Post-capitalism's Drop-out Prophet
by Andrea Gabor
Shoshana Zuboff can pinpoint the moment when she felt compelled to turn her back on a century of managerial capitalism. It was April 1994. Katie Couric was interviewing the noted social psychologist and Harvard Business School professor on the Today Show. Seated opposite Barry Bluestone, a labor economist, Professor Zuboff was there to discuss humanistic values in the post-industrial corporation, and the democratizing influence of information technology.

Her credentials were impeccable. Studying the history of work for her doctorate at Harvard in the 1970s, and later working as an organizational change consultant, Professor Zuboff had become fascinated by, and developed expertise in, the effects of technology on people and processes in different types of work environments. Consulting to a Wall Street bank, she observed clerks accustomed to a manual assembly line for processing loans and letters of credit adjust to using computers for the first time. At another client, a daily newspaper, she examined the effects of computerizing...
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typesetting. She visited large pulp mills around the United States to research the impact of installing IT systems to automate pulp production. In these settings and others, she witnessed employees’ excitement and curiosity about new technology, as well their anxiety. She chronicled how, in some places, technology robbed employees of meaningful involvement in work processes.

In 1988, she had published her findings in the book *In the Age of the Smart Machine: The Future of Work and Power* (Basic Books), a sweeping analysis of how information technology would transform the workplace. *Smart Machine* held out the promise that progressive, “informating” organizations would use technology to help employees become more effective and engaged, enlisting their criticisms and insights to improve organizational performance and the quality of life on the job. This would make corporations more agile and creatively responsive to their customers — ultimately making them more successful.

But that day on television, Professor Zuboff found herself at a loss for words to make the case that “enlightened” companies would be the force for widespread improvement in the nature of work and output. “I suddenly had this out-of-body experience,” she recalls. “I didn’t believe a word I was saying.”

That realization triggered an intellectual crisis that affected both her personal and professional life. She started to question the tenets on which she had built her career. She moved to a farm in a remote town in Maine, and for several years commuted to Boston to teach at Harvard. But by the late 1990s, Professor Zuboff had virtually disappeared from the Harvard campus. She said — publicly and controversially — that she could no longer teach in Harvard’s MBA program because she regarded much of its curriculum as part of the problem, not part of the solution.

“I decided I had two choices,” recalls Professor Zuboff. “I would either have to find a new field, or I would have to look at my field in a new way.”

She chose the latter. Her journey of disillusionment led to *The Support Economy: Why Corporations Are Failing Individuals and the Next Episode of Capitalism* (Viking Penguin, 2002), which she cowrote with her husband, Jim Maxmin, the former CEO of Laura Ashley, Thorn EMI Home Electronics, and Volvo U.K. The book, a *strategy+business* Best Book of 2003, states that the capitalist system is currently undergoing an “epochal” shift, facilitated by information technology, from mass consumption to individualistic consumption. At the heart of Professor Zuboff’s argument is a belief that she shares with other management thought leaders: People living in a complex and stressful world are seeking more “control over the quality of their lives, not just the quantity of their stuff.” A new society of individuals, she says, not only want a consumption experience that is attuned to their individual needs, but are seeking what Professor Zuboff calls “psychological self-determination” — power as individuals to define what is valuable in our lives and a part in creating it.

The trouble is that the structures and operating models of the industrial age corporation are ill-suited in form and function to satisfy the modern consumer’s emerging desires. While companies promise customer focus and customization, most business models are still based on the logic of the 20th-century industrial enterprise: mass production at ever-lower prices. That is why, assert Professor Zuboff and Dr. Maxmin, manufacturing and services companies — autos, airlines, health
care, and many others — struggle to profitably satisfy the new breed of educated, self-aware, activist consumer in greater need of self-actualization. “In the chasm that now separates individuals and organizations lie the keys to a new economic order with vast potential for wealth creation and individual fulfillment,” they write.

**Distributive Capitalism**

Shoshana Zuboff is not alone in trying to teach big companies to integrate the influence of the customer (and other stakeholders) into such areas as research and development, product design, and supply chain management. Academic peers, such as the University of Michigan’s C.K. Prahalad and Venkatram Ramaswamy in their book *The Future of Competition: Co-creating Unique Value with Customers* (Harvard Business School Press, 2004), similarly argue that, to unlock the new order’s social and economic value, business must restore the consumer’s influence in defining and creating value — influence that was eliminated in the era of mass production and consumption.

