



Social Companies part two

Back to the heart of the matter: recursion and the revival of meaning

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The Internet is changing the way we organize work. It is shifting the requirement for what we call the 'schedule push' and the hierarchical organization that it implies, and therefore it is removing the type of control that is conventionally used to match resources to tasks, and customer demand to supplies and services. Organizational hierarchies have become too expensive to sustain, and in many cases their style of coordination is simply no longer necessary. The cost complexity of the industrial complex starts to outweigh the benefits and the Internet is making it redundant.

I have had the pleasure to be one of the speakers at various BPM and ICT conferences. Therefore, some of you will know that I have spent some time on the idea that in society, politics and business, top-down management is being replaced by bottom-up, peer2peer-driven action and P2P quality review: the pat on the back from your peer, nothing is more motivating. The roughly 1 million Soho (sole traders) now operating in the Netherlands, are a reflection of this movement towards peer2peer network based operations in this personal age. Figure 1 describes this evolution (1) towards distributed teamworking, distributed power and the empowered citizen thereby also referring to my earlier contribution on social media (2).

One element I personally hope for is that this trend may lead from old 'thinking' to new thinking'. From lean&mean business focus, people being treated as 'nuts and bolts' in a mechanical systems approach, to lean&meaningful business, providing meaning to people, planet and profit.

My feeling is that whatever happens, there is a lot of leadership, transformational change and understanding what's really the need to build new and sustainable business. Not really understanding the change usually leads to doing nothing and waiting. That, waiting, would not be good a starting-point to build new earning power.

The question I would like to answer in this article concerns the specific requirements that current and future organizations and software packages must meet, in order to be robust in the light of this development from top down to bottom up shaped business operations. Figure 1 also contains elements as I have described in social companies, part 1, like corporations adopting the banking part for smaller operating companies around and belonging to the 'group' thereby combining the best of both worlds of continuity and flexibility. So, this article doesn't only analyze. It also reflects my hope, based on 35 years of working experience.

The Courts of Justice and the newspaper seem to obey this development. They also tend to shift towards the south east box of the figure 1. As citizens become more empowered or at least less disempowered, they seem to have more influence on justice being done (3). If that's ok, I don't know. It just is as it is. One may hope that the medieval lynching doesn't return as common social habit and that too much subjectivity will not occur. The newspaper is an example, I mention in figure 1 as it is at least partly being replaced by 'blogging' and 'civil journalism' and restricting its scope more and more to the own local geographical area.

What is the big difference in comparison to the present day? And, will there be a difference? (4) My opinion is that future organizations and business tools used, have to provide for meaning. The 'lean&mean' has to change into 'lean&meaningful' for all involved. The question is what architectural principle should be introduced and implemented to meaningfulness in the business realm. My claim is that, within a few years, a new set of human centred business (ICT) tools will occur that foster, or at least not spoil, 'meaningfulness' for all involved and that we will face the introduction of the 'chief meaning officer' as the successor of the chief learning officer who was, on his turn the successor of the chief operational officer.

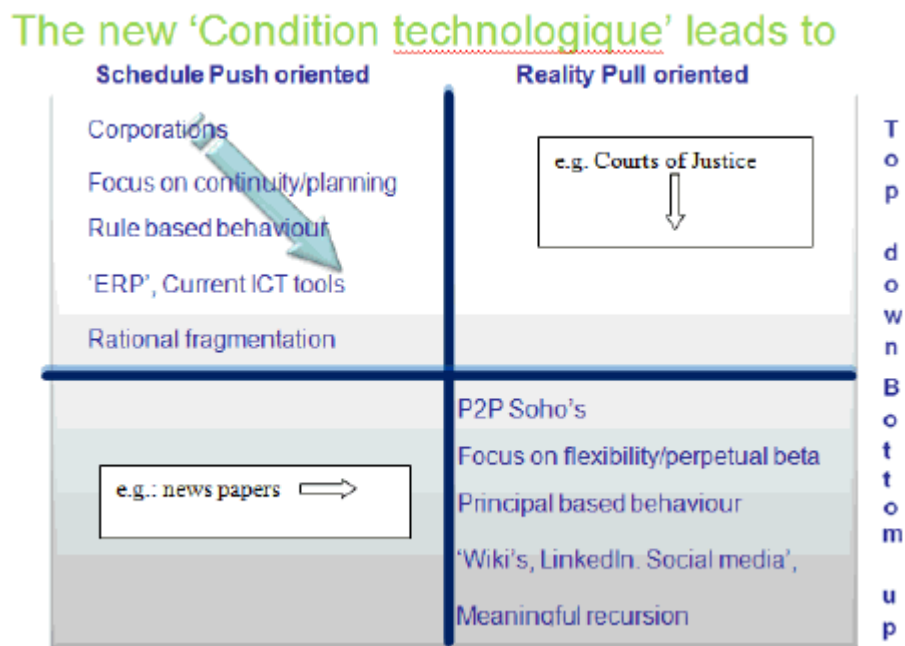


Figure 1: what's happening

The currently used software packages and organizational hierarchy based structures favour organizational fragmentation and are in drastic contrast with building businesses by building communities driven by self-organization. They mainly support the 'scientific management' ideologies stemming from the early 20th century. ERP applications like Peoplesoft, SAP, Oracle and others, showing synchronous communication properties, force employees into 'the right' job descriptions and 'right' company practices, 'this is the way it is', and put them into rigid company organization structures where only coded information is valid thereby ignoring the value of tacit knowledge and P2P networking (5). ERP approaches the optimal shaping of cooperation in explicit business processes as a rational calculation usually with the help of optimizing spreadsheets, lots of parameters and solidified in manageable organizational structures and formal job descriptions.

