The 21st Century Business Model

Very few nineteenth and twentieth century technologies remain intact and unchallenged in the 21st century. Yet, when it comes to organisational design, that is exactly the case – having remained virtually unchallenged to this day. Despite the evidence to the contrary, the managerial innovations of Taylor, Foyal, Weber et. al, continue to be embraced and practiced as though they are continuing to deliver competitive advantage!

The solutions that solved the problems of the 20th Century will not solve the challenges of the 21st Century. To quote Albert Einstein "We can't solve problems by using the same kind of thinking we used when we created them."

Boardrooms face new and different challenges and opportunities to previous generations including:

- **The transfer of wealth and economic power from Europe and North America to China and India;**
- **Global warming;**
- **Sustainability and the decline of fossil fuels;**
- **Population growth and Ageing;**
- **Increased health;**
- **Globalisation and increased education and access to information;**
- **The continued decline of the feudal and hierarchical model of social and commercial organisation;**
- **The increasing cost of assembling and disbursing a workforce on a daily basis;**
- **The exploitation of improved communications technologies;**
- **Generational differences;**
- **Challenges in the equitable distribution of wealth and access to opportunity;**
- **Our increasing knowledge of the Universe through Space exploration and,**
- **Unlocking the energies of their workforces rather than compelling their diligence!**

Organisations inevitably have to be different. Those that do it 'smart' will have great commercial advantage, particularly those that recognise the huge potential of the management of 'humanness'.

What got us to the top won't necessarily keep us at the top!

Yesterday's success is no guarantee of future success!

Whilst these are both truisms they do have and relevance to management practice in organisations today. Management theory practiced in Australia today has its origins squarely in 19th century USA and Europe.

The following table sets out the major founders of Management Theory and their innovation/contribution to management theory. Their thoughts and practices continue to be the dominant managerial models used today.
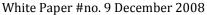
Management Founder	Life Time	Managerial Innovation
Frederick W. Taylor	1856- 1915	Scientific Management
Henri Fayol	1841- 1925	Management Principles & Practices
Max Weber	1864 – 1920	Bureaucracy
Frank & Lillian Gilbreth	1868 – 1924, 1878 - 1972	Time & Motion
Alfred P. Sloan	1875 - 1966	Organisational Divisions. Metrics, ROI, Planned Obsolescence
Chester Barnard	1886 - 1961	Effectiveness & Efficiency
Douglas McGregor	1906 - 1964	Theory X Theory Y

The design assumptions used in the development and formation of their innovations in management are based on the views, knowledge and thinking of the later half of the 19th Century or first half of the 20th Century – very different times than today. Whilst these theories have a solid track record of results they do not meet their opportunity cost.

Levels of Employee Engagement have been surveyed worldwide since 1999. Consistently, they have found levels of highly committed/committed staff at 25% or less. In essence these means that 75% or more of employees are producing less than they are capable of.

Question: Is the fault with the people or with they way they are managed?
Answer: The solution lies in the way people are managed.

The old models demanded obedience, diligence and, more latterly, thinking –e.g. the Toyota Way although a thinking workforce remains only an aspiration for many organisations. What is not present (at least to the extent of 75% +) is initiative, creativity and passion. These are gifts people bring to their organisation – they cannot be compelled.

Hierarchical and bureaucratic management are good models harnessing and aggregating the benefits of obedience, diligence and compliance. That was their intention. Currently they demand, but still struggle to manage, employee thinking… Henry Ford was famously heard to once lament "Every time I want a pair of hands a brain comes with it". Whilst Henry has been dead 60+ years his lament is still evident in the dumbing down of work practices.

The knowledge organisation was seen as having a sustainable competitive advantage. This is no longer the case. Competition has moved past knowledge – it can be bought anywhere . Knowledge is a global commodity. Today. It's a 'given'.

Organisations are faced currently faced with four realities:
1. Constant change – with every decreasing life cycles
2. Success is derived from client/customer satisfaction
3. The massive power and opportunity of a fully engaged workforce
4. The hierarchical 'pyramid' organisation structures provide excellent chains of command for crisis management and service of their 'king' but do not run optimally if they are in constant crisis and transactional rewards from service of the 'king' do not cover the full range of workplace motivations.

Constant Change

Charles Darwin is frequently misquoted as say is survival of the fittest – meaning survival of the strongest. The current decade is great testament to fallacy that strength guarantees survival. A quick visit to Chicago or Detroit will confirm this.
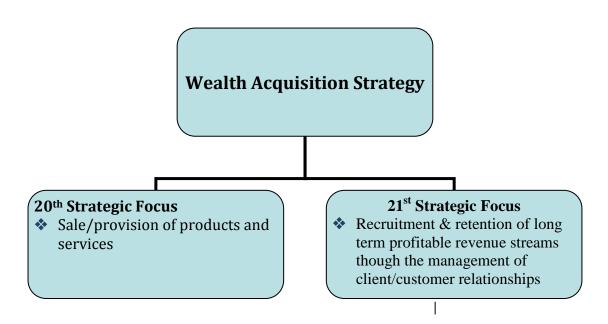
What Darwin said was "It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change."
The challenge for management is to build capacity for organisations to continually renew themselves free of or with minimised trauma – to give effect to Darwin's dictum.

