1997 Presidential Address

TWENTY-FIRST-CENTURY ORGANIZATIONS: BUSINESS FIRMS, BUSINESS SCHOOLS, AND THE ACADEMY

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The past is but the beginning of a beginning (H. G. Wells, in Peter, 1979: 123).

We are on the precipice of an epoch—a distinctive, exciting, and challenging time for organizations. My focus is on twenty-first-century organizations and the characteristics required for survival and long-term success. To begin, consider that you are a member of the Board of Directors of a major corporation in the year 2010—13 years in the future. What do you believe will be the characteristics of business organizations in this year? What strategies will they employ? How will they be structured? How will they manage their human capital? How many of the current high-profile company names will you recognize in the year 2010?

To put it in perspective, look back to 1984—13 years in the past. What were the high-profile company names during that year? Many of you would probably mention Apple and IBM. How many of you would have mentioned Microsoft and Compaq? How much change has occurred in U.S. and world economies and in organizations during the last 13 years? The popularity of personal computers was only beginning 13 years ago, and Microsoft and Compaq were young, largely unknown firms. The Internet was an unknown commodity, and few referred to electronic networks. Multiply the amount of change that occurred between 1984 and 1997 by thirtyfold to fortyfold or more and you will have the amount of change that will occur between 1997 and 2010.

According to Alan Greenspan, we are in a new economic age with an organic market economy (Foust, 1997). This new economic age entails a new competitive landscape driven largely by globalization and the technological revolution (Bettis & Hitt, 1995). In a recent presidential address to a sister professional organization, Michael Jensen (1993) discussed the failure of the modern industrial revolution. Although he noted the metamorphosis of the economic landscape and the rapid scope and pace of changes in recent times, much of his discussion of the failure focused on the past—not the future. Thus, while his discussions of failures of corporate governance and control systems were clearly relevant and important, they may focus on a time past. We have now begun a third industrial revolution that is global in nature and will surpass the significance and combined impact of the previous ones in a very short time.

We have discussed increasing environmental turbulence and uncertainty for at least three decades, dating back to Lawrence and Lorsch (1969), if not earlier. Accordingly, scholars have emphasized the need for effecting organizational change to help organizations adapt to their environment. However, only recently have we observed and experienced widespread and revolutionary changes in organizations. Clearly, the changes now occurring are geometric in nature.

There are many attributes of the technological revolution, but I focus here on three. First is the increasing importance of innovation and the diffusion of this innovation into the marketplace (Brown & Eisenhardt, 1995; Hitt, Keats, & De-Marie, 1998; Stimpert & Duhaime, 1997). We are in the age of mass customization, where we can have even highly complex products manufactured to our personal specifications in a short period of time (Kotha, 1995). Speed now is of critical importance, while dramatic, radical innovations will frequently occur and be difficult to predict (Eisenhardt & Tabrizi, 1996). Because of frequent radical innovations, there is increasing emphasis on designing new products and moving them to the marketplace rapidly (Dougherty & Corse, 1995). For example, in the late 1980s and early 1990s, U.S. manufacturers required 5 to
8 years to develop and move a new automobile design to the marketplace, whereas Japanese manufacturers undertook similar actions in approximately 3 years. Today, U.S. manufacturers have shortened their development cycles to between 36 and 45 months. However, the recent record by Toyota is 15 months.

The second attribute is emphasis on information. The number of computers in use worldwide by the year 2010 is expected to be two to three times larger than the number in use today. Also, some predict that there will be at least 36 times the number of wireless communication devices in use today, which will require an increase from approximately 34 million to 1.3 billion (Business Week, 1994). Furthermore, the Internet is becoming quite popular, with approximately 70 million people worldwide currently using it—a number that is expected to increase to approximately 700 million people by the year 2000 (Eng, 1997). Additionally, the machines we use will become much more powerful. Port (1997) predicts that by the year 2010 the chips used will be 200 times more powerful than those used in 1997.

