

Collaborative Intelligence

Translation from Italian by



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Collaborative Intelligence:
Towards the Social Organization

By

Marco Minghetti

CAMBRIDGE
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P U B L I S H I N G

Collaborative Intelligence: Towards the Social Organization,
by Marco Minghetti

This book first published in English 2014
Originally published in Italian as *L'intelligenza collaborativa. Verso la social organisation*
by Marco Minghetti, published by Egea, 2013

Cambridge Scholars Publishing

12 Back Chapman Street, Newcastle upon Tyne, NE6 2XX, UK

British Library Cataloguing in Publication Data
A catalogue record for this book is available from the British Library

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ISBN (10): 1-4438-6022-0, ISBN (13): 978-1-4438-6022-2

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PREFACE TO THE ENGLISH VERSION

Maybe You Have Not Realised that yet, but We Have Entered a New Era

I always read with great interest the articles by Steve Denning on *Forbes*. They are a treasure trove of information on the revolution currently experienced by management. Although the low consideration given to managers and leaders today, Denning is unhesitant in defining the current times as “the golden age of management”.¹

As he explains, many managers stubbornly cling to the unproductive, inefficient and unethical bureaucratic processes which are typical of Scientific Management 1.0, the “Command and Control” model, and Taylorism, dragging the companies they run into the economic crisis. Yet a new model of social organization is rapidly developing, as a result of a radical change of perspective in relation to theories and practices in place in the last 100 years.

The present volume is the English version of *L'intelligenza collaborativa*, a book published one year ago in Italian in which I made the same arguments as Denning.

He terms this approach “radical management” and defines it according to the ten principles which summarize the thought of economists, sociologists, and analysts in the last century (e.g. Dan Tapscott, Gary Hamel, but also the proponents of Humanistic Management 2.0²):

¹ Denning, S. 2013, *The Golden Age of Management is Now*, available at <http://www.forbes.com/sites/stevedenning/2013/08/05/the-golden-age-of-management/>

² See <http://www.humanisticmanagement.eu/>.

1. From maximizing shareholder value to customer delight;
2. From sustainable competitive advantage to continuous strategic adaptation;
- 3 From efficiency to co-creating value;
- 4 From unidirectional value chains to multi-directional value networks;
- 5 From steep hierarchy to shared responsibilities;
- 6 From control to enablement;
7. From economic value to values that grow the firm;
8. From command to conversation;
9. From managing process to stewardship of stakeholders;
10. From episodic improvement to paradigm shift;

It might be interesting to go through all of them taking into account the concepts developed in my book and bearing in mind Denning's general definitions, in order to provide a practical understanding of the notion of "collaborative intelligence".

From Maximizing Shareholder Value to Customer Delight

According to Denning, the management revolution flows from a recognition that the pervasive pursuit of short-term profits since the 1970s has not led to long-term shareholder value or the enduring betterment of society. We now know that it has generated widespread bad profits, undercut firms' sustainability, destroyed whole industries and undermined the capacity of entire sectors to compete internationally. Self-evidently, creating value for customers leads to long-term shareholder value. As a result, this radically different way of managing is significantly more profitable than the old one.

Organizations that have—for the most part—embraced the new paradigm, such as Apple, Amazon, Salesforce, and Whole Foods Markets, are moving towards what in the 2004 *Human Management Manifesto* is defined as "the new frontier of corporate culture".³

The new managerial principles are identified by Denning in what he calls the Creative Economy. In the same spirit, the Humanistic Management theory argues that the main element of management is creativity, understood as the ability to produce something new and amazing that has never been seen before and which is destined to affect future events in different respects.

³ See <http://www.humanisticmanagement.eu/home/the-humanistic-management-manifesto/>

Creativity is a fundamental component of collaborative intelligence which arises from the ability to take a “meta-disciplinary approach”.

This means being able to make direct or indirect use of special skills other than those already mastered, drawing on the concept of “openness” developed by Dan Tapscott in *Wikinomics*. Accordingly, creativity needs a social and cultural context (either offline or online) where its various forms can be nourished, bringing together different repositories of knowledge. This should take place following the example provided in the afterword of the Italian version of the volume, *The Medici Effect*, where, like Denning, I refer to some concepts developed by Richard Florida in *The Rise of the Creative Class*.

Yet there is one aspect which is overlooked by Denning: the profitability of some of these companies (I am thinking of Apple and Google) is also the result of illegal (or barely legal) tax evasion practices. In my opinion, the strong call to corporate ethics—which is coherently pursued and not only declaimed—should be the fundamental component to prevent new managers from ending up like their predecessors.

The collaborative intelligence realized by the organizations is considered as such only if translated into a responsible fulfillment of one’s duties to the local, national, and global community, in order to grow and prosper.

