

## NEW MANAGEMENT MODELS AS REFLECTION AND ANTICIPATION OF SOCIO-ECONOMIC CHANGES

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**Abstract:** The aim of this paper is to present how the new organization models are both an anticipation and a reflection of the predicted post-capitalistic society. The author will analyze changes in the socio-economic structure, presented by such theorists as Daniel Bell, Peter Drucker, Richard Florida, and others. The paper will also present the rise of a new social class – the creative class (and also generatio Y). The author will show how these changes are interconnected with the newest managerial concepts. The focus will be put on currently the 3 most widespread new organizational models – agile development, holacracy and squads (Spotify model). The author will try to answer the question, whether these or similar models shape the positive social changes, or just the passive tools the a bigger system.

**Keywords:** agile management, holacracy, squad, post-capitalism, creative class.

### 1. Introduction

The economic crisis of 2008, as probably no crisis before it, revealed the weaknesses and contradictions of capitalism. It was after the 2008 financial breakdown that books such as *The Capital in the Twenty-First Century* (Piketty, 2013), *Post Capitalism: A guide to our future* (Mason, 2015), or *Utopia for realists. And how we can get there* (Bregman, 2017), and many similar were published.

Although written from a bit different perspective and on various topics, they all embrace the criticism of modern capitalism and the belief that the recent crisis has opened a window to a new social and economic order.

Alongside with those ideas, new organization and management concepts have been flourishing, as an answer to the needs of current reality.

The aim of this paper is to present how the new organization models are both an anticipation and a reflection of the predicted post-capitalistic society.

## 2. New socio-economic order

Before the 2008 bubble burst some were foreseeing the arrival of a new socio-economic order that will be neither communist, nor capitalistic.

Already in the seventies Daniel Bell was describing the emergence of a post-industrial society, in which the economy is based primarily on the services sector and the development of knowledge/information. Progress in the field of new technologies is the most important factor for Bell, shaping the post-industrial reality. Knowledge itself becomes a commodity, it is the main resource and thus plays the role of classically conceived capital. Economic changes have also remodeled the social structure, according to the author of *The End of the Age of Ideology*; the most important role in the new society is to be played by technical (technocratic) elites (Bell, 1975).

Bell's concept is a vision of a knowledge-based society (Bell, 1975). His thought seems to be continued by Alvin Toffler. In the pages of the *The Third Wave*, he talks about the birth of a new civilization. The author of *The Shock of the Future* divides history into three great epochs – wave hits. The first wave is the result of an agricultural revolution that has shaped people's way of life for thousands of years. The sign of the time was a plow, and the land and its crops are the largest capital. The second wave introduced the agricultural society into the industrial era. The invention of a steam engine, the construction of large factories, all changed the existing social patterns. Mass employment in industry is also the migration of people from villages to cities, the emergence of huge urban centers, social classes, with a dominant division into the proletariat and the bourgeoisie. In the second half of the twentieth century, the third wave began to undermine the basics of industrial society. The place of the steam engine, as a symbol of an era, was taken by the computer. The basis for the functioning of the industry has ceased to be coal, oil, and was replaced by renewable, diversified sources of energy. Ford production is to go to the past, and new times offer different patterns. The market structure is changing; there are not big factory halls dominating, but innovative enterprises, often service ones, largely based on the latest technology. Classical, Marxist division into classes ceases to be adequate; a new elite is created, whose personal capital is knowledge (Toffler, Toffler, 1996.)

The guru of organization theory – Peter Drucker – in his *Post-capitalistic society* claimed that developed countries were shifting away from capitalism into post-capitalism – a socio-economic structure based on new resources and shaped by completely different to the old ones social classes. In this society it's knowledge, not the means of production, which is the most important resource (Drucker, 1999).

Similarly, the American sociologist Richard Florida perceives social development. Like the previously quoted researchers, he sees the foundation of agricultural and industrial epochs in certain goods/material factors (land and human work/natural resources, physical work –

factory). The latest revolution differs from the previous ones, according to the author of the *Birth of the creative class*, that instead of a new material factor, it is based on human creativity (Florida, 2010).

For these researchers, the post-industrial era means not only a change in the way of production, but also a social revolution. In accordance, they postulate the disappearance of the class struggle. Moreover, they argue that the classic division into the bourgeoisie and the proletariat does not reflect the actual social structure in which highly educated specialists or managers have a dominant role. One of the deeper analyzes of the social consequences of the post-industrial revolution is proposed by Antonio Negri and Michael Hardt, the authors of the famous *Empire*. In their famous book, they explain how the development of modern technologies allows one to free oneself from alienated work, which was based on exploitation (Hardt, Negri, 2005).

Even stronger Negri's ideas are visible in the book entitled *Goodbye, Mister Socialism*. Negri claims that the work of a post-industrial day, where the most valuable commodity becomes knowledge, allows one to free itself from the Marxist shackles of exploitation and alienation. Currently, the dominant class is not the proletariat, but cognitariat – educated specialists who develop enterprises, create their added value through their creativity, free creations of their minds. Thanks to the key role of post-Fordism (intangible labor) today, capital, as the organizer of the means of production, becomes unnecessary. Post-industrial economy needs not so much material capital, which used and alienated employees, as it is closed in the free, innovative heads of specialists. Thus, the old Marxist model of alienated labor "goes to nothing." Post-modern production is free, because it releases creativity, innovation, independence, and socialized at the same time, because it implies cooperation and participation in work products. The development of technology/knowledge is equal to human freedom, and liberation from centuries of exploitation (Negri, 2008).

To sum up the above considerations, we can draw the following conclusions about the post-capitalistic society. First, it is based on knowledge. This means that knowledge becomes the main capital and a factor that guarantees development. So, the main driver of the post-industrial era is educated, creative people.

