

Designing The Void - A Manifesto for Self-Managed Work

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0. Introduction: Every Employee an Entrepreneur

What does the future of work look like? This piece case-studies Matt Black Systems, a small manufacturing business in Poole (England), and suggests that a radical shift is, or at least could be, underway from 'management-led' command-and-control organizations to a new form of association of individuals working together under the umbrella of a company structure: a kind of collective autonomy.¹

The problems of the traditional over-managed business is addressed in the **first** section, which is entitled **Beyond Command and Control**; indeed it is this problem (of unnecessarily high overheads placed on production) that arguably is behind the decline in western manufacturing.²

The **second** Section is entitled **Autonomy Enables Productivity** and gives a broad brushstroke sketch of a solution that has been devised by Matt Black Systems over the past 10 years of radical experimentation and innovation.

The **third** Section, **The Great Transformation**, offers a more detailed description of some of the salient features and results of self-managed work as evidenced in the Matt Black Systems experience.

Then the **fourth** Section, **The Bigger Picture**, looks behind the organization of the work to make explicit what kind of thoughts underpin this way of working. While organizational *design* brings to light the unconscious socio-philosophical paradigm of the society in which it exists, organizational *development* points to how change occurs. This innovative company's approach views business success as wholly reliant upon human **agency**, and its wellspring at the individual level. Whilst not directly measureable or externally manageable, creative human agency can be fostered through a suitably designed environment.

The final Section, **The 21st Century Company** makes mention of other companies that have taken a similar path and highlights what makes the Matt Black Systems model unique.

1. Beyond Command and Control

The Limits of Reductionism

The philosophy of Taylorism or 'scientific management' still dominates the modern workplace: managers devise, introduce and monitor rational standardized processes which workers then carry out. Goals are set at the board level and passed down through tiers of management to the front-line staff who carry out the productive transformations to meet the needs of the customer. In the pursuit of *conformity*, compliance is maintained by audit and supervision, and also may be embedded within software. There is very limited scope for any kind of self-determination for the front-line staff. Companies are likely to be functionally divided into departments that take on separate tasks such as finance, human resources, sales etc. Individual staff may only ever see a fraction of the whole process that ultimately serves the needs of the customer. To summarise, scientific management employs rationalism and determinism in pursuit of efficiency, but leaves no place for self-determination for most people within the system.

Business as Work Mechanism or Social Institution?

On the one hand, this type of approach is seen as the very pinnacle of efficiency - wherein every operation is pre-meditated and determined according to a unified operating model based on rational scientific management. On the other hand, essentially it represents a mechanistic approach to organization, as if one was dealing with a mechanism - demoting individual members of the organisation to mere cogs in a machine: one thinks of Charlie Chaplin's character in his 1936 film **Modern Times** which portrays a person struggling to survive in a world dominated by the tyranny of efficiency in industrialized work. Yet today, a really "modern" view of an organization is more likely to be depicted in terms that are akin to an organism. It is people that make up an organization, people who have a natural propensity in favour of their own agendas, their own ideas and the pursuit of their own development, whether in terms of new technical skills or personal capacities. The mechanistic model of process-flow may work for lifeless machines but neither the messiness of reality nor the human psyche is so predictably tractable. An individual's 'personal agenda' cannot be wiped clean and neatly replaced at the office door with the company "vision and values", no matter how many carrots and sticks are deployed to achieve this end. The variance to the corporate plan, which derives from 'messy individualism' quickly becomes unmanageable. When it comes to getting work done, the simple question is: are people the problem or the solution?

Top-Down=Top-Heavy (and Squashed at the Bottom!)

The vaunted efficiency of the Taylorist approach may be more real in *theory* than in practice: its instrumentalist view of the workforce is cursed by unintended consequences. When workers have no space for their own creative expression, when they are treated like automata not unique individuals, when they become demotivated and surly, when they treat their work as a necessary evil; this is no recipe for a

functional organization. Indeed when scientific management itself becomes caught up in its own processes the result is a lot of tail chasing. In *theory* everybody can be instructed and constrained whilst their performance is assessed and monitored, in return for a paycheck; in practice a command economy of this kind does not look that different from the voluntary slavery of '**wagery**'. The natural, human reaction to this is unionization, defiance and even outright rebellion; to counter this, management grows larger and more rigid in pursuit of compliance, organizations become top heavy with staff who do not contribute directly to the process of value creation but wield power over those who do. In this broken system, the problem of over management is addressed by an unending cycle of more management, and with each cycle productivity languishes and costs escalate.