Customer Satisfaction

Wealth is acquired by other people or organisations giving you their wealth in exchange for what you give them. Organisations say they are customer driven or focused whereas the reality is that many organisations place considerable hurdles in the way of customer satisfaction – the customers are there to serve them, rather than they being there to serve their customers. This attitude comes with considerable opportunity cost; which will not be sustainable in the future.

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                    │                             │
                    │  Wealth Acquisition Strategy │
                    │                             │
                    └─────────────────────────────┘
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              ┌───────────────────┴───────────────────┐
  ┌───────────────────────────┐        ┌───────────────────────────────┐
  │ 20th Strategic Focus      │        │   21st Strategic Focus        │
  │ ❖ Sale/provision of       │        │ ❖ Recruitment & retention of  │
  │   products and            │        │   long term profitable        │
  │   services                │        │   revenue streams though the  │
  │                           │        │   management of               │
  │                           │        │   client/customer relationships│
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Whilst workforce obedience, diligent and thinking were satisfactory to meet the strategic needs of the 20th Century business model, they will not meet the requirements of the 21st Century where successful organisations will be characterised by innovative, creative and passionate workforces These 3 factors when coupled with managerial intelligence, emotional and ethical maturity can delivery the base drive to the maintenance and renew of organisation/customer relationship.

Fully Engaged Workforce

Organisation cultures need to move from communities of the compliant to communities of the willing – a workforces happy to use initiative, committed to their organisations and passionate about their work.

Is this possible? – Yes; by learning from and replicating the experiences of already successful groups.

To do this management must reinvent itself – to shift it's paradigms from control based success to freedom based success – to reinvent itself so that it inspires people to use all of their capabilities in their workplaces every day. Hierarchical, scientific management facilitates planning, leading organising and controlling (PLOC), but it certainly does not facilitate, initiative, commitment and passion – the energising gifts people give to their organisation when they are fully engaged.

The measure of failure of the old management paradigms is to be found in the low levels of employee engagement. These old technologies are more than showing their obsolescence; they are a hindrance to organisation success and continuity.

21st Century Business Model

Much of 20th Century management theory was directed at achieving a 'robotic' response from its workforce – the 'one best way, performed, consistently, on command and without question. Simple truth is machines make great robots, humans don't.

Management must find ways of unleashing and co-ordination the profound power and challenges of the humanness of its workforce. Humanness describes those attributes that make us human – the pair of hands, plus the brain, plus the heart plus the beliefs and ethics. Human beings are social beings who thrive in competent relationships and struggle in dysfunctional relationships.

Successful 21st Century cultures will deliver on the following critical 'human need' factors:
- ➔ **Dignity** – each person will know that they are respected as the individual they are
- ➔ **Equity** – each person will be treated and remunerated equitably and ethically
- ➔ Significance – each person will have a sense of purpose and achievement in the job roles with the consequent opportunity to take pride in what they do
- ➔ **Communication** – each person share 360° communication about their job, its role in achieving their organisation's objectives and progress towards attaining those objectives
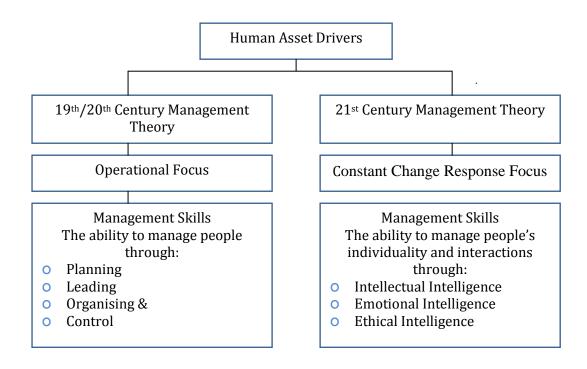
➔ **Identify/Inclusion** – each person will have a sense of belonging and inclusion in their workplace.

➔ **Safety** – each person will feel safe – physically, emotionally and intellectually.

Delivering on these will 'flick the switches' on passion, creativity and commitment. Essential managerial skills to facilitate this will also include:

➔ **Intellectual intelligence** – 'grey matter grunt'

➔ **Emotional Intelligence** – characterised by strong interpersonal relationships maturity, and

➔ **Ethical Intelligence** – the ability to know the right thing to do and the courage to do it.