The third attribute is the importance of knowledge. We have learned in recent years that unique and valuable knowledge can produce a competitive advantage for firms. Thus, there is increasing emphasis on organizational learning to produce such knowledge (Nonaka, 1991; Nonaka & Takeuchi, 1995). For example, Mark Fruin (1997) argues that the primary basis of Toyota's competitive advantage in manufacturing is its development and diffusion of knowledge. Likewise, the success of Chaparral Steel, which has set world records for productivity, has been attributed to its organic-learning and knowledge-building system (Leonard-Barton, 1995).

Concurrent with the technological revolution has been globalization of business. This globalization primarily has been the result of economic necessity and economic opportunity. In some cases firms desiring growth have had to move into international markets, whereas others have done so to take advantage of tremendous opportunities in international markets (Hitt, Hoskisson, & Kim, 1997). Much of this opportunity has been created by world economic development, most clearly evidenced in Asia. Indeed, Clifford, Roberts, and Engardio (1997) have referred to China as the "mother of all emerging markets." A recent survey of U.S. business executives found that approximately 95 percent made globalization an important part of their firm's strategy (Schuster, 1997). Intensive globalization has led to a global restructuring of industries. To accurately understand industries, we can no longer focus solely on domestic markets and domestic firms.

Resulting from the technological revolution and globalization is a new competitive landscape for business—an environment with discontinuous change and high uncertainty (Weidenbaum, 1995). Essentially, the new economic age began in approximately 1995, and the experience of the period 1995–2010 will be similar to cramming a 100-year-long industrial revolution into 15 years (Chia, 1995; Thietart & Forgues, 1995). To paraphrase the often-quoted American philosopher Will Rogers, even if you are on the right track, you will be run over if you stand still. In past years corporate life expectancy for large organizations was 40 to 50 years. For example, Color Tile, formerly the nation's largest floor-covering retailer, recently announced it was closing all of its 195 stores after being in business for 44 years (Washington Post, 1997). Although this may seem surprising for organizations designed for perpetual life, their life expectancy will be much shorter in the twenty-first century.

**BUSINESS FIRMS**

To survive in the twenty-first century, business firms must achieve strategic flexibility (Hitt, Keats, & DeMarie, 1998; Sanchez, 1995). In fact, the significant amount of restructuring that occurred in the early 1990s and continues today is a part of the maneuvering to achieve appropriate flexibility, or in some cases market power, to prepare for operating in this new competitive landscape. Firms also are using more contingency employees. Twenty-five to thirty percent of all employees in U.S. firms currently are part-time, temporary, or on contract, as opposed to full-time, permanent employees (Dravo, 1994; Industry Week, 1995). Although this may create static flexibility, it is probably more important that firms build their human capital to acquire the skills and knowledge necessary to compete in the new competitive landscape (i.e., Pfeffer, 1994). Many firms in other parts of the world invest heavily in human capital—much
more so than U.S. firms. For example, U.S. firms invest, on average, $1,800 per year per employee in training and development. However, British firms invest approximately $5,000 annually per employee for the same activity, and German firms invest an average of $7,500 annually per employee. Furthermore, estimates suggest that about 8 percent of new employees receive formal training in their first year of employment in U.S. firms, whereas 20 percent of new employees receive such training in European firms, and 74 percent receive training in Japanese firms (Useem, 1996). Building human capital helps to create dynamic flexibility (Hitt et al., 1998).

Similarly, firms must continue to develop their core competences. In other words, they must develop what we refer to as “dynamic core competences” (Lei, Hitt, & Bettis, 1996). This means that firms must be continuously learning and developing their core competences, and they must be prepared to change core competences as required for success in this competitive landscape. Finally, firms are beginning to manage their assets in bundles so that they can easily reconfigure these assets at any given time. We can observe this approach in the number of spin-offs occurring, in the increasing number of subsidiaries, and in such breakups as the truvestiture recently implemented at AT&T. A successful firm is one that creates flexible architectures facilitating continual redesign (Nadler & Tushman, 1997).