We need a solution that will help us break out of this cycle.

2. Autonomy Enables Productivity

Between Theory and Practice

So what form would a solution take? What would a 21st century company look like? It should be acknowledged that recognition of the phenomenon described above is neither new nor unique. It has been a persistent issue across the decades. Consultants and business gurus have long wrestled with these problems and advocated different approaches, but real change has been thin on the ground. Even when disgruntled employees strike free and start their own businesses they seem unable to resist the hegemony of the conventional command-and-control approach. It is one thing to celebrate replacing the traditional hierarchical company structure with an empowering flat-management structure, but quite another to implement it. Making the transition involves adherence to a whole new sociology of work with all the challenging social and psychological implications that brings. One cannot after all be half-married; most organizations are structurally and psychologically wed to a deterministic, command-and-control approach. Where are the alternative examples?

People are the Solution ... and Management is the Problem!

Julian Wilson and his business partner Andrew Holm demonstrate that there is a radical alternative approach. They have pioneered it in a real business and addressed its practical barriers. It is radical, but it is a real alternative and has been proven to deliver success. They start with an overriding first principal that ***people*** in the business have the ability to provide the solution - there is no other source for a solution. Using one group of people (management) to get another (front-line staff) to follow process seems a rather shortsighted approach. In the “theory of constraints” *the goal* is to align front-line staff into a neat, compact line for maximum efficiency. Surely the most considered approach is to have front-line staff self-align in pursuit of their individual goals? This is the basis of the Matt Black Systems perspective.

An Overview

Jobs that add value directly (for example a production activity) are retained. Management, administration and ‘leadership’ jobs, previously assumed to be essential both to maintaining operations and achieving success, are culled. The removal of hierarchy and specialization is key to a massive improvement in both profitability and productivity. In summary: there are no managers in the company, or foremen, or sales staff, or finance departments; the company is not functionally compartmentalized and there is no hierarchy of command. In fact every member of staff operates as a virtual micro-business with their own Profit & Loss account and Balance Sheet, they manage their own work and see processes through from end to end. The previously mentioned production activity role is expanded in both depth and breadth to include all support, logistical and administrative functions as well as all the related production steps, even embracing design and sales. Formal interaction between colleagues takes place via “customer and supplier” relationships. This patchwork of equal and individual “nodes” in a system is made both powerful and robust by their complex connectivity through the

means of social, formal and IT networks. These multi-skilled individuals are seldom available in the general population and thus have all been nurtured from within the organization. Holm notes “it is surprising to see the organization’s portfolio of products extend into both more simple *commoditized* products (taking advantage of the systems very low costs) as well as high value, high complexity products (taking advantage of super-functional ad-hoc team collaboration).”

Encouraging Human Behaviour

Their philosophy, in brief, is that *autonomy* enables productivity. The logic is appealing: if one creates a space in which staff pursue their own goals and are not paid by the hour, they will focus on their activities not the clock; if they are not told what to do, they will need to develop their own initiative; if they are free to develop their own processes, they will discover through their own creative faculties how to work more productively in pursuit of their goals. The individual brings something to bear on the difficulties they face, something that is routinely withheld in response to the conventional command-and-control systems. The special ingredient is something acutely personal and uniquely human. At Matt Black Systems they summarize this ingredient as “magic”, but as engineers they are very specific about both its value and its attributes. The human qualities which are of greatest potential value to the business are: **curiosity, imagination, creativity, cooperation, self-discipline and realization** (bringing ideas to reality). Whilst these qualities are not directly measurable they can be detected in the influence they have on the measures of success. These qualities are the very ones most likely to be withheld by an individual when the environment is ‘wrong’. The irony is that these are natural human traits! These are normal, perhaps even essential expression of a healthy human psyche.

The Barriers to Natural Behaviour

Any elements in the business environment that undermine the autonomy and purpose of the individual will see the above qualities withheld, such elements must be single-mindedly tracked down and removed. High on the list of undermining elements come **power-hierarchy** and **over-specialization**. These elements are traditionally used to break up corporate/contractual responsibility into chunks to be distributed across the organization- however they often result in the corporate/contractual responsibility being left fatally wounded by the ‘siloes’ divisions. Thereby the responsibility of the individual is formalized, specified and restricted. An improved system is not one where responsibility is distributed perfectly but rather one where there is simply no opportunity for responsibility to be lost (via the divisions between the chunks). Systems must be reorganized so responsibility -the most essential of qualities -is protected and wholly preserved. Matt Black Systems believe this can only be done by containing the whole responsibility within an individual, holding them both responsible and giving them ‘response-ability’ as it is sometimes known. Individuals can rediscover and proclaim their own response-ability when they work in a suitably crafted environment.