From Sustainable Competitive Advantage to Continuous Strategic Adaptation

In the emerging Creative Economy, competitive advantage is increasingly transient. As explained by Rita McGrath in her book *The End of Competitive Advantage* (2003), a new competitor can emerge from anywhere at any time. It is not just cheap substitutes for products that capture low-end customers and gradually move upmarket to pick off higher-end customers. Now entire product lines—whole markets—can be destroyed almost overnight as customers defect in droves by “big bang disruption”.

From Efficiency to Co-Creating Value

As the economy steadily shifts from commodities to complex differentiated or personalized products and services, and as power in the marketplace shifts from the seller to the buyer, the importance of adding value to customers relative to greater internal efficiency has increased. As a result, it is employers who have learnt to generate co-value, creating products and services along with stakeholders and becoming more and

more successful. Denning makes reference to Apple, Amazon, Salesforce and Whole Foods Markets, but in this book we also point out the case of Italy-based Banca Ifis. Wikipedia provides the following definition of co-creation, to which Chapter 11 of this book is dedicated:

Co-creation is a form of marketing strategy or business strategy that emphasizes the generation and ongoing realization of mutual firm-customer value. It views markets as forums for firms and active customers to share, combine and renew each other's resources and capabilities to create value through new forms of interaction, service and learning mechanisms. It differs from the traditional active firm—passive consumer market construct of the past. Co-created value arises in the form of personalized, unique experiences for the customer (value-in-use) and ongoing revenue, learning and enhanced market performance drivers for the firm (loyalty, relationships, customer word of mouth). Value is co-created with customers if and when a customer is able to personalize his or her experience using a firm's product-service proposition—in the lifetime of its use—to a level that is best suited to get his or her job(s) or tasks done and which allows the firm to derive greater value from its product-service investment in the form of new knowledge, higher revenues/profitability and/or superior brand value/loyalty. Scholars C.K. Prahalad and Venkat Ramaswamy popularized the concept in their 2000 *Harvard Business Review* article, "Co-Opting Customer Competence". They developed their arguments further in their book, published by Harvard Business School Press, *The Future of Competition*, where they offered examples including Napster and Netflix showing that customers would no longer be satisfied with making yes or no decisions on what a company offers. Value will be increasingly co-created by the firm and the customer, they argued, rather than being created entirely inside the firm. Co-creation in their view not only describes a trend of jointly creating products. It also describes a movement away from customers buying products and services as transactions, to those purchases being made as part of an experience. The authors held that consumers seek freedom of choice to interact with the firm through a range of experiences. Customers want to define choices in a manner that reflects their view of value, and they want to interact and transact in their preferred language and style

Another suitable definition of "co-creation" is provided in the post "A Co-creation Primer" in *the Harvard Business Review*. Aside from the Harvard scholars, nowadays there is general consensus that the co-creation of value, services, media contents, promotions, and advertisements is the most promising tool to boost innovation, competitiveness, and to better balance demand and supply. In reality in co-creation, users actively work with producers in the creation, implementation, consumption, and

promotion of co-created services and products (Marketing is Dead, the *Harvard Business Review*).

As Luigi Ferrari explains in *L'impresa nell'era della Conoscenza*:

It is an open secret that today innovating is increasingly difficult, as technology and capital are no longer scarce goods or competitive factors. The capacity to innovate lies in the human component, with the partnership between producers and users being a winning factor in every sector. Each one of the actors involved pursues his own interest; users aim at utilizing more convenient services and products whereas the employers' intention is to gain competitive advantage in terms of production, processes and costs. No market survey, however well conducted, can replace the interaction between the user and the supplier, provided that the latter will be motivated by a collaborative spirit and not by selfish interests. In relation to this last point, transparency is a core value of the web and anyone should comply with it, to avoid negative implications, above all in terms of reputation.

From Unidirectional Value Chains to Multi-Directional Value Networks

At the very core of traditional management thinking lies the unidirectional value chain through which the firm delivers value to customers.

Creating and sustaining superior performance is seen as coming principally from making the unidirectional value chain more efficient.

This concept was made clear by Michael Porter's *Competitive Advantage* (1985). According to his theory, the success of a company originates essentially from making the unidirectional value chain more efficient (i.e. top-down, broadcasting and hierarchical; in a word "unicursal", as explained in an article I wrote in 2000 for *Hamlet*⁴ influenced by Umberto Eco, which was later on reviewed and further developed in the 11th *Variazione Impermanente* of the *Manifesto of Humanistic Management* and *Nel Labirinto, Alice Annotata 7*).⁵

In an interview with Brian Leavy for a forthcoming issue of *Strategy & Leadership*, Venkat Ramaswamy says that in future "value increasingly will be co-created interactively by firms and customers, rather than merely exchanged between them. This challenges two deeply embedded traditional assumptions about strategy and value creation: that firms create

⁴ See <http://www.humanisticmanagement.eu/english-versions-of-main-italian-book-published-by-marco-minghetti/the-shakespeareian-company/>

⁵ See <https://www.facebook.com/notes/postmodern-alice/postmodern-alice-7-in-the-labyrinth/301397379907651>

value and then exchange it with consumers in the marketplace and that the value created resides primarily in the product or service provided”.