Professor Zuboff believes, however, that none of her peers’ ideas go far enough. Closing the chasm between consumers and companies, she says, requires nothing less than the creative destruction of managerial capitalism and its organizational forms. She makes a strong case that the traditional industrial age corporation, which historically has excluded consumers from the value-creation process, and is programmed for mass production and internal cost efficiencies, is incapable of becoming outwardly focused, flexible, and responsive to individuals. “Managerial capitalism has reached the limits of its adaptive range,” she and Dr. Maxmin write in *The Support Economy*.

All told, the book lays out a vision of capitalism — and the way it is managed — that is strikingly at odds with the dominant 20th-century forms, in which hierarchies, controlled from the top, created value strictly inside organizations, lodged that value in products and services, and delivered it to customers. In *The Support Economy*, Professor Zuboff and Dr. Maxmin meticulously introduce vocabulary to describe new economic principles, enterprise logic, organizational structures, and human roles. They call their vision of post-managerial capitalism *distributive capitalism*. Fluid networks of diverse product and service providers called *federated support networks* or *federations* populate the distributive capitalist system. A federation unites companies from different industries, and they collaboratively combine digital, physical, and human assets to create products and services with unique value for individuals.

“Federations are not defined by what they make, what they sell, or the services they perform,” they write. “Federations are defined by the constituencies that select them for support and by the ways they invent to provide that support.” For example, the book describes how a company such as Apple Computer Inc. could lead to the Golden Apple Federation — a support network of diverse enterprises that could include home computer products and services or health-care and personal finance services. The federation builds on the brand values of the original Apple Computer (hip, slightly counterculture, youthful) to offer services and content appealing to the kinds of people who value imaginative design and high-tech capabilities, and strongly relate to the bedrock Apple brand values. “The federation makes, sources, and supplies products and services, but those activities are secondary to, and in the context of, support relationships,” explains Professor Zuboff.

As customer needs change, federations can reconfigure themselves to offer new aggregations of products and services. One way federations know their customers’ changing needs is by deploying *advocates* whose role it is to provide them with *deep support* — support that can significantly affect an individual’s quality of life. All this hinges on advocates’ communication skills and emotional intelligence, and on IT systems that quickly and cheaply capture, organize, and distribute vast amounts of data on individual consumers. Imagine a call center staffer who is not only trained and empowered to respond to virtually any request or contingency a customer might have, but who knows the caller so well he can anticipate her needs. Professor Zuboff not only calls for a new relationship between companies and individuals, she also recognizes the need to reconcile the internal conflict of an employee who must obey corporate procedures and efficiency norms, even when they conflict with his or her own experiences and desires as a consumer.

The vision may seem farfetched, but *The Support Economy*’s ideas have gained a following among people at the forefront of understanding how businesses should operate in a knowledge economy. In particular, the book’s critique of managerial capitalism and the new principles it proposes has special resonance in the information technology industry, where there are strong views that the best place to develop world-class technology is not within the conventional hierarchical firm.
Development of highly advanced technologies, such as those that have sprung from the open-source software movement, requires collaboration in the “transorganizational space that goes across firms,” says John Maloney, a knowledge management expert based in San Francisco who has served as a consultant to high-technology firms, including Cisco and Hewlett-Packard. “That’s where all innovation comes from — with customers or with suppliers. A lot of firms don’t really understand that yet.”

George Fisher, the former CEO of Motorola and Kodak, has sent The Support Economy to 20 business and political leaders. “I don’t do this, typically. But it was enough of a significant idea that I thought it would be good to shake the mental status quo of some smart people,” says Mr. Fisher, who got to know Professor Zuboff when she was doing research on Motorola in the early 1990s, and whose daughter, Barcy, served as her research assistant.

Erosion of Trust
This is not the first time that advances in technology and changes in consumption behavior and consumer lifestyles have altered business models and the progression of capitalism. A century ago, proprietary companies were caught up in rapid urbanization, which boosted demand for manufactured consumer goods on a grand scale. The invention of the assembly line enabled companies to meet that pent-up demand. Out of this convergence of new consumer demand and technological innovation were born markets unforeseen a decade earlier — new companies with new operating principles, for example, made automobiles affordable for farmers and shopkeepers; others made fashionable clothes for secretaries and housewives on limited incomes.