3. The Great Transformation

Proof in the Numbers

Sounds too good to be true? Flies in the face of management philosophy? Fine in theory but wouldn't work in practice? The experience of Matt Black Systems demonstrates that radical change is possible, that command-and-control line management is not a synonym for leanness and efficiency and that yes, the human spirit needs the space to breathe - the space to express natural, healthy behaviors. For those who need more convincing, the hard numbers tell their own story; since the process began of rescuing a failing family firm the following has been achieved: productivity is up 300%, the profit margin is up 10%³, customer perception has shifted from poor to outstanding, product returns are at less than 1%, "on time and in full" delivery is greater than 96%, pay has increased 100%.

Character or Charisma?

Nor are the soft results to be dismissed either: by becoming masters of their own destiny, staff develop broader and deeper skills and feel greater job security; they get direct feedback from their customers which all go to fuel self-confidence and self-esteem. By learning from their poor decisions they must develop the capacity to strike a balance in the midst of conflicting demands. Dramatic corporate turnarounds are often ascribed to charismatic leadership, but in the case of Matt Black Systems you will hardly see the director-owners on site; they don't need to be there: the staff manage themselves. Nor is it the case that behind the company there is an overt culture that staff must adopt - difference and individualism find favorable soil when people are given rein to be themselves. This combination of individual approaches is a further cornerstone of the Matt Black Systems robust model; the variety in approach provides an arsenal of responses to contend with the variety of perturbations that confronts it. As **Ashby's Law of Requisite Variety** states: "only variety can absorb variety".

Designing the Void

What is particular about their story is that behind it is a very consciously crafted design that surrounds the individualism of each person with hard boundaries of the customer, the law and the business. It is these boundaries rather than the instructive persona of 'the boss' that gives rise to the discipline in which individuals can develop. Autonomy is not the same as *freedom*, at least not in the loose sense of 'do as you please'. An autonomous person is a person who has become *self-governing*, who has developed a capacity for *self-regulation*, quite a different notion from the absence of boundaries. Indeed, it is with establishing the right boundaries that the business philosophy is most concerned. The company provides the crucible in which the individual can develop self-expression but the container itself is bounded. Wilson calls this "designing the void". This crucible is carefully constructed from an all-encompassing, interconnecting set of boundaries that provide an ultimate limit to behaviours (where they would fall foul of the law or take risks with catastrophic potential). It is an illusion to think, as a director of a company, that you are not engaged in a process of social conditioning; the basis of

the culture is both your responsibility and the result of your influence. The trick is to know what needs to be defined and what needs to be left open. The traditional authoritarian, controlling characters that often dominate business are the antithesis of this in their drive to fill this void with process, persona and instruction. Alternatively, creating an environment that fosters enterprise, individuals discover how to be enterprising. Design however is paramount, while autonomy can enable productivity, this is not to suggest that it will inevitably do so. Julian Wilson asserts that he is often quizzed about the Matt Black Systems design to offer instructions, interventions and procedures that could be transferred to a failing organization, but this is to miss the point. The system is not made up of artifacts but rather an elegantly designed void. He says "I prefer to use the analogy of rescuing an endangered species from extinction, rather than engaging in an invasive breeding program the focus should be on the habitat that supports the species. Careful crafting of the habitat by identifying the influential factors; removing those that are detrimental, together with reinforcing those that are encouraging, the species will naturally re-establish itself. Crafting the habitat is what I mean by designing the void."

Responsible Autonomy

It is essential that autonomy is combined with responsibility. Far from being responsible for one aspect of the work only, staff typically manage the whole work process from making sales, manufacture, accounts, to dispatch. Responsibility is therefore difficult to avoid. Not only this, but they are also responsible for managing their own capitalization; a form of virtual ownership develops. Everything they need for their work, from office furniture to high-end machinery will appear on their individual balance sheet; or it will need to be bought in from somewhere else in the company on a pay-as-you go or lease basis. All aspects of the capital deployed in their activities must be accounted for and are therefore treated with the respect one accords one's own property.

The Say-Do-Prove System.

