THE CENTERLESS CORPORATION: A MODEL FOR TOMORROW

BY BRUCE A. PASTERNACK AND ALBERT J. VISCIO

High-performance companies are structured around knowledge, people, values and coherence. They know what they stand for. They also know how to share services.

OUR FAVORITE COMPANY these days is GloCorp. In almost every sense, it is a pretty remarkable place. It is the first corporation to reach a stunning $500 billion in annual revenues. In an age when so many companies are pruning their work forces and their business portfolios, GloCorp can't hire people fast enough. And through steady diversification it has achieved double-digit growth in revenues and return to shareholders for 10 consecutive years.

Some would chastise it for pursuing approaches that run counter to the focused, asset-shedding habits of the 1990's. GloCorp is already engaged in seven major lines of business, and

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Illustrations by Bryan Wiggins

there are rumors it is contemplating others. As it is, the company makes everything from car parts to consumer electronics to computers to metals to paper plates. But, in truth, all of the businesses are based on only a few key capabilities in microelectronics and process control.

GloCorp's strategy has been to expand primarily through a vast array of alliances and joint ventures. Nearly three-quarters of its revenues flow from 200 alliances. The alliance with the Sunny Corporation created the world's leader in hand-held video players using optical cartridges; the venture with Boxco is the foremost producer of recyclable cardboard in Latin America.

GloCorp is one of the first genuinely global companies. Its headquarters has changed continents three times in the past 15 years, from Atlanta to Hong Kong to London. Each new chief executive has understandably chosen to operate out of his primary country of residence. For GloCorp, this has not meant much adjustment. When you visit GloCorp, don't ask for directions to the corporate center. There is none. GloCorp's chief executive and his senior executives work out of something known as the "global core." That's a lean, nimble entity that does only the things the businesses themselves cannot.

The global core consists of little more than the C.E.O. and his immediate team. Corporate-level activities are performed by just 200 people, and they have been dispersed among more than 20 countries for the past decade. This arrangement gives GloCorp a decided edge over its competitors. Just recently, GloCorp managed to get the inside track on an equipment deal with a Latin American water-purification system because it was already a household name through its local presence in electronics.

Why is GloCorp so special? It has recognized that success is really driven by people, knowledge-sharing processes and a coherent business model. It has empowered its line managers all over the world, yet provided them a firm foundation of people and resource allocation, knowledge transfer, financial controls and a business system that operates independent of organization charts and hierarchy. This has given dignity and meaning to their work and created an energetic and enthusiastic enterprise.

There is just one problem: GloCorp doesn't exist; we just wish it did. For it is exactly the sort of organization we envision as the company of tomorrow. In every respect, it exemplifies a radical new business model we have devised over the last few years. We call it the Centerless Corporation.

Elements of everything described in our hypothetical GloCorp exist in some corporation right now. But we know that corporations that fully and successfully adopt this model can gain a virtually impregnable competitive position. We firmly believe that the Centerless Corporation is the prescription for the successful, growing, motivated and energized business of the next millennium.

It is more than time to replace the current mode of business. If you take a hard look at how your business works lately, you'll undoubtedly see it's arranged in the same old command-and-control model that has endured since the mills of Britain more than a century ago. Technology may have made it flatter and larger, but a headquarters staff is still barking orders from the top.

Guess what? That model is dead.

In today's complicated, double-speed world, the conventional model simply doesn't deliver. As the world becomes more global, the pace of change swifter, and the battle for territory more cutthroat, companies are grasping for alternatives. Chief executives of some of the world's most prosperous companies tell us again and again that they need a business configuration better suited to these turbulent times. E. John Browne, the chief executive of British Petroleum, one of the world's largest and most di-

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versified oil companies, asked his executive team: "How do we create value in managing such a global enterprise?" It is a question we hear repeatedly.

Many C.E.O.'s are being assailed from every direction for supposedly deciding the only way to make money is to sell divisions and shuck people. They have told us of their discomfort with the human and resource costs and the negative impact on morale caused by the downsizings. They are searching for the answers to myriad questions, like how to respond to legitimate concerns about work-force reductions in times of record profits and how to attract and motivate employees when the promise of long-term employment is gone forever.

