

Organisational Development

Author(s): Stina Immonen

Confidentiality: Project Internal as a Draft

Date and status: Date: 17.12.2010 - Version 0.4

This work was supported by TEKES as part of the next Media programme of TIVIT (Finnish Strategic Centre for Science, Technology and Innovation in the field of ICT)

Version history:

Version	Date	State	Author(s) OR Editor/Contributors	Remarks
0.1	14.12.2010	Draft	Stina Immonen	
0.2	15.12.2010	Update	Stina Immonen	
0.3	16.12.2010	Update	Stina Immonen	
0.4	17.12.2010	Update	Stina Immonen	

{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
Company	Virpi Slotte	AAC Global

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 profit model and business system. Here, the special emphasis is on describing 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.

This collaboration is supported by organisational development actions. Organisational development realises itself in (1) defining, describing and re-designing the core production and delivery processes with 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.

A descriptive study of a business system in education and learning was conducted. The case company selected three language trainers to be interviewed about the new business possibilities provided by using ICT in education and learning. The interviews were done during October and November 2010.

The interview results indicated that (1) the case company's business culture in language training is more product and organisational functions driven than genuinely a service driven culture, (2) language trainers need to find their individual ways to balance, in the front line with the customers, between company's mass customised product selling and the trainer's tailored service mindset of working, and (3) face to face working with real social interaction situations is experienced as the most rewarding and relevant way to support learning in language training.

If the case company envisions that its future business models are service based the following recommendations concerning organisational development were made:

First, the vision and the strategy need to be re-evaluated and reformed according to the value set supporting the service production paradigm.

Second, necessary new customer and service knowledge generating and sharing tasks, roles and processes need to be defined and described. Management and personnel must be trained accordingly.

Third, organisational learning supporting practices such as self-evaluations and feedback dialogues need to be developed and implemented in the organisation.

Table of Contents

Executive Summary.....	2
1 Introduction – Why Organisational Development?.....	4
1.1 Scope.....	6
1.2 Objectives	6
1.3 Approach.....	6
2 Future Organisational Characteristics of a Media Company	7
2.1 Core Competences of a Future Business System	8
3 Organisational Development in Practice.....	9
3.1 Clarify Your Business System.....	9
3.2 Define and Communicate the Development Needs	9
3.3 Involve People in Planning and Implementation	10
3.4 Enhance Continuous Evaluation and Learning	10
4 Case Company Related Interview Observations	10
5 Conclusions and Recommendations for Organisational Development.....	11
6 Discussion	12
6.1 Limitations of the study	12
6.2 Further steps.....	13
References	13

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.

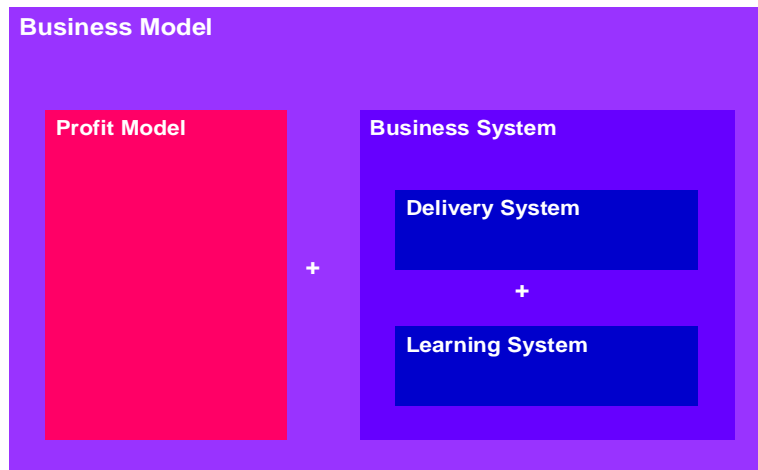


Figure 1. The elements of a business model (Itami and Nishino 2010)

In designing its business system, the 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.

From organisational development point of view this means (1) defining, describing and re-designing the core production and delivery processes with 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.

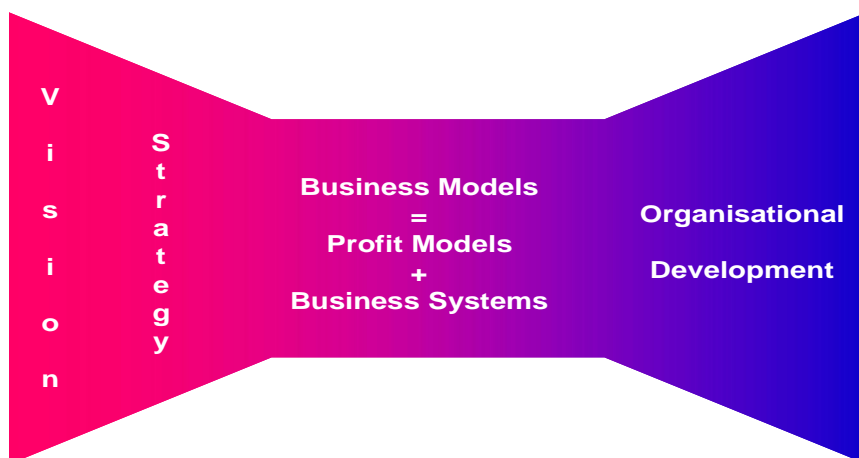


Figure 2. Organisational development based on vision, strategy and business model

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 often require clearly communicated, vision and strategy driven goals supported by tangible outcomes in a reasonable time limit.

This