The result is not simply a disparate set of individuals doing their own thing under the same roof. Together they benefit from an economy of scale as well as their combined resources to tackle large projects; they are an interconnected whole. They have in common a *brand*, which they jointly represent, and also a business management system (the **Say-Do-Prove** system) - consisting not only of system-wide boundaries but also proprietary business management software which helps each take care of the back-end accounting and administrative processing. The effect is a balance between freedom and constraint, individualism and social process.

Leadership and Culture

Leadership and culture are the current focus of much of management *best practice*. But while a leader gains influence by setting standards and crafting a persuasive message, just how effective is that kind of influence on the front-line? After all, rules can be laid down to determine behaviour, but they can also be broken ... and frequently are, in very ingenious ways. It is fashionable to talk about the primary role of the leader as the

shaper of culture. The assumption goes; with the right **rules** and **message** the culture will capture the **hearts** and **minds** of the workforce and they will automatically **do the right thing**. But culture is a much more personal phenomenon, it is naïve to believe it is subject to such simple and direct influence. Certainly people are reactive and adaptive and will explicitly convey the impression that the message from leadership has been loyally embodied. But the truth is more subtle. The situation is analogous to teaching a parrot to “talk”; when the parrot says “who’s a pretty boy” it is not embodied “language” that is occurring- the parrot is not making a considered expression of its inner conscious landscape; there is no embodiment of meaning. The parrot is simply repeating a noise because it is rewarded to do so.

The Nuances of Culture.

Culture must be understood in a more sophisticated way. Culture is like climate- it does not exist in and of itself- it cannot exist in a vacuum, it must exist within a medium. Culture is to be found in the interaction between people and with their environment- it is always within this context. **Rules** and **message** are the conventional tools used to shape culture, they rely on the over simplified premise that constantly repeating a mantra and controlling behavior via explicit rules will embody new cultural norms. Unfortunately the result of this naïve approach is to overlay a culture with further complexity in both language and behavior; it simply conditions new responses- parrot fashion. These visible changes can be considered a *vener* that obscures the true nature of the underlying culture. It is an illusion that leaves the presenting culture fragile and fickle; subject to sudden U-turns and dislocations. Incompatibility between the *presenting culture* and the underlying one provide a great source of tension. A single incident or series of trivial incidents makes the presenting culture appear to undergo dramatic sudden change. The truth of course is that when tension builds to a critical level it takes just a small perturbation to *burst the bubble* and the hidden culture reveals itself powered by the considerable pent-up energy.

Social Design

For Julian Wilson this is unapologetic social design- even if indirect. Consider again the idea that for the health of an endangered species; the conditions in their habitat must be just right. In business, the work environment can be considered analogous to this idea of habitat. This perspective contrasts with the command-and-control environment employed by conventional business to shape the behaviour of their staff. Specifically, it is the design of an effective and nurturing work **environment** that provides the canvas on which the culture is writ large. A healthy environment is one that provides a blank canvas; it should be invisible in that it allows culture to be expressed without taint. The culture is fully revealed on this inert canvas, for good or bad. In common with an artist’s canvas, the work environment must be reduced to its most simple objective form- subjectivity being kept as far as possible outside the system and in the realm of reality. This sort of business redesign peels away the trappings of the dysfunctional corporate environment, letting in the fresh air of reality, applying it in direct ways to the individuals within the organization. The over-arching, high-level obligations are applied to the organization via contractual and legal terms.

But it is these obligations that the traditional corporate model separates out into functions and then parcels off to distinct groups. The effect is that a clear sight of these 'higher' obligations by the people at the front-end is obstructed. The overall sense of responsibility is not transmitted but gets lost in the distortions, discontinuities and contradictions inherent in the corporate systems of hierarchy and functionalization. Most business books do little more than attempt to provide tools for the transmission of the various separate aspects of these high level obligations. The task for the individual director is then to ensure he has ALL his obligations translated and that his tools neither overlap, leave gaps, or conflict with each other. But doesn't it make more sense for every member of staff to be faced directly with such a holistic responsibility?

Some Matt Black Examples

This is a good opportunity to provide some specific working examples. Matt Black Systems designs and manufactures aerospace products for their paying customers. In pursuit of a simple effective environment and to remove a particular traditional corporate constraint, employees are individually rewarded for their contribution to each product. They are not "compensated" for the hours spent at work. If an employee wants to calculate their hourly rate, then they are free to do so however, they are only rewarded for the outcome not the duration of their endeavors.