### **3. The rise of the creative class**

Richard Florida, in his *The rise of the creative class*, describes the emergences of a new social class, creative specialists, who, according to him, play the predominant role in the modern economy. In his study, he presents the set of values shared by the creatives, which highly influence their working style:

- Work-life balance.
- Continuous development.
- Flexibility.
- Working with interesting technological stack (Florida, 2010).

The way the American theorist pictures this new class is like what sociologists see in the Y generation. Millennials, how some authors also describe them, include people born between 1980 and 2000. According to several studies, this generation is focused on self-fulfillment and satisfaction. Other core values, especially visible in the working environment, include respect, recognition, continuous development, fairness, tolerance and equity (Sonnet, Kralj, Kandampully, 2012).

Regardless of the label, sociologists agree that this generation is not mainly money-driven and that above mentioned values play more significant role to them in a workplace than the height of their salary (Florida, 2012). To better understand this phenomenon, let us recall here the famous world value survey of Ronald Inglehart. What we know from his study, is that generations raised in welfare are less willing to make trade-offs and sacrifice their individual autonomy for the sake of economic and physical security. They take this security for granted and focus on being self-fulfilled and living up to their values (Inglehart, 1977).

#### 4. Management models

Given the social and economic changes, many organizations have been striving to find new organization models.

Let's have a look at three of them, which are the most widespread and have the biggest impact on current management practices:

- Agile management – agile management is a methodology, which has its source in software development. In 2001, seventeen developers published Agile Manifesto, with an aim to improve and ease software engineering processes. It is based on four core values, and twelve principles. The agile set of values is composed of the following:

- a) Individuals and interactions over processes and tools.
- b) Working software over comprehensive documentation.
- c) Customer collaboration over contract negotiation.
- d) Responding to change over following a plan (agilemanifesto.org, 12.09.2018).

The principles help developers putting agile concepts into action:

- a) Our highest priority is to satisfy the customer through early and continuous delivery of valuable software.
- b) Welcome changing requirements, even late in development. Agile processes harness change for the customer's competitive advantage.

- c) Deliver working software frequently, from a couple of weeks to a couple of months, with a preference to the shorter timescale.
- d) Business people and developers must work together daily throughout the project.
- e) Build projects around motivated individuals. Give them the environment and support they need, and trust them to get the job done.
- f) The most efficient and effective method of conveying information to and within a development team is face-to-face conversation.
- g) Working software is the primary measure of progress.
- h) Agile processes promote sustainable development. The sponsors, developers, and users should be able to maintain a constant pace indefinitely.
- i) Continuous attention to technical excellence and good design enhances agility.
- j) Simplicity – the art of maximizing the amount of work not done – is essential.
- k) The best architectures, requirements, and designs emerge from self-organizing teams.
- l) At regular intervals, the team reflects on how to become more effective, then tunes and adjusts its behavior accordingly (agilemanifesto.org/principles, 12.09.2018).

Jurgen Apello, in his *Management 3.0*, summarizes agile development in these words: “Agility is about staying successful in ever-changing environments” (Apello, 2011, pp 376).

- Holacracy: is a method of decentralized management and organizational governance, in which authority and decision-making are distributed throughout a holarchy of self-organizing teams, as opposed to the traditional, hierarchical systems. It based on the principles of flat hierarchy and self-governance (holacracy.org, 12.09.2018).

- Squad model (Spotify): when Spotify was launched, it operated in a typical scrum system. However, once the company started growing, scrum stopped being the most efficient way to organize the teams. They set up a new structure – squads, which are small, cross-functional teams. The emphasis in this model is put on freedom, autonomy, and flexibility, which is, however, always tightly aligned with the company mission (<https://www.youtube.com/watch?v=3YrRW4u9Rl0>, 12.09.2018)

To summarize, all these models are based on the ideas shared by such authors like Daniel H. Pink, Richard Florida or Alan Burton-Jones, who claim that employees are driven by self-directed processes, self-management, autonomy, and purpose, much more than by financial incentives.

## 5. Utopia or dystopia?

New management models combined with the proclaimed new socio-economic structure based on knowledge, seem to be a promise of new better world, where democratic, based on equality, autonomy, and individual self-fulfillment system wipes out the old, hierarchical,

micro-managerial one. Companies, from Silicon Valley/Berlin startups to more established organizations, implement agile methods, work in scrum teams, offer flexible working hours and home office. On top of that, salaries (especially for educated specialists, such as software developers) are higher as never before.

However, statistics do not look that optimistic. According to Gallup's study only 10% of adult fulltime employees are satisfied with their job. Also, the same number of working people are engaged in what they do. Most of them fulfill the orders with no mental nor emotional engagement in their tasks (Anonim, 12.09.2018).

Cities like Berlin have a flourishing startup scene, with flat-hierarchy, agile, or holocracy-alike companies. Still, the employees turnover rate is unexpectedly high, and most of these ventures fail.

David Graeber in his famous essay *On the Phenomenon of Bullshit Jobs: A Work Rant* describes the existence and creation of meaningless jobs. Despite the John Keynes prediction on 15-hour work week, which was to come thanks to the technological advancement, we work extensive long hours and at positions that could be easily replaced by machines, or are in general completely obsolete (strikemag.org/bullshit-jobs, 12.09.2018).

The „bullshit” jobs are alienating and deprive us from any self-fulfillment. Agile methods, holacratic anti-structure, etc, do not bring autonomy and value-centric tasks; quite the opposite, they help make people work faster and more efficient in the jobs they hate.

Of course, new managerial concepts are not evil per se. But as long as they are tools in neoliberal practices, they will be creating white collars sweatshop.

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