ever before.

Employer-employee relationships will change as corporations increasingly become specialized and the line blends between salaried full-time workers and freelance entrepreneurs. Businesses will adapt in response to the nature of innovation, markets, networks and information costs while moving away from command-and-control leadership styles to a model of decentralized management and employee empowerment across all levels.



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This matters because with more engagement comes more skill. The rapid pace of technological change will continue to propel demand for highly skilled workers who can develop new technologies, bring them to the market, and exploit these new technologies in the production of goods and services. Businesses are becoming knowledge-based organizations in which intellectual capital is the most important asset for staying competitive.

Finding the right balance between empowerment and control will be an important management element in the future workplace. Instead of giving orders, corporations may exist to provide the rules, standards and culture that define the environment within which more independent employees operate. A more flexible structure leads to a stronger bottom line – higher productivity and both reduced real estate costs and turnover – and it allows more options for fitting life into work and work into life.

Lynda Gratton, a professor of management practice at London Business School, says the reason it's so important now to at least try to imagine the future workplace is that we can no longer envision the future simply by extrapolating from the past.

“The past six generations have experienced the most rapid and profound change mankind has experienced in its 5,000 years of recorded history. If the world economy continues to grow at the same pace as the last half-century, then by 2050 the world will be seven times richer than it is today, world population could be over nine billion, and average wealth will also have increased dramatically,” she says. “We live at a time when the schism with the past is of the same magnitude as that last seen in the late 18th century. A schism of such magnitude that work – what we do, where we do it, how we work and with whom – will change, possibly unrecognizably in our lifetime.”

Kimberly Castleberry has more than a decade of experience working in newspaper and magazine publishing as a professional writer and editor.



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