THE NEED OF A NEW MANAGEMENT MODEL: FROM WHY TO HOW

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ABSTRACT

Most organisations use management models that are over fifty years old which are no longer suitable for the new challenges. Reinventing management is fundamental since the competitive advantage doesn't only come from a good business model, but also from a valid management model. The final objective of the article is to formulate a proposal for a new management model (Management 3.0), where the people are really considered as the main stakeholders. Our proposal comes from a research study that lasted two years. The research has been conducted through: an analysis of the most recent and innovative contributions about the topics of reinventing management, a focus group with 220 executives and individual interviews with 20 CEOs.

Keywords: management, innovation, management model, change, human resources, development

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1. INTRODUCTION

We want to start our article by reflecting on two main questions. What is a management model? What are the origins of our current management model and organisational culture?

Whether you want to develop a new business or reinvent an existing business, it is crucial to think about the whole business system. Why talk about the whole business system instead of

simply business? The business system is composed of a hard part, the business model, and a soft part, the management model. It's evident how worthless it would be to work exclusively on one of the two parts, ignoring the other. A management model has to clearly specify the main principles on which the company sets its behaviour and consequently the main managerial choices. To be able to survive the test of time, managers must learn to work on the business model and the management model simultaneously. The second question is a really difficult question to answer, but most leading thinkers like Gary Hamel, Julian Birkinshaw, Lynda Gratton and Peter Drucker would agree that the principles of modern management emerged about 100 years ago.

Management was invented to perform the wide variety of tasks demanded of the large industrial organisations to allow the companies of that time to deliver standardised, mass- produced outputs for a rapidly-growing market.

Those early management pioneers were obsessed with two problems. How to get semi- skilled employees to do the same things over and over again with near-perfect replicability? How to coordinate those efforts in ways that facilitated the large-scale production? In order to give an answer to these questions certain organisational principles emerged in the early part of the twentieth century and have remained remarkably resilient until today:

- Hierarchy of control, based on the assumption that the principal job of the "boss" is to take decisions on what people have to do and to control their activities;
- Division of labour, based on the assumption that specialisation of tasks is the heart of good organisational design, and that people working in different departments don't have to speak to each other;
- Standardisation of process, based on the assumption that we have to always produce the same product;
- Forecasting of outcomes, based on the assumption that the future will be similar to the past;
- External motivation, based on the assumption that money is the only motivator.

This management model contributed to the success of many big companies during the 19th and 20th centuries. However this success had at least two main contraindications:

- made many companies blind towards other possible management models, never change a winning way of doing things;
- associated the concept of management to those of control, hierarchy and bureaucracy.

This "old" management model talks about absolute respect for hierarchy, chains of command, subordinates, award and punishment. Obviously this terminology has enormously influenced our way of seeing, acting inside our company and the way we manage people. We think that now is the time to change. We don't want to say that the "old management model" was wrong, of course that model was suitable for those times. However, now the needs have changed. Customers are searching for products that are unique and full of meaning. Workers are more educated and able to participate in the creation of value for the enterprise.

The final objective of this article is to propose a new management model called Management 3.0, composed of 6 main pillars and able to get the most out of the people. Going deeper into the analysis, we have managed to identify four management model archetypes able to summarise all the possible management models.

Our proposal comes from a research study that lasted two years. The research has been conducted through: an analysis of the most recent and innovative contributions about the topics of reinventing management, a focus group with 220 executives and individual interviews with 20 CEOs from companies of different dimensions and business sectors.

2. LITERATURE REVIEW

Many leading management thinkers, such as Peter Druker (1999), Gary Hamel (2012), Julian Birkinshaw (2010), and Lynda Gratton (2010), have recognised the need for a management shift moving from a mechanistic model of management towards a participative leadership model. It is outside the purpose of this article to review all the contributions and models in detail. For our purpose of proposing a possible new management model, which is able to help managers, in a concrete way, of having a clear idea of their actual management model and how they can start the path from their actual model to the new management model (Management 3.0), we want to take into consideration 3 main contributions. We want to start with a fundamental article, "Moon Shots for Management", written by Gary Hamel in the Harvard Business Review (February 2009). In this article Hamel says: "The evolution of management has traced a classic S- curve. After a fast start in the early twentieth century, the pace of innovation gradually decelerated and in recent years has slowed to a crawl. Management, like the combustion engine, is a mature technology that must now be reinvented for a new age".

