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EMPLOYERS' ORGANISATIONS IN THE 21ST CENTURY

AN IOE PERSPECTIVE

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Recent political and socio-economic trends

I would like to begin by quoting Peter Drucker, one of the foremost management thinkers of this century, who, in one of his recent books, *Managing in a Time of Great Change*, states: "Twenty years ago no one talked of the global economy. The term used then was international trade. The change in term, with everybody now referring to the global economy indicates a dramatic shift in economic reality. Twenty or thirty years ago, the economy outside the borders of a nation was left to the multinationals and was seen as an entity that could be ignored when dealing with the domestic economy and in the formulation of domestic economic policy. This is no longer true today. The distinction between domestic and international economy has ceased to be economic reality, though it remains a political, social, cultural, and psychological reality. The one clear economic trend that has emerged in the course of the last few years is that increased participation in the global economy is the key to domestic economic growth and prosperity".

Another significant trend is that, with the collapse of Communism and the command economy that sustained it, the market economy, despite its imperfections, has received universal acceptance as the most effective means to promote economic growth and social progress.

Simultaneously, there is a fairly universal loss of faith in the capacity of government to run industry efficiently and it has almost become a cliché to say that the complexity and dynamics of modern economies defeat the capacities of the most skilled and dedicated planners. In addition, central planning decisions, because of their political nature, tend to become the creature of special interests. This has been proven by experience time and again, whether the issue is where to locate a plant, how to price its output, who to put in charge, how firmly to resist unwarranted trade union pressure, or whether and when to close it when it becomes unviable.

Closely related to this trend is the phenomenon in most countries which had a large public sector to go in for large scale privatisation of state-owned enterprises. We see this happening in the countries that made up the former Soviet Union, Eastern Europe and in the developing countries that had been following the socialist model of economic development.

The other visible trend is the liberalisation of international trade in the wake of the conclusion of the Uruguay Round of the GATT negotiations. The resulting dismantling of trade barriers has considerably brightened the prospects for world trade and international cooperation. It has also made nations increasingly interdependent economically, made the markets for goods, services and capital more integrated, and given consumers a wider choice than before. At the same time, it has made it imperative for economies to be internationally competitive in order to take advantage of the opportunities offered by the new trade environment.

Furthermore, it no longer makes good economic sense in most industries today to think in terms of producing purely for the national market since the efficient scale of business has outgrown the nation state. Enterprises have to think in terms of how best they can satisfy the demands of markets that are regional or global in scale and where best they can strategically locate their investment. In this situation, protectionism has become the enemy of efficiency and competitive success for modern business has become a game one reams only by competing with the best.

A parallel phenomenon is the increasing search on the part of governments for policies that will promote rapid economic growth. Today, globalization and integration with world markets have become key aspects of the strategies of government in most countries. All over the world, governments are striving to make their economies internationally competitive. Countries, no matter which political system they embrace, increasingly look to economic growth to satisfy growing expectations of a better life and to provide for various social expenditures. Consequently, more and more countries are actively promoting a policy of economic liberalisation in order to move onto a higher growth path. They are also making greater efforts to attract more foreign direct investment and, in order to create a conducive environment for that investment, they are breaking down the barriers that cut off their domestic markets from the rest of the world. In addition, factors such as new technologies, job re-design, just-in-time production, and customer orientation have become essential elements of the environment in which enterprises operate today. Their integration into business culture has become imperative in the race to develop and capture new markets, while the need to compete in the global market means that standards of innovation, quality, and service are being set internationally.

Implications for enterprises and the way they operate in the future

All these trends have had a deep impact on business and the way enterprises operate today. The business community of today has become a global one and is going through a process of rapid transformation. In many ways, the changes taking place are as profound in scope as those brought about by the Industrial Revolution. At that time, the steam engine and the electric motor changed the nature of industrial activity. Today, computer and new information technologies are creating entirely new conditions for the renewal of both material and intellectual activity. The boom in high technology, particularly information technology, and in communications has had the overall effect of reducing the importance of distances. Business operations can now be located with greater freedom. This has been accompanied by the rapid development of the service sector, especially financial services, with the result that capital flows are over 20 times larger than they were 20 years ago. Another important feature is the increased significance being given to small- and medium-scale enterprises, both in job creation and in contributing to economic growth.