Successful human relationships are premised on trust and respect. Without these the quality of the relationship id compromised. The above three intelligences go a long way to underpinning competent relationships. Relationships will remain the largest single factor influencing human productivity – with some 45%+ of productivity dependent upon the functionality of the relationships within the group.

21st Century Managerial Skills & Human Asset Drivers

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                        ┌─────────────────────┐
                        │  Human Asset Drivers │
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              ┌──────────────────┴──────────────────┐
  ┌───────────────────────────┐      ┌───────────────────────────┐
  │  19th/20th Century         │      │  21st Century Management  │
  │  Management Theory         │      │  Theory                   │
  └───────────────────────────┘      └───────────────────────────┘
  ┌───────────────────────────┐      ┌───────────────────────────┐
  │     Operational Focus      │      │ Constant Change Response  │
  │                            │      │ Focus                     │
  └───────────────────────────┘      └───────────────────────────┘
  ┌───────────────────────────┐      ┌───────────────────────────┐
  │     Management Skills      │      │     Management Skills     │
  │ The ability to manage      │      │ The ability to manage     │
  │ people through:            │      │ people's individuality    │
  │   o  Planning              │      │ and interactions through: │
  │   o  Leading               │      │   o  Intellectual         │
  │   o  Organising &          │      │      Intelligence         │
  │   o  Control               │      │   o  Emotional            │
  │                            │      │      Intelligence         │
  │                            │      │   o  Ethical Intelligence │
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Organisational Structure in the 21st Century

> "*It is now recognised that new organisational forms will be an increasing source of competitive advantage.*"
>
> Organization Design Forum 2006

Whilst new thinking is underway, as yet there is no leadership or clear direction.

More than a decade ago Ashkenas (1995) identified that organisations need to move from scientific design to better manage the complexities of the current environment.

'SCIENTIFIC' DESIGN	'COMPLEXITY' DESIGN
Linear	Non Linear
Hierarchical	Non hierarchical
Reductionist	Holistic
Controlling	Self Organising
Inflexible	Flexible
Uniform	Diverse
Centralised	Networked

Organisational design needs to reinvent itself to meet the new challenges.

OLD DESIGN CONSIDERATIONS	NEW DESIGN CONSIDERATIONS
→ Size	→ Speed
→ Role Clarity	→ Flexibility
→ Specialisation	→ Integration
→ Control	→ Innovation

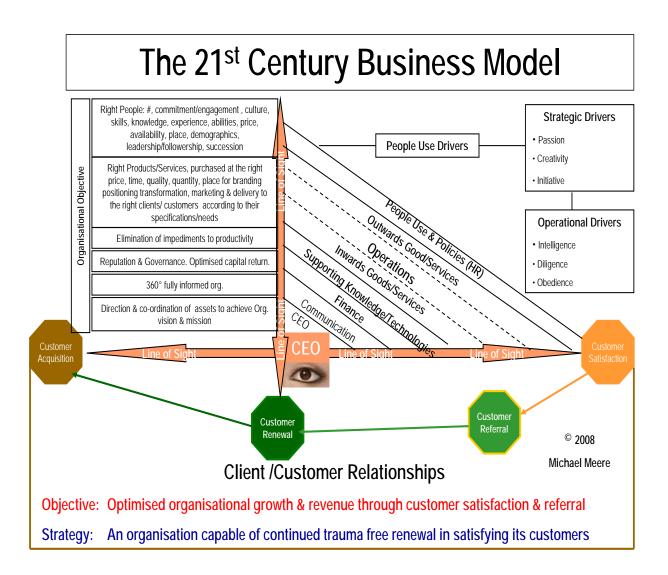One of the great impediments to model change is the very success of past models. Managers are still trained, steeped in and rewarded by these models. They continue to derive their power and rewards from these models. They have been very successful but

they no longer meet their opportunity cost. Whilst managers continued to be recognised and rewarded on results achieved rather than on an opportunity cost basis of results that should have been achieved given the assets entrusted to them, current design structures and management practices will still languish in the 20th Century.

Those organisations that 'seize the day' will enjoy substantial competitive advantage. Those who are status quo comfortable should consider the warning *'Nobody has to do this, survival is not compulsory'.*

The following diagram (Meere 2008) depicts a Business Model designed to meet the challenges of the 21st Century.