Another simplification is the application of virtual accounts (Profit and Loss (P&L) account and Balance Sheet) on each person within the business. The *value* each person adds and the *costs* associated with them are balanced against the capital they employ in their endeavors. It is left to each individual to strike the elusive compromise between quality, delivery and price that is demanded by their customer. The company systems simply provide a mechanism for cheaply measuring the success of each individual's choices. For **quality** the measure is *customer returns*, for **delivery** it is an *on-time-and-in-full* metric and **profit** is expressed in terms of both *pounds sterling* and *ROI* (return on investment).

Consider the effect when these aspects of the business management system "canvas" become invisibly embedded in the behaviour of each employee. The business management system itself drops out of sight and employees can become focused on their activities and the resulting income, on what innovations might be needed or compromises made. Their sight can ascend to the top-level measures, things that matter. Now contrast this with the in-your-face measures that are commonly employed such as like clock cards, time sheets, supervisors and managers.

These examples from Matt Black Systems, though only constituting a small portion of the interconnecting boundaries of the void, portray the degree to which some conventions have been overturned to rationalize an otherwise inherently dysfunctional system. Generally, if the environment is designed carefully (systemic design) then it will elicit a culture that is constrained primarily by objective and subjective reality. In the examples above, *delivery* represents an objective reality whereas *quality* will include subjective aspects such as aesthetics.

Bounding not Binding

A culture constrained by such a crafted environment has proven itself to be far stronger and more robust in its tolerance of large perturbations. The innumerable direct links back to an external reality -like the fragile ties that bound giant Gulliver, seem much more effective at aligning the *presenting culture* and the underlying *embodied culture*, and in doing so work to remove the existing tension. Those aspects of their embodied culture (vision and values) that are at odds with reality must be directly confronted by the individual otherwise they become explicit obstacles to success. Returning to the habitat analogy- a healthy habitat results in healthy animals within; and healthy animals are far more resilient in the face of perturbations.

With a culture that responds directly to reality, the rules in the environment can be “bounding” rather than “binding”- limiting rather than instructive; this way individual behavior need not be directed at all. The goal is to free the individual to express himself fully through his work, bounded only by the limits of the law. With clever feedback (self-referencing feedback loops) integrated into the design, the individuals can themselves grow to collectively take charge of the system boundaries, culture and even the environment itself, always minded of the inherent risks they are balancing, leaving the law of the land as the sole artificial boundary.

If one wants to put it unkindly, this is an unapologetic process of social engineering but arguably no more so than the conventional company, which, instead of rewarding *enterprise*, trains *compliance* by suppressing individual initiative under layer upon layer of translation tools.

Associative Behaviour

Put more positively: when one realizes that a business is primarily a *social institution* one can apply new perspectives. One might imagine that the primary focus of attention on the individual at Matt Black Systems is akin to a “divide and conquer” policy. However they are at pains to point out that their system is designed only to apply **accountability** to the individual not *command-and-control*. They maintain that without the divisive and overbearing management cabal the natural reaction of humans is to **combine** their efforts - we are after all a social species. Companies that put effort into promoting *teamwork* inadvertently reveal just how little natural, healthy human behavior is expressed within their culture. They are also usually companies where IT constrains and controls every activity through pre-determined process.

New to the Business?

Imagine you are a new member of staff at Matt Black Systems. You will already know from the interview process that you are not going into a conventional job. To start with you will have been recruited by another staff member (sponsor) and they will help you learn the basics of the business management system- they will help you *get to know the ropes*.

You will be given a commercial operation, such as the manufacture of a particular component, by your sponsor who will have reached the point of maximum capacity and

cannot maintain the whole of their workload. In this way jobs are passed to new staff members, a *royalty* payment can be established on the work passed over. The job you are initially given will produce a margin but provide only a modest return. Along with that job you will be given a cash float (risk capital), P&L Account, a Balance Sheet and computer software to help plan and record your activities. Your operation is monitored by your sponsor to see if you increase the margin or volume, and so establish a sustainable operation. Training and mentoring is provided to support the steep learning curve - but without removing the responsibility of producing a return on the sponsor's risk capital.