In addition to strategic flexibility, many firms are engaging in cooperative strategies, particularly as a means of moving into international markets (Osborn & Hagedoorn, 1997). These cooperative strategies provide access to knowledge, whether it be new technology or knowledge of local markets (Hitt, Ireland, & Hoskisson, 1997; Singh, 1995). Cooperative strategies also allow firms the opportunity to share capital and risk. However, a critical factor in the success of cooperative strategies is selection of an appropriate and compatible partner (Dacin, Hitt, & Levitas, 1997). As many firms have found, cooperative strategies are more difficult and complicated in international markets, partly because of the incompatibility of partners’ strategic orientations. In fact, 50 to 60 percent of strategic alliances fail, resulting in divorce of the partners (Dacin et al., 1997).

Finally, successful business firms need effective strategic leadership (Finkelstein & Hambrick, 1996), which means firms must have leaders with vision who can create a new managerial mindset (Hitt & Keats, 1992). Firms in the future will create multiethnic and multicultural management teams, much like what Asea Brown Boveri has done successfully in its global operations. Strategic leaders should emphasize the development of superior management skills requiring nonlinear learning and thinking (Hitt et al., 1998; Kerr & Jackofsky, 1989). The new competitive landscape requires managers with the foresight and courage to disrupt equilibrium in firms, even when the firm currently is performing well. George Fisher, CEO of Eastman Kodak Company, is trying to reconfigure, re-adapt, reposition, and grow his company. He suggests that only those who embrace the adrenaline rush of continuous change are going to flourish (Grant, 1997).

BUSINESS SCHOOLS

The new technology I briefly described earlier affects the content of what we teach, but even more so the process of how we teach. Following are a few projections of expected new technological developments. In the future we can expect machines that learn, diagnose, adapt, reconfigure, and recreate themselves (Gross, Flynn, & Port, 1997). Machine interfaces will change from being largely driven by Windows and Netscape Navigator to the sound and touch of humans. In other words, they will be more user friendly and accessible. There will be highly friendly software, referred to as “intelligent agents,” that will help us locate needed information and accomplish our tasks (e.g., searching for and identifying specific materials on the Internet). The boundary between training and doing largely will disappear (Gross et al., 1997). For example, we will be using virtual cases in the classroom. Perhaps most interestingly, we will expect people to be continuously online while traveling or moving around within cities (Flynn, 1997). Given these characteristics of the new technology likely to be available by the year 2010, the process of how we teach students most likely will be dramatically different from that in 1997. Not only will we have virtual cases and have easier access to much more information, but machines may replace a lot of what we do in the classroom.
We should also expect changes to occur in the type of research, and particularly in the process of how we conduct research. For example, by 2010 there will likely be a much stronger emphasis on multidisciplinary thinking. Currently, multidisciplinary thinking is used in research at the Santa Fe Institute. To date, most multidisciplinary thinking has been applied in more technical areas, but we are beginning to do the same in our thinking about the evolution and operation of organizations, as evidenced by the application of complexity/chaos theory to understanding dramatic changes and adaptation in organizations. We should expect global collaboration in our research projects. Clearly, technology facilitates such collaboration today. For example, I am currently collaborating on research projects with colleagues from Hong Kong, Korea, Singapore, Egypt, Columbia, France, Russia, and Romania. Finally, solving the complex problems we are likely to encounter in the twenty-first century will require nonlinear thinking and more complicated (and sophisticated) research designs.

