V i s i o n

S t r a t e g y

**Business Models
=
Profit Models
+
Business Systems**

**Organisational

Development**

The Essence of Organisational Development

Author(s):	Stina Immonen
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{Participants = all research organisations and companies involved in the making of the deliverable}

Participants	Name	Organisation
Research	**Stina Immonen**	Aalto University, Department of Industrial Engineering and Management

Executive Summary

This document is targeted to all executives, managers, media professionals and researchers who are involved in developing business models for future media companies. A business model consists of a profit model and a business system. Here, the special emphasis is on describing a business system and its relation to organisational development.

A business system is the company's soul and heart, passion and motivation in action to realise the selected business model. The business system does not function without the people working for it. Thus, the essential competences needed for operating business system are embodied in the ways how individuals communicate, share and exchange knowledge, and interact with each others. A business system builds on collaboration among individuals and organisations not forgetting the technology supporting this collaboration.

To build and nurture this collaboration requires continuous organisational development. Organisational development realises itself in (1) defining, describing and re-designing the core production and delivery processes with their defined tasks, roles and responsibilities, (2) defining, designing and implementing management practices and leadership supporting the business processes, and (3) designing effective communication and knowledge exchange and sharing practices for the entire business system.

The essence of organisational development is to understand that instead of being sporadic actions, it is a continuous process of both evolutionary and sometimes even revolutionary changes in the status quo. At its best, organisational development enables organisational learning and flexibility in a way that strengthens a company's virtuous circle of organisational innovations of high business relevancy and success. At the same time, a company's obvious challenge is to lead and manage organisational development as a multidimensional system. Competence requirements, core tasks and job descriptions, technologies-in-use, physical, virtual and business environments, management and leadership systems of a company hardly remain intact in effective and efficient organisational development. Those companies which are able to apply systemic development approach have a clear competitive edge in modifying their business models successfully.

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1   Introduction – Why Organisational Development?

Organisational development in the context of future media business has its fundamentals in the shared vision, and understanding of the business model(s) of the company. Development efforts, regardless on the organisational level they are planned and implemented, must have their objectives set so that the accomplishment of the vision is supported. In other words, the organisational development follows a company's business strategy.

The Next Media task 'Organisational Development' builds on the 'Visio 2020' task with Media Scenarios 2020 (Giesecke et al.) and the combined generic and case related research done in the 'Multichannel Multimarket Media Services' case of the WP1 during 2010.

The Media Vision 2020 (Nurmi 2010, p. 12) states some clear requirements for the future media companies:

- Customer needs and networks are well understood and exploited.

- Media explores the playful society through assimilating gaming logics into a wide media spectrum.

- New earning sources are identified and business logics are developed.

- The local media hubs are enabled to proceed to a multi-locality way of influencing.

- Media is able to produce massively customised quality content.

- The whole media ecosystem meets or exceeds international excellence criteria.

The desired vision together with the chosen strategy to achieve this vision, as well as the consequentially following organisational development supporting the vision are all needed as essential elements for Itami's and Nishino's (2010) definition of a business model (Fig. 1). As commonly accepted, and according to Itami and Nishino, a business model has two elements: a business system and a profit model. The profit model is the more visible and often the more glamorous due to its direct link to the firm's bottom line. However, the authors note,

"…*the business system is more often the real 'meat', because it performs twin roles - first as the system that does the 'real work' in terms of realizing a firm's strategic differentiation intent, and secondly in accelerating its learning for the future.* " (ibid, 364)

A business system is the production and delivery system that a firm designs - within and beyond its boundaries - to deliver its products and services. This also supports Giesecke's and Immonen's (2010) view on system approach based business concepts that are developed with key stakeholders, users and audiences, and (advertisement) customers.
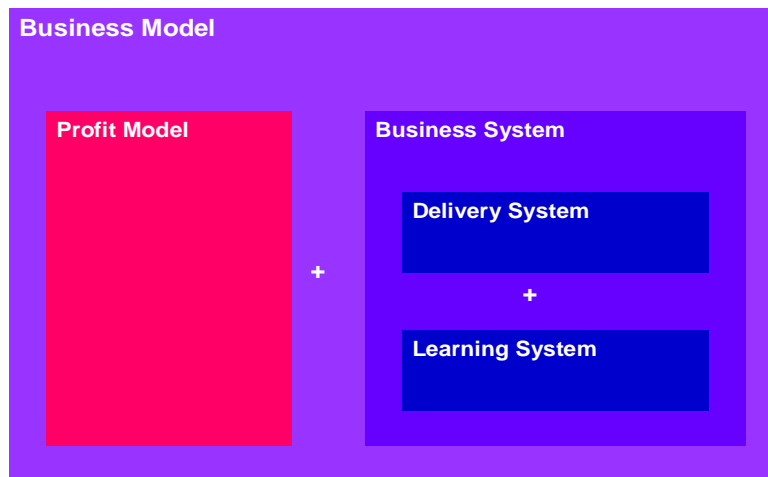
Figure 1. The elements of a business model (Itami and Nishino 2010)