The 21st Century Business Model

Organisational Objective

- Right People: #, commitment/engagement , culture, skills, knowledge, experience, abilities, price, availability, place, demographics, leadership/followership, succession
- Right Products/Services, purchased at the right price, time, quality, quantity, place for branding positioning transformation, marketing & delivery to the right clients/ customers according to their specifications/needs
- Elimination of impediments to productivity
- Reputation & Governance. Optimised capital return.
- 360° fully informed org.
- Direction & co-ordination of assets to achieve Org. vision & mission

People Use Drivers

People Use & Policies (HR)
Outwards Good/Services
Operations
Inwards Goods/Services
Supporting Knowledge/Technologies
Finance
Communication
CEO

Strategic Drivers
- Passion
- Creativity
- Initiative

Operational Drivers
- Intelligence
- Diligence
- Obedience

Line of Sight

Customer Acquisition — Line of Sight — CEO — Line of Sight — Line of Sight — Customer Satisfaction

Customer Renewal

Customer Referral

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Client /Customer Relationships

Objective: Optimised organisational growth & revenue through customer satisfaction & referral

Strategy: An organisation capable of continued trauma free renewal in satisfying its customers

The historical perspective - three of the Founders of 20ᵗʰ Century Organisation Design

Frederick W. Taylor **Scientific Management 1911**	

Taylor's 4 principles of Scientific Management:

1. Science over rules of thumb.
2. Scientific selection and training.
3. Cooperation over individualism.
4. Equal division of work best suited to management and employees

The one best way

Taylor, when talking about the principles of scientific management during his 1911 Address to the US Congress, said:

'Now, among the various methods and implements used in each element of each trade there is always one method and one implement which is quicker and better than any of the rest. And this one best method and best implement can only be discovered or developed through a scientific study and analysis of all of the methods and implements in use, together with accurate, minute motion and time study. This involves the gradual substitution of science for rule of thumb throughout the mechanic arts. (p.25)'

"The time is fast going by for the great personal or individual achievement of any one man standing alone and without the help of those around him. And the time is coming when all great things will be done by that type of cooperation in which each man performs the function for which he is best suited, each man preserves his own individuality and is supreme in his particular function, and each man at the same time loses none of his originality and proper personal initiative, and yet is controlled by and must work harmoniously with many other men." (p47 of 49)

Henri Fayol: 1841 – 1925
'Fayolism'
Management principles & practices

 Henri Fayol was a French mining engineer, director of mines and management theorist, who developed, independent of the Scientific Management a general theory of business administration, also known as Fayolism. He was one of the most influential contributors to modern concepts of management.
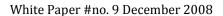
Fayol's five functions of Management:

1. Plan (and look ahead),
2. Organise,
3. Command,
4. Co-ordinate,
5. Control (feedback and inspect)

Foyal's 14 Principles of Management:

✓ Division of Work	✓ 8. Centralisation
✓ Authority	✓ Scaled chain of authority
✓ Discipline	✓ Order
✓ Unity of Command	✓ Equity
✓ Unity of Direction	✓ Stability
✓ Subordination of individual interests to the general interest	✓ Initiative
✓ Remuneration	✓ Esprit de corps

**Max Weber
1864- 1920
Bureaucracy
Rational Legal Authority**

"The decisive reason for the advance of bureaucratic organization has always been its purely technical superiority over any former organization. The fully developed bureaucratic mechanism compares with other organizations exactly as does the machine with non-mechanical modes of production." Weber 1946

Weber's major works deal with rationalization in sociology of religion, government, organizational theory, and behavior. His analysis of bureaucracy in his Economy and Society is still central to the modern study of organizations.

He was the first to recognize several diverse aspects of social authority, which he respectively categorized according to their charismatic, traditional, and legal forms. His analysis of bureaucracy thus noted that modern state institutions are based on a form of rational-legal authority.

Weber's key characteristics of an ideal bureaucracy:

1. Specification of jobs with detailed rights, obligations, responsibilities, scope of authority
2. System of supervision and subordination
3. Unity of command
4. Extensive use of written documents
5. Training in job requirements and skills
6. Application of consistent and complete rules (company manual)
7. Assign work and hire personnel based on competence and experience

Conclusion

Organisations inevitably have to be different to respond to the challenges of the 21st century. Those that do it 'smart' will have great commercial advantage, particularly those that recognise the huge potential of the management of 'humanness'. **The College for Adult Learning** can help your organisation change its management style to develop and encourage employees who are effective, efficient and engaged in turn producing highly successful organisations!

Contact CAL for more information.

Send us an email message at:
Email: admin@collegeforadultlearning.com.au
Web: www.collegeforadultlearning.com.au

Articles & Recommended Reading

Books

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About **Michael Meere**

Michael is a professional & academic in the field of human resources management (HRM). He is the CEO and founder of *Human Resources Business Partners HRBP* a worldwide business and HRM consultancy focusing on global human resources challenges and solutions. Michael is also a part-time prac-ademic (as he likes to refer to think of himself) supporting post graduate HR Masters students in their studies and research projects. He is known in the field as a speaker and writer on global HR trends and issues and more recently has developed a comprehensive set of HR metrics and measures designed for ease of use by busy HR practitioners. He is the author of over 50 articles and columns and has developed a large range of tools for HR professionals.

Michael is working in partnership with the College for Adult Learning to provide a range of consultancy services and specialised training development options for HRM Practitioners.