In The Support Economy, Professor Zuboff marshals an array of economic, social, and behavioral evidence to argue that there is today, in one industry after another, a similar change afoot. And just as industrialization created dislocation as well as opportunity, today’s growing gap between consumer desires and the ability of corporations to meet consumer needs has a downside as well as an upside: an “epidemic” of consumer mistrust in business that’s becoming increasingly hazardous to corporate health. Citing an April 2003 Harris Poll, she notes that only 4 percent of Americans say they trust their HMO; 7 percent trust their life insurance company; 12 percent trust their phone company. The highest vote of confidence goes to supermarkets — and they garner only a 40 percent trust rating. Consequently, consumers increasingly are opting out of standard business models, a phenomenon that results in staggering losses of economic opportunity for companies.

The breakdown of trust between companies and individuals, and the gulf growing between consumer expectations and available choices, are nowhere as stark as in the health-care industry. Increasingly, disaffected American consumers are choosing to self-diagnose illnesses over the Internet, to seek out alternative treatments, to purchase drugs from Canada, and to care for ailing relatives themselves. Professor Zuboff estimates that the loss in economic activity from disenchanted consumers who do not have adequate and affordable options for geriatric home care is equal to between $196 billion and $288 billion annually.

Airlines are another vivid example she offers of industry dysfunction. She contends cost-cutting and race-to-the-bottom pricing leaves the consumer out of luck when he wants a few frills at an affordable price. Although there will always be customers who want lowest-price bare-bones services, Professor Zuboff believes that many people would pay more or even a premium for individually tailored integrated solutions to travel. She envisions door-to-door transport as well as a message system that would apprise family and business associates when a flight is delayed.

The erosion of trust and alienation of consumers is not confined to the commercial sector. The boom in charter schools and homeschooling — the number of children being homeschooled has more than doubled since the 1995–1996 school year, to more than 1.7 million — is led by parents who think they can provide a better education than either traditional public or private schools. In their retreat to Maine, Shoshana Zuboff and Jim Maxmin have themselves chosen to homeschool their two children.

Professor Zuboff’s research also suggests that even some of the most admired leaders in the public and private sectors are failing to find permanent fixes for their organizations’ difficulties. In the two years following her epiphany on Today, Professor Zuboff conducted research on eight companies in which “heroic” CEOs at progressive companies were trying to leverage technology and distribute information to create new organizational structures, to flatten hierarchies, and to democratize their organizations through more effective sharing of authority and control.

“One by one, I saw each of them, over the period of
about a year, hit a wall,” she says. Among those CEOs was her husband, Jim Maxmin, who resigned from Laura Ashley in 1994 after he had engineered what was considered a successful turnaround.

“Heroic leadership may work from time to time, but it is not a systemic solution for the kinds of problems organisations are facing today,” she says.

**Alternative Lifestyle**

Professor Zuboff is adamant that both she and her husband are “too conceptual” in their thinking to let even powerful personal events and decisions shape their outlook on capitalism. Their ideas, she avers, flow out of a great deal of research and empirical observation.

Still, it is hard not to connect their experiences and history to their economic philosophy. Her maternal grandfather, Max Miller, was an auto mechanic with an eighth-grade education who invented the servomechanism for the vending machine and became a successful entrepreneur. The daughter of a pharmacist and a homemaker, Professor Zuboff spent much of her free time as a child with Mr. Miller at his factory in Windsor, Conn., observing his mechanical know-how and his relationships with employees. The entrepreneur, who tooled through the factory aisles on a golf cart, knew all of his workers and their families.

“My grandfather never saw anyone in a role hierarchically. I shared those values with him,” says Professor Zuboff, a slim, striking 53-year-old woman who has a mane of lionine hair and dark eyes, and who favors deep red and hot pink lipstick.

When she wasn’t trailing her grandfather at the Windsor factory, Professor Zuboff, a self-avowed bookworm, devoured *National Geographic* magazines. As a teenager, she traveled to Argentina, where she spent some time living on the Altiplano, and once tended a small herd of llamas. She later returned to Latin America, where she landed a job as an organizational change consultant to the Venezuelan telephone company, CANTV. She spent two years on the consulting project in Venezuela while also conducting research for her doctoral thesis in social psychology at Harvard.