In designing its business system, a firm usually has to determine the following three things (Itami and Nishino 2010, 365-366):

- the division of labour between the firm and its trading partners (typically a decision between outsourcing [crowdsourcing] and internal procurement)

- internally, how should the firm organise its in-house working system and

- externally, how it should control [integrate] the activities of its trading partners.

A firm needs a vision and mission for positioning itself it its ecosystem and for communicating its purpose for itself as well as for the stakeholders. This leads to strategy, what does a company do itself and what does it let others to do and with whom shall it collaborate. From organisational development point of view this implies fulfilling the following tasks:

(1) define, describe and re-design your core production and delivery processes with defined tasks, roles and responsibilities,

(2) define, design and implement management practices and leadership supporting your business processes, and

(3) design effective communication and knowledge exchange and sharing practices for your entire business system.

Thus, organisational development (Fig. 2) without a clear view about the connections to the vision, strategy and business models of a firm is hardly effective and positively influential for the business success.
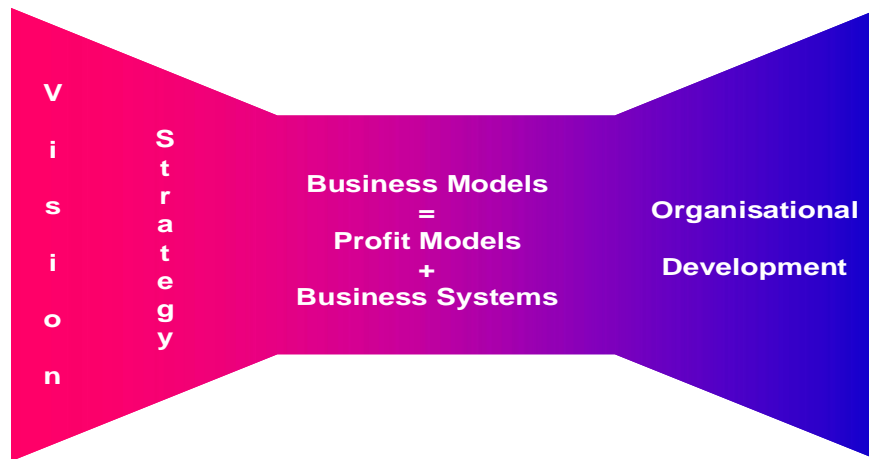
Figure 2. Organisational development based on vision, strategy and business model

1.1   Scope

Organisational development consists of analysing the possible gaps between desired and existing competences, task, roles and processes as well as management and leadership systems of a company, and suggesting the actions needed for improvement. Organisational development consists of both top-down and bottom-up viewpoints where personnel's commitment and motivation towards continuous development is supported by clearly communicated, vision and strategy driven goals, and by tangible outcomes in a reasonable time limit.

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1.2   Objectives

The objectives of the task is to

- clarify company competences needed in future media service business

- define general organisational development needs resulting from future ways of doing business.

1.3   Approach

The task was originally planned to have theoretical and empirical inputs from the generic business model research of new media services. This research is also conducted in WP1. However, the absence of real business cases suitable for this deliverable resulted the researcher to combine the findings of the 'Visio 2020' task to a holistic view on the interrelationships between future business models and organisational development.

2　Future Organisational Characteristics of a Media Company

Based on the Media Scenario 2020 (Giesecke et al 2010) work done in the 'Visio 2020' task the industrial participants recognised the following needs for their companies: increase flexibility and agility, advance from silos to more customer need oriented organisations, and focus jointly on research and development. Examples how the organisational development needs manifest themselves in different media genre businesses are shown in the Table 1.