If you establish the skills to create a sustainable operation that generates a profit beyond subsistence, some of the profit will provide you with a bonus to supplement your income, yet more profit is recycled back to you as additional risk capital so that you can finance investment ideas and increase your income. You will, in the meantime be looking to establish some of your own work for which you will not have to pay a commission or royalty to your sponsor and this will provide you with more profitable operations such that eventually you might pass back to the sponsor the original operation, as it has become your lowest margin activity. It will then find its way to a new employee (along with the associated Balance Sheet risk capital) where the process is repeated by the sponsor.⁴

Remuneration

Remuneration for staff is calibrated in a way that reflects the balance of different forces around 'pay'. For example, the link between remuneration and the Profit & Loss Account is a basic constraint (the more profitable the operation the higher the pay) but the actual pay figure is not absolutely determined from this; for one thing there is an obligation upon the company to pay a *minimum wage* even if the profitability of the operation does not support this. At the other end of this spectrum, if profits are taken out in full as wages there would not be a cushion of working capital for times when margins are lower or losses are made. For this reason, there are therefore two aspects of the basic pay structure: one is "absolute" and reflects the entrepreneurial skill level of the employee according to a sophisticated grading scale (in most part this is self-determined and has to be supported by evidence). This absolute factor creates an income limit, which determines how much basic pay an employee can justify on his operation. For example, if this limit is £40,000pa and the margin of his work does not support it then he can only claim a lower basic pay that reflects his actual margin. If however there is enough margin to provide for both income and a minimum *buffer* profit then he will award himself the maximum £40,000 basic PLUS a second bonus portion of the remuneration. The bonus is calculated as 20% of the profit, thus on a monthly profit of £10,000 the bonus would be £2,000 in addition to the basic £3,333 (£40,000pa basic) providing a total monthly pay of £5,333. A further 20% of the original profit will be paid into his *risk capital* account, which will be his responsibility to deploy in any way he sees fit as part of his Balance Sheet. Of the three remaining 20% slices of the original profit, one is paid out as corporation tax, another as a dividend to the shareholders and the last retained as collective risk capital on the company's balance sheet- a war chest so to speak.

Positive Results

Following the implementation of these changes, staff levels fell while productivity increased (300%) and it was only then that a capacity ceiling was reached, giving rise to the need for recruitment. Because Julian Wilson and Andrew Holm sell products / services to their staff (such as office space and software) they have an identical customer/supplier relationship with the other employees. In addition to the productivity increase, the working capital and space occupied by the business was reduced by 50%. Whilst these were goals of the project, the scale of the former productivity increase was unexpected and distorted the balance of the original model requiring both a re-examination of the original assumptions and a modification of the model.

Failure Happens

Naturally there are some people that can't generate a profit. The sponsor's risk capital will eventually be consumed through pay. After a process of *rescue and recovery*- where their shortcomings are identified and they are given the opportunity to put them right, they either improve or leave, albeit with a sizeable increase in their skills. Most people have been observed to be capable of being both multi-skilled and profitable. Successful people bring a level of ingenuity to their work that completely re-writes the previous standards of productivity - thus as they approach maximum "capacity" they innovate new ways of increasing productivity from which they gain in both real and intangible ways.

4. The Bigger Picture

The Learning Curve

The void offers an unusual form of guidance because new staff appreciate that any change is going to be self-instigated and they are responsible for their success; a bit like the feeling of sitting in front of a blank sheet of paper with only a paint box and your ideas. It can provide a daunting feeling of freedom but the responsibility is not so unbounded as to be paralyzing. Additionally, there is also a more direct form of guidance, in contrast to *self-employment* there is a gradual process of accustomisation; the void of the new employee is surrounded by others dealing with their particular activities, offering both role models and operations they may wish to relinquish. One step at a time the new employee acquires the skills to become completely self-managing, to increase their margins, to make investments, to find new business, to become a creator of their own success. Ultimately, they learn to be an entrepreneur.

Human Agency through Responsible Autonomy

Julian Wilson and Andrew Holm make reference to *responsible autonomy* as an alternative vision to traditional hierarchy. Sociologist Andrew Friedman contrasts responsible autonomy with direct control, the former allows employees more discretion and greater variety in their work hence eliciting *commitment*; the latter involves closely supervising the work of employees, who are allowed to undertake only a narrow range of tasks using methods suggested by scientific management. However at Matt Black Systems it is not simply *commitment* that they targeted in their employees, rather they aim for the specific human qualities they sum up as *magic*- those of curiosity, imagination, creativity, cooperation, self-discipline and realization (bringing ideas to reality).