In a rapidly changing global environment, one of the critical factors for business success, and even survival, is competitiveness. With globalisation, markets have become highly competitive and this requires the ability to respond effectively to new trends and to provide an efficient, personalised service to customers and clients. The transformation of business activity, through technological development, the shorter life-cycle of business ideas and products, and the need for new skills requires new management strategies and new forms of work organisation.

Until the early 1990s, it was sufficient for enterprises to employ a number of forecasters to correctly anticipate future trends, and respond to them on a strategic plane. Today, it is not enough to merely know the future. Organisations, if they are to succeed, will need to invent the future for themselves - impossible as it may seem. This means that they will have to: set their own agendas, not have it set by others; create brand new technologies, not adopt them from others; redraw industry borders, not respond to their being redrawn; and, define new markets rather than respond to their emergence. As Rowan Gibson, a business consultant puts it: "in the 21st Century, the winners will be those who stay ahead of the change-curve, constantly redefining their industries, creating new markets, blazing new trails, and reinventing the competitive rules".

The economic environment after the fall of communism has also signalled a new, largely unknown, direction for capitalism. Globalisation and the rise of the new zones of intense economic and consumer activities will create a need for enterprises that are big enough to capitalise on different opportunities but small enough to be nimble in response to local requirements. For most enterprises, this translates into a host of new, narrow markets of consumers, whose behaviour is largely unknown. According to eminent management thinkers Porter, Prahalad, and Hammer, strategy-making within the organisation will, therefore, have to break with the past and grapple with the unknown, demanding radical changes in both contents and processes to formulate the winning strategy for tomorrow.

Furthermore, the dominant competitive weapon of the 21st Century will be the education and skills of the workforce. The fundamental reason for this is that the emphasis is shifting from new product technologies to new process technologies. With reverse engineering, it is

relatively simple for a skilled engineer to tear a new product apart and quickly learn how it is made. But it is not as simple to figure out how to run the necessary manufacturing processes. Hence, it will not be enough to have the brainpower to create new products. What will be required is the ability to manufacture those products more cheaply. One of the starting points for future competition, therefore, will be having the skilled labour to master low-cost, high-tech manufacturing processes. The basic argument here is that product innovation will not be of much use to an enterprise if it does not have the processes to become the lowest-cost producer.

At the same time, to create the future, it is not necessary to abandon all of the past. There is a need for selectivity but, essentially, the success recipes from the past may no longer be the success recipes of the future. For example, quality has been a source of competitive advantage and is where the efforts of many companies have been focussed. In the 21st Century, however, it will be merely the price of market entry, so there is a need to move on in the way the Japanese are doing, namely, developing the capacity to create fundamentally new products and businesses.

In addition, it is possible today to replicate quality almost anywhere in the world. So, the competitive differentiation will come from swiftness to the market and innovation. In that regard, small companies will be able to beat the large bureaucratic ones handily. Therefore, unless the big companies reconstitute themselves as a collection of small companies, they face the danger of going out of business. The global economy of the 21st Century will see a dominance of small- and medium-sized enterprises. A good example of this is the tourism industry, which employs over 10% of the world's labour force today and is made up of millions of entrepreneurs.

Simultaneously, the revolution in telecommunications is creating the huge, global single-market economy while making the individual parts smaller, more powerful, and more agile. Unless big companies can reconfigure themselves into small, fast-moving units, their chances of survival in the next century look doubtful. However, the flip side of technology is that it allows big companies to deconstruct, decentralise operations and to push decision-making down to the lowest point. So this provides them with a great opportunity, which many big companies are taking advantage of by re-styling themselves as networks of small autonomous companies and outsourcing, de-layering, and downsizing.

