

Observing the Next Organisation

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In this contribution the concept of the “next organisation” will be observed. Drawing mainly from social systems theory, the changing societal environment of organisations will be examined and brought together with developments in the IT and software industries, which are summed up under the catchword “Wikinomics”. Converging on developments in self-referential as well as sustainability management, implications for managing the next organisation can be sketched in the end.

Key words: Social Systems Theory, Next Society, Self-Referential Management, Wikinomics

Prelude

In starting this contribution with the terms “observing” and “next”, a form of restlessness emerges from the title and influences the reader’s expectations. “Observing” reflects the blind spot of all propositions about reality, and that is the reality of the observer – whoever that might be and whatever value judgement might have led to *this* observation, ignoring all others (von Foerster 1981). Whereas “observing” takes into account the contingency of propositions about reality, and thus their temporary and context-dependent nature, the term “next” accelerates this contingency: “next” is always pointing away from what is to what might be. When talking about observing the next organisation, it is totally unclear who is observing what and what not. This restlessness reflected in the title is exactly the problem of management of that next organisation. After these hopefully irritating remarks, the form of the next organisation can be revealed. It is, and that most likely is of no surprise, a self-observing operation creating the organisation in the context of interaction in the context of society (Baecker 2007). In other words: the next organisation is about organising itself into existence (Weick 1979). The next organisation is then turning into something temporarily negotiated; something that cannot rely on fixed membership like the old organisation, but has to embrace motivation as a complement. What brings e.g. members of the development network of the Firefox web browser to continue working? Membership? What membership and of what organisation? It is the task itself that acts as a motivation offer that organises the “production system” of Firefox into existence. The boundaries of the next organisation thus become fluid and management loses its predict-and-control ability, which of course was never more substantial than a successful spectacle for its stakeholders and itself. Where does this

restlessness come from and why is it changing management? Following the description of Drucker (2001) on the emergence of the “Next Society” and underlying it with the more speculative parts of Luhmann’s (1997) social systems theory, Dirk Baecker (2007) is arguing that the networked computer constitutes a new societal communication medium which in turn is creating new possibilities of sense-creation. Every new medium did that in the past, e.g. the printing press brought a new complexity into society which led to functional differentiation: science, economy, politics and so forth emerged into autonomous social systems, succeeding the stratified societies of the Middle Ages. In order to deal with this new complexity, society reacts somehow, developing what is termed cultural forms (e.g. the Aristotelian *telos*). As regards the printing press, its inherent restlessness was accepted as something that enables flexibility and innovation through ongoing self-reference (the Cartesian *cogito = sum*). The critical evaluation of what was written and its rapid exchange became the core of modern society. The networked computer and its most visible form in everyday life, the internet, is changing communication again. Now communication loses even more its reliability and gains temporality: no one knows who has written something and for what purpose. Truth and consistency are losing their status as measures of reliability; at best, information can be tested if it is adequate i.e. if it is connectable to other information, to what is next. “What is next” thus becomes a regulatory idea (*Ordnungsfigur*) and can be formalized with the calculus of indication by George Spencer Brown (1969). Along with what is marked with the specific form of the “next”, what is unmarked is also communicated without naming it. The form calculus, as it is also called, is an operator that can operate on itself, thus showing what Brown calls “iridescence”; the same iridescence and restlessness the next organisation inhibits and what forces management to become restless as well. Following Baecker (2007), for the next organisation this calculus can be used to describe it in a formal way:

$$\text{Next Organisation} = \overline{\overline{X} \mid \text{Interaction} \mid \text{Society}}$$

This means, that the next organisation is an observation of X in the context of interaction in the context of society. The X is the process of organising, with the mark from society pointing to a “re-entry”, thus creating the specific restlessness and self-reference of the next organisation. For the management of the next organisation it has been argued that it has to deal with motivation in the context of membership, thus:

$$\text{Next Organisation Management} = \overline{\overline{\text{Motivation} \mid \text{Membership}}}$$

Changes in Economic Organisations

From the more abstract reasoning on society and its new communication complexity the focus is turned to the organisation, especially economic organisations. The echoes of a bygone age, the 1990s, are reverberating in the discourse on the next society and its organisations. Virtual enterprises and boundary-less organisations, with the all encompassing figure of the network, which abound in management literature. However, up until this day a clear and applicable management concept of these new organisational forms is still missing. This is irritating given the fact that today these forms seem abound again; this time not in the literature but in

practice, especially in the IT and software industry. The catchword of today is “Wikinomics” (Tapscott & Williams 2006), referring to the internet encyclopaedia Wikipedia and the way it changed the business model for encyclopaedias. The central ideas of such a “Wikinomy” are *openness* as regards membership and information as well as *joint and decentralised production* (“peering”). Let’s stay with Wikipedia for a moment. It is hard to define, what organisation produces Wikipedia as a product. There is the Wikimedia Foundation, a non-profit organisation, which sees Wikipedia as one of its projects, which is open for everyone to join and work on building a freely available and reliable internet encyclopaedia. There is no economic profit intended with it, yet it is a challenge for traditional encyclopaedias like the Encyclopaedia Britannica or Brockhaus. With Brockhaus the impact of Wikipedia was so severe that the 21st print edition – the first edition dating back to 1808 – will be the last one. From 2008 onwards there will be a freely available, add-sponsored online edition. It is interesting to note that something regarded as a non-profit oriented project destroyed the business logic of an entire industry which is centuries old and was supposed to have almost incontestable competitive advantages in the production of its product.