Her research in Venezuela was an important catalyst for writing *Smart Machine*. She interviewed workers raised in the rain forest who felt wrenched from their cultures to work in a modern city and bureaucracy. She said it did enormous emotional damage. “One man broke down and talked about how he had buried the child of the rain forest to work in the city. It was like living through 150 years of industrial revolution during the first half of your life,” Professor Zuboff recalls.

In 1981, she joined the faculty at Harvard and began to work on *Smart Machine*. In 1987, a year before the book’s publication, she met Jim Maxmin when he hired her as a consultant at Thorn EMI. In 1991 he took the helm at Laura Ashley, and the two became a trans-Atlantic couple, with households in Boston and London. As he commuted, she was putting in 18-hour days at Harvard, caring for their first child, Chloe. A son, Jake, was born in 1995.

In the early 1990s, the family-controlled U.K. specialty retailer was in the red, suffering from a combination of overexpansion of its retail outlets and dependence on what had become an overly complex and costly outsourced network of manufacturers.

Over the next two and a half years, Dr. Maxmin led a series of changes, fixing problems in manufacturing and logistics that foreshadowed principles of *The
Support Economy. For example, he entered into a strategic alliance with FedEx (then Federal Express), forming a sort of proto-federation, aimed at improving distribution for close to 500 Laura Ashley stores. The alliance was established as a 10-year partnership, but it was relatively open-ended, premised on trust. The objective was to be able to supply 99 percent of Laura Ashley’s merchandise to customers anywhere in the world within 48 hours. The alliance replaced a legacy system that would route a T-shirt manufactured in Hong Kong to a warehouse in Newton, Wales, before sending it to a retail store in Japan.

In 1992, Dr. Maxmin led Laura Ashley to its first gross profits since 1989, and in fiscal 1993, gross profits were expected to reach 12 million pounds. But in early April 1994, two weeks before his wife’s epiphany on national television, Dr. Maxmin abruptly resigned from Laura Ashley, citing major differences over strategy with Sir Bernard Ashley, who was still a major shareholder. The company was eventually broken up and sold.

That spring marked a personal and professional turning point not just for Professor Zuboff, but for Dr. Maxmin, too. With his departure from Laura Ashley, he was able to reflect on the several decades he’d spent trying to turn companies around. He had become disillusioned. It was “more than Laura Ashley, it was the experiences at Volvo and Thorn,” he says today. “You’d feel successful if you could just get the business to work. But that never got you to high levels of employee and customer satisfaction. That is a significant indicator there was something wrong with the business model.”

With Dr. Maxmin’s departure from Laura Ashley, the couple began to rethink their lives. Like the disaffected individuals of their book, they decided to change the way they engaged with the business establishment, seeking networks of deep support for their family and pursuing new approaches to their careers. Professor Zuboff took a year’s leave of absence from Harvard. They built a large wood-shingled house, furnished in Laura Ashley–style English country décor, on a 200-acre deer farm on Lake Damariscotta, in southern Maine. The property includes guest cottages, one of which serves as Professor Zuboff’s book-strewn study. The house also contains a schoolroom for their children.

Homeschooling represents the family’s effort to craft an individualized education experience — in the spirit of the support economy — for their children. They provide their own skills as parents, and reach for an eclectic array of educational specialists. Most Tuesday and Thursday mornings, Professor Zuboff works with Jake on English language skills and Spanish. Dr. Maxmin is the geography teacher. The couple share history instruction. They have found experts to tutor the children in other subjects, including math, science, Latin, and music.

Messy Beginnings

In 2004, finding signs of the support economy in business is almost as difficult as identifying the precursors of Henry Ford’s assembly line was for students of proprietary capitalism. It would have taken patience and pre-science to troll through steel foundries and machine shops to see a revolution in the haphazard experiments with standardization and time-and-motion studies conducted by the pioneers of scientific management.

Still, one can see the support economy’s messy beginnings in such things as convergent cross-industry alliances (e.g., retailers and logistics companies) that
focus on changing consumer needs and the value of unique experiences for individuals. There are also parallels in the open-source movement. Much like a federation, the open-source community relies on a voluntary, geographically dispersed group of software engineers, outside a formal organization, who create software products for particular markets or applications. The rules of open-source software development ensure that the product is constantly improved and free to anyone who wants to use it.