The thinking behind the uni-directional value chain is a relic of an era in which organizations could succeed by pushing products and services at customers. In the Creative Economy, the company’s value chain is merely one facet of a more complex multi-directional network, where value is created through interaction with customers and partners.

Examples are the Apple’s App stores – which constitute a platform that mobilizes several hundred thousand developers who interact directly with customers – and NikePlus which simultaneously creates value for runners and Nike. In Italy, such an approach is akin to that developed by Vodafone, as discussed in the posts *HR 2.0? Il caso Vodafone e HR 2.0? Il caso Vodafone (Parte seconda)*, subsequently reviewed and published in Chapter 9 of this book in the form of a success story recounted by Gianluca Ventura, Vodafone HR Director.

In a discussion with Luigi Ferrari, I pointed out that:

the first condition not only to survive, but to benefit from the new economic scenario is to listen and discuss, thus not using the web as a mere communication tool erroneously assuming that we can adapt old messages to new social media. Rather, it is important to challenge the vertical and top-down organisational models which characterized, for better or for worse, business activity, from the advent of marketing to the establishment of new form of advertisement and openness to social media in the first decade of the millennium.

We made the same argument in the Preface to *Humanistic Management*: “In order to understand the present times and look at the future, it is necessary to promote open-mindedness, self-analysis and reflections, along with the capability to find original solutions through paying great care to the context, to the outside”. This attitude is decisive to promote collaborative intelligence among all stakeholders and transform the traditional company into a network of communities, translating into practice what is argued in *Quarta Variazione Impermanente*:

the legitimization of economical, technical and legal thinking cannot take place in terms of objective and measurable “convenience”, but in terms of value creation concerning desires, emotions, and collective and individual imagination. Social entities cannot delegate to others the development of lifestyles which depend on everyone’s aspirations and action and situate themselves in different and multiple contexts which—being in everyone’s mind—escape the analysis of experts, who are not willing to know them anyway.

From Steep Hierarchy to Shared Responsibilities

As highlighted by Denning, traditional management draws a sharp distinction both between leaders and managers and between managers and workers. This second distinction is a founding principle of Scientific Management. It was Taylor who in the first years of 1900 established the Planning Department, where ad-hoc managers developed tasks through the “Time and Motion” approach based on the “one best way” rule. Hence the idea that “some are paid to think, others to work” which can be found in characters such as Dilbert in the US and *Fantozzi* in Italy.

The distinction between leaders and managers flows from Abraham Zaleznik’s 1977 *Harvard Business Review* article “Managers and Leaders: Are They Different?”. The article argued that managers have different skills sets and attitudes. Three aspects were said to be key.

First, “managers focus attention on procedure and not on substance”. This means that managers are bureaucrats who mistake the means with the end. Second, managers “communicate to subordinates indirectly by signals,” rather than clearly state a position in case of internal conflict. Third, similarly to Quintus Fabius Maximus the Delayer, “managers play for time.” Amid the conflicting rules and procedures of bureaucracy, managers have no way of knowing what the right answer is. Self-protective routines are used, up and down the hierarchy.

Leaders were said to inspire people, spark change and strengthen the corporate culture. In theory, the two roles are complementary. In practice, the distinction has often caused organizations to collide, with leaders inspiring those doing the work, promoting change and enhancing the organizational culture, and managers actively undermining everything leaders do. In reality, I believe that in many cases a certain degree of connivance exists between the two figures, as in the case of the “good and bad cop”, who are both interested in maintaining the hierarchy dictated by a Scientific Management approach. As I write in *Nulla due volte*⁶

In companies, scientific managers think they can impose a meaning to procedural, administrative and bureaucratic issues through the ‘one best way’ rule, claiming that this is the only way to do things. They identify pragmatism with reductionism, changing their attitudes like Robinson Crusoe. Defoe’s character thinks that the world can be dominated insofar as it can be measured, assessed, and treated as a statistic. This is a winning

⁶ See <http://www.humanisticmanagement.eu/english-versions-of-main-italian-book-published-by-marco-minghetti/nothing-twice-selected-excerpts/>

move until when Robinson the ‘manager’ finds himself operating on a desert island

In the Creative Economy, as well as in companies adopting the Humanistic Management 2.0 model, the distinction (real or fictitious) between managers and workers is meaningless, especially the superiority of the former on the latter. This distinction is radically replaced by the notion of ‘collaborative intelligence’ which in the definition I provide also includes that of Goleman’s emotional intelligence, given the relevance of empathy (see Chapters 12 and 14 on engagement and summoning in collaborative working processes).