What comes out of this example for the economy as a whole and, moreover, for the economic organisation? First of all, it is still unclear if a business model inspired by openness and peer production can gain ground in “non-semantic” industries, which are producing “classical” goods and services. However, it appears to be clear that any organisation that is able to exploit these new forms of organising itself will revolutionise its industry and gain new forms of competitive advantage. Although science can never predict what will eventually come next, some reflections on the shape of the next organisation are possible. Let us take the ideas of restlessness, iridescence, openness and peer production as given. Let us also take the assumption as given that any organisation capable of managing itself into the next organisation will gain significant competitive advantage on a fundamental level. The ecology of the next organisation will then resemble an amorphous network of interdependent heterogeneous elements, and the management of that network will be the *sine qua non* competence. The problems with such a network have already been mentioned. Networked interdependence creates more options, more complexity, and more insecurity. Economic organisations operate with reference to economy i.e. the means of economy are cutting down complexity for management. This definition of management is dating back to Erich Gutenberg (1929) and simply means that costs and benefits are the main triggers of any decision in an economic organisation. There is nothing as convincing, and as final, as the number on the bottom right of the balance sheet. In the next organisation, economic rationality alone, along with predict-and-control types of management, will not suffice anymore. Wikipedia is the warning example. The Wiki user and the Firefox-Add-On developer are not economically motivated in the first place. They are intrinsically motivated, which might be just another word for that we do not know what motivates them. The strengths of projects like Wikipedia and Firefox, compared to “projects” of traditional organisations, is that they make motivational offers, everyone can join but nobody has to – nobody has to be a member of an organisation in order to “make” it. The management of such projects is all about giving up control to the organisational ecology around the organisation in order to ensure self-control of the project. What brings these people together is membership in the context of motivation i.e. the self-image of what they are doing, shaped by a kind of management that can only be termed self-referential (Luhmann 2006).

Making Sense for Management

With the term “self-referential management” the observer and the act of observing is re-introduced in this text. In a situation such as that described herein, rational management in the traditional sense runs into severe problems, especially if rationality is spelled as economic rationality. The next organisation cannot be viewed as a focal organisation, an individual corporation with clear boundaries and a single mode of operation (= economic operation). The diffuse picture of a network of temporal shape is pointing to the problem of managing such an organisation. What is inside and what is outside is permanently negotiable and has to be observed by the organisation, hence the iridescence. In other words: the next organisation is either a self-observing system or *it is not*. The task of next organisation management then is to provide self-descriptions in order to shape and re-shape its boundary, thus condensing self-reference efforts and ensuring the identity of the organisation. This follows from taking the form calculus as the cultural form for the next society. The form calculus is, as already has been argued, an operator that operates on itself. In the case of the next organisation this means the re-entry of the observational act of creating the organisation in the context of interaction and society by means of leveraging motivation in the context of membership *into* the organisation. By that, self-reference and self-reflexivity emerge and the organisation achieves something that Luhmann (1989) calls “system rationality” (*Systemrationalität*).

Looking back at Wikipedia, the self-descriptions here are “project”, “open” and “non-profit”, which are all referring to the “how” of production whereas “internet encyclopaedia” describes the “why” of production (the organisation’s goal). The self of Wikipedia is organised into existence by the many members that are motivated by these self-descriptions and their participation in the ongoing organising effort of building the definitive encyclopaedia. In this regard, Wikipedia is an autopoietic organisation that references on itself, its processes and goals while at the same time ensures sensemaking for all its members (Weick 1995). “Sense” and “goal” are some more important terms here. Sense is the general medium in which all social systems and the human mind are operating. Every operation is checked against a background of sense. In an economic organisation what makes sense is what makes money – what ensures ongoing streams of liquidity. In a political organisation what makes sense is what brings about power. And so on. However, sensemaking in the next organisation is not exclusively about economic sense; it has to take into account the non-economic motivation of its members to participate. This organisation is not only restless as regards its name and boundary but also as regards its goals. Following Luhmann (2006) the next organisation is just as much goal-seeking as it is goal-attaining. From what has already been said it becomes clear that management cannot define the goals of this organisation alone, it can only provide an offer and see who jumps ship. The “artistic trick” then is to still make money in the end.

The main instruments of management for the next organisation are all devices that enable sensemaking processes. Self-descriptions have already been named. Motivation offers are another instrument. They go along with a redefinition of the organisation as a project to peer-produce something. That “something” can be fixed as a datum but it can also be subject to negotiations. However, it is still hard to imagine that the product is totally negotiable. Without a goal there is no mechanism at work that can ensure some sort of self-reference and

thus kick-start the next organisation into action. So choosing a goal that has these abilities is another crucial task of management. It should be noted that this goal might undergo significant changes over time, as long as these changes do not undermine the capacity of the goal in providing self-reference. The goal of an automotive company e.g. is to provide individual mobility with the means of a self-owned vehicle. This goal can change either on the side of the means (self-owned vs. car-sharing) as well as on its core (individual vs. public mobility). If changes occur in the core, which is often an innovation decision taken a long time ago (in the case of automotive companies in the late 19th century), the organisation changes sufficiently as regards its business model and organisational structure.

