



Welcome to the New Age of Intangibles

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We live in a time of unprecedented change. The world continues its transition from the Industrial Age to the Information Age, a new age characterized by intangibles that have far-reaching implications for everything we do. And clearly, our ability to successfully weather this transition will determine our competitive position in the world market, which will, in turn, affect generations to come.

If we are to succeed as a nation and as individuals, nothing is more important than our ability to identify our priorities and allocate our precious resources. Nothing would be worse than discovering, too late, that the processes we used to make decisions for our future were flawed.

Are We Using Yesterday's Weapons to Fight Today's Wars?

Many people will tell you that such things as empowering your workforce, creating an environment that encourages risk and discourages fear, eliminating waste and improving business processes, encouraging continuous education and training of employees, communicating in an open and honest manner, building trust among employees, nurturing long-term relationships with suppliers and clients, working hard to develop an impeccable reputation, living according to sound business ethics, and unifying your organization around a mission and shared values are likely to be among the key determinants of success in this new age. Others will tell you that these are "soft" issues.

What do people mean when they say these issues are soft? Are they saying that they are not effective management practices and that they do not enhance results? Or are they saying that because these things are difficult to quantify and measure, they make management uncomfortable and uneasy?

There is a tendency in this country to believe that if something cannot be quantified, it does not exist. It brings to mind the question associated with Bishop George Berkeley, an early 18th-century British philosopher: If a tree falls in the forest and no one is there to hear it, did it make a sound? To apply this to management practices: If someone enhances

performance in an organization using an approach that cannot be quantified, did the improvement take place?

The New Age of Intangibles

The Industrial Age brought us products such as cars, heavy farm equipment, refrigerators, washing machines, and computers—equipment that could be seen and touched. In contrast, the Information Age is characterized by intangibles—those resources that involve the intellect and the ability to gather, analyze, transmit, and synthesize information.

Thinking Across the Ages

The differences in the thought processes between the two periods are evident in the terminology in the following table.

Industrial Age	Information Age
Capital intensive	Knowledge intensive
Capital expenditures	Education/training
Natural resources	Educated workforce
Inventory	Data (information)
Production enhancements	Process enhancements
Hierarchical management	Employee empowerment
Tangible rewards	Psychic rewards
Issuing orders	Communicating
Top-down planning	Employee commitment (buy-in)
Inspection	Quality built in
Equipment failure	Employee turnover
Equipment uptime	Morale building
Purchasing	Recruiting
Sales	Customer satisfaction
Laborer	Knowledge worker
Defending turf	Innovation
Company push marketing	Consumer pull marketing
Company relationships	Networking

Clearly, the critical success factors of the Information Age are intangibles. And just as you cannot measure liquids in pounds or nuclear fusion in quarts, you cannot use yesterday's measurements of physical inventory to gauge the results of empowerment, brand awareness, creativity, or commitment.

How do you measure the value of employee empowerment to GE or Google? Or the value of reducing a workforce with compassion and sensitivity? And how do these things translate into a stronger competitive position? How do you measure the manager who builds camaraderie, trust, and lasting relationships with his team? Or the manager who exhibits strong ethical values, commands loyalty, and has a reputation for keeping his word?

Deciding What's Important

In this new edition of *Managing with a Conscience*, I examine nine critical success factors for competing in the 21st century. You won't find these attributes in an annual report because they are intangible and difficult to quantify. But that doesn't make them any less important to an organization. These critical success factors require that companies:

- Seek to develop employees who will be deeply committed to the organization's mission and values and, most important, who will be passionate about reaching its goals
- Create an environment that stimulates creativity and innovation and reinvents itself every day
- Set priorities that focus the company's efforts and people on the resources that provide the greatest potential return
- Believe that the main reason for the company's existence is to provide service excellence to its clients and customers
- Be able to continually adapt to a changing marketplace
- Recognize that time is both a valuable resource and a fixed commodity and, therefore, that speed provides a competitive advantage

- Build a flexible organization by collaborating with other organizations

- Emphasize that personal networking provides a highly efficient and effective way to solicit ideas, access new sources of information, increase business development, and attract new hires

- Understand that a foundation of trust between an organization and its employees, suppliers, and clients is what brings and keeps people together

Soft issues are all very like the tree that falls in a forest. In the Information Age, if we don't believe that there was a sound, maybe it's time to get our hearing checked. ●

This article was adapted from Frank Sonnenberg's new book, *Managing with a Conscience: How to Improve Performance Through Integrity, Trust, and Commitment* (2nd edition).

Frank Sonnenberg, a marketing strategist, has written four books and published over 300 articles. • *IndustryWeek* named the first edition of *Managing with a Conscience* one of the Top Ten Business Books of the Year. The second edition of *Managing with a Conscience* is now available. • Salon.com named Sonnenberg's blog among the top 100 in 2009 • Trust Across America named Sonnenberg one of the Top 100 Thought Leaders of 2010 • In 2011, *Social Media Marketing Magazine* (SMM) selected Sonnenberg as one of the top marketing authors in the world on Twitter. www.franksonnenbergonline.com © 2011 Frank Sonnenberg. All rights reserved. If you want to re-post or republish this post, please email frank@franksonnenbergonline.com. Thank you for respecting intellectual capital.