

POSSIBLE APPROACHES TO ORGANIZATION MANAGEMENT AND ECONOMICS WITHIN THE CURRENT ECONOMIC CONTEXT

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ABSTRACT

The working environment universe has undergone radical changes. People shift from one job to another and from one employer to another. Industry is no longer that type of business that suits all purposes. Meanwhile, large corporations create an environment which enables the most efficient employees to constantly put their talent to work.

Nonetheless, we should re-think the organizational contract, how we define the organization, our expectations thereof and what we are willing to offer. Career will no longer mean climbing up hierarchical ladders in a y be it only because there will not be more than three or four steps. People will no longer expect to sell to the organization 100,000 hours of their lives. The title a position offers will no longer define someone for a part of their lives, let alone for a lifetime.

KEYWORDS: *working club, doughnut organization, clover / shamrock organization, portfolio, outsourcing, flexible work, work, working environment, career.*

1. The need for a new organization model

The message of this era is sending to us is very clear: times are a-changing and we need to change alongside. The world of work is undergoing changes as organizations on the labour market change their routines. Similarly, organizations should adjust to the on-going process of change the working world undergoes.

Organizations are like vehicles. They run on their own only downhill. For vehicles to run properly, they need people. Not just any people, but the right people. The 'vehicle' of an organization relies on the efficiency its employees, mostly of those occupying managing positions.

In addition, work is no longer what it used to be either within or without organizations. The paradox of the time combined with the change in the nature of work forces us to rethink the concepts of work and working time – when, where, how, and why we work.

All over the world, organizations are being 're-invented' or 'redesigned'. They are dismantled into pieces or rather their old functions and methods of organising operations are shattered and then people and equipment are regrouped around some specific operations.

We need to undertake a major alteration of how we think organizations. They must be exactly what their names say – organizing entities not employers (or merely employers).

Currently, the working environment universe has radically changed. People shift from one job to another, from one company to another. The industry is no longer that type

of business that suits all purposes. Diversifying is no longer a luxury. Most often it is a necessity. Now, more than ever, **a basis of loyal customers [1]** – every organization's essential element – should be maintained. Meanwhile, the **productive employees** should be prevented from leaving the organization.

Large corporations know how to keep the steady course in the maze of global competition in order to establish not only an intact but also an increasingly developing system of relationships with the customers. This objective is achieved by maintaining contact with customers at an emotional level. When this contact is established, customers go back to the same company because the way they feel, becoming thus **emotionally involved customers**.

Simultaneously, large corporations set up a climate where the most efficient employees are enabled to manifest their talent over and over again. These men and/or women are so much involved in what they do and so efficient in meeting customers' needs that profit blooms as they become **emotionally involved employees [1]**. Large corporations do not betray their employees and customers as if they were computers whose operations were programmed based on highly complex mental processes.

Those times when managers would gather the employees to work, all in one place, so that they were constantly under surveillance and one could shout at them whenever it pleased them are gone. Such managers will soon realise that an office, be it large or small, does not necessarily need to be organised like a factory, and that all that space incurs costs that are not justify the convenience of shouting at the employees at any time. We will reach a point – if we have not reached it yet – when employees would wish for a **'working club'** [] where they may meet from time to time, have lunch together, and do various other things than work there on a daily basis.

This would be true in case the organization does not deal in services such as stores, companies' reception desks, schools or restaurants. Their work is carried out where their customers are. It is only that office with cubicles that will disappear and a whole lifestyle along with it. There are many people who regret this change, but sentimentalism and nostalgia will not make a difference in the new era of business.

Moreover, the organization al agreement will have to be re-thought, the way we define the organization, what we expect from it and what we are willing to offer. Career will no longer mean climbing up hierarchical ladders in a company be it only because there will not be more than three or four rungs. People will no longer expect to sell to the organization 100,000 hours of their lives. The title a position offers will no longer define someone for a part of their lives, let alone for a lifetime.