That may a good way of problem solving in the material, 'nuts and bolts' business like oil refinery or manufacturing cars but it may cause problems if applied to humans.

My opinion is that cooperation should not be perceived as the outcome of a rational computation but also as a decision of those involved to do so. E.g. If you look upon someone through the eyes of his or her job description you may easily see just 20% of his individual business potential as this description doesn't catch all the rest.

Business organization consultants and software designers should therefore pay more attention to human aspects of the organization structure and the software in order to create meaningful business. Organizations and software packages should allow for or even support this paradigm shift from top down schedule push management, defining cooperation as the outcome of a spreadsheet, to bottom-up reality pull community building where the willingness to cooperate roots in a personal decision.

I think that every software package or organization that, basically, reduce people to 'nuts and bolts' in a closed, mechanical systems approach, has no chance of surviving. In this type of workflow and non-human centered ERP packages, as they now fit together, work is fragmented and people are removed from the context of their work by compartmentalizing the work into various silo's, called departments, each separately managed and usually driven by short-term targets. That disconnects the soul from the work and makes real commitment to business goals impossible.

Fragmentation as an architectural principle works fine for business and for other activities where strong formal and legal requirements seem to be necessary as long as we do not trust the wisdom of the crowd, like in, for example, various formal compliance procedures like Sarbanes Oxley and certification procedures. But in other places it is a bad idea. People loose their sense of meaning and commitment, if they do not understand, and often haven't been told, their contribution in the total picture.

Where people loose sight on the context they are operating in, distrust emerges and this distrust puts controllers into power. Where a sense of significance disappears, distrust enters the scene and top down

management with a strong control attitude becomes a necessity.

In general, I feel the developments within organizations shouldn't differ too much from what seems to be happening in society and the political realm where the referendum, grass root democracy and the wisdom of the crowd becomes more and more popular in at least the European region. An organization that develops into an anachronism will not survive.

So again, what requirements would a future-proof organization and software package have to comply to? What is wise practise and what should be prevented? What could be done to postpone or at least reduce the feeling being separated from our selves in our jobs?

We need solutions that no longer lock us in our job descriptions and that make it impossible to see our contributions to the broader system. Separation from the sense of contributing to something bigger deprives us from having meaning, which is also probably not very healthy. ERP like fragmentation as an architectural solution principle leads to such 'nuts and bolts' approach and leads into the inhuman to quote Kierkegaard.

A requirement I introduce is 'recursion' as described e.g. in the famous 'Droste effect'(6). From anthropology we have learned that a social system is viable only if it satisfies the requirement that all its subsystems encompass basically the same functionalities as the whole. All essentially viable social systems are recursive. So let's adopt the consilience principle here and let's assume that organizations as social systems should obey the same requirement as stated by anthropology for viable social systems (7).

My opinion is that operating within a recursive system provides for context and meaning for each connected individual being a node in the network. We need human-centric systems, both organizational and ICT, that will make our entire competency set available to the group or the market of our choice.

LinkedIn is such a recursive example. Social media are. Usually this class of applications is a-synchronous in character. You define yourself within your own group. And that group may define itself in an even broader context with exactly the same template. ERP, on the other hand, is not recursive, Workflow Management systems are not, in principle, recursive either. If you know examples of this class of tools, please let me know!

The old thinking, based on Taylor, scientific management and the division of labour, defines and treats everyone as an element in a mechanical system leading to 'lean&mean' performance supported by ERP applications but depriving someone from meaning as he lacks context. Organizational structures based on recursion on the other hand, to put the new thinking that way, makes it possible to close the circle of (business) life for all involved and is much more a basis for engagement and meaningful jobs is my conviction.

The trend in the labour market towards organizing itself as a number of individual entrepreneurs, using 'communicational excellence' and finding their pals (your ability to pool, ally and link, is a core competence here) to do business together, even in a temporary setting, makes basically every colleague a recursive node in the network. Such an individual Soho runs a full company from marketing to collecting. But the group, of which the Soho is a part of, is also a company with the same functionality: networks are in principle recursive.

Of course, in society we cannot do without some 'right practices'. Each society needs top down structures in order to define what is legal and what is not, to keep record of ownership, land registry, municipal personal data records etc. And of course, in the material businesses there will occur a lot of 'right' and 'best' practices as well as they are the heart of the matter there. But where business values comes from human cooperation, I feel one should adopt shared and even next practices based on recursion.