This magic appears when a person, by fulfilling their own individual purpose, begins to flourish, to express himself, to grow. It is then that these qualities find free rein. To put this term *magic* within a philosophical and sociological context, it can be considered synonymous with the term **human agency**: *the ability of social actors to make independent choice and impose those choices on the world in achieving their objectives*. We shall restrict ourselves to the more informal term *magic* to encompass these ideas.

Responsible autonomy is more likely to enlist this magic from employees, but does not guarantee compliance with management wishes; in contrast direct control is more likely to ensure compliance, but does not create or encourage this magic from employees. In this sense traditional business management is grounded in a social philosophy, more often implicit than explicit. The way one decides to do things will be influenced by one's paradigmatic orientation as well as personality type. In his book, *The Three Ways of Getting Things Done*, Gerard Fairtlough⁵ describes hierarchy, heterarchy and responsible autonomy as the three approaches to collaboration, pointing out that whilst hierarchy is the predominant form, and there are a few practical examples of heterarchy, responsible autonomy by contrast remains a *theoretical* approach.

Motivation and Purpose

Traditional management theories depend on the idea that employees are aligned both explicitly and implicitly behind the company plans and goals (either by incentives or controls) such that staff are expected to derive both their behaviour and motivation for the tasks set down for them in pursuit of the greater common goals. But how realistic is this in terms of what we know about the human being? Should we, even if we could, set aside our own sense of purpose in order to adopt one that is given to us from outside? Julian Wilson and Andrew Holm are skeptical about whether this is realistic in the long term: motivation is derived from our *motives*, these being entirely personal. Why not explore and strengthen personal purpose instead in order to identify common ground and shared motives? After all, growth in pursuit of our inner drive is a natural behavior for human beings to express. It is a bit more than just any old growth, rather, a particular path of growth, the direction of which resonates with our inner purpose, resonates with who we are, something that we may not even be able to articulate but is something that both motivates and fulfills us.

Autonomy Mastery and Purpose

Julian Wilson cites⁶ Dan Pink's work on motivation that reveals that for all but the most rudimentary of tasks, **autonomy**, **mastery** and **purpose** have the greatest influence upon both personal satisfaction and performance. He also draws on the educational thinking of Ken Robinson who says that to be successful in the traditional educational model may require you to "marginalize the things that you think are most important about yourself". In many ways this describes the nature of the division-of-labour practiced in the conventional workplace. The result is that an employee experiences a motivational desert within his cell of the industrial workhouse. By contrast, through their experience at Matt Black Systems, Wilson and Holm have identified the traits of a motivated worker. The six pillars of the magic, as they see it, are expressed in curiosity, imagination, creativity, cooperation, self-discipline and realization. Striving to balance these traits⁷ is a healthy and powerful approach for the individual rather than the conventional one-sided focus on limited strengths leading to an unhealthy over-specialization with its inherent weaknesses.

The (re)Integration of Labour

At this point many will say... "hold on a moment - this is contrary to the *division-of-labour*, a tried and tested concept that has been around since Adam Smith, some 230 years". It's not that Julian Wilson and Andrew Holm suggest removing the division of labour, but rather toning down its current extreme application. After 230 years, it has become over applied. They believe there is an optimum division that has been exceeded and that some integration of roles now produces a significant benefit. There is some academic justification for this position; the work of *Bernard Lievegoed* (1969) identifies three phases of organizational evolution, these being the *pioneering phase*, *differentiation phase*, and *integration phase*. Each phase ends as its mechanisms are over-applied and become dysfunctional and for which new solutions are searched. The differentiation phase can be described as the application of the division-of-labour,

whilst the integration phase is something much less divided, more holistic; something akin to the example of Matt Black Systems perhaps?

The Limits of Differentiation

Lievegoed suggested that the differentiation phase (“division-of-labour” and “command-and-control management”) is characterized by standardized products and processes leading to the systemization of the entire operation. Hierarchical structures are separated into functions and departments, competences, tasks, policies and procedures. These are rationally documented and can be seen explicitly in job descriptions, formulas, hierarchical organizational charts, rules, regulations, planning and budgeting. The typical crisis symptoms are: inflexibility, the inability to handle rapid changes within the system's environment, coordination problems and problems of the internal vertical communication (paths are too long). The requirements of the organization are not made explicit to the front-line from the top and, vice versa, market information is poorly passed to the top from the front-line. The command-and-control formula becomes highly dysfunctional without accurate information. Further, the intersections of processes do not match and nobody within the organization feels responsible; decreasing motivation is closely linked with the specialized and formalized work. A decreasing knowledge of the interconnectivity of the system fosters a loss of meaning of the work and promotes dysfunctional (unethical) behavior due to fixed and predefined targets.

