

## **Total Workplace Innovation The paradigm that will change the world**

*Geert Van HOOTEGEM*

*Faculty of Social Sciences, KU Leuven, Belgium*

### **1. Organisational failures in the news**

A couple accidentally adopt a severely handicapped child. A woman ends up with the wrong breast amputated. A family is confronted with the cremation of a dear family member, while a burial was planned. These are only some examples of organisational failures that got hardly noticed by the press in Flanders. Some other accidents made headlines worldwide however: the nuclear disaster in Fukushima, the train accident near Santiago de Compostella, the collapsed garment factory in Bangladesh, and the BP oil catastrophe. Sometimes organisational failures are not tragic but humorous: remember the first stage of the hundredth Tour de France in 2013, when the cycling peloton preparing for sprint was heading for collision with a bus that got stuck at the finish line.

### **2. Five Why's**

As a matter of fact, what is happening in contemporary organisations? Why do they fail us so massively? Although the big bang of the (big) organisation was predicted decennia ago, the number of huge organisations keeps growing. They become increasingly larger, employ more people, and involve themselves in more and more dimensions of our daily lives. The same organisations have unprecedented control systems at their disposal and more managers than ever. Even though the educational level of employees proceeds spectacularly, managers are the fastest growing category of employees in Europe. Still, organisations do not appear to be immune to failures. Furthermore, when organisations do fail, the question is always posed *who* is responsible for the error. Instead of relying on such a behaviouristic reflex, the more important question to ask is why organisations keep making mistakes. Perhaps organisations should ask themselves that question more thoroughly than ever, mirroring technique of Japanese lean consultants who ask the why-question as much as five times instead of being content with the initial answer.

### **3. The Pale King**

However, five times in a row the response will be the same. *Contemporary organisations are still predominantly functionally organised.* The functional organisation divides the production process into as many parts as possible and groups homogeneous tasks in mono-functional divisions. Because of the fragmentation, every employee has a very restricted view on what is happening within the production process. As a consequence, an increasing amount of managerial control is needed as the European Working Conditions Survey data depict. David Foster Wallace wrote about the phenomenon of managerial control and the massive amount of standardised rules they prescribe in his book “The Pale King”. But rules are by definition imperfect. Subsequently, the imperfections of those rules

can only be compensated for in the form of new imperfect rules. A vicious circle of bureaucratisation rises.

In functional organisations, it remains unknown which employee will have to handle which order. Every employee should be able to handle every order. There is no tolerance for an employee who is not able to handle every order or does not want to do so. Diversity is structurally excluded and left over to voluntary policies in organisations. Transversal, organization-wide enquiries such as safety, sustainability, innovation, and wellbeing also remain out of scope of functional organisations. The common solutions functional organisations come up with are functionalist, specialised answers to those questions. New functions or even new departments are conceived, like an innovation manager or the safety department. When the functional organisation is challenged, organisational failures happen. The more employees try to do better within the limits of the functional organisation, the more the number of fights and conflicts rises. When an organisation as a whole functions sub-optimally, as a functional organisation does, the optimisation of one department will happen at the expense of another department.

#### **4. The First Workplace Innovation**

Sub-optimisation was exactly the matter of concern for Adam Smith and Frederick Taylor, who nevertheless designed the functional organisation. Specialisation and the creation of economies of scale would let the “Wealth of Nations” flourish like never before. And, in fact, the architects of the First Workplace Innovation were not that far away from the right pathway.

Functional organisations brought enormous wealth during the second half of the 20th century. People were born in functional organisations, went to school in them, and most of them would eventually end up working in functional organisations. It is most probable that people will die in a functional organisation too. Since the eighties, organisations started focusing on their core business, massively outsourcing maintenance and preparatory processes. They transformed into increasingly monotonous, functional organisations. In addition, fusions of similar organisations completed this evolution. Value chains became networks of mono-functional molochs.

#### **5. Not only wellbeing, but also welfare is in danger**

Is organisational failure, big or small, perhaps the price we have to pay for welfare? The supposed necessity for this trade-off is a massive historical mistake. The organisational failure we meet so often, is a real-life threat to welfare *and* wellbeing.

