

Creating A Self-Managing Company

A New Paradigm for Leadership, Management & Organization Design

A Look Back at Traditional Management Practice

Did you know that the inventors of the discipline of management as we know it designed the process very intentionally to *minimize* employee contribution?

When we look at the history of management, we see Frederick Taylor Winslow, a brilliant engineer, who took production planning away from employees. Using empirical methods, he and his teams assessed the potential productivity of manufacturing processes and then hired an army of managers to see that their standards were carried out.

His work revolutionized business around the world and created huge productivity gains.

The realities and assumptions beneath his efforts are worth exploring, however.

First, the workforce was largely uneducated. Millions of people were moving the cities off of the family farms in the late nineteenth and early twentieth centuries. They had little education and few skills. And at a dollar and a half a day average wages, were eminently replaceable.

Second, he and his cohort were nineteenth century intellectuals who grew up in a Newtonian universe. Meaning that with the invention of calculus in the seventeenth century by Isaac Newton, the universe was seen to be a cosmic machine, running on inexorable divine laws that we were beginning to understand and which offered humanity the promise of mastery of the universe as predicted in the Bible.

This was a very tidy and satisfying cosmology, if not altogether accurate. But the machine was their model and at the height of the industrial revolution, the archetype of all things progressive.

Not surprisingly, this was the model the applied to the organization. The master blueprint of the organization was designed and developed by top management. Employees were cogs in the machine and had to function in very narrowly defined ways. There was no room for creativity, self-expression or feedback. The cogs were easily replaced if they didn't fit or if they required too much maintenance. A troop of managers were assigned to the organization to insure the machine ran smoothly and the cogs performed their tasks precisely as designed.

The human cost of this model was and continues to be huge, but was always deemed an acceptable cost for the productivity gains. The earliest organizational studies in the 1930's made it clear that assembly line work was so mind-numbing and dehumanizing that any change in the work environment, good or bad, would increase productivity for some period of time.

Three breakthroughs in science in the 20th century blew up the Newtonian cosmology. At the turn of the century, quantum theory appeared. In the 1970s, chaos theory and five or ten years later complexity theory showed clearly that the universe is a much less predictable place than was earlier supposed. The machine model, while not wrong in some ways, was far from a complete picture of how the universe actually works.

Most important for business was the understanding brought by complexity theory that the universe is self-organizing. Once this concept is grasped, we can see self-organizing behavior everywhere we look. You can see it in how traffic flows, Adam Smith's "invisible hand" in the marketplace and everywhere in the natural world.

Which raises the obvious question, "If the universe is self-organizing, why does it take human beings an army of managers to get anything done?"

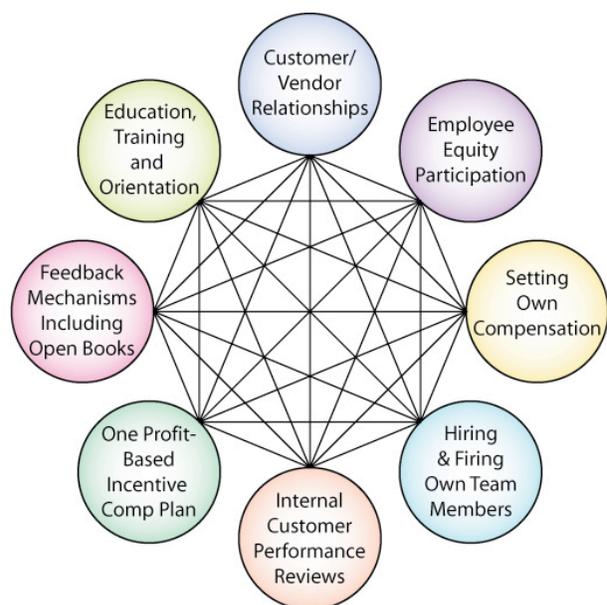
The answer is, "It doesn't."

The problem lies in the assumptions underlying traditional management practice which have disappeared from view into the culture of business. No one ever questions whether or not double entry bookkeeping is the best way to account for money in a business. No one ever questions that people need job descriptions or that the boss should hold periodic performance reviews. Yet the legacy of the machine model pervades every aspect of leadership, management and organization design as we know it.