With this in mind, a group of 35 of the smartest management thinkers and executives met together in May 2008 in California to lay out a road map to reinventing management.

Here we want to reproduce the result of our reflections that bring us to elaborate on the 25 moon shots that emerged as a result of the California workshop into six macro-clusters that represent, for us, a critical path in the journey to reinventing management.

- **Reconstruct management's purpose**

Management must orient itself to the achievement of noble, socially significant goals, those that reflect the interest of all the shareholder and stakeholder groups.

- **Reduce formal hierarchy and reinvent the mains of control**

There are advantages to natural hierarchies, where power flows up from the bottom and leaders emerge instead of being appointed. Control systems will have to encourage control from within rather than constraints from without.

- **Redefine the work of the manager**

The notion of the manager as a heroic decision maker is old. The main scope of the manager is not to organise resources in the most efficient and effective way and to control people but must be that of getting the most out of employees.

- **Reinvent strategy making as an emergent process**

In a VUCA (volatile, uncertain, complex, ambiguous) world, strategy making must take into consideration all of the contributions coming from people that are competent independently from his/her hierarchical role.

- **Objectives and reward system**

Objectives should take into consideration the interests of all the shareholders and stakeholders and not focalise just on the short term in order to obtain an immediate gain.

- **Create a democracy of information**

Companies need information systems that equip every employee to act in the interests of the entire enterprise.

The second contribution is that from Lynda Gratton of the London Business School. We are convinced that the new management model has to be inspired by a democratic model. But what does it mean that the new management model must be a democratic one? The term democracy implies the sharing of a purpose and the participation of the people in the decision making process. Gratton wrote in her book, "*The Democratic Enterprise*": "The notion of democracy implies that citizens are sufficiently self-reflective and self- determining to take those actions that best serve both their own interests and the interests of the communities of which they are members." Gratton identifies 6 main principles which are fundamental in a democratic company:

1. *the relationship between the company and the people is an adult relationship*
2. *people are actively involved in their own human capital development*
3. *people are able to develop their talents and to express their qualities*
4. *people participate in the definition of the conditions which determine their connection with the organisation*
5. *one's own freedom can't be obtained at the expense of others*
6. *people have responsibilities and obligations towards themselves and towards the company*

We think that these principles should represent fundamental pillars in reinventing management. The companies of the future must be democratic companies that state the possibility for collaborators to define, up to a certain discretionary level, what has to be done and how it has to be done.

The last contribution is that from Julian Birkinshaw's book "*Reinventing Management*". As Birkinshaw has written in his book, the first problem that we have with management starts with the term in itself. The term management has become overly restrictive. So words like staffing, controlling, and directing send entirely the wrong signals because they assume a particular model. Do managers need to control and direct employees? Or we can imagine an alternative model in which employees are more responsible and set their own direction? Birkinshaw proposes a management model based on 4 dimensions of management: activities, decisions, objectives and motivation. For each of these 4 dimensions, Birkinshaw identifies the "old management model" and the "new management model" as show in fig. 1.

Fig 1: A Framework for reinventing management

Coordinating Activities	
Bureaucracy	Emergence
Making Decisions	
Hierarchy	Collective Wisdom
Motivating People	
Extrinsic	Intrinsic
Defining Objectives	
Alignment	Obliquity
Traditional Principles	**Alternative Principles**

For the element Coordinating Activities, the basic philosophy is less is more. In fact most organisations have too much bureaucracy and can usefully have fewer formal processes for getting work done. The concept of emergence, as used here, refers to spontaneous coordination through the self-interest behaviours of independent actors.