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The role and tasks of employers' organisations in the 21st Century

Until very recently, the primary activity of employers' organisations has traditionally been labour relations and, for many organisations, it continues to remain an important or even a core activity. This includes, among other things, influencing the formulation of labour relations policy, research and dissemination of information on labour relations issues, labour advisory services, and training of enterprise managers in labour relations. While this will remain an important activity for employers' organisations, at least for the foreseeable future, the new demands being placed on enterprises means that they too will need to rethink their role and develop activities in a wider area in order to remain useful and relevant to business. Providing further impetus to this is the fact that social policies can longer be framed or considered in isolation since economic policies have a stronger impact on the labour market than before.

A major concern of business today is the need to have greater flexibility in its operations, particularly in respect of the deployment and utilisation of its workforce, so that it can respond effectively to changing circumstances in the market. An important need for an enterprise, therefore, is to have the leeway to introduce more flexible forms of work organisation such as part-time work, temporary work, and subcontracting depending on what the circumstances warrant. In addition, it should be able to negotiate on these and other issues such as wage and non-wage benefits at the level of the enterprise itself rather than be subjected to industry-level or centralised bargaining arrangements. This is already happening in a number of European countries, where the trend is towards enterprise-level rather than industry- or national-level bargaining. An important task for employers' organisations will, therefore, be to work towards securing flexible labour market policies and regulations to enable enterprises have the capacity and room to adapt rapidly to changing workforce requirements.

Another area to which they will have to pay increasing attention is the field of economics, which has become such an important factor in social policy issues. In this regard, they would need to develop and strengthen their expertise in this field so that, rather than reacting to the labour and social implications of economic policies, they have the capacity to influence as well as shape it and create an environment in which enterprises can operate without undue restrictions. This would also make the organisation more attractive to non-members, who would have an incentive to join it.

Thirdly, the industrial relations system itself in many countries is steadily moving away from its traditional "adversarial" nature to the wider concept of human resource management with both workers and employers increasingly working together to achieve enterprise objectives for their mutual benefit. This is both a challenge as well as an opportunity for employers' organisations and is a field in which they will need to play a more proactive role for, with such factors as technology and capital becoming easily accessible, the real competitive advantage of enterprises will lie in the quality and skills of their workforce. Providing services in the area of human resource management will be an area where employer' organisations can provide a truly value-added service. This would involve assisting enterprises in formulating and implementing programmes for upgrading the skills of their workers, providing them with multiple as well as transferrable skills, and increasing their productivity.

Related to the concept of human resource management is the recognition of the close correlation between education, skill development, and economic growth. Education and training are, therefore, areas where employers' organisations will have to play an increasingly proactive role so that they are geared to the needs of enterprises. In this context, an important task for them would be to provide such support services as identifying their skill development needs as well as helping them in the implementation of their training plans and programmes. Another would be to facilitate partnership and link arrangements between enterprises and educational and training institutions. In addition, they would also need to play a lobbying role with government and school/training authorities so that academic and training curricula have a practical and work-oriented focus.

We are also witnessing a trend in many large enterprises to "downsize" and focus on their core business activities or relocate their operations where they can secure a competitive advantage. This often leads to the retrenchment of workers who cannot be provided alternative jobs within the organisation. Many of these are left with little choice but try and start their own small businesses. Most, however, lack the entrepreneurial skills to run the business profitably as a result of which there is a high mortality rate among small businesses. Small enterprise

development and the training of entrepreneurs through programmes such as the Improve Your Business (IYB) and the Start Your Business (SYB) programmes are areas which offer employers' organisations the opportunity to provide a valuable service, which would also make them more attractive to existing and potential members.

Finally, employers' organisations will need to develop and upgrade their research and analysis as well as information dissemination activities considerably. In today's knowledge and information society, access to "on-line" information is a source of competitive advantage for an enterprise while the lack of it could prove detrimental to its business prospects. By acting as an effective storehouse of information, employers' organisations can be of tremendous assistance to their members, who would see their membership as a value-added benefit rather than as a cost.

In conclusion, we see the future as one of great challenge for employers' organisations, both in terms of their relevance as well as usefulness to enterprise. At the same time, it offers them the opportunity to redefine their role and strengthen their capacity to meet the needs of their members more effectively, thereby, making a positive contribution to the economic and social progress of society.

For further information, please contact Bureau for Employers' Activities (ACT/EMP)
