



# The times are a changing - why aren't our organisations?

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It is said that the history of our humankind's cultural traditions is the history of technology. Perhaps, a bit too far removed from our discussion on organisations. But what if we consider how the various waves of technology have, over the years, directly influenced the shape of organisations as they shape the nature of work and the nature of markets?

Klondratief's work, as referenced by Moody and Nogrady in their work<sup>1</sup>, may be used to demonstrate how successive waves of technology have directly impacted on the emerging shape of organisations:

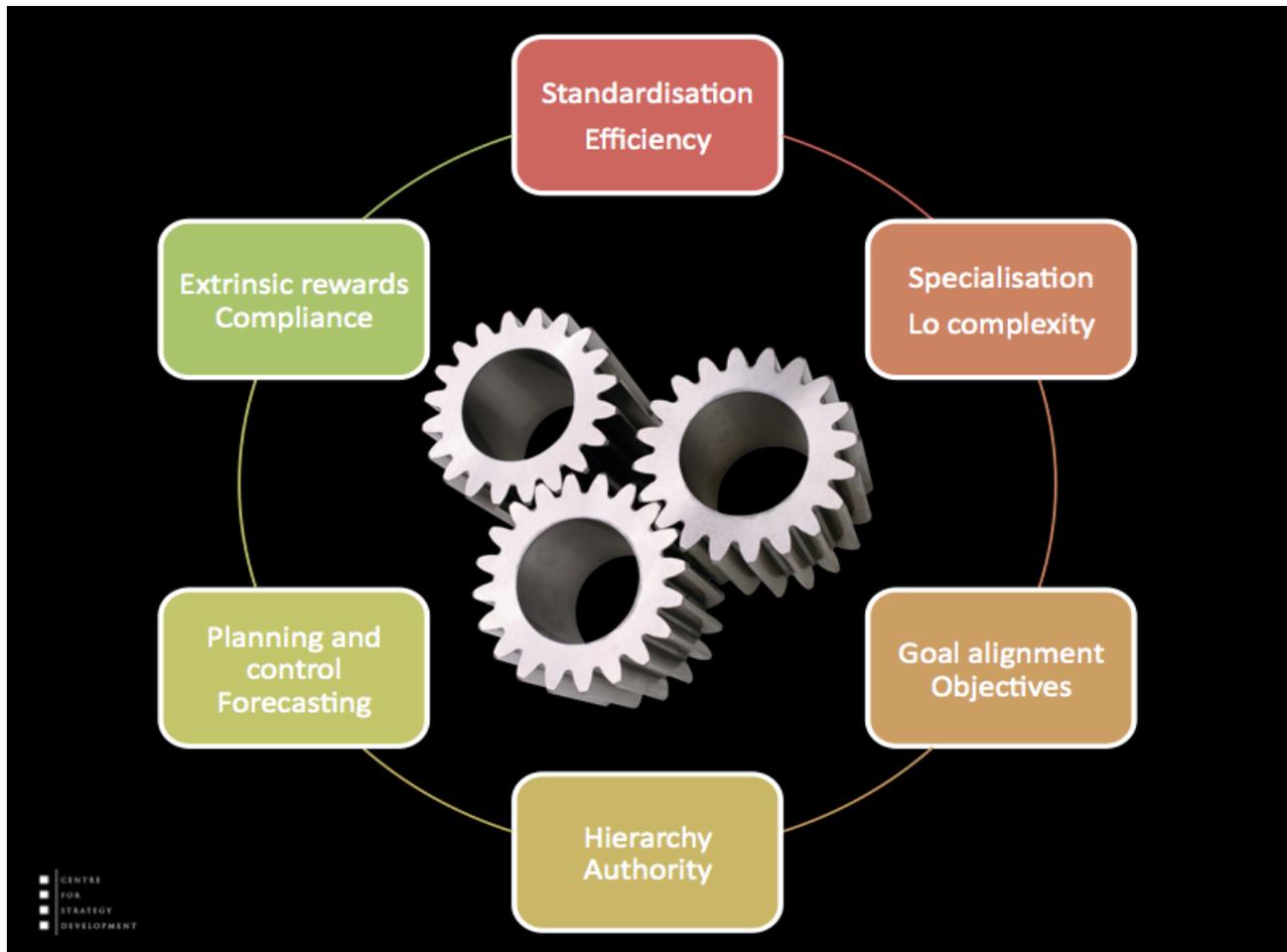
	<b>Wave 1</b> Cotton, iron and water power	<b>Wave 2</b> Rail, steam power and mechanisation	<b>Wave 3</b> Steel, engineering, electrification	<b>Wave 4</b> Oil, cars, mass production	<b>Wave 5</b> Information and communication technology
Heyday period	1780 - 1848	1848 - 1895	1895 - 1940	1941 - late 1970s	1980 - ?
Technologies	Cotton spinning, bleaching, water wheels	Railways, steam engines, machine tools	Electrical equipment, heavy engineering	Cars, diesel engines, aircraft, oil refining	Computers, software, telecomms, biotechnology
Transport and comms infrastructure	Canals, sailing ships, roads	Railways, telegraph, steam ships	Steel railways, steel ships, telephone	Radio, motorways, airports, airlines	Internet, information highways
Organisation	Owner manager	Hierarchy	Division	Matrix	Network
Organisation model	Manual labour	Machine	Group of machines	Group of connected machines	???