Making Decisions is strictly linked to the concept of hierarchy. Hierarchy gives managers direct accountability for the decisions they make, and it provides them with legitimate authority over their subordinates. Until now, in a business setting, hierarchy ends up being a multi-layered concept with three overlapping elements: position, knowledge and action. Traditionally all of these are fully aligned. But the reality today is that knowledge is dispersed throughout the company and individuals are often encouraged to take initiative beyond their formal role.

The third element is Motivation. Motivation is the internal condition that activates behaviour and gives it direction. One key insight that has emerged is the distinction between intrinsic and extrinsic motivation. Intrinsic motivation comes from the rewards inherent to a task or activity. Extrinsic motivation comes from outside the person, money is the most obvious example. It sounds strange that in the third millennium, people are treated like seals, do the right exercise and you'll get a prize. The new Management 3.0 is geared more towards an intrinsic motivation coming from quality of work and involvement. The last element is related to company objectives and the principle of alignment. Alignment is the adjustment of an objective in relation to others objectives. In the business context this means that all the employees are working toward the same common objective.

Birkinshaw points out that companies has at least five problems with the principle of alignment: individuals in companies often have different agendas, measures and incentives are blunt instruments, short term targets drive out long term objectives, shareholder demands are satisfied at the expense of other stakeholders and many employees in many companies don't really know where they are or should be going. So far, Birkinshaw's research points out that we have to explore the potential of obliquity as an alternative principle and the three different approaches to obliquity that firms have used: pursuing an indirect goal, pursuing a creative goal and taking a leap of faith.

3. THE METHODOLOGY AND MODEL

Our empirical analysis starts from the strong assumption that too many companies still rely on management models which are no longer suitable for the new market challenges. We aim at analysing the "state of the art" management practices and testing on concrete organisational realities for our hypothesis of a need for a new management model.

Firstly, we investigate which kind of management models are currently adopted by companies through collecting the direct convictions of managers and employees about the politics and practices implemented inside their companies. From this first analysis, we are able to identify the main pillars of a new management model which could be suitable for the present socio-economic challenges.

Involving a group of 220 executives with different roles, coming from different organisational realities regarding location, dimensions and industry, our Research Centre organised different workshops of about 25 people each during the period 2014-2015. During the first part of the workshops, participants were divided into groups and asked to randomly discuss together, in order to identify which are the main managerial challenges. In spite of the different organisational backgrounds of people, all the obtained answers could be collected around a restrained list of elements: commitment, innovation, managing complexity, globalisation, coordination-control, multiculturalism, speed, flexibility, well- being and information.

Going deeper with the analysis, it was possible to identify six macro-clusters recognised as the main management challenges: control, motivation, objectives, decisions, information and learning.

It was immediately notable that control is prevalently dependent on hierarchy, implemented with a top-down approach and on the unique responsibility of leaders.

Motivation is mainly focused on economic aspects. Objectives are usually top-down defined, focused on the short-term, individual and monetary. Similarly, also decisions are in the hands of few people and the decisional process is highly bureaucratic. Pieces of information are often hidden and not easily reachable.

Participants clearly assumed that those weren't the conditions which could help any management innovation process. And therefore, it could be the case to start a hypothetic one, with a focus on these elements, properly. In our opinion, new management models should be characterised by a high level of autonomy and responsibility in decision-making processes and organisation of routine activity. These elements, together with a higher flexibility and trust, may also help to increase people motivation and engagement. Objectives should be not only focused on the short-term, but also on medium and long terms; they should be oriented to all stakeholders and not only to economic aspects, but also to social ones; they should be defined taking a bottom-up approach. Finally, information should be accessible and transparent, at the service of all employees.