Let us develop this example in order to show, what the next organisation could mean for a traditional business model. The automotive industry is under severe pressure from politics, mass media, non-governmental organisations and the public as regards its contribution to climate change. The traditional reaction would be to use the economy as a calculator i.e. to translate “climate change” into costs and benefits and build more fuel-efficient and low-emission cars. In fact, this is happening right now. The problems of such an “efficiency strategy” and its rebound effects (growth effects induced by efficiency gains) have been dealt with elsewhere (Alcott 2005). It is very likely that the pressure on the automotive industry will remain high and may even increase. What alternatives would the next organisation exploit? First of all, the next automotive organisation would focus on projects as motivational offers to participate in producing new forms of individual mobility. The design specs of a new car e.g. would not be fixed by the traditional organisation but by the network that makes the next organisation and its products. The car design would be open i.e. there is no copyright; anyone can use the design in order to build the car – production facilities provided, of course. This design is driven mainly by non-economic motifs, whereas the application is economically motivated and thus needs the traditional company as regards its physical production abilities. However, the physical production of the car could be completely outsourced to specialised manufacturers, whereas the management of the design network remains elsewhere, just as the marketing of the final product itself. The use of “design” is deliberate and reflects a new “contingency formula” (Baecker 2007) mediating between technology, its development and its different forms of utilisation (or non-utilisation). Imagine a car designed by a designer network, manufactured by a production company and marketed by another company – all these elements would build the next organisation. However this must not be the next organisation’s end. This example still remains within the goal of individual mobility and owning the car. The next step would be in adding a service provider to this next organisation, enabling customers to freely choose between different mobility alternatives. The design process in this case would exceed the physical product and encompass all aspects of mobility. The results would be different mobility designs which will compete for economic exploitation. Finally, when thinking of societal and ecological challenges what would products and markets look like, if e.g. societal stakeholders like non-governmental organisations could participate in the design process?

From these very picturesque remarks it might become clear that the next organisation has the power to fundamentally change industries and business models. The competitive arena of the next organisation is totally different from today’s; competitive advantage is not solely relying on economic advantages but also on societal advantages, on the way how to incorporate different stakeholders and configure the ecological web that makes the next organisation. Of

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course, these are rather swiftly drawn images, inspired by theory, yet not very substantiated by practice. It is up to practice and practitioners to exploit the possibilities and develop the cultural forms needed to build the next organisation. However, some core elements of the next organisation and its management can be deduced from what has been argued here:

- Restlessness, openness and joint production (“peering”) are trademarks of the next organisation.
- Providing self-descriptions and motivation offers as part of a self-referential management shaping and re-shaping the boundaries of the next organisation.
- Control can only mean the deliberate handing over of control to the network that makes the next organisation.
- Taking into account non-economic rationalities as viable part in the product development process (focus on design).
- But also not omitting economic rationality in the utilisation phase (focus on marketing).
- Increased competition in market and non-market environments (societal as well as economic advantage).

In using the form calculus again to formally make sense of what has been written here:

$$\text{The Reality of the Next Organisation} = \boxed{\text{Economy} \mid \text{Society}}$$

The re-entry of society into economic reasoning is the paradox with which the next organisation will be confronted i.e. to incorporate non-economic logic and societal pressures in a way that enables the next organisation to continue to operate as an economic organisation making money, paying wages and taxes. As has been said before, this will be the future art of management.

What’s Next?

This contribution started with restlessness and hopefully kept it until the final page. The change in society and its organisations are of a restless nature and theory has to reflect that. Practice might not favour restless theory, its own restlessness bears heavy on managers and organisations alike. However, restlessness is most likely not a matter of choice but inflicted by increased societal complexity. Can such a restless theory of the next organisation, as has been very carelessly sketched here, aid practice to cope with its own restlessness? Some strands of theory appear to be converging on the issue of the next organisation. As regards managing complex self-observing systems like today’s organisations, extensive work has been carried out in the field of social systems theory and organisation theory (Luhmann 2006, Weick 1995). Some aspects of this have been developed into a management concept focussing on organisational memory as a core means to enable organisational self-control (Reichel 2008, 2006). It is interesting to note that such a “memory of the firm” is open to the

outside of *this* organisation, which will turn into the temporary inside of the *next*. Connecting to its ecosystem, the next organisation also converges on what has been said on “building the sustainable firm” and the need for stakeholder integration in innovation networks (Reichel 2007). The open question there was why and how organisations should do something like that. With the next organisation an answer might just be available. The question heading these final words, “what’s next?”, is of course pointing back to the title. What comes next is observing the next organisation, in organisational theory as well as in organisational practice, thus building the next organisation.

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