The creation of economies of scale via specialisation and the functional structuring of production processes is smart when original equipment markets dominate. An original equipment market consists of demanding customers that compare products and services only by price. The golden sixties come close to this image, as more and more goods became available for populations who had just recently gained consumer power. The BRIC-countries find themselves in a similar situation today.

Yet, the western world looks quite differently today. Under pressure of Japanese competition in the seventies the demand for quality rose. In the eighties, Thatcher and Reagan urged for 24/7-flexibility. Since the Polish and Chinese protests of the 1989, the competition with the low labour cost economies of Eastern and Central Europe demands established organisations to innovate as to remain in the race. In the mean time, the need for sustainability emerged in the 21st century. The different performance demands have not

replaced each other over the course of time, but have shown to be cumulative in nature. The cumulative challenge now posed to functional organisations by these new performance demands is something that organisations cannot cope with as the creation of economies of scale is their only ambition.

## **6. Structural shortages on the labour market**

Not only the demand side of the market has shifted. Simultaneously, the labour market experienced a drastic makeover. Two baby booms gave way to half a century of surplus labour. The next two decennia, though, will see structural shortages on the labour market. Shortages on the labour market mean that the potential of the labour market has to be fully used. Consequently, a longer, sustainable working life for every employee is worthwhile. A sustainable working life includes healthy work. With regard to the Job demand – Job control model of Karasek (1979), healthy working conditions are only possible when high job demands are combined with high job controls. The category of jobs that combines both is seldom seen in a functional organisation. The European Working Conditions Survey shows for every new longitudinal wave of data that four in five jobs in Europe is potentially unhealthy. A longer working life is not achievable in this situation. The eighth form of “muda” (waste, in the terminology of lean) needs to be tackled collectively. Up until now, the lacking quality of work is not being accounted for by lean adepts as a form of waste however, as organisations did not have to cover the costs linked to unhealthy jobs.

## **7. Design parameters for a New Organisational Design Theory**

The design parameters for a New Organisational Design Theory (NODT) are therefore clear. For the first time in history, the quality of work has become a central design demand. NODT should be able to create active jobs for all employees. Active jobs are jobs that combine high job demands with high job control. Furthermore, NODT will need to have the capacity to tolerate diversity. The imminent shortages on the labour market will make it impossible for organisations to carry on their current fussiness when searching for labour forces. People who *can* do less or *want* to do less, will have to be permitted a place within the organisation too. Diversity also refers to the multigenerational character the workforce will have.

Next to the labour market, the demand market urges for NODT. Performance demands have moved beyond efficiency and productivity. Organisations will have to be apt for a market that is volatile, uncertain, complex and ambiguous (VUCA). Hence, NODT will have to be VUCA-proof.

## **8. Total Workplace Innovation**

NODT will have to be an organisational design theory that meets the complexity outside of organisations with a radical form of transparency. The possibility condition for such a change is to no longer use the function as an organising principle, but the order of the customer. When the order of the customer is put at the heart of organizations, parallel production streams can be created for subsets of similar orders. Instead of grouping maintenance, preparatory, and regulatory tasks in specialised functions and departments, they can be integrated into the different production streams. The organising principles that come to the fore are decentralisation and heterogeneity, as alternatives to centrality and

uniformity. Organisations will consist of mini-organisations, organised around groups of customers. Since customer groups can be diverse, work can be varied too, tailored along the diversity on the labour market. As the customer is central and close to the production process, job demands can be held high. Decentralisation, in its turn, will guarantee a high degree of job control. Transversal enquiries like safety and sustainability will effectively be anchored organisation-wide, as once happened with total quality, by integrating them into all functions.

As demanding structural interventions have to be supported by innovative systems, new offices and factories will have to meet new architectural requirements as well. They will have to be designed from the inside out. The traditional HR-policy used to honor the function as the smallest building block of an organisation. An innovative HR-policy, however, will regard the team as the smallest organisational building block. ICT systems will have to be flexible and archipelago-like. And a more outspoken mobility policy should strive for relational coordination within workplaces.

In short, Taylor needed a century to conquer the world of organisations. Within that same century, however, he has rendered himself irrelevant. The time is now for a new paradigm. A paradigm that is integral and integrates: Total Workplace Innovation!