The reason for all this disarray, however, is much deeper and more fundamental than anyone realizes. The real problem is a ruinously dysfunctional mismatch between today's business environment and the classic business model.

But this does not have to go on. The Centerless Corporation offers a new model, new language, new concepts, new rules and new expectations for growth, value creation and profit-making. Our hope is that its principles will change the way executives think and run their businesses and will dictate the winners and losers in the new world. Properly applied, it should build companies that, instead of slashing workers, will only need to hire more.

Granted, that is promising a lot. But it is the promise held out by the findings of extensive research conducted by Booz-Allen & Hamilton. In one of the most elaborate investigations of corporate behavior, we studied hundreds of the world's premier companies to understand how they are structured, function and perform. We interviewed at length many of the world's foremost and most inventive chief executives. Based both on case studies and on empirical research, our effort has been informed by academic inquiry and our own links to a stellar international network of universities and scholars.

This exhaustive reservoir of work and experience has enabled us to recognize startling things about the challenges that lie before us and the ways to meet them. It boldly demonstrates that the classic business model that has dictated the structure of every company from General Motors to Microsoft is so at odds with contemporary economic currents that it must and will disappear. In our view, corporations are over-structured, over-controlled and over-managed — but under-led in terms of the people at the top concentrating on those handful of real leadership tasks that will guarantee success.

Our client work and research then pointed to an entirely new model, one where most of the key missions of the organization are distributed to the myriad individual pieces and where unity comes from the vigor of people and the free flow of knowledge, not a burdensome central headquarters. Executives fear that if they shed their command mentality, they will lose control. In our model, we believe they can relinquish a good portion of that command and actually achieve more control. The Centerless Corporation reinvents the corporation with youthful panache.

AN IMAGE OF THE CENTERLESS CORPORATION

So how will this Centerless Corporation look?

Imagine a corporation that has a core but not a center. Imagine a corporation that is built around resources (people, knowledge, capabilities) rather than the assets that get lined up on financial balance sheets — one that manages its people with a relationship we call the "new people partnership" rather than downsizing lists and that places great stock in its knowledge department and its chief knowledge officer. Imagine a corporation that is characterized by the interdependence rather than the independence of its parts. This is the Centerless Corporation.

If you were to draw a simple sketch, the Centerless Corporation would look like one ring surrounded by another. The inner ring houses the global core, business units, services and governance (see Exhibit I). The outer ring represents a sort of free-flowing glue that contains people, knowledge and coherence.

The traditional corporate model focuses on linear chains of command to govern independent entities. That structure is hierarchical, with a large corporate and division staff, centralized functions and self-sufficient divisions. It is multidimensional along major product lines.

The Centerless Corporation is pancake flat, with a network of interdependent business units and strategic alliances managed by group executives. It is non-linear, meaning that everything flows in whatever direction it is most effective for it to go. There are different structures for different products and geographies. There is an absolute minimal staff at the corporate and group level. Staff functions are placed in the business units, a services unit or outsourced.

This arrangement allows companies to compete with their full capabilities no matter where they are housed in the organization. What's more, these capabilities come together without the hub-and-spoke process found in most corporations today. Best practices and knowledge flow freely, finding their most productive use.

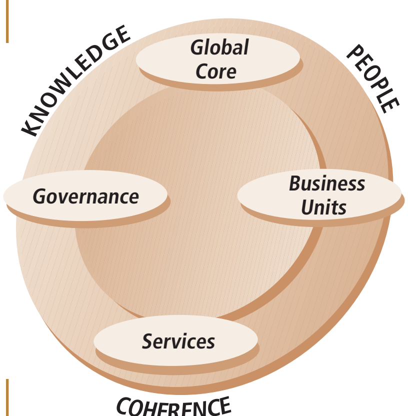
The most striking thing about this model is that, as its name implies, there is no center in the familiar sense. The real center of the Centerless Corporation is an extended leadership team. Leadership is spread throughout the pieces of the Centerless Corporation to match the way the company works.