Simply put, it all comes to replacing what I have come to term “collaborative intelligence”, with widespread stupidity which is either the mainstay of Scientific Management or the cause of the economic crisis we have been dealing with for years.

Indeed, it is hard to imagine a different outcome for an organizational model where the majority of people are paid “to work and not to think”. This point is clearly explained by Antonio Pascale in the article “Can a proper stupidity rate benefit the office?” published on *Il Corriere della Sera* on 16 January 2013:

Stupidity is among the causes of the economic collapse which has recently affected corporations, banks and a part of the financial sector. ‘Stupidity’ is the attitude of management to disregard wider questions and to engage only in short-term speculation [...] Speculation, little ability to compare data in a wider perspective? Yes, that is right. Stupidity. [That is why] the whole 1900 employment system is facing a crisis. Production was [and still is] based on repetitive tasks, instructions and a regimented system. Yet today, in order to gain value in the market, an item must produce a certain level of innovation. In order to be innovative, it is necessary to be creative. And to be creative one cannot be alone, but it is necessary to share each other’s data, to adapt to the new, to risk [...]. Anyone has to be assigned his own task. In a way, ideas turn people on. It will be a difficult change, old occupations will no longer be required, yet it might be that not stupidity, but widespread, organic and supportive creativity will become the winning strategy.

Collaborative intelligence is the driver of a social organization, where work is increasingly done in self-organizing teams, networks and ecosystems, where the distinction between managers and workers begins to dissolve. Members of self-organizing teams share leadership and management responsibilities. Denning provides the example of the California-based tomato processing company, Morning Star.

Employees not only work, but also set objectives, control and supervise what they do, find new ways to create value, and measure progress towards objectives. Everyone has a clear line of sight to the customer for whom value is being created. Similarly, partners contribute value directly to customers on platforms orchestrated by the organization.

In this connection, it is interesting to point out the renewed interest for tools like the Balanced Scorecard proposed by Nolan and Kaplan in 1992, which can be used either as an instrument to measure tangible and intangible assets or to a means to communicate and share company objectives. This brings to mind an interesting article published on *Harvard Business Review Italia* in July-August 2013 describing the case of Allianz, as well as the interview to the HR Director of Ottica Avanzi Fabio Bernardi (the full text is available in this book at the end of Chapter 8). Here is an excerpt dealing with the Balanced Scorecard:

- *At the time of launching the idea of a balanced scorecard to assess the performances in order to measure intangible assets, Nolan and Kaplan argued that this tool was first and foremost a system for internal communication. It seems to me that your philosophy is akin to theirs.*

Based on the users who visualize them, some key performance indicators (KPI) are regularly generated and published through our portal, which are sent out to all the organizational levels and can be easily interpreted to gather an idea of the company results in relation to the objectives laid down. Becoming aware of the performances according to the objectives set allows the organization to anticipate the market dynamics, which is key to the success of any organization operating in the retail industry.

Finally, remuneration should also reflect this new approach to work. The traditional system is individual and objective-based, thus in stark contrast with those promoting the involvement of all actors to achieve collective success (which can be seen as a paradox of the Command and Control Model, that is *Divide et Impera*). According to Denning, executive compensation is having disastrous business consequences, including a serious misallocation of capital and talent, repeated governance crises, rising income inequality and an overall decline of the US economy. The same holds for Italy, where the situation is even worse, if one consider higher unemployment levels among talented and young people, caused by forms of rampant nepotism rewarding relatives, friends, and “useful idiots” (who will be somehow useful but will remain idiots in organizational terms). In order to keep afloat in an increasingly dynamic market where power has shifted from the supplier to the buyer, organizations are moving from forms of centralized control to a decentralised system enabling collaborative working processes.

In the traditional economy, work is coordinated through bureaucratic rules, plans and reports. Targets are set and controlled by managers and hierarchy is an information processing system. When the firm has a problem brings together a group of people to work on it. The result of this work becomes a proposal that is consolidated and moved up the chain of managers for a series of reviews and approvals. In a slow-changing marketplace, people higher up have more information, knowledge and experience; this justifies their decision authority. In a world of gradual change, experience is a huge advantage. People lower down in the hierarchy have limited information and are usually looking at the world from a narrow perspective. Yet the world has changed. As I write in the first pages of this book drawing on some reflections of Gary Hamel

The management model that predominates in most organizations traces its roots back to the early 20th century. At that time, management innovators were focused on the challenge of achieving efficiency at scale. Their solution was the bureaucratic organization, with its emphasis on standardization, specialization, hierarchy, conformance and control. These principles comprise the philosophical foundations of Management 1.0 [that is of Scientific Management enunciated by Taylor in 1911] and are deeply baked into management mindsets and processes. In virtually every organization, one finds that power cascades down, that strategies get set at the top, that tasks are assigned and not chosen, that supervisors review subordinates rather than the other way around, that control is imposed, and that senior executives allocate resources. Before the Web, it was hard to imagine alternatives to management orthodoxy. But the Internet has spawned a Cambrian explosion of new organizational life forms, where coordination occurs without centralization, where power is the product of contribution rather than position, where the wisdom of the many trumps the authority of the few, where novel viewpoints get amplified rather than squelched, where communities form spontaneously around shared interests, where opportunities to “opt-in” blur the line between vocation and hobby, where titles and credentials count for less than value-added, where performance is judged by your peers, and where influence comes from sharing information, not from hoarding it (XII).