All the considerations above converge to organising work under other modalities, different from the classical organizations with well-known standardised structures and processes. In every economic stage, the literature presents ways of organising the operations of companies according to the economic and social circumstances on the labour market. We consider that under the current circumstances of the global economic crises, a diverse range of modalities of organising operations can be called for. Some of these modalities are introduced below.

2. Doughnut organization [2]

Organizations, just like people, have realised they are to manage a core of mandatory activities and essential employees, surrounded by an open and flexible space that they could occupy with flexible employees and flexible delivery contracts. A significant amount of current organization al life, and not only, resembles a **doughnut**. The

strategic issue is to decide on what activities and what people are placed where. Hence, some **working doughnuts** are created, i.e. groups of full responsibilities for a certain task operating under specific rules and assignments – **the core** – and a large area available, which would enable them perform the work as they see best. Results can be amazing. The doughnut organization begins to resemble a doughnut. The core no longer tries to dominate from the height of the office building. It is smaller and more like a club, with offices and satellites in the territory. Rent and the head offices will be shaped like a doughnut built around a ‘common lounge’ resembling a hotel or club lounge.

The doughnut – as shown in the figure below – is basically a ring-shaped structure and its principle refers to a reverse doughnut where the dough is on the inside and the hole is on the outside. Consequently, it can be but an imaginary doughnut, a conceptual one, good only for thinking not for eating, a way of finding the balance between **what should** be done and **what could be done** – or we could be.



Doughnut organization

The core of the doughnut, or the nucleus, contains all the things professional need to do for the organization to be successful. Such professionals play a certain role. In any formal work such things are given as lists – job assignments. But the doughnut is not only made up of the **nucleus**, there is also a **space** around it. This space constitutes the **opportunity everyone has** to achieve something in their lives, to change something, to go beyond the boundaries of job assignments, to fully turn one’s potential to good account. This is in fact the supreme responsibility in life, a responsibility always greater than our duties as the full doughnut is larger than its core.

The image of the doughnut is a conceptual modality to connect duty to the greater responsibility of any organisation or group in society. The doughnut helps us think of the right ration between commitments and flexibility in all aspects of our work and in our personal life as well.

We can draw a doughnut which represents a relationship, or an organization, or a working group. Similarly, we could use it to find out the balance in our life between work and family or between necessity and freedom of choice. **Thus, it is a graphic tool helping us balance seemingly contradicting things.**

Some people make of their work their purpose in life. The core their work needs fills the whole doughnut leaving too little room, if at all, for anything else. The doughnut principle could suggest to us that if our current job does not offer the existential development, we need either to change it, or to fill the manoeuvring space around our personal doughnut personal with other things. Work alone should not meet all our needs.

The solution is a '*portfolio*'-type approach, meaning to regard life as a collection of different groups and activities, with something from here and some other things from there like a portfolio of activities, trying to gain something from each and every component.

It becomes more and more possible to gather a **portfolio of different types of working activities** carried out in the same organization, by putting together more different doughnuts. A wise organization acknowledges the advantages of such in-side portfolios. A wide range of assignments undertaken by in a diversity of groups helps the individual to display a wide range of talents; they face a multitude of experiences.

Some corporations do encourage actively their employees to undertake all kinds of volunteering work in the community, even granting them the free time, if need be. Other organizations are eager to see their management as part of different public bodies, giving lectures in local colleges, participating in school boards or involving themselves in the political life.

Work itself is no longer organised as it used to be. The new configuration of work is centred around some organisations, most of them in the services sector, having a small core made up of key personnel and a collection of associates and collaborators, people who work based on a portfolio placed in the area around the nucleus.

We best notice the doughnut pattern when we consider the organization set up in the new style. The formula $\frac{1}{2} \times 2 \times 3$ (reducing personnel by half in the main branch of the company over the following five years, paid with salaries twice as big and producing a three-fold outcome – productivity, profit), which all organizations should apply in such a competitive environment, means that all organizations should have a *smaller core* and a *circle of partnerships* around them. Some of the partners are traditional suppliers, independent professionals, or peripheral workers with part-time jobs, while others are the companies they have associated with in various joint-ventures.