The heart of the Centerless Corporation is what we call the "global core," which is a revolutionary overhaul of the old corporate center, or headquarters. It is global in that it is responsible for key missions across the entire corporation; it is a core because it is meant to impart value to all of the other elements of the model and not simply add needless overhead. It is not a center because the execution of its missions is distributed across the innumerable pieces of the corporation. The global nature of business makes it imperative that companies perform many core activities close to where they are needed. Technology enables this to happen. The core's role is to add value where the business cannot, with the "burden of proof" for its activities resting entirely on the core.

The global core consists solely of the C.E.O., the executive team and only those services necessary to add value to the corporation. There is, for instance, a human resources component in the global core, but it deals strictly with high-level strategy, leadership development and allocation of key people, while things like payroll and benefits administration are carried out in the business units or in a service organization. But while the core is far smaller than the old corporate center, it has high leverage in the things it does.

To a large extent, the Centerless Corporation represents a mindset change as much as anything else. It does not so much look radically different as it acts radically different.

EXHIBIT I
CENTERLESS CORPORATION



Source: Booz-Allen & Hamilton

FROM WOOLEN MILLS TO MICROSOFT

Some perspective:

The current business model was created in the woolen mills and iron foundries of Britain more than a century ago. It was refined in the United States as the railroads grew to span the continent and, finally, defined precisely by G.M.'s Alfred Sloan in the 1920's. This model was essentially a rigid, mechanical one designed to cope with simple mass-market businesses — in many cases single-line businesses.

In the era of dirt roads, protected markets, non-existent regulations, centralized financial markets and closely held stock, this command-and-control model worked quite well. A few men at the top of the organization could control huge sectors of the economy and mobilize resources on a massive scale. In its embryonic days, the model was sufficiently robust to open the country, and much of the world, to new products. As such, it was able to lift almost half the world out of abject poverty and into the middle class by the beginning of the 1960's.

Traditionally, debate over the "center" revolved around the matter of centralization or decentralization, but we believe the flip-flopping between more or less centralization is a fruitless effort based on a flawed concept of how each piece of the corporation adds value.

Over the years, the basic model has evolved in a number of crucial aspects — it is flatter, larger and appreciably more far-flung than before. But in many respects these changes have been cosmetic. Responsibility for corporate strategy, finance, human resources and policy is centralized in headquarters of varying sizes. Operations — whether mining, manufacturing or services — are usually located in business units with various levels of autonomy. Business units — and sometimes even the headquarters itself — are often subdivided by region, country or continent with differing rules, regulations and sometimes laws dictating the way business is conducted. Sitting atop this are a board of directors and chairman who are responsible for making certain the interests of the shareholder are served. This is the model Procter & Gamble adopted at the outset in the 1830's, and it is the same model that helped Bill Gates when he co-founded Microsoft a little more than two decades ago.

The world, of course, looks much different than it did when the basic business model came into being. Consumers insist on ever greater variety in the goods and services they buy. (Henry Ford's black Model T would be nothing more than a specialty item today, not the mass market product it once was.) Trade barriers and regulations are less of a market inhibitor today than in the past. Shareholders are more restless and vocal. Industries are restructuring at a breakneck pace.

Although the basic business model has survived for generations, these changes in the economic environment have significantly chipped away at its effectiveness. But two changes in particular have recently conspired to assure its demise: globalization, which has stretched the model to the limits of control, and the telecommunications revolution, which has called into question the notion of command.

These two changes actually go hand in hand. E-mail, Lotus Notes, Internet, Intranet, various types of centralized and distributed computing and video, and telephone conferencing were supposed to help headquarters keep track of what was happening anywhere in the global field. Using this technology, so the story went, savvy C.E.O.'s would be able to keep an eye on all the disparate elements of the company and be ready to lend a hand whenever needed. The C.E.O., in this model, would become a kind of electronic helmsman glued to read-outs and dials as the business was piloted past the shoals and into the wind. The world would grow bigger, but no matter. Technology would make it manageable. Centralized command-and-control would continue unabated, the superior way to run a company.

That was what the theory promised.