This excerpt seems to paraphrase the theories that I put forward along with a clique of visionaries in the 2004 *Manifesto of Humanistic Management*,⁷ the scope of which has become clear only recently. This is due to social software which is becoming increasingly accessible—often

⁷ See <http://www.humanisticmanagement.eu/english-versions-of-main-italian-book-published-by-marco-minghetti/from-humanistic-management-manifesto/>

free of charge—and the large-scale introduction of collaborative platforms from leading ICT players, which make the foregoing brainchild feasible.

As argued by Denning, in this fast-changing world, experience that predisposes leaders to pursue “business as usual” is often a handicap.

Further, in knowledge work, the people doing the work are often better placed than top management (this calls to mind the Kublai Kan of Calvino’s *Città Invisibili* and the Fordgates of *Le Aziende Invisibili*⁸ cf. episode 65 in particular that of our color collective novel *The Man in the High Castle*) to make decisions to solve problems, to determine tradeoffs between quality and quantity, set targets and assess progress.

Much of the justification for centralizing decision-making at the top of the hierarchy has dissolved. As a result, knowledge work is increasingly done by self-organizing and self-managing teams, networks and ecosystems operating both inside and outside the organization. In some organizations, work is coordinated through processes known as “dynamic linking”. Its principal elements are: work is done in short cycles; intelligence is gathered as to what might delight the customer; those doing the work decide what can be accomplished in the cycle; impediments to achieving goals are systematically removed; progress is measured by direct customer feedback at the end of each cycle. It is no coincidence that one of the leading figures of marketing, Brian Solis, who also anticipated the end of “business as usual”, wrote an article describing the evolution of the relations between companies and consumers through a map. This map sets out the steps taken by customers when choosing a product (before, during, and after), and the growing importance of digital tools in the engagement process is emphasized (mobile and social devices, the Web, IRL—In Real Life).

Special reference is made to those digital devices with a screen (smartphones, PC, tablets, TVs, and so forth), each of which gives rise to a “custode experience” preventing customers from becoming familiar with the offer by the company. Not surprisingly, at least for us, the article begins with an image of some people entering a labyrinth (the one chosen by Solis is a rhizomatic one) described by the author as “the Dynamic Customer Journey”.

Back to Denning, he explains that dynamic linking enables continuous innovation, to meet the shifting needs of clients while also achieving disciplined execution, something that hierarchical bureaucracy could never achieve, although being created exactly for this purpose. This is a further

⁸ See <http://www.humanisticmanagement.eu/home/the-in-visible-corporation/>

confirmation that, as I have frequently experienced, there is nothing less scientific than Scientific Management.

From Economic Value to Values that Grow the Firm

Denning goes on to highlight that in the Creative Economy, there is a shift from a preoccupation with traditional approaches to economic value—improved efficiency, economies of scale and cost-cutting—to a broader focus on the values that will grow the business by generating innovation and customer delight. The values of radical transparency, continuous innovation and sustainability become the primary values of the firm.

This is a key aspect of Humanistic Management 2.0. The 15th *Variazione Impermanente* sets forth that management must consider the ethics of responsibility, which regularly weighs the consequences of its own actions and holds itself accountable for possible risks. To make this happen, it is necessary that “people become the centre of individual capitalism, which requires investing on themselves at their own risk”.

People can do this only if they live in epistemic communities (in the sense provided by the social organization) enabling them perform their functions (reflection, sharing, modification of the premises, creation of new identities).

Shared forms of risk-taking are those where it is possible to project the interdependency among people, and to explain one’s idea and conception of risk. Taking risks is intended as a form of mutualism and inclusion, not only competition. Taking risks means foretelling what is possible and unexpected by providing a common meaning and using such prediction in the market in technical, economic, and political terms. The company emerging from such reflections is an entity which assumes a risk which has been shared and justified by those involved—although with different roles. Yet some procedural and material conditions are in place enabling participants to review initial dialogue, look for new justifications, providing new reasons to stay together or separate. This is an additional way to reassert the ethical mission, which then becomes mandatory for decision-makers and must be the founding principle of any vision: creating working communities outside the company, the purpose of which is to be shared and based on a justification.

The meaning of this expression is twofold. To start with, being together here does not refer to a group of friends who meet out of conviviality. The difference here lies in the fact that in a productive system there are objectives to be met, which concern certain standards, deadlines,

quality and compliance with the market needs. Another difference is the need to serve a personal purpose, which is met by the awareness of providing a contribution, a sense of fulfillment arising from participation, involvement, and shared responsibility. These aspects make up the justification I was referring to before.

