

THE TOM PETERS SEMINAR

Crazy Times, Crazy Organizations

TOM PETERS

MAIN IDEA

A rational model of the effective business organization of tomorrow is based on the idea that most, if not all, of the value in every business, regardless of size or industry, is generated by the energy from the intellect and the imagination.

The cost of any good sold or service provided can be broken down into two components - the cost of materials and the charge for intangibles. In the future, the cost of materials for all products will be dwarfed by the intangible component as products are endowed with more intelligence.

In this type of environment, conventional business rules (including economies of scale) will no longer hold true. It will become increasingly important to manage the human imagination. This will require the construction of new business models which will be radically different from those used in the past.

In a business world gone crazy, only a completely flexible ever-changing and adapting organization can hope to survive.

1. TOWARD THE ABANDONMENT OF EVERYTHING

The successful organization of the future will have the ability to manage the human imagination, because it is the imagination of the workers that will create the market value of the corporation of the future.

2. DISORGANIZING TO UNLEASH IMAGINATION

The new engine of progress is to split huge corporations up into independent units which function as fully blown business operations in their own right.

These newly independent units allow the company to structure itself to bring intellect and imagination to bear whenever an unexpected business opportunity arises. The structure also allows each unit to stand on its own two feet by reporting directly on its own operations rather than as part of a huge conglomerate.

3. TURNING EVERY JOB INTO A BUSINESS

The most effective and most valuable employees in any company are the ones who act as if they owned the company themselves.

In other words, the best employees are entrepreneurs and independent contractors in their own right. They just happen to work within the company because that is where they are most effective.

4. THINKING LIKE AN INDEPENDENT CONTRACTOR

Achieving the mind-set of an independent contractor is the key to job security. Contractors aren't concerned with how long their lunch hours are, or where their car park is. They focus solely on adding value through the delivery of professional services.

The key issue is not how long have you worked at that company but which projects have you successfully completed and which projects will you tackle in the future?

5. THE CORPORATION AS A ROLODEX

The most effective (and profitable) structure for the corporation of the future is a small core of permanent staffers who protect the company's central competitive advantage, and a vast network of specialists (represented by names in a rolodex) who can be utilized as the need arises. Corporations can then focus solely on the key things they do well and gather together other individuals on an as-needed basis.

This model of the organization allows the company to take advantage of today's opening in the marketplace that will no longer exist tomorrow - and so on.

6. CREATING A CORPORATE TALK SHOW

An economy based on information rather than materials is hard to describe, and even harder to visualize. The key to creating value becomes capturing and applying knowledge and experience. The ongoing goal becomes to continuously develop, utilize and leverage knowledge within the company.

Computers and telecommunication advances have, for the first time in history, made it possible for a company to be organized like a continual television chat show. Employees in one part of the world can have a direct input into projects on the other side of the world, and so on.

In effect, the headquarters of the past business models becomes replaced by an information network running throughout the entire company.

7. CREATING THE CURIOUS CORPORATION

In the modern business environment, the only companies which will flourish are crazy, zany, effervescent and fun places to operate. Only in this type of corporate setting can the key creative talents and imaginations flourish.

Not only must the modern organization be flexible, it must be curious enough to meet the customers needs in ways that will stand out in the crowded marketplace.

8. TOWARD WOW!

The playing field is now level in terms of product quality. The real success stories of the future will not only have high quality - they will also have an undefineable razzle-dazzle that will be the key to their market success.

9. TOWARD PERPETUAL REVOLUTION

The only way to keep your organization up to date with the changing requirements of the market is to be in a state of perpetual revolution. Tear down the existing structure again and again, and continue doing so, is the only possible way to keep moving ahead.

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1. TOWARD THE ABANDONMENT OF EVERYTHING

Main Idea

In today's economy, traditional business theories no longer hold sway. To cope with the changing business conditions, a completely new yet rational model is required for effective and profitable business organizations.

The successful organization of the future will have the ability to manage the human imagination, because it is the imagination of the workers that will create the market value of the corporation of the future.

Supporting Ideas

The world is currently in the middle of a once every two centuries force upheaval. The technology revolution is combining with the results of the global village concept to touch every business on earth. This is more than just the introduction of the information economy - it is the "Age of the Imagination."

To survive, everyone and every company must be willing to change. Only those with a passion for learning and adapting can possibly prosper.

Most organizations are stale, dull and boring because they lack the ability to adapt to suit the changing requirements of the world in which they operate. In fact, commerce is operating at a rapidly accelerating pace. If an enterprise isn't prepared to change, it must be prepared to be left behind.

The intellect content and value of almost every product is growing continuously. For example, a new \$700 camera might have only \$60 worth of parts - the rest of the value is generated by its intellectual value.

The market value of many companies used to be based on the value of its hard assets. Today, the vast bulk of the market value of any business is derived from intangibles such as goodwill, brand names or the ideas in the heads of the company employees. Most people spend the bulk of their time trying to manage the hard assets and ignore managing the intangibles where the bulk of their market value actually lies. This is a serious mistake, and a distortion of reality.

The imagination is the main source of value in the new economy. Wealth is no longer created by the traditional concentration of materials and capital, amplified by economies of scale. Instead, the wealth of the future will be generated within those organizations that can best bring to the market creative and revolutionary new products of the human imagination. This requires a very special kind of new organizational model to succeed.

Key Thoughts

"Only the paranoid survive."

– Andrew Grove, CEO, Intel

"We are trying to sell more and more intellect and less and less materials."

– George Hegg, Strategic Planner, 3M

"Most records no longer are mere transcriptions of a group of people in a room playing together. Now recordings are assembled from component parts created all over the world: Tracks are laid down by a lead guitarist in London, a drummer in New Orleans, a keyboard player in Tokyo, a singer in Toronto and maybe even some riffs by a South African jive chorus and a Czech chamber orchestra. The pieces might be put together anywhere from a Hollywood studio to a barn in the Berkshires."

– Lewis Perelman, Author

"New developments in telecommunications come about twice a day."

– Dick Liebhaber, Head of Strategy and Technology, MCI

"Microsoft's only factory asset is the human imagination."

– Fred Moody, *The New York Times Magazine*

"Every organization has to prepare for the abandonment of everything it does."

– Peter Drucker

"The National Technological University is an electronic graduate engineering school with no campus and no full time faculty, which beams its 1,200 hours of courses by satellite from its Fort Collins, Colorado headquarters to over 5,000 engineers in video classrooms at work sites at scores of subscribing organizations scattered all over the United States. Leading faculty at over forty participating universities nationwide provide NTU's telecourses. Students - generally, engineers with jobs pursuing continuing education and professional development - can attend courses either in real time at the work place or by taped delay. They communicate with professors by telephone or electronic mail. With new digital signal compression technology, NTU can now deliver courses anywhere a satellite dish can be put up at one-quarter the cost of a typical college class, according to NTU's president Lionel Baldwin."

– Lewis Perelman, Author

"Create a value-driven, knowledge-based, export-led economy."

– Strategy of every nation on earth

"There are an absolute dearth of new and exciting fashion-forward products. Among the 16,143 new products that hit the shelves of Wal-Mart in 1991, where is the equivalent of the early microwave oven, the video recorder or the Walkman?"

– David Glass, CEO, Wal-Mart