In the same vein I feel, as a trend, that where we first looked at the Chief Operational Officer to improve our businesses, and where the attention is now on the Chief Learning Officer, in a few years from now attention will shift towards the 'Chief Meaning Officer'. His or her contribution will be directed whether communicational excellence is not being replaced by control excellence for short-term reasons. The quest for significance will drive many of us away from the big corporations with their rigid structures and will lead to finding meaning in value based networking.

Each tool and structure used in this future business environment should allow for P2P networking as well and should, therefore, be recursive in character. Figure 2 sets the stage. Right practices are driven by control excellence. Best practice by operational excellence. Shared practices are driven by core excellence: you exactly need to know what you are good at. Next practices are different in nature and are shaped by

communicational excellence.

To give you some data: In the Netherlands 65% of the companies run on 'command and control based right practices.

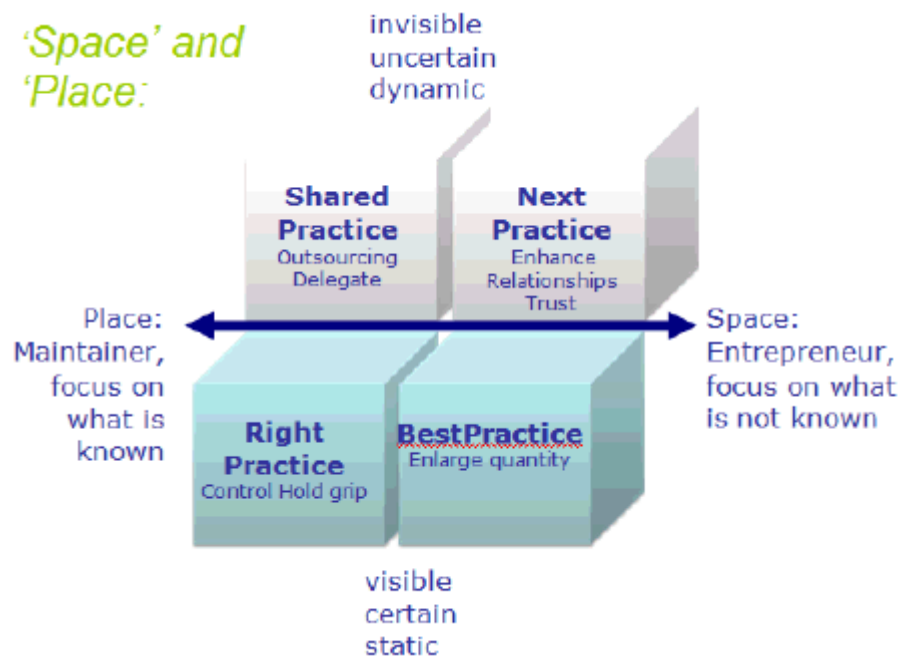


Figure 2: Space and Place

As pointed out in figure 2 we go from the non-recursive right practices and related control excellence to best practice approaches focused on operational excellence, to shared practices on the basis of core excellence. In a few years, we will embark on the recursive next practices based on communicational excellence providing for personal meaning for all connected, the 'ego system' being ruled by the chief meaning officer.

In my opinion non-recursive software developments and organizations, no matter how nice and cloudy we call them, have no chance, over time, because they do not give context and meaning to those who are using it. Software packages and network organizations that support recursion will not only provide for lean & mean but also for lean & meaningful business operations. This will shift our focus from survival of the fittest to survival of the most cooperative.

Much more fun. From 'old school' separation to meaningful connection. From rational control to cooperative engagement. Probably much more money to earn there. Are you 'in'? Comments invited.

Frans van der Reep is a visionary practitioner – known as researcher, trendwatcher, writer, regular speaker, and entrepreneur. He is Professor at the Dutch Inholland University, Senior Strategist at Getronics, a Royal KPN company and holds a number of non-executive board memberships both in the non-profit and profit sector. He has written many papers and a number of books on how the Internet impacts our lives and work thereby connecting the various business realms of Strategy, Marketing & Sales, HRM, Finance, Business Process Management and ICT.

1. E.g. <http://www.youtube.com/watch?v=4YCqHQUMYWs>, London, may 15th 2009. For figure 1, see F vd Reep, Vuistregels voor succesvol innoveren, (in) Overheid Innovatief, nr 6, 2005, page 33.
2. <http://managementsite.com/511/Social-Companies.aspx>
3. E.g. Clay Shirky, Here comes everybody, Revolution doesn't happen when society adopts new technology, it happens when society adopts new behaviors, New York, 2008. In the Netherlands e.g. Peter R. de Vries is an example of this development.
4. Part one on social companies may be found on <http://managementsite.com/511/Social-Companies.aspx>
5. <http://www.inholland.nl/NR/rdonlyres/6C17C1F7-DE1D-4996-9015-1276FF083C24/0/ITManagementSelectwinter20092010FvdR.pdf> -

<http://www.inholland.nl/NR/rdonlyres/15533E4E-DB16-4D3C-937E-FFB667B8175A/0/EuropeanRetailDigestOxfordUniversityjuli2006.pdf>

6. <http://en.wikipedia.org/wiki/Recursion>
7. <http://en.wikipedia.org/wiki/Consilience>