

Managing without people?

By Richard W. Oliver
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There's an old business cliché, frequently found in advertising that goes something like this: "Our people are our most important asset."

While true in some companies, for many, the statement is little more than a slogan, trotted out at appropriate points, then tucked away and forgotten. Sure, at some level, senior business managers realize that people are important, but they often don't act that way, or are inconsistent in their dealings with this most important company "asset."

Every company is "fueled" by three essential assets: capital, labor and technology (basically, the methods and tools of creating value). A manager's job is to find the appropriate "fuel mixture" to get the business airborne and to keep it there.

The two essential variables in the getting the right mix of these three assets are their relative costs and availability. Therefore, it is essential for every manager to have a working "assumption" about the future: the changes in cost and availability of money, people and technology.

Over the last 15 years US businesses have been blessed with relatively low cost and high levels of availability of money, people and technology. In the next 15 years however, there will be serious shortages of skilled people, and consequently, their "costs" are going to rise significantly.

It'll come as no surprise to anyone currently running a small business that the rapidly worsening labor crunch is one of the most serious obstacles to growth. As the baby boomers move toward retirement and the number of workers in the 25-44 year-old age group declines, this trend worsens daily. The type of worker needed by today's small businesses is also becoming harder to find. Whether it's skilled plumbers and electricians or web designers and database programmers, uneducated and unskilled laborers cannot fill the open positions.

The Future of Small Business

To help small businesses develop a sharper insight into the next 15 years, American Express, IBM, National Small Business United, and RISEBusiness,

recently sponsored an in-depth look at capital, labor and technology trends. The result was a comprehensive study called *The Future of Small Business: Trends for a New Century*.

I served as the principle researcher and author for the study. In summing up the report findings, I suggested that the US was at a historic time in history as we had, in abundance, the three essentials for a successful business renaissance: capital, labor and technology. But, as the report pointed out, all that was about to change.

The traditional "fuel" source for the labor force are workers aged 25-44. In the US, their numbers will decline by some 4 million between 1996 and 2006. In addition, the study found that the type of skills required are changing dramatically, and that the number of people in the labor force that had these skills was not keeping up. To work my fuel analogy a little further: you can send a rocket to the moon with kerosene!

The study pointed out that demographic shifts could increase the number of small business closures (as older owners dissolve their businesses) and decrease the number of start-ups (as the number of people in the prime start-up demographic declines). Since the death rate for new businesses is worse for younger entrepreneurs, the number of new business could decline by 5 % or more.

At the extreme, for many businesses, it will mean learning to work without people!

Substituting capital and technology

When any of the three business assets, money, technology or people, are in short supply or are too costly, businesses must substitute one of the other factors in its place.

The answer to tomorrow's labor shortage, of course, is to substitute relatively cheap capital or inexpensive technology for the work previously done by hand. Unfortunately, particularly with technology, most small businesses are slow to do this. But, they must! Organizing to succeed without people (or as many people as we'd like) is the competitive driver of the next decade.

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