> "EACH OF THE COMPANY'S ACTIVITIES — MANUFACTURING, MARKETING, FINANCE, HUMAN RESOURCES AND SO ON — INTERACTS WITH OTHER PARTS OF THE NETWORK . . . AS WELL AS WITH THE WORLD AND THE MARKET OUTSIDE THE COMPANY. BARRIERS BETWEEN COMPANIES, WHICH WERE ONCE SOLID AND ABSOLUTE, ARE NOW PERMEABLE."

THE OLD BUSINESS MODEL CONFRONTS REALITY

Reality did not quite play out that way. Today, instead of a helmsman piloting a craft, the C.E.O. of a global company occupies a place more like a node on a decentralized electronic network. This network is supposed to link a complex field of coordinated — and often uncoordinated — activities. Companies, in the real world, resemble that old engineer's joke about helicopters: thousands of well-designed, highly machined parts flying in formation — hopefully.

Each of the company's activities — manufacturing, marketing, finance, human resources and so on — interacts with other parts of the network, often on its own, as well as with the world and the market outside the company. Barriers between companies, which were once solid and absolute, are now permeable. And risk is rampant. Companies today must thread their way through the growing volatility of the stock, bond and currency markets, as well as through the manifold perils associated with product liability, the environment and political turbulence.

In addition, the market — which was steady and constantly expanding when the old model came into being — is now rife with change. Product development times are shorter, and new markets leap into being overnight. Ken Lay, the chairman and C.E.O. of the Enron Corporation, a diversified natural gas and power generation company, recently calculated that a full 40 percent of his firm's income emanates from businesses that did not even exist little more than a decade ago.

Companies today operate in a testing environment of monumental and continuous fluctuation. And it is unlikely we will ever be able to retreat to the simpler ways of the past. This new world is, in fact, too complex for most companies to manage even with the latest technology. And so many are opting out, desperately shedding businesses and laying off workers in a concerted effort to simplify what they do. Or they are engaging in corporate fusion to try to keep in step, twisting themselves into all manner of new shapes and sizes as they add capabilities they hope will gain them a competitive edge.

These miscellaneous actions suggest that infatuation with structure in a bewildering world of new and more urgent demands has become a dominant concern of corporate managers. Unfortunately, most large companies, no matter how eminent, have proven themselves particularly inept in responding to the steady heat from these demands.

THE CENTERLESS CORPORATION REVOLVES AROUND THREE AXES

The Centerless Corporation, as we imagine it, directly addresses all of the concerns of today's managers.

For while the old business model is structured around individual businesses, the Centerless Corporation is built along three axes: people, knowledge and coherence. They are what allow the corporation to breathe and function.

PEOPLE: Though it may sound like a truism, it bears repeating that people are a firm's most underutilized resource. As the company's repository of knowledge, people are crucial to the development and execution of strategies, especially in today's faster-paced, more perplexing world where top management alone can no longer assure the firm's competitiveness.

In the future, corporations will have to rely more on committed and entrepreneurial workers to ensure their competitive position. The complexity of identifying opportunities, creating new products and working across the organization requires more and better people. As a result, people are a significant investment in the future performance of the corporation. Motorola, for example, spends almost $100 million annually on education and training and calculates a return of $3 in sales for every education dollar spent.

To attract and protect this resource, we suggest that companies adopt a "new people partnership." Recognizing that lifetime employment is no longer feasible, this "partnership" involves a mutual commitment to establishing the environment for learning and ongoing employability as part of the overall package offered to the work force.

KNOWLEDGE: Never before has knowledge been as critical as it is today, and yet many companies are at a loss to know how to tap and manage this vital resource. In the Centerless Corporation, the management and use of knowledge is one of the highest priorities. Quite simply, knowledge enables growth and productivity.

We think of knowledge in the broadest possible sense. Though often derived from information, knowledge is much more than data. We define it as a set of understandings used by people to do work or make decisions. It is amassed from experience and constitutes the primary building block of the company's capabilities. It is strategic and focused on enabling the firm to do something significantly better than others. And so real knowledge creates real value for shareholders.