Table 1. Future organisational characteristics by media genre (Nurmi 2010)

Media Genre	Examples of Demanded Features of Organisations
News and Information	• **Convey the meaning of the information to the user** • **Emphasise the importance of natural, context and content based interfaces, including emotions and user experience as content elements in news reporting and consumption.** • **Develop products between 'crowd media' and 'customized media'.** • **Define the competences needed in multimodal content production** • **Integrate multimodal content production in the work processes**
Education and Learning	• **Develop new business clusters and networks across the borders** • **Orchestrate and integrate lifelong learning-based communities**
Entertainment and Games	• **Enhance agility in development cycles** • **Utilise cash-flow management and multi-path revenue streams**
Community Media	• **Exploit both free (i.e. participative) versus more conventional ways of developing services**
Future Media	• **Identify new and emerging roles of professionals and non-professionals** • **Identify networks of actors and value created in them** • **Describe flexible production processes, harnessing participation, crowd sourcing and possible reward models**

2.1   Core Competences of a Future Business System

Following Itami's and Nishino's (2010) definition (Fig. 1), the business system is the soul and heart, passion and motivation in action to realise the company's business model. The business system is not functioning without the people working for it. On a company level, this requires abilities to reflect the total working system in action against the working culture needed for the selected business model, and to make necessary development steps for tackling the deficiencies. Thus, it becomes very obvious that the essential competences needed are embodied in the ways how individuals communicate, share and exchange knowledge, and interact with each others. It is all about collaboration among individuals and organisations.

Concerning any media business genre and especially education and learning (see Table 1) the future organisational characteristics indicate high significance and need of collaboration competences both in the in-house business system and but also in the external delivery system with customers, business partners and relevant other contributors and communities.

Collaboration competences meaning the ability to build and nurture beneficial business relationships are (Ylitalo et al. 2006)

- Communication skills

- Cultural awareness and empathy skills

- Problem solving skills and willingness of continuous learning

These competences manifest themselves on individual level, how all company members behave in interaction with their colleagues, other company members, clients and stakeholders. Moreover, company level processes and practices expose these competences also on organisational level.

Communication skills cover social skills. In the business context the emphasis is on skills of listening and understanding, sending, receiving and processing messages communicated via different media.

Cultural awareness and empathy skills mean ability to understand and acknowledge different professional, organisational and national cultures taking into account the counter part and her situation. Cultural skills also mean that individuals are able to adjust their behaviour accordingly to the social interaction situation.

Problem solving skills and willingness of continuous learning reflect the curious mindset about one's own environment and oneself. These skills are needed especially in complex networking business settings. The ability to be constructive and having a solution oriented working attitude is beneficial for mutually satisfying or so called win-win business relationships.

2.2   Balanced Business System

A business system can be understood as a constellation of several subsystems (Fig. 3). A balanced system is a group of subsystems that interact with each other and where good elements of the system compensate the poor ones. Applying Carayon's and Smith's (2000) thinking about balanced work systems and balanced organisations to Itami's and Nishino's (2010) business system thinking, I characterise a balanced business system as follows:

- the business system is in practice a constellation of different work systems all related to each other

- the work system have five different elements: the individual, tasks, tools and technology, physical and social environment and organisational conditions (Carayon and Smith 2000)

- the delivery and learning systems of a company links many intra- and inter-organisational work systems together

- the balanced business system is possible to achieve through systemic organisational development.

A balanced business system approach builds on the business strategy and weighs the positives and negatives of different subsystem design alternatives. A change in any of the subsystem element (e.g. technologies in use, customers, core products or services, competences needed etc.) affects the whole system and new equilibrium needs to be established. The new balance is achievable only if the interrelations between different work systems are analysed and this knowledge is utilised for improving the business system. Unbalance prevents the business model from functioning even if the original profit model is promising.
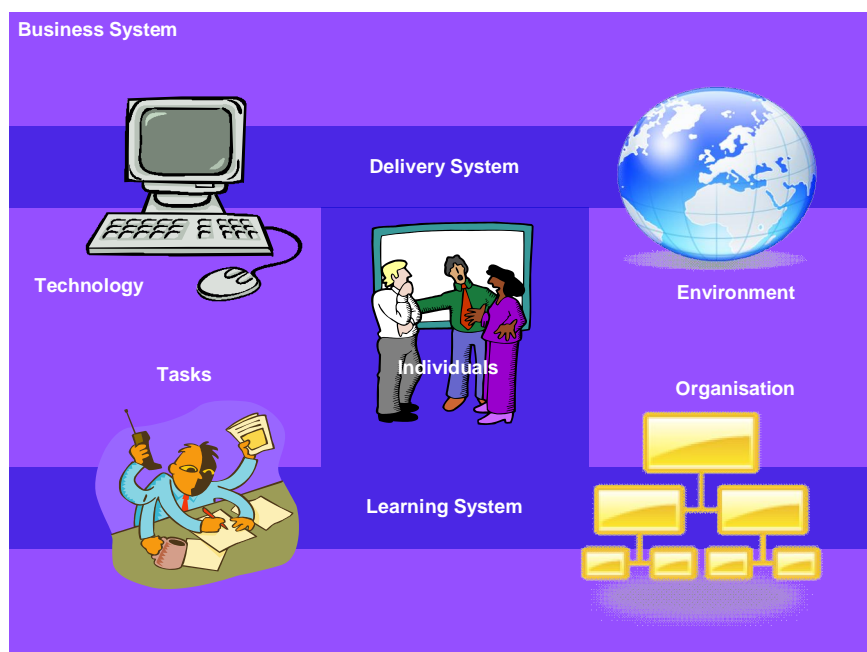

Figure 3. Elements of a balanced business system.