Open source also inverts the conventional free-market logic, which dictates that there is little benefit to working on a product that’s given away. In fact, the thousands of open source engineers garner indirect benefits from their activities, including faster learning, reputational assets, and the ability to influence the direction of software development, all of which enhance their earning potential. Software engineers can also earn fees when they help companies adapt and support highly customized applications of the free software.

Open source has additionally led to some subtle — and some not so subtle — changes in employment relationships, foreshadowing perhaps the new social contract of federation advocates. In some cases, corporations have released designers from standard work-for-hire intellectual property agreements in order to allow them to participate in an open-source community, according to Siobhan O’Mahony, a Harvard Business School professor and an expert in community-managed software and technical communities.

Another shift in employment relationships appropriate to a federation model can be seen in outsourcing and subcontracting. Instead of being victimized by corporate downsizing, many of today’s freelancers and entrepreneurs have embraced the chance to opt out of the corporate hierarchy, and they serve as examples of Professor Zuboff’s contention that an impetus for change is the yearning for psychological self-determination.

“What if the practice of subcontracting and outsourcing were to expand enormously — to the point where a network of dispersed suppliers replaced the central company altogether?” writes MIT’s Thomas W. Malone in his book The Future of Work: How the New Order of Business Will Shape Your Organization, Your Management Style, and Your Life (Harvard Business School Press, 2004). “What if, in other words, many tasks currently done by large companies were done instead by temporary combinations of small companies and subcontractors? In an e-lance economy, the fundamental unit is not the corporation, but the individual.” In 2003, Professor Malone estimates that more than one-quarter of the U.S. work force was freelancing.

Professor Zuboff points to eBay as an organizational model that is evolving in a way that fits her vision of a company aimed at individuated consumption. She attributes the growth of eBay to its creation of a virtual marketplace in which buyers and sellers can “meet their own aims.” Unlike most 20th-century companies, which determine what customers can buy and under what conditions, eBay “makes money when it listens to and supports the dynamic needs of its users,” Professor Zuboff wrote in the March 2004 issue of Fast Company, where she is a columnist. Consider the eBay-based retail-logistics partnership between UPS and AuctionDrop Inc., a startup company with stores, is expanding AuctionDrop’s locations to 3,400 UPS stores around the United States. AuctionDrop sells items on eBay for a commission (eBay also gets a cut of the final sale price), and consumers are spared the hassles of having to handle the auction and delivery process themselves.

Jim Maxmin tells of an entrepreneur who has developed a “smart” medical warning system aimed at providing the broadest definition of “life support” for elderly people. This entrepreneur plans to assemble all the data an older person might need in an emergency, including medical history, legal documents, and next of kin, and embed it in a smart chip or card. “By the time the patient gets to the emergency ward, it is all there,” he says. “The interesting thing is not the technology, but that the entrepreneur has taken the individual as the unit of analysis” so all the information is simultaneously available.

Real or Rarified?
The life of the Maxmin–Zuboff family is in many ways emblematic of their image of the “new individuals.” And therein lies one major criticism of The Support Economy. Even admirers of the book feel the authors’ vision is too rarified. “Some of the anecdotes happened to them as a couple or as a family, and they were the source of these ‘eureka!’ moments,” says Pulitzer Prize–winning histori-
ian Thomas McCraw, a professor at Harvard. “But they’re in a certain income bracket.”

Still, Professor McCraw praises Professor Zuboff for the thorough multidisciplinary scholarship that is a hallmark of *Smart Machine* and *The Support Economy*. “She fearlessly took on half a dozen different disciplines — sociology, psychology, economics, business administration, and technology. She is willing to spend years and years closeted with these thick texts, and then go out and talk to hundreds of people to find out what’s going on” on the front lines of companies, he says.