A New Model

Since the early 1990s I have been researching and working with my clients to determine how the principles of complexity theory could be applied in a practical way to the world of business. The result of that research can be summed up in the diagram to the right, the eight pillars of self-management.

For more information on these artifacts, systems and processes, read my book, **The End of Management, Have More Time, Make More Money and Have More**



Fun by Creating A Company That Runs Itself.

Creating a self-managing company isn't quick or easy, but the benefits are huge.

For example, in the many speeches I give to CEOs each year, I routinely ask the question, "If you were to write down on a yellow pad, every task you undertook every work day for a period of say two weeks, what percentage of those tasks would meet the following two criteria:

- I'm the only person in the company qualified to do this task
- I'm the only person in the company for whom it is morally, legally and ethically appropriate to do this task?"

The average response is about ten percent.

What that suggests is that there is a potential *900% increase in your production capacity as CEO, doing those tasks that only the CEO can do sitting on the table.*

What would it mean to your business if you applied only half that freed up bandwidth to moving your company forward? What would it mean to your family and your personal quality of life if you took the other half of that freed up bandwidth and applied it to your family relationships, experiences and personal pursuits?

We are talking about almost an order of magnitude difference in how you do your job. With a self-managing leadership team, as improbable as it seems, becomes a very real possibility.

Getting there requires rooting out of the organization any system, process or artifact based on traditional, machine model thinking. And they are everywhere.

The diagram above is a template only. Applying the template to your unique business is the work of yourself and your Leadership Team.

Other benefits include:

- Redundancy of leadership in the case of loss of a Leadership Team member
- Minimal impact in the short term if something should happen to you, the Leadership Team is perfectly capable of keeping the business running
- Increased value if you choose to sell the business, because the business is demonstrably not dependent on you
- Shared interest in and commitment to profitability throughout the company
- Steady flow of ideas and information to eliminate waste and reduce costs

- Highly scaleable structure that can quickly adapt to opportunities in the marketplace
- No structural constraint on upward mobility for ambitious, talented employees.
- Maximizing your return on payroll.
- Creating fiercely loyal employees.
- Attracting top talent to the company with demonstrable opportunities they cannot find elsewhere.
- Weeding out employees who aren't interested in adding real value.

The list goes on.

It is the 21st century model on how to design and build an organization.

The steps to accomplish this are:

1. Get educated. Read the document, *Building a 21st Century Business*, found here on this site. Read my book.
2. Start with the Life Planning Session to create a context for the work and a bedrock foundation for your planning and organization design work.
3. Form your Leadership Team and get started.

It will take you two to three years to fully transform the company. This statement should not be construed to mean that nothing much happens for two to three years. Quite the contrary. A great deal happens very quickly. When I say two to three years, I mean to reach the point where you and your employees have to stop and think about what it was like before the transition to self-management.

It takes time and effort, but it will pay big dividends forever.

Obviously, the journey is made quicker and easier with expert help, support and facilitation. While many people in business tinkered with parts and pieces of the model I have described, no one was designed, built and tested the comprehensive model I have put together.

If this approach to designing and running your company is of interest, please feel free to call me anytime.

About Lanny Goodman

Since 1980, CEOs of companies large and small have consulted with Lanny around their strategic planning processes. Primarily focused on entrepreneurial organizations, Lanny's planning methodologies help companies focus their efforts, improve profitability, rationalize their operations and leverage their people.

In the late 1980's Lanny began exploring how changes in our understanding how the universe works might apply to how we lead and manage companies. Building on the principles of the new science of complexity theory, Lanny began working with his clients, researching and experimenting to create the first comprehensive system for creating companies that run themselves. Lanny's book, **The End of Management** lays out the logic of self-managing systems.

His company, Management Technologies Inc. provides comprehensive support services to organizations interested in creating companies built from the ground up to fully leverage their people. For more information visit www.lannygoodman.com.

Lanny's work has been the subject of a feature article in Inc. Magazine. He has been quoted there extensively as well as in Fortune Small Business and the New York Times. A compelling speaker, he has spoken at sixteen Inc. Magazine national conferences including five Inc. 500 conferences, celebrating the 500 fastest growing private companies in the country.

Lanny holds a BA in Fine Arts and an MBA in Financial Management and lives in Albuquerque, NM. He can be reached at lanny@lannygoodman.com or by phone at (505) 884-7300.

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