Work as Self-Development

In the integration phase the entrepreneurial qualities of the first phase (pioneering) are applied by everyone, in all places within the organization. Through emergent structures and systems the organization becomes horizontally focused, functionally integrated with employees facing either internal or external customers. All aspects of the operation become transparent allowing individuals to make intelligent decisions and strike compromise in the moment. People find fulfillment within their jobs as they exercise self-initiative and self-control in pursuit of both their personal motives and customer-orientated goals, they become the steering organs of the business. They are responsible for the application of the organizations resources and share in the benefits that result. They are both autonomous and responsible. Wilson and Holm believe that their approach demonstrates a practical working model for the 21st century organization as our economy demands the benefits associated with the transition the into the integration phase.

5. The 21st Century Company

A New Zeitgeist?

There are other examples of business owners deciding to relinquish the *command-and-control* model of management. Semco in Brazil is often cited and W.L. Gore and Associates have developed the concept of a 'lattice' organization based around the idea of associates working in multidisciplinary teams. Mondragon in Spain has shown the potential of worker co-operatives and more recently Felix Leuschner of Stylistpick.com stated "We really want to empower people and give them independence, so we give people a lot of responsibility and the opportunity to drive and own projects. I support them, but how they get there is their own responsibility."

Is this the new Zeitgeist? The examples above more accurately reflect **Fairtlough's** *heterarchical* form where multiple rule is dominant, wherein there exists a balance of powers. Matt Black Systems, by contrast, embodies Fairtlough's definition of *responsible autonomy* in which individual choice and accountability is the dominant structure. It is interesting as an example of how a company structure can be creatively extended and developed to incorporate new forms of working that strike the balance between freedom and accountability. By relating the constraints to the nuts and bolts of business decision making in the Balance Sheet and P&L account, Wilson and Holm have identified exactly the instrument that employees need to monitor (but not determine) their own 'performance'.

It's hard to imagine how else employees can become self-determined or autonomously responsible other than by having an accurate mirror (financial statements) in which personal individual decisions and their consequences are reflected.

Of Human Design

Matt Black Systems offers a convincing vision of an industrial conglomerate of individuals operating within a company structure that marries elements of independence and interdependence. The numbers are impressive, and it must be acknowledged that 'bottom line' logic can be attention grabbing. But perhaps what is more interesting, and may ultimately determine whether this way of working can establish a foothold in the corporate culture of the day, is the 'top line' idea of the "responsible and autonomous individual". It is one's image of the human being, no less than one's vision of how business works, which conditions how one sees an organization. What gets less attention is the extent to which a **business is a reflection of its design**. Could a change in design change the way people function within it? Is what Julian Wilson and Andrew Holm have achieved at Matt Black Systems a bizarre one-off or part of an evolutionary shift in the way we get things done? I suspect that only time will tell.

¹ In this new arrangement, workers practice autonomy in pursuit of their commercial goals within the boundaries of the law.

² Pressures in the highly competitive manufacturing sector continue to rise and form a deadly pincer movement of falling demand and increasing costs, this means that many suppliers face a very uncertain future.

The drive for lower costs and a technical edge are vital for survival, and the biggest burden of the cost cutting has targeted unit labour cost. The real income of manufacturing workers has remained stagnant whilst their costs have increased, leading to a loss of their disposable incomes. This is not only unsustainable but will neither encourage a technical edge nor promote demand.

³ Expressed in terms of the Boston matrix, the business was transitioning from the cash cow phase to dog. We were entering into the failure phase. The numbers show we narrowly avoided failure (or at least having to borrow money to survive), we have revitalized the business and now have a healthy mix of stars, question marks, dogs and cash-cows (healthy levels of re-investment), whilst now delivering a sustainable net profit (after reinvestment has been deducted) not seen since the peak during our cash-cow only phase.

⁴ The long-term gain by the sponsor is that they retain a 5% equity stake in the individual and enjoy a dividend relating to their profitability.

⁵ Friedman and Fairtlough's ideas remained at the level of theory.

⁶ See "Fit for Purpose" written for the RSA.

⁷ Other traits identified by Wilson are: "problem solving", "working together", "process following", "looking forward", "making it happen" and "gaining knowledge"