However, he believes the latest book goes too far in predicting the demise of managerial capitalism. “She and Jim probably tried to do too much,” he says. “The central message, the primacy of the consumer, is well done. And there’s tremendous merit to the idea of distributive capitalism. But to speak of the end of managerial capitalism, that’s simply wrong. It’s the same criticism I had of Daniel Bell’s *The Coming of Post-Industrial Society.*”

Other critics see her unorthodox ideas as impractical, even utopian. F. Warren McFarlan, a retired Harvard senior associate dean and an expert in management information systems, counts himself a great admirer of *Smart Machine*, but has not read *The Support Economy*. He notes that his “greatest frustration” is that Professor Zuboff could have done more to help get reengineering right the first time, noting that she has the knowledge of the “practical problems” to achieve “the depth of organizational transformation needed to make [Michael Hammer and James Champy’s] original ideas work.”

Professor Zuboff would counter that you can’t make inherently inwardly focused corporations adopt a customer-focused approach to business process reengineering, which is what Hammer and Champy originally intended.

She also strongly resists another frequent criticism, that *The Support Economy* isn’t relevant for low- and middle-income families and workers. She insists that within distributive capitalism there will be room for many types of federations, those delivering high levels of support that, presumably, would be more expensive, and those where the support will be less expensive. Dr. Maxmin has already been contacted by a not-for-profit low-income housing organization in the U.K., with which he has discussed the possibility of establishing a supported-living federation for low-income residents. He envisions a quality-of-life federation that, in addition to providing low-income housing, would provide residents with access to smoking-cessation or drinking-cessation services and to special rates for necessities, such as food, electricity, and transportation.

Based on the strength of her work on *Smart Machine*, Professor Zuboff received tenure at Harvard (she was among the first women to achieve tenure there) and an endowed chair. Until her retirement in summer 2004, she was Harvard’s Charles Edward Wilson Professor of Business Administration.

Professors McCraw and O’Mahony were the only two faculty members contacted by *strategy+business* who had read *The Support Economy* and were willing to speak favorably about it. Two other faculty members, speaking off the record, were vituperative. “She’s just impossible to work with,” said one who, when asked whether he had read her latest book, replied: “No. And I don’t intend to.” Another called her a “prima donna.”

Nevertheless, the animosity she has engendered seems tied to her decision to buck the old-boy culture at eBay is a model of the “support economy” because it “makes money when it listens to its users.”
HBS in order to take maternity leave and, as she puts it, “take a U-turn out of the rat race.” Her arrangement for the past several years was to be paid a part-time salary for teaching a five-week executive education program, conducted on and off campus, on midlife transformation and career renewal. Characteristically, Professor Zuboff brings to the program, which is known as “Odyssey: School for the Second Half of Life,” intensity and a multidisciplinary perspective. The program is highly rated, and she has a loyal following among Odyssey alumni. But she has paid a heavy personal price for being a trailblazer. Although she worked full time writing *The Support Economy*, her absence from the campus, and unusual arrangement as a part-time professor with tenure, clearly rankled some colleagues.

**A Fresh Voice**

Challenging thinkers and controversy often go together. Indeed, the criticism Professor Zuboff has received is not unlike that aimed at other maverick management gurus. Jim Collins of *Good to Great* and *Built to Last* fame decamped from academia after seven years at Stanford, to become, as he told *strategy+business* in 2002, “a self-employed professor who endowed his own chair and granted himself tenure.” W. Edwards Deming directed the quality revolution — and his blistering attacks on the corporate establishment — largely from the basement of his home in Washington, D.C. He maintained no institutional affiliations during most of his career.

For her part, Professor Zuboff is unapologetic about her life decisions, especially her choice to stop teaching traditional core MBA courses. “Imagine,” she muses, “asking Galileo to teach that the sun revolves around the earth.”

She is also firm in her belief that she had to step away from teaching the old views of managerial capitalism to truly be of service to her students. “We should be rethinking every assumption behind our purpose, message, and methods,” she wrote in *The Harvard Crimson* in 2003, in an article squarely aimed at up-and-coming executives. “The time is ripe for leadership from a new generation willing to question the worn-out answers of its fathers.” John Byrne, editor of *Fast Company*, who signed Professor Zuboff on as a columnist after the publication of *The Support Economy*, concurs: “The field of management thinking and leadership is full of old, white males…[looking] through the same old lens.” Professor Zuboff, by contrast, is “a fresh voice,” says Mr. Byrne. “She is one of the sharpest, most unorthodox thinkers today.”

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**Resources**


“New Pact to Ease Hassles of eBay,” *Wall Street Journal*, June 17, 2004