This is exactly what happens in a social organization, considered “social” because it promotes engagement and social benefit, which is a point I have already made some years ago in one of my posts on social innovation. The comment was published on *ideaTRE60*, the first social media, which I created and developed, devoted on projects benefitting society based on “the collective intelligence for a vital world”.

A prominent example made by Denning is Whole Foods Markets, where the dedication to innovating with stakeholders to achieve profitable environmental sustainability is supported by radical transparency: the company shares so much information with its employees that the Securities and Exchange Commission has designated all employees—some 60,000—as “insiders” for stock-trading purposes.

From Command to Conversation

As pointed out by Denning, none of the above shifts will be sustained if management communicates in the traditional mode of top-down commands that fail to acknowledge that employees are both stakeholders and part of the innovation ecosystem. Nor will customers be delighted if communications with the organization consist of unresponsive one-way commands. Nor will other businesses be likely to collaborate on the firm’s platforms unless they perceive the relationship as a genuine partnership. Not only is this a crucial transformation, but it also “useless to resist to such change”, as Vogons (who are “ruthless caricatures” of the bureaucrats we referred to earlier) would put it in *The Hitchhiker's Guide to the Galaxy*. We live in a society where the assumption that “the market are conversations” theorized in the 1999 *Clutrain Manifesto* is now outdated; “images and conversations” are now essential components of human relations.

As far the social organization is concerned, companies have heavily invested on social media marketing. As I explained in the blog of Cisco Italia, the main challenge today is to align internal conversations with external ones. What do I mean by that? Some years ago, a colleague of mine told me “one can be ‘half’ pregnant: either you are pregnant or you are not. You can go through a false pregnancy at the very best, but it is not the same thing”. The same happens with companies; they cannot define

themselves ‘social’ if they implement 2.0 technologies with the outside world and 1.0 networking tools for internal communication. The lack of alignment between the internal and external world generates increasing forms of disruption. This is a key concept expressed in this book:

the world of “command and control” is turning into one of “sense and respond”. It is necessary to be sensitive to what is happening and react appropriately. But being sensitive to new things is as far as it can be from the state of mind of Taylor’s followers, so well described by Petrus, one of the protagonists of the novel *La Mente InVisibile*: in the modern era, the author of the principles of scientific management has been able to give consistency (or solidity, as Bauman would put it) to the “dream of creators of perfect orders, of total institutions, whether it is the empire of Hammurabi or a mafia gang: (that) of having perfectly flexible and fully autonomous subjects, in the sense of self-propelled people with respect to their task, but only to them. Religiously committed subjects or slaves, helots, metics, freedmen, serfs, picciotti, Manchesterian workers, mass-workers, or Taylorist workers, robots, integrated managers and integrators in and of the organizational machine”.

Against this background, Denning points out the importance of authenticity (as arduous as it can be in the digital world) in conversations developed within the business community.

From Managing Process to Stewardship of Stakeholders

Considering the founding principle of any social organization, where all stakeholders are called to contribute to create added value for customers, Denning points out that Management 1.0 often seeks to manipulate employees, partners and customers by whatever means necessary to achieve profits. In this sense, radical management and the Creative Economy reflect a move away from managing people on spreadsheets as “resources” to be pushed from one project to another.

This is even truer for Humanistic Management 2.0. In *Nulla due volte*,⁹ I dealt with this issue as follows: in scientific management the context is static, simple and structured, whereas in humanistic management is dynamic, complex, de-structured. Serial production, standardization and specialization of tasks and skills characterize the former; originality, creativity and meta-disciplinarity identify the latter.

⁹ See <http://www.humanisticmanagement.eu/english-versions-of-main-italian-book-published-by-marco-minghetti/nothing-twice-selected-excerpts/>

Scientific management is concerned with mass marketing, product orientation and quantity, while humanistic management focuses on customer's relations, service orientation and quality. This implies that scientific management adopts a model which is based on reductionism, fear for innovation, a lack of individual responsibility for the final outcome, and functional triumphalism which systematically deny the essential interaction with the other. This model clashes with that of humanistic management which promotes diversity, openness to the future, individual involvement and risk-taking which are necessary to strike a balance between individual and collective responsibility, the combination of rationality and sensitivity, inter-functional dialogue (which results from self-development and that of the others), ongoing research and self-making. As a result, the way one thinks of the business translates into such metaphors as the machine, automatism, pyramid, a system of pre-established and fixed meanings which are opposed to collective effort to generate meaning, vital worlds, labyrinths, texts, scores, plays, movies, blogs.

