

People and Organizations



Contemporary Challenges
Facing Management

A Perspective from MIT-Sloan

- When we read about you on the front page of the *Wall Street Journal* we want the story to be about....

Your contributions as a Leader of a Respected Organization

Your contributions as a Leader and Citizen in your Community & Society!

Active Listening & Reading Assignment

Write four sentences summarizing your “take aways” from Mr. Armstrong’s speech:

1. What does he see as today’s major management challenges?
2. What skills does he believe you need most to be successful in your first job?
3. How do Mr. Armstrong’s management challenges compare to the ones in the readings for next class?
4. How do they compare with your own views of the major challenges facing organizations?

Bring your written answers to these question to class and be ready to work with your team with these data.

Team Reports in 10 minutes

Write on your board *your team's* summary of the key management challenges you take away from:

- Mr. Armstrong's talk
- Today's, readings,
- Your team's consensus views.

Key Challenges: Views from the Top

Alex d'Arbeloff & Alan Greenspan:

Restoring Trust: "the cornerstone of our whole economic system."

Carly Fiorina:

"Management serves at the pleasure and for the benefit of our shareowners, our customers, and our employees—and not the other way around."

Kofi Annan:

Building a Global Compact—universities, businesses, unions, ...working together for balanced economic development

And the Potential...

Rebecca Henderson and students:

"one of the great questions of the next ten years may be how we harness the imagination, drive, and creativity of the world's scientists to benefit all the world's population, rather than only a fraction."

"...the manager of the future will need to be much more technologically sophisticated than her predecessor;
..technology will not longer be something that can be safely left to the technologists."

Social Contract Defined

The mutual expectations and obligations that workers, employers, and their communities and societies have for work and employment relations

Why the Breakdown in Trust? A

Quick History

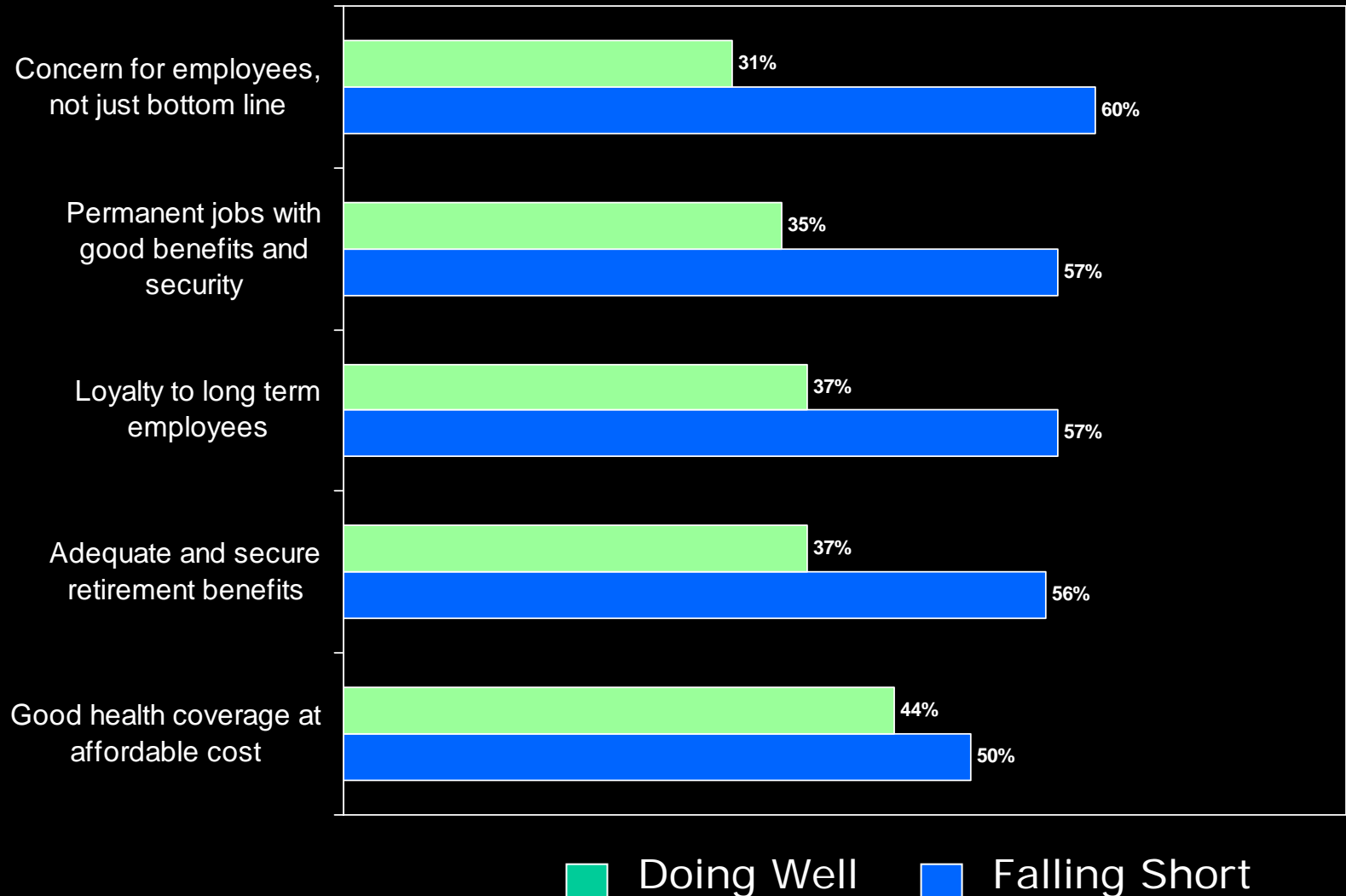
- Post World War II: “Old Social Contract”
 - Hard work and loyalty = job security
 - Profits & productivity = real income growth
 - A virtuous circle linking employee and employer fortunes

- New Deal employment policies set minimum standards; Unions and collective bargaining help build a larger middle class

- 1980-2005: Old Social Contract Breaks Down
 - Unions decline in coverage (now 8.5 %)
 - Globalization, deregulation of industries (airlines....)
 - Restructuring: downsizing, outsourcing, & offshoring
 - Big layoffs for blue collar workers 1980-83
 - White collar layoffs starting in 1990-92 and continuing

- The Scandals: Enron, Worldcom, Tyco...

View from the Workforce: Employee Views of their Employer



The social contract: America's largest employers (1)

- General Motors (1940s – 1970s)
 - wage leadership
 - benefit leadership
- ⇒ Wages and benefits were removed from competition.

- Wal-Mart (2005)
 - “Our people make the difference.”
 - average wages less than half the national average
 - class action suits for failing to pay overtime discriminating against women, contracting illegal immigrants
 - active resistance to unionization
- ⇒ Competitors must match Wal-Mart's low wages, nonexistent benefits, and questionable working conditions.

The social contract: America's largest employers (2)

- What was “forcing” GM’s competitors to match GM?
- What is “forcing” Wal-Mart’s competitors to match Wal-Mart?
- Are there inconsistencies within the work system that we presently live under?

The Road Ahead

- ❑ What is needed to restore trust at work from:
 - Business leaders?
 - Government leaders?
 - University leaders?
 - Union/professional associations?

- ❑ What can/should *you* do?