Business companies usually place their material suppliers in the free space of their corporate doughnut. Some organizations outsource even some of their essentially functional services. Eastman Kodak considers it rational to outsource the entire system. To this respect there is no limit – one can place whatever they like in the free space of the doughnut. The essential this is though the balance.

Furthermore, it may seem worrisome that the new partners could eventually become part of the core if relationships with them become too close. Flexibility, the very reason of adopting such doughnut structure, vanishes if the supplier becomes dependent on their customer for most of their operations, or if the company relies only on one supplier.

Contracts need to be flexible but it is not advisable to have more than 30% of one's capacity depending on a single partner. Managing the free space of those around is not an easy job. It is no longer a relation between the manager and their low-ranking employees, but one between the designer of the doughnut and its occupant; this is a different relationship, built rather on mutual trust and respect than on control.

Hence, working doughnuts are created, namely groups with full responsibility for a particular task, with specific rules and assignments – the core – and a large available space which would allow them to carry out the task how they see best. The results thereof can be stunning.

Work portfolios [2]

In order to reinvent work in the true meaning of the word, we need another word. This could be '**portfolio**'. The portfolio is a collection of different elements, but a collection build up according to a certain theme. The whole is greater than its parts. The portfolio of activities includes a balance between the correct proportions of security and risks, long term revenue and benefits.

The working portfolio is a way of describing how various fragments of our lives are joined together to make up a balance whole.

Sooner or later, owing to re-configuring corporations, we will all be portfolio people. This is the good news. There are five large working categories that can be included in a portfolio: **salary-based work, fee-based work** (both being types of paid work), **household work, free work, and study work** (all unpaid kinds of work).

The definitions and differences thereof are explicit and important – the most important of them being the difference between paid and unpaid work. The latter is what has been lately missing from the portfolio.

The list of things people claim expect from their job has been more or less the same for a long time – the problem is that we seek to get the entire list from one job and the same job – and there is no wonder that, in retrospective, so many people have ended up in disappointment.

For some, the majority in the core of the clover, things will not undergo relevant changes. On the contrary, as the work in the core becomes increasingly stressful, demanding, and with a higher level of involvement, the job will fill the entire portfolio until a breaking point with a single element.

When we plan a portfolio, we need to ask ourselves where the money comes from. The answer once again is from a portfolio of many things. The people in the portfolio think of the money in the portfolio and not the money in the salary. It may also mean something from the pension, some part-time job, some fees to be cashed, or assets to be sold.

The lives they live is under the command of the cash flow, not of the salary, planning should always include sufficient cash in so that it may cover for all cash out, considering that both can be more or less variable.

The money in the portfolio stands for a way of thinking. People in the portfolio think in barter terms. They exchange houses during their holidays, borrow their gardening tools and receive vegetables in exchange, offer free of charge accommodation but ask you to help with their secretarial tasks in the evenings.

Clover ('shamrock') organization [3]

Specialists expect that by the beginning of the twenty-first century less than half of the work force in the industrialised world will have more than one full-time, proper job, inside an organization. Under these circumstances, there is no point in thinking of a full-time job as a reference job. The continuous change will become in a discontinuous one with respect to **work, working environment and career**.

The rationale of the transformation is the emergence of the **clover organization**, a kind of organization whose base lies in the **essential core of managerial staff and employees**, supported by **outsource contracts** and **temporary employees**. Soon, more and more organizations will adopt the clover type as it is cheaper. This development is a result of the need to reduce costs. Organizations have realised that having everyone available, controlling their time may seem convenient, but it proves to be much too extravagant way of mobilising the resources they need.

It is cheaper to maintain these resources outside the organization, employed as such or by specialised contractors, and to buy their services whenever one needs them.

The message is clear: times are changing and we should keep up with times. OK, but how? Change remains in our minds only when we understand why it has occurred in the first place.