Managing knowledge involves, among other things, managing interactions across organizational boundaries. The external boundaries to knowledge are coming down at a rapid rate. Knowledge must be gathered and made available to ensure access to such crucial factors as best practices and customer intelligence. The very best companies today are building networks of knowledge (the so-called Intranet); are transferring best practices seamlessly around the world, and are erecting the infrastructure to make this work. The Centerless Corporation has a formal core knowledge team to drive the knowledge through the corporation. Booz-Allen & Hamilton is among a growing number of companies that have chief knowledge officers.

COHERENCE: This refers to the linkages that hold a company together. Indeed, these linkages have never been more important in a global marketplace. They are the connectors among the many pieces of the firm, such as the global network of offices and systems that allows the firm to globalize yet work as one; management processes that enable the firm to function smoothly, and a whole range of other factors that bind the value-adding horsepower of the corporation and create value greater than the sum of the parts.

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These linkages range from the vision and values of the firm to specific management processes like budgeting and compensation. For example, Ikea's top management abolished its budgeting system in favor of a set of simple financial ratios that act more as benchmarks for carefully managed internal competition. Chaparral Steel has introduced a bonus salary system for all employees; what's more, 93 percent of all staff members own company shares.

Information linkages through systems have proven to be power tools of strategy implementation. Kao, Japan's leading soap and detergent company and now that nation's second-largest cosmetics company, has perfected an information system called "value added networks" that gives frontline managers access to information throughout the organization.

This new model perforce has to have a different style of leadership. Rather than managing the activities of the corporation, the C.E.O. creates the context for growth with a heavy emphasis on the three enablers of growth. The context provides direction in terms of vision and culture; the enablers actually make growth happen.

Refocusing the business model on people, knowledge and coherence means radically different roles for the four basic elements of the Centerless Corporation: the global core, business units, services and governance.

THE GLOBAL CORE CARRIES OUT ITS MISSIONS WHERE NEEDED

The global core has five key missions: it must provide strategic leadership; help distribute and provide access to capabilities; create an appropriate identity; ensure access to low-cost capital, and exert control over the enterprise as whole. These are value-added functions that cannot be provided by the business units.

In our work on the global core, we have pioneered the concept of a distributed core so that the five basic missions can be carried out where they are

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needed. That means locally. Make no mistake, this is different from the concept of a decentralized core, an artifact from the days of telegraphs and railroads that is now making its way through businesses and business books.

Decentralization, as a concept, implies a more limited degree of decision-making autonomy than is true in the Centerless Corporation. When the core is distributed, the distributed parts can make real decisions. That eliminates the need for a center and thus hastens decision-making, unburdens high-level staff and keeps information flowing to where it is needed. In our work, we have found the distributed model to be very well suited to companies that are globalizing and to firms that are attacking emerging markets.

Let's be clear: leading a distributed organization requires a different set of skills from leading a decentralized one. It requires different reporting systems, management targets and technology. And it requires a new type of C.E.O. and new type of governance.

Managing and leading the distributed organization requires a blend of art and science. The art comes in the ongoing, self-critical, strategic questioning that must take place within the global core. For example, in the Centerless Corporation, the top team must continually ask itself why the corporation has the set of business units it does. It must be bold enough to ask whether a business unit would do better set free. It must decide whether the corporation should acquire or build a business. And it must address the fundamental question of whether the global core itself is creating sufficient value.

While asking these questions is the art, answering them is the science. The answers must be analyzed and the results measured. The global core, whose main purpose is to create value, must track how much improvement it has made with respect to each of its five missions. And it must also track the value creation of the business units.

"TO FULLY REALIZE THE ADVANTAGE OF SEPARATING THE SERVICES FROM THE BUSINESSES, IT IS NECESSARY TO DEVELOP NEW MEANS TO TIE THEM TOGETHER. SINCE MANY SERVICES ARE NOT KEY PARTS OF THE VALUE-CREATION PROCESS, THEY CAN BE DONE OUTSIDE THE CORPORATION."

BUSINESS UNITS MUST ADD VALUE

Not only must the global core contribute to the well-being and creation of value in the business units, but the business units must be able to contribute to each other's ability to create value through activities like best-practice exchanges, knowledge sharing and capabilities transfers. In our formulation, the value created by the whole must greatly and measurably exceed the value created by the sum of the parts. When that fails to be the case, the business units are probably better off outside the corporation.