Two ways of thinking of people originate from this state of play: one the one hand, "one-dimension" and interchangeable human resources, clones and replicants who are irresponsible, unmindful, and blindly obedient; on the other hand, multiple and original identities, and ever-changing individuals who are aware of their own singularity, open to the future and who communicate with the outside world. They are free, as they are able to commit to responsible decisions.

The main characterization of these people results from individuals who overturn the classic theories on the future of modernism, be they critics (e.g. Charlie Chaplin in *Modern Times* and *Jeremy Rifkin*) or advocates (e.g. Marinetti and Nicholas Negroponte). They all agree on the fact that machinery and computers will end up replacing and killing the spirit of "human work" and locking in "the ghost in the machine", as pointed out by both Arthur Koestler—who referred to the relations between the mind and the body—and the Police in their work *Ghost in the Machine* ("we are spirits in the material world"). In reality, the highest technological power mandates to set free "the ghost in the machine", that means increasingly promoting intangible skills and individual creativity.

Denning's analysis also highlights another issue which I have developed in *Le Aziende In-Visibili*¹⁰ (Episodio 99, *The Sunny Side of Your Storytelling Life*): it is necessary to move beyond these fashionable forms of storytelling 1.0 that are merely intended to embellish the "truth" which

¹⁰ See <http://www.humanisticmanagement.eu/home/the-in-visible-corporation/>

is then disseminated in top-down organizations. This still happens today in large organizations which claim to be innovative, although making use of these ‘Goebblesian’ cascade systems which have become ridiculously rhetorical.

From Episodic Improvement to Paradigm Shift

I agree with Denning when he argues that the depth and breadth of the changes described above amount to a “Copernican Revolution” in management. As Joseph Bragdon wrote in *Profit for Life* (2006): “We are finally waking to the fact corporations are not the center of our economic universe, with people and Nature orbiting around them. In fact the opposite is true”.

Yet I question Denning’s argument that the set principles, practices, attitudes, values and beliefs described so far constitutes “a new paradigm”. As I wrote in the Foreword of the *Humanistic Management Manifesto*:¹¹

Historically, there are two definitions of ‘paradigm’: one which is exposed to the temptations of intense thought and considers the paradigm as an overarching truth; the other is closer to the etymology of the term and refers to its classic, non-scientific use. It takes on the same meaning adopted by Thucydides, according to whom *paradeigma* was concerned with the example provided by a master to his own disciples to support a given theory, without necessarily claiming to be *paradeigma* (a model in terms of virtue and behavior).

The paradigm here is intended as an analogical and supporting tool to help disciples to better understand what experience, history and knowledge tell us. Thus while the first definition is overly meaningful, the second is too a narrow one.

Accordingly, it seems to be more convenient to move from a paradigm—which by definition is static, narrowed, and non-evolutionary—to a new discourse that, in Lyotard’s words, can be defined as “simply narrative” and based on “a model associated with internal balance and conviviality”. This new discourse encompasses original concepts which can be translated into innovative practices which are suited to the flow of time (in the sense given by Heraclitus), the flux of life and the evidence of the human dimension, luckily escaping any conceptual framework. This is so because the corporate world is itself a vital world built around the individual.

¹¹ See <http://www.humanisticmanagement.eu/english-versions-of-main-italian-book-published-by-marco-minghetti/from-humanistic-management-manifesto/>

As a pointed out in the path illustrated in *Nulla Due Volte*,¹² this individual must be able to express his collaborative intelligence either in offline or online enabling environments created and operated by anyone, above all top management.

Undoubtedly, creating and developing such an environment enabling the collaborative intelligence of all stakeholders is feasible today, also considering the excellent cases of companies which are elaborating some of the principles described by Denning in this post.

Assuming that moving from a static paradigm—although concerning a radical change—to a discourse based on narrative and conviviality is the last element to meet this objective, it might be fitting to quote from a parable by Jorge Luis Borges which I already referred to in 1997 in the third issue of *Hamlet*.¹³

Borges' words are more meaningful than any other technical, economic or (strictly speaking) managerial example and help us understand how future organisations will be, bearing in mind that the road to meet one's goal (which is a strategic and not a merely tactical one) still requires commitment, dedication and willpower:

The distant king of birds, the Simurgh, drops one of his splendid feathers somewhere in the middle of China; on learning of this, the other birds, tired of their present anarchy, decide to seek him. They know that the king's name means "thirty birds"; they know that his castle lies in the Kaf, the mountain or range of mountains that ring the earth. At the outset, some of the birds lose heart; the nightingale pleads his love for the rose; the parrot his beauty, for which he lives caged; the partridge cannot do without his home in the hills, nor the heron without his marsh, nor the owl without his ruins. But finally, certain of them set out on the perilous venture; they cross seven valleys or seas, the next to last bearing the name of Bewilderment, the last the name Annihilation. Many of the pilgrims desert; the journey takes its toll among the rest. Thirty, made pure by their sufferings, reach the great peak of the Simurgh. At last they behold him; they realize that they are the Simurgh, and that the Simurgh is each of them and all of them.