The clover, or ‘shamrock’, the national symbol of Ireland – schematically shown in the figure above – is a small three-leaf plant related to lucerne. Saint Patrick, the patron saint of Ireland, used it as a symbolic representation of the Holy Trinity. ‘I will also use it symbolically,’ Charles Handy says to demonstrate that **nowadays corporations are made up of three very different groups of people, with different expectations, differently managed, paid, and organised.**

The first leaf of the shamrock represents **the permanent employees** those we prefer to call **the professional core**, as it is made up of more and more professionals, engineers, and managers. They are **people essential to the corporation**. Together they own the whole **range of knowledge** which allows such corporation to **differentiate** from the other similar ones. If the corporation loses these people, it loses a part of itself. Consequently, these people are, or should be, highly valuable assets, therefore difficult to replace. They are expected to be present where they are convened, to do what they are told, to be how they are told or required by the corporation.

If the core is small, all the work is **outsourced – the second leaf**. There is no point in paying high-position salaries and offer exceptional conditions to some people whose work is not crucial for the organization.

It is more sensible that inessential activities, all kinds of work that can be done by someone else, to be transferred out to people who have specialised in such work, and who, theoretically, should do them better and at lower costs.

Companies manufacturing goods have almost all turned to assembling while many other organizations on the services market are in fact brokers liaising between the customer and the suppliers, and their contribution is meanwhile giving advice or counselling from time to time.

Calculations performed by many organizations showed that, while analysing broken down costs by components, all their elements and products, 80% of the value is created by people outside the organization. These **20/80**-type organizations do not always realize to what extent these out contracts grew as they have become a part of their daily lives.

The third leaf of the clover is the flexible work force, all those **temporary** or **part-time employees** who represent the part undergoing the most rapid growth on the occupational market. This growth is, partly, a function of the transfer to the services sector, due to the fact that a company offering services cannot build up stocks of its own products as factories do.

This three-leafed force has been always here in *embryo*. It is only the scale which differs today. Each leaf has become more important. This change has occurred at it should have occurred.

The core will be increasingly made of qualified people, specialists, engineers, or managers. They are the organization and they are expected to be committed and dependent on it. The life in cores of more and more companies will resemble the one in consulting, advertising, and professional partnerships. Organizations are flat; they rarely have more than four layers of functions; associates, professors or principals/directors being grouped at the top.

One can promote from one position to another quite fast if they are good and hence this becomes an inadequate way of rewarding and acknowledging people's merits because professional success in the case of they high ranking staff means nothing else but that they have to do the same work better and probably against higher salaries. At this level, the employee's salary depends on the results of the organization, such employee becoming in fact a shareholder, if not by law.

Contract periphery is made up both of individual people and organizations. Such organizations – although usually smaller than the main one – have their own clover structure, cores and their own sets of outsourcing. It is a world which resembles the Chinese boxes within boxes system.

The individuals – probably professionals or engineers – are freelancers, former employees of some head organizations where they have run out of all available positions in the core, or who preferred the freedom offered by freelancing.

Whether we consider organizations or individuals, the organizing principal remains the same. These people are paid for **results** not for **their time**, and they do not gain **salaries**, but **fees**. There are many implications to this detail. It means that head organization can control only by specifying results and not by monitoring the operation methods.

The flexible work force – the third leaf of the clover is much too often construed as a hired army, an army of people from whom one expects little and to whom one offers little. Generally speaking, these people stand for the labour market, a market where employers fish whatever they want and whenever they need at the lowest prices they can pay.

Organizations should get accustomed with the idea that not everyone wants to work all the time for companies such as theirs, despite a job offer. The life in the core cannot and should not be shared by the flexible work force because most of those belonging to this force do not aspire to something like this although there may be some people to do so. The new paradigm referring to work has already started to control people's minds.

The flexible work force will never display the commitment or ambition of those in the core. Their main interest is to benefit from decent payment and working environment, a fair treatment, and a good working atmosphere. These people have jobs not careers and one cannot expect that they receive a part of the profit.

The clover organization – which has always been operating in embryo – has lately known a boom due to the fact that organizations started realise that there is no need to have everybody employed all the time to do their job. They are now keeping the books with respect to the costs of having all employees in a place and constantly. Commuters packing the morning and evening trains will one day become a memory or, at worst, a chore you have to put up with twice a week.

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