To capture some of their potential value, business units will have to be managed differently. Greater interaction between units will have to become standard. The boundaries separating the units must be permeable and flexible. The challenge is that the clear accountability that has been established over the years now has some ambiguity. Unfortunately, that is the cost of greater growth.

Some companies have been very good at creating significantly more value by flying in formation rather than breaking up. Hewlett-Packard and Canon, to name two notable cases, have managed to combine capabilities from several business units to create new products and new business lines with significant leveraging effects.

SERVICES ARE SHARED

As businesses find themselves integrating larger numbers of specialized parts, services are becoming more specialized as well. Services perform functions like payroll, accounts payable, benefits administration and data processes. More and more, it makes sense to separate these services from the businesses to achieve greater advantage from specialization. After all, businesses do not create value by performing and delivering services to themselves; they create value by developing, making and selling products.

To fully realize the advantage of separating the services from the businesses, it is necessary to develop new means to tie them together. Since many services are not key parts of the value-creation process, they can be done outside the corporation. Often, however, the market for such services is rudimentary. The solution is to create a market within the corporation by establishing a separate unit to supply these services and force it to be market-efficient. This is the concept of shared services.

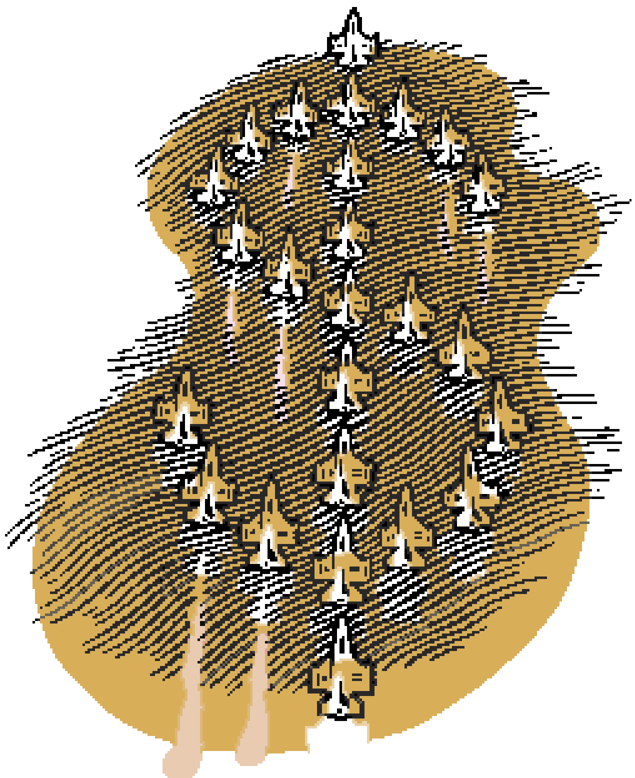
Ideally, a shared-service organization operates as if it were an independent business entity. The important thing is that service delivery in the Centerless Corporation can flow from several sources, but the corporate center should not be one of them.

Among the best examples of companies gravitating to this approach are Mobil, Amoco and Rhone-Poulenc. Each of these corporations has created its own effective version of a shared-services unit.

THE RISE OF GOVERNANCE

Governance takes on an appreciably larger and more sophisticated role in the Centerless Corporation. Governance, as we think of it, has three facets: the governance of the entire corporation by the board of directors; the governance of inter-corporate entities like alliances and joint ventures, and the governance of intra-corporate entities like shared services.

Several forces are driving this need for a bigger role. A push for performance is creating more active boards with greater C.E.O. accountability. Expansion of capital markets and the need



to access new capital are especially important as family-owned businesses look to obtain financing or companies seek out capital in emerging markets like China. Regulatory actions are forcing boards to become more proactive to deal with everything from privatization issues to taxes on “excessive” C.E.O. compensation. And alliances, especially international and cross-cultural ones, are requiring adjustments in how ventures are governed.