As we see, each wave of technology was accompanied by a different model of organisation. The “machine” model has dominated much of the previous waves, but there is a shift indicated by the present use of information and communication technology.. Instead, we note that most organisations still use the “machine” model in their design and the way they are managed. Why is this? Is it simply a reluctance to change? Or were there real benefits that derived from the traditional machine model?

<sup>1</sup> *The Sixth Wave*, Moody and Nogrady, 2010

## Benefits of the “machine” model of organisation

The machine model of organisation produces significant benefits for organisations - and these have enabled many of the advances we have experienced through the period of the industrial revolution.



The major downside, however, is that these advances have mostly come at the expense of **adaptability**. Sadly, the “machine” organisation is proving incompatible with both the demands of a rapidly changing environment and the possibilities afforded by the new prevailing technology. History has shown us any model or species that is incompatible with its environment, eventually fails and becomes extinct.

So, if the current “machine model” is no longer viable for dealing with prevailing conditions and technological possibilities, what is? Are there any other models that we might consider as a basis for designing and building more appropriate organisations?

## “Life” as a model for organisation?

In terms of survival and the ability to thrive, it is hard to go past the example of life. Despite the ravages of floods, fire, drought, earthquakes and famine, life continues to flourish and multiply on our planet. Why is this? What are its unique features? What can we learn about life’s ability to adapt to prevailing conditions that we might apply to the creation of our organisations?

If we examine biology - the study of life and living organisms - we can identify a number of key principles that inform our discussion about organisations' ability to adapt to prevailing conditions and technology.

Here are five of these principles - and their implications for the design and creation of modern organisations.

**1. The goal of life is reproduction and adding value to the ecosystem**

The purpose of an organisation is best defined in terms of its contribution, or value-add, to its customers. The purpose of an organisation is NOT to make a profit. Rather, the profitability (or otherwise) of an organisation is an indication of how well it is meeting its purpose of adding value to customers. It is a measure of performance, not the reason for the performance.

This places customer needs at the centre of the organisation's design and business model. While functions, business processes and products are important activities within the organisation, they should not be the prime determinant of how the organisation is designed.

Since the business definition of an organisation (ie what is the business of this organisation?) is the starting point of an y strategy or planning process, the implication is that the organisation should be defined in terms of the outcomes it produces for customers, rather than the products or services it produces. Eg: "our business is solving customers' travel problems" rather than "we book airtravel and accommodation for customers".

**2. Life continuously changes and adapts to the surrounding environment**

Any living organisation - one that remains relevant to the changing environment - will continually be changing form and function in order to meet customers' needs. There are two key implications of this principle for organisations:

Firstly, organisations should begin by defining the customer groups that they serve according to the needs and behaviours of these customers. This means using psychographic criteria rather than the traditional demographic segmentation criteria. Eg: we will group our customers by whether they require a customer intimate relationship with a vendor or whether they prefer to deal with a vendor in an arm's-length manner.

Secondly, organisations will develop specific value-propositions for each of these customer segments. Eg: the "intimate relationship" segment will receive a value proposition that augments the core product with a related service package, while the "arm's-length" segment will be provided the core product only - usually through a different channel.