Our empirical research was enriched with the contributions of interviews we ran with 20 CEOs, leading companies and multinationals, which differ from each other in industrial background, market, location and dimensions like Unicredit Group, Dallara, FESTO, EPSON, Angelini Group and Mapa Spontex. All interviews started with the question: "Which are the main managerial challenges?". The question wanted to be uniquely a starting point, to stimulate further reflections. Indeed, interviews were unstructured in order not to constrain and bias answers. Our aim was that of giving interviewees a complete freedom of expression and letting their perceptions emerge on the topic, on the basis of their long-standing experience. Also in this case, we can clusterize the results into some main pillars:

Dealing with Chaos

The current socio-economic environment is extremely volatile and subject to continuous changes and, as a consequence, managers should be able to take decisions with insufficient information.

Less Control more Development/Learning

The concept of control and hierarchical supervisor should disappear, in order to leave space for a figure able to evaluate employees' performances, to help build employees' professionalism and to look ahead and help employees in defining their future.

Enlarge Strategy Making

The strategy process should be less top-down imposed, becoming more shared instead. A manager is somebody who is able to draw a future which employees are happy to be part of.

Explain Why

The main job of each manager is to help employees understand how the task is part of a broader context.

Setting Objectives

We have to find a balance between financially oriented short term objectives with long term objectives that serve the interests of all the shareholders and stakeholders.

Collaboration/Trust

Change should be faced and managed from the company together with all the stakeholders since they are the key evaluators of the company's success or failure. Managers should become more able to generate and increase collaboration inside the company.

All these behaviours should create the right conditions for generating value in the long run, increasing employees' commitment.

4. THE FINDINGS

Combining the contributions of the Workshops and the interviews with the latest results of researches, we managed to identify the six main dimensions of the management model: decisions, control, objectives, motivation, information and learning (Table 1).

Decisions deals with the characteristics of the decisional process: Is it top-down imposed? Is it enlarged?

The second dimension refers to the concepts of hierarchy and bureaucracy; it investigates whether people are free to manage their own activity, being responsible for it or not.

With the term objectives, we mainly refer to the definition process: Are objectives top- down imposed? Are people involved in their definition? Is the company focused only on economic aims in the short term or is it also oriented towards more social ones?

Then we consider how information is shared and communicated inside the company: Are people informed about what's going on in their company? Are they aware of the strategies of the company?

Motivation is a crucial point since it is strictly connected to people needs. It's a real subjective concept. We investigate whether the employees' motivation is intrinsic or extrinsic, whether it depends on economic factors or something else.

The last variable refers to the importance recognised by the company of the learning processes and growth plans for its employees: Are there any defined plans or policies? Is learning totally delegated to people and managed by them individually?

The "old" management models, which many companies are still relying on, are characterised by high levels of hierarchy where decisions are concentrated in the hands of few people. Objectives are focused mainly on the short term and top-down imposed. Motivation is mainly based on money, while information isn't often shared or communicated. Learning processes are usually individual and focused on few competences.

This kind of management model can't be suitable for the current world. From our point of view, decisional processes should be based on new concepts of shared responsibility and shared company knowledge. Decision making could be implemented with a double approach: top-down for strategic decisions, bottom-up for more operative ones.

Coordination and control policies are shared too since people and teams should become more self-directed and managed.

Also the definition of objectives bases itself on a double top-down and bottom-up approach: While vision and strategic aims still rely on top management, operative tasks should be set with the help of employees directly involved in targeted activities. Moreover, objectives can't be uniquely monetary and focused on the short term. We suggest widening the referring time horizon and including a greater sensitivity towards social aims. Motivation is strongly personal and related to individual needs and perceptions. It can't be only influenced by economic aspects; it should be determined by a higher level of commitment and a higher job quality instead.

Information should be shared and transparently communicated inside the company. Employees should be provided with all the pieces of information they need to perform their job at their best.

A final mention is due to the learning and growth processes which have to be planned at the organisational level, devoted to all employees and enlarged to cross-functional competences.

Going deeper with the analysis, we managed to identify four management model archetypes: hierarchical, planning, changing and learning.