¹² See <http://www.humanisticmanagement.eu/english-versions-of-main-italian-book-published-by-marco-minghetti/nothing-twice-selected-excerpts/>

¹³ See <http://www.humanisticmanagement.eu/english-versions-of-main-italian-book-published-by-marco-minghetti/the-shakespearean-company/>

FOREWORD

*“Dad, we’ve finally figured out what your job is!”
“So, if when we go to work we can use Facebook inside
and outside the office, it will be because of you!”*
—Marcello and Michele Minghetti,
born in March 1997 and August 2000

The International Scenario: From Theory to Practice

At an international level, the new frontiers of management 2.0 have increasingly become the subject of deliberation and practical action in managerial terms. The turning point which marked the shift from theory to practice perhaps can be seen in an article posted by Gary Hamel in his blog in November 2011, where he averred that:

The management model that predominates in most organizations has its roots in the early 20th century. At that time, management innovators were focused on the challenge of achieving efficiency at scale. Their solution was the bureaucratic organization, with its emphasis on standardization, specialization, hierarchy, conformance and control. These principles comprise the philosophical foundations of Management 1.0 [that is of Scientific Management enunciated by Taylor in 1911¹⁴] and are deeply baked into management mindsets and processes. In virtually every organization, one finds that power cascades down, that strategies get set at the top, that tasks are assigned and not chosen, that supervisors review subordinates rather than the other way around, that control is imposed, and that senior executives allocate resources. Before the Web, it was hard to imagine alternatives to management orthodoxy. But the Internet has spawned a Cambrian explosion of new organizational life forms, where coordination occurs without centralization, where power is the product of contribution rather than position, where the wisdom of the many trumps the authority of the few, where novel viewpoints get amplified rather than squelched, where communities form spontaneously around shared interests, where opportunities to “opt-in” blur the line between vocation and hobby, where titles and credentials count for less than value-added,

¹⁴ Taylor, F. W. 1911. *The Principles of Scientific Management*. New York-London: Harper & Brothers.

where performance is judged by your peers, and where influence comes from sharing information, not from hoarding it.¹⁵

This excerpt seems to paraphrase the theories that I put forward along with a clique of visionaries in the 2004 *Manifesto of Humanistic Management*,¹⁶ the scope of which has become clear only recently. This is due to social software which is becoming increasingly accessible—often free of charge—and the large-scale introduction of collaborative platforms from leading ICT players,¹⁷ which make the foregoing brainchild feasible.

This aspect is evidenced by the fact that many works (books, studies, and white papers) have been published on social media and their relationship with employers.

Many of them concern the use of social media at the company (among others, *Vivere social* by Federico Guerrini),¹⁸ others consider the sociological perspective (by way of example the books by Bennato¹⁹, Palmarini²⁰ or Romeo²¹), and still others are reports issued by

¹⁵ Minghetti, M. 25 November 2011, “Humanistic Management 2.0: la visione di Gary Hamel,” *Le Aziende InVisibili*, the author’s blog on Il Sole 24 Ore – Nova100, marcominghetti.nova100.ilsole24ore.com, accessed 3 November 2013.

¹⁶ Minghetti, M. and F. Cutrano, eds. 2004, *Le nuove frontiere della cultura d’impresa. Manifesto dello Humanistic Management*, Milano: Etas. The full text concerning so-called “impermanent variations” is available at <http://www.humanisticmanagement.eu/english-versions-of-main-italian-book-published-by-marco-minghetti/from-humanistic-management-manifesto/impermanent-variations/>.

¹⁷ See *Quadrant for Social CRM*, www.jjivesoftware.com (Accessed 4 November 2012).

¹⁸ Guerrini, F. 2011. *Vivere social. Manuale per imprenditori ai tempi di Facebook*, Roma: Edizioni della Sera. For further information, see the comment “Caro imprenditore, impara a vivere social”, in *Le Aziende InVisibili*, 20 November 2011.

¹⁹ Bennato, D. 2011. *Sociologia dei media digitali. Relazioni sociali e processi comunicativi del web partecipativo*, Roma-Bari: Laterza. For further information, see: «La rivoluzione social e le aziende nell’ultimo libro di Bennato», *Le Aziende InVisibili*, 12 December 2011.

²⁰ Palmarini, N. 2012. *Lavorare o collaborare? Networking sociale e modelli organizzativi del futuro*, Milano: Egea. For further information, see “Collaborare: un nuovo verbo nello spirito dello Humanistic Management,” *Le Aziende InVisibili*, 1 October 2012.

²¹ Romeo, A. 2011. *Società, relazioni e nuove tecnologie*, Milano: Franco Angeli. For further information, see “Società, relazioni e nuove tecnologie: Facebook e il social networking”, *Le Aziende InVisibili*, 11 January 2012.