**3. Species co-exist by seeking niches within their environment, and then differentiating themselves to suit that niche. But this differentiation always comes at a cost**

As with life, organisations are usually engaged in a battle for survival within a resource constrained environment. In order to survive and thrive, organisations need to identify a niche (market segment) within their industry that they plan to serve.

In order to develop a competitive advantage in this segment of the market, they will need to develop a form of positioning that appeals in a unique way to the customers in this segment. Positioning refers to the value proposition and the distinctive capabilities the organisation brings to this segment.

The important implication is that this positioning comes at a cost to the organisation. This cost is usually in the form of set of trade-offs that are made (ie: the competitive advantage is achieved by a focus in a particular space that precludes a simultaneous focus in another).

So, the strategy decision to do something is also a decision NOT to do something else. Strategy is about deciding what you WILL do as much as it is about what you will NOT do.

**4. The process of adaptation is driven by natural selection. Natural selection is enabled by bio-diversity, ongoing experimentation and built-in redundancy**

The manner in which organisations adapt to constantly changing conditions is much the same as life adapts to a changing environment.

Adaptation is enabled by natural selection - the process whereby one set of attributes proves more effective at coping with prevailing conditions than another. Essentially, this is achieved by having a broad diversity of opinions and capabilities - and then experimenting with these competing ideas and views.

Organisations that successfully adapt to changing customer needs do so by ongoing experimentation and an element of redundancy. This means that we might attempt several pathways to solving a new customer need before one eventually succeeds. We may even develop several alternative solutions that compete with each other until the optimum is found. In the same way as robust systems have several pathways to an outcomes, the living organisation has redundant capabilities to address the changing needs in its markets.

Importantly, this is achieved by a harnessing of diversity as well as ongoing experimentation.

## **5. Life does not survive in extreme conditions - and does not give rise to extreme conditions**

Clearly, organisations will not survive for an extended periods in extremely hostile environments. In most cases, they seek more inhabitable surrounds - ie markets that offer greater opportunity. However, unlike other forms of life, organisations do not always respond proactively by seeking other markets when they perceive conditions to be deteriorating. Instead, they often pursue excessive cost cutting and destroy the very fabric of the organisation - a type of “anorexia industrialosa”.

In addition to making life unbearable for their people (they then leave the organisation), this response only prolongs the agony and often results in a painful demise.

The living organisation will be constantly attuned to the changing conditions in the market and recognise the point at which it is no longer capable of supporting viable life. Because of diversity and ongoing experimentation (see 4 above), new opportunities are uncovered before the current market is exhausted, and the ongoing cycle of life can continue.

## **What does this mean for organisations?**

As the uncertainty and volatility in our markets intensify, we may be witnessing the end of the “machine” era - an era in which we attempted to design and lead our organisations as if they were machines in which we worked. In order to reap the benefits of adaptation to the new conditions, we could be looking to the model of “life” with which to create our organisations.

A model of “life” would guide us in:

1. Defining the overall purpose of the organisation in terms of meeting the needs of chosen customer groups
2. Designing and building the organisation around the specific needs and behaviours of the key customer groups
3. Positioning the organisation in a unique way by making some specific choices and trade-offs so as to achieve competitive advantage in a particular part of the market
4. Accommodating diversity, experimentation and redundancy in the way we lead the organisation
5. Proactively seeking out new market opportunities before the current market niche is “exhausted” and our unique positioning is eroded.

## **Questions for leaders**

Based on this analysis, we would urge leaders to ask the following questions of their own organisations:

- 1. Have you defined a higher purpose for your organisation - one that centres on adding value to your customers?**
- 2. Have you designed your organisation around the specific needs of your key customer groups? Do you have specific value propositions for each of these customer groups and segments?**
- 3. Is your organisation positioned in a way that produces competitive advantage in your key markets? Have you made the necessary trade-offs to make this positioning sustainable?**
- 4. Do you have the requisite diversity of opinion, capability and personnel in your leadership team and management? Do you encourage experimentation and allow for planned redundancy?**
- 5. Are you actively exploring new market opportunities while pursuing business as usual? Are you attuned to signs of market “exhaustion”?**