Dramatic changes may occur in business schools because their external landscapes likely will be significantly different in 2010. There may be fewer business schools in the United States but many more globally. Also, the power and prestige of individual business schools may shift over time, not only within domestic boundaries but across country boundaries as well. These shifts will occur because of changes in economic power and opportunities (i.e., changes in funding for individual business schools) and because of a diffusion of faculty talent (Cannella & Paetzold, 1994), with top scholars associated with formerly lesser-known schools. Additionally, there will be growth in the number, size, and quality of schools outside of North America, particularly in Asian and Hispanic countries (Arnst & Browder, 1997). Essentially, management education and research will be globalized.

In addition to the changes noted above, we can expect increasing competition. For example, North America will not necessarily be the center of business education in future years, as noted by the growth and development of business schools throughout the world. And, as Rick Mowday acknowledged in last year's presidential address, there are already over 1,400 corporate universities in the United States alone. This number is likely to increase in future years, particularly given the importance of organizational learning and the criticality of valuable and unique knowledge for competitive advantage. Both of the trends noted above are evidenced in the changes occurring within the AACSB (or what was named the American Assembly of Collegiate Schools of Business). In 1997 the AACSB was renamed the International Association for Management Education (AACSB, 1997).

There have been many changes in the external environment of business schools, requiring that they be more attentive to their external constituencies (Pfeffer, 1993). There also has been decreasing funding in the United States, particularly in public universities, as funding for higher education has been reduced to allow increased funding for other priorities (Porter, 1997). Because of new technology and the global emphasis on education, there will be an increasing emphasis placed on distance education—with the delivery being global. In fact, there are a few major U.S. business schools now acting entrepreneurially (Hamilton, 1997) that are planning to dominate business education globally.

There will continue to be an erosion of tenure and greater differentiation among business schools, as argued by Porter (1997). This may lead to a system whereby faculty members become free agents. Thus, the schools with the resources—wherever they exist in the world—will be able to attract the top scholars (teachers and researchers). Because of all of these changes, business schools will require extraordinary strategic leadership: leaders of vision and a willingness to transform and change their organizations as needed to adapt to this extraordinary environment. Business schools must become entrepreneurial to survive in the twenty-first century (Hamilton, 1997), which means their leaders must be willing to think in creative ways and to act entrepreneurially.

THE ACADEMY

Because of all of the changes described for business firms and business schools, the Academy of Management is now facing "a brave new world." Therefore, to continue to prosper, the Academy must take at least four general actions in the coming years.

First, the Academy must become a part of the world, which means that we must eliminate our
"U.S.-phobic" approach to management education and research and to the operation of the Academy of Management. Undoubtedly, this is not a unique call, for there have been a number of others preceding me who have called for similar actions. And we have taken steps in this direction, as evidenced by the development of the International Management Division; the formation and implementation of the International Programs Committee, which has been quite active; our membership in the International Federation of Scholarly Associations of Management; and, more recently, our appointment of an editor for the Academy of Management Journal who resides and works in Asia. However, the Academy now needs bigger and bolder steps. This has been recognized in the long-range planning process undertaken by the Board of Governors and is one of the reasons the Board responded positively to initiatives to organize global regional affiliates much like our domestic regional affiliate organizations in the United States. The Academy of Management held caucuses at this 1997 meeting for two of these: one to develop in Asia and another to develop for Ibero American management scholars (e.g., in Spain and Latin America). Our goal is to facilitate the development of these organizations and become their partner. Please notice that I do not suggest "control," "govern," or "oversee," but, rather, we should work with our colleagues as partners. By helping them develop these organizations, we all will benefit. Frankly, if we do not take actions like these, such organizations are likely to develop independently, leaving the Academy the opportunity at some point in the future of becoming much less relevant or, possibly, even an irrelevant organization. The Academy needs bold actions in the global arena now.

Second, the Academy must continue to be a leader in promoting top-quality, cutting-edge research on management. We should make no apologies for and accept no compromises on the quality of management research, regardless of the criticisms we receive from within or outside the Academy. I had the honor and opportunity to serve as the Editor of the Academy of Management Journal during the period 1991-1993. I read approximately 2,000 manuscripts during this time. Although we can continue to improve our research, my work as the Editor of AMJ convinced me that we do good research in management. But, because of the external criticism of our research, I am concerned that we may become too critical of and overly applied in our research.