3 Organisational Development in Practice

The business strategy of different media genres addresses mainly service business, whether it being in the context of business-to-business, business-to-customer or business-to-government (see e.g. Table 1). A service business model shakes usually a company's business orientation considerably. In practice, service business often requires a total turn around from product driven culture to customer and service driven culture. A culture always reflects the deep value and belief system that has been learned in a community, whether it be an industry, a company or a smaller group of professionals. Because of the deep structures of a culture, including business culture, changing this mindset is not easy. Here, carefully planned and implemented organisational development is of great help.

3.1 Clarify Your Business System

Service orientation in a company's business system emphasises very strongly the qualitative elements of its production and delivery system. For high quality service provision, you need to know your customer's needs and how you are adding value with your service for the customer (e.g. Grönroos 2000). Developing business models based on services is possible if

- Commonly shared company vision and implemented strategy support the service culture

- Core service production and delivery processes with respective tasks, roles with responsibilities, and required information and knowledge flows are described, analysed and openly communicated as a starting point for the development

- Internal and external service delivery systems are redesigned and implemented so that efficient and relevant knowledge sharing and learning within the ecosystem serving the customers are supported and rewarded

- Learning and doing are considered as the prime engines for increasing value for the internal or external customer

3.2 Define and Communicate the Development Needs

Organisational development needs are easily defined through comparing the 'as is' state to the explicated 'to be' future of the company. Successful defining and communicating the development needs follow some basic rules

- Ensure that the objectives of planned development are ambitious enough to motivate people but also realistic enough to be credible

- Ensure that it is possible to gain tangible outcomes relatively soon after the development activities are launched

- Ensure management's commitment

- Communicate clearly the objectives, time frame, and resourcing of development work

- Be consistent in your communication

3.3 Involve People in Planning and Implementation

Successful organisational development efforts most often combines both top-down and bottom-up approaches to the development challenges. Top-down support is needed for organisational commitment, allocating resources and decision-making. To transform the development needs to concrete actions and new ways of working requires participation and, in the bottom line, willingness to change something in one's own behaviour.

To get people involved and motivated, it is best to let them actively to participate in the planning and implementation of organisational development. This also facilitates the valuable knowledge exchange from the very first phases of the development process.

3.4 Enhance Continuous Evaluation and Learning

A business system, also as a constellation of social systems of new service development and service provision, is improving itself through mutual evaluation and learning (Ylitalo et al. 2006). It is important to note that relevant and beneficial evaluation of a system is possible only if it can be done against some meaningful objectives. This indicates that a business system needs also to have clearly stated objectives about the quantitative but especially the qualitative (e.g. trust in relationships, improved knowledge sharing etc.) outcomes.

4 Conclusions

To conclude what organisational competences are needed for the future media business, I present the following:

- Ability to use systemic approach in new business model development based on the vision and strategy of the company

- Ability to identify, describe and develop the critical subsystems of a company's business system

- Ability to transform from a dominantly production-oriented culture to a clearly service-oriented culture

- Ability to continuously learn and to develop the work systems of the critical subsystems of a business system

- Ability to collaborate on every level of the organisation, both internally and externally.

The general organisational development need is to facilitate the organisation to function effectively and efficiently according the selected business model by

- facilitating common understanding about the vision and strategy

- participating personnel to implement the selected strategy

- participating personnel to develop their work systems

- developing rewarding mechanisms that enhances internal and external collaboration activities

- reinforcing learning and self-evaluation by building forums for feedback processes.

5 Discussion

A company, operating in any of the media genres, is always strongly affected by the selected business models, both the profit models and the 'softer' business systems supporting the business model. A business model shape the companies' entire organisational systems, i.e. the interrelations between technologies in use; tasks and processes; roles and competences of the personnel; and interaction between individuals inside and across the organisation. This challenges also a company's management and leadership.

Media companies need to transform themselves from dominantly product- (or content-) oriented companies to service-oriented companies. This change definitely puts companies' learning systems in the spotlight. Learning is a collaborative action and hardly possible without open communication. Thus, leading the business system development should be very high in the top management's priorities when developing new, competitive business models for the companies.

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