The new governance model involves a closer relationship between the board and the shareholder base. Instead of playing its familiar passive role of guardian, the board is transformed into an active supporter of the business imperative. It continues to perform its fundamental responsibility of guarding shareholder interests, but it does so in a more complex manner. Under the new model, the board does things like bring insights on customers from a cross-section of industries and services. It challenges the effectiveness of the C.E.O. and senior management, as well as the role of the global core. It makes sure the company is developing key business capabilities. In every sense, it becomes an advisory as well as a control body.

HAIL TO CENTERLESS HEROES

No corporation has yet achieved the Centerless Corporation in its entirety, but a number of companies are striving for “centerlessness.” They are leading through vision and values. We look on them kindly as Centerless heroes.

Consider Bob Shapiro, who became chief executive of Monsanto in 1995 and has been moving inexorably toward “centerlessness.” Contemplating the company, he saw an organization burdened by multiple layers of staff at headquarters and in the divisions. So he simply blew up the group structure. In its place, he established a number of strategic business units and then shed part of the company that no longer fit the corporate center. He built his vision on knowledge and people and has doggedly focused the company on three objectives: achieving operational excellence; staying small and connected, and releasing the potential of Monsanto's 30,000 people. It is small wonder Monsanto's stock has soared.

E. John Browne is a compact, animated, cigar-smoking businessman with a physics degree from Cambridge University. As the head of British Petroleum, one of the world's great oil companies, he has been a whirligig of change. In 1992, when he was made the C.E.O. of B.P. Exploration, the upstream exploration and production business, he was aghast at what he saw: excessive bureaucracy, steep costs, lackluster success rates in exploration and a decidedly moribund operation.

Mr. Browne set new and high goals. He developed a fresh strategy and revolutionized the organizational structure. He put into effect more than 40 empowered business units; sharply shrank the role and size of the corporate center, and turned to technology to curb the need for management layers to aggregate results.

In short order, results improved markedly. Mr. Browne was elevated to C.E.O. of the entire company. In his new capacity, he has continued his bold ways. Not long ago, he assembled the members of his top team and directly asked what each was doing to impart value to the company, why their jobs needed to exist and why they even needed a corporate center. In short, he is challenging the essential beliefs by which they run the business.

In March 1996, B.P. announced it was merging its marketing business in Europe with that of Mobil Oil in a move that will change the competitive landscape of the industry. And so this young, remarkable man is swiftly putting his imprint on not only a company but an entire industry.

THE PARADOX OF SUCCESS

We are, in the end, faced with a paradox. As we embark on a new and bewildering business era, our major corporations have available unprecedented opportunities to capture rich new territory. Yet the archaic model by which they are organized hampers their performance and thwarts their efforts to win that territory. A counterweight is needed — and we believe that is the Centerless Corporation.

This new model is not pie-in-the-sky. Its concepts are bolstered by facts designed to show why each element in the new model must combine the way it does. And there are already plenty of positive examples of Centerless heroes who are making a difference. They are rooted in old-line businesses like manufacturing as well as hypermodern ones operating in cyberspace.

To sum up, for businesses to thrive amid the formidable complexities of their new environment, an entirely new type of corporation is called for that is distanced from the excessive levels of command that companies have become comfortable with. That corporation must have a much stronger focus on the basics of what ultimately creates value: knowledge, people and coherence. It must evolve toward a new business model that fosters the creation of value and insures that each piece of the business contributes to systemwide value. And it must take account of the fact that the milieu of success today necessarily extends beyond the workplace and the interface between government and business into the social climate itself.

Without such changes, businesses face a sad and unsatisfying future. The primary direction for large corporations will be to get smaller and weaker in an ever-fruitless effort to counter the complexities of size and diversity. What the future will look like for our major corporations depends on the choices business leaders have still to make.

> "OUR MAJOR CORPORATIONS HAVE AVAILABLE UNPRECEDENTED OPPORTUNITIES TO CAPTURE RICH NEW TERRITORY. YET THE ARCHAIC MODEL BY WHICH THEY ARE ORGANIZED HAMPERS THEIR PERFORMANCE AND THWARTS THEIR EFFORTS TO WIN THAT TERRITORY."

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