



Beyond McGregor's Theory Y: Human Capital and Knowledge-Based Work in the 21st Century Organization

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The approach that dominated organizational theory, teaching, and practice for most of the 20th century is being replaced by a human capital, knowledge-based view of the organization. In our paper, we highlight five dimensions of this change: 1) the role of the workforce and workforce demographics, 2) knowledge-based work, 3) integration of social and technical systems, 4) distributed leadership, and 5) expanded organizational goals. This paper builds on independent research by us and others, as well as a collaborative process of collecting data from current students, alumni and partner organizations that was established as part of Sloan's 50th Anniversary.

The 20th century approach looked at organizations from the top down, focusing on the CEO as the "leader" who shapes the organization's strategy, structure, culture, and performance potential. In contrast, a human capital, knowledge-based view of the enterprise envisions leadership as a distributed capability that involves multiple people and groups at all levels of the organization. CEOs and executives play critical roles in generating compelling, shared visions for the organization, but such actions by senior executives are only effective when they engage the aspirations and energies of all organizational participants.

First, in our analysis of issues involving *workforce demographics*, work-family integration emerged as a core issue generating the most interest among our alumni, students, and industry participants. They documented a wide range of "family-friendly" policies and procedures offered in their organizations today, including flexible hours, part-time options, and back-up day care. They also indicated, however, that these policies are underutilized because long-held assumptions about the need for face-time and full-time commitments still prevail in many enterprises.

Second, knowing how to implement *knowledge-based organizations* is essential for success. Our analysis calls for training next-generation managers to be able to do a mapping of knowledge and capabilities that parallels the way they now map the flow of value associated with physical products and services – looking for constraints and opportunities.

Third, in the dimension of technology, our analysis calls for deeper and more explicit attention to the interdependence of *social and technical* aspects of business operations.

Fourth, we emphasize a distributed approach to *leadership* that builds on four interdependent capabilities: visioning, sensemaking, relating, and inventing. The management skills and tools needed are: engaging, listening to, negotiating with, and facilitating different forms of individual and collective employee voice – all at multiple levels of the organization.

The final dimension calls for redefining *organizational goals* to reflect the needs of multiple stakeholders, namely the workforce, communities, regulatory agencies, and strategic partners. Many organizations are now trying to transform themselves as they recognize the importance of human capital and knowledge to their future effectiveness. Their success will depend on management's willingness to challenge fundamental assumptions about organizations and on the quality of the negotiated change processes they engage in with various stakeholders.