The Hierarchical Model is anchored to past principles and it is mostly adopted by small companies. Decisions are made by few people; information is scarce, and often people don't know the key business data. The function of coordination and control is in the hands of few people. The motivation is solely based on the "logic of the seal"; whoever realises the right "trick" can get a prize. Objectives are mainly based on short-term goals and are almost exclusively focused on providing benefits to shareholders. People in the hierarchical model are focused on "doing" things.

In the Planning Model, decisions are still concentrated in the hands of few people in leading positions. But there is more shared freedom among employees to choose how to carry out their work. Information is scarce, but people have greater freedom to look for it on the basis of the following logic: "If you look, you will find". The functions of coordination and control start being delegated to the front lines. Motivation is mainly extrinsic, based on money. The goals are primarily focused on the short-term even if glimmers of interest towards stakeholders' needs begin to appear. Employees in the planning model are still focused on "doing", but start being given opportunity of reflection about the importance of a possible continuous process improvement.

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Table 1: Management Model's Dimensions

Management Model's Dimensions	Old Management Model	New Management Model Management 3.0
DECISIONS	Top down approach High hierarchy and bureaucracy	Shared corporate intelligence Top down & bottom up approach
COORDINATION & CONTROL	Essential role of bosses	People & team more self-directed
OBJECTIVES	Top Down Approach Short term orientation	Top down & bottom up approach More focus on the long term
MOTIVATION	Extrinsic & based on rewards and benefits	Intrinsic and based on involvement and job quality
INFORMATION	Secrecy Reserved to few people Has to be researched	Total transparency Available to all the stakeholders Given spontaneously
LEARNING/ GROWTH	Left to individuals Focused on one or a few competences Individual learning	Planned Widened as more functional competences Organisational learning

In the Changing Model, only strategically important decisions are in the hands of the top management. The information circulates freely. People are responsible for the organisation of their own activities, with a periodic supervision by hierarchical bosses. Motivation is both extrinsic and intrinsic, based on the possibility of autonomy in carrying out their work. The goals are both short-term and medium-term, and encompass a broader vision of the organisation that includes all stakeholders. In the changing model, people are oriented to efficiency of "doing" things, but at the same time reflect about the reason why.

Competence and collaboration are the prevailing elements in the Learning Model. Decision-making processes involve all the employees who can relevantly contribute on the basis of their competence. Information flows freely and is promptly available. The organisational structure is constantly challenged in order to find the best combination of strategy and structure. Motivation is primarily intrinsic, based mainly on quality of work. Objectives are of both short and medium term and take into account all stakeholders' interests. The main focus is on innovation and continuous experimentation.

There isn't any unique right management model suitable for all companies. The adoption of one of the four presented management models depends on the characteristics of the company itself, its maturity and the current socio-economic environment which the company operates in. We can state that the ideal model is the Learning Model. Each company should try to reach it by going through a sort of evolutionary path starting from the Hierarchical and then passing through the Planning and the Changing Models.

5. SUMMARY AND CONCLUSIONS

Faced with a changing business environment, there is a lot of experimentation underway in terms of how companies should be organised and how mangers/leaders should act.

Managers must first of all help employees understand how the task is part of a broader context. Decisional processes should be enlarged in favour of getting all the employees who could provide added value involved in order to create strategic and winning conditions for the future. This is another crucial point: companies today are much too focused on the short term. Quarter economic results seem to be the unique scope. Surely it is fundamental to pay attention and stay tuned to them, but at the same time companies must be sure to have objectives which are oriented to their stakeholders and sustainable in the long run too.

Motivation can't depend uniquely on money. Motivation should come from inside, from the inner part of people, and it happens when employees feel committed and proud of being part of the team, when they perceive the quality of their work and its relevance for the achievement of set objectives. Information sharing, good communication and transparency are key elements, with a positive impact on motivation too; when people are aware of being informed about what is going on inside their company, feel part of the organisational life and feel considered, they are therefore more motivated to run the so- called extra mile for the company itself.

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