Please understand that I believe we need both basic and applied research. I present here an analogy used in answering some critics when I have been questioned about our research and its relevance. When you go to a physician to have a medical problem diagnosed and a treatment or medicine prescribed for solution of the problem, do you care whether that treatment and/or medicine is based on a significant amount of research for its development and testing of its effectiveness? Most of us would like to know that research on this medicine or treatment has been published in the New England Journal of Medicine, one of the top journals in the medical field (Hitt, 1995). Likewise, I believe that new management ideas and techniques should have theoretical research on them published in the Academy of Management Review and empirical research on them published in the Academy of Management Journal (and these results translated for executives in the Academy of Management Executive). If so, we would have fewer management fads and fewer management failures. We need management research because the problems will continue to grow in complexity. The following statement well describes why we need more, not less, quality management research. It is a paraphrase of an often-used quote from Albert Einstein: We cannot use the same level of thinking at the time the problems were created to solve them in the present.

Furthermore, basic research and development of knowledge are socially complex activities that are less imitable than teaching or service. In fact, companies are imitating the teaching (many claiming that they do a much better job than we do) with corporate universities. However, it is the rare manager or firm that creates knowledge about management, and it is even rarer for a consultant to create knowledge (although some most assuredly do). Thus, our potential value-added contribution over time may well be the creation of knowledge. As a result, effective basic and applied research may be our long-term competitive advantage.

Research is to see what everybody else has seen and to think what nobody else has thought (Albert Szent-Györgyi, in Peter, 1979: 123).
Third, the Academy needs to continuously evaluate the mix of services offered to members, with particular emphasis on fulfilling members' needs. Our annual meeting should continue to showcase current top research but also should provide much more. We must help our members adapt to the changing environment by providing opportunities for them to continuously learn and develop new skills—for example, the use of new technology in the process of teaching. The Academy now includes such activities in the evolving preconference, but my call may mean a new design for the Academy of Management meetings in future years. Currently, our program primarily showcases the research. Such emphasis is important and should not cease, but, as noted, we must do much more. In fact, the Academy may need to provide more services to members. If so, it will not be possible without enhanced revenues. That is why I appointed a task force of Academy members to make recommendations to the Board of Governors regarding new revenue sources (not including dues and fee increases) the Academy might seek. The identification and design of new services, if needed, may come from the Blue Ribbon Panel on Leadership in Management Education for the Twenty-First Century, chaired by Rick Mowday. This panel may be one of the most important activities the Academy has undertaken in some time.

Fourth and last, we in the Academy must think and act strategically; we must continually evaluate our current and potential competition. We must reach out to and build bridges with our constituencies to include business school deans and executives. We must translate research for managers and executives, making the basic research that we do more easily accessible for and usable by them (i.e., we must place more emphasis on the Academy of Management Executive). We must also continue the process created several years ago of ensuring that this research reaches executives through the popular business press. They need our help, and we need their support. Thus, we should pursue cooperative strategies; alliances with executives/managers and deans can and should be mutually beneficial.

I believe that we can do all of these things and more. But it will require that business firms, business schools, and the Academy of Management become twenty-first-century organizations. Based on some of my comments here and on the descriptions of many others, a twenty-first-century organization can be described as a global, flexible, horizontal, focused, externally networked, and nonlinear labyrinth regularly undergoing configural transmutations with the goal of achieving dynamic equilibrium.

I would like to end with a quote that I think is particularly apropos:

Epochs flow into one another, like the seasons. There may be short-sleeve days in February and snowstorms in April, but there comes a day when the sun crosses the equator... [and] that day has come (Stewart, 1995).

REFERENCES

AACSB. 1997. Meeting of top officials of the AACSB and officers of the business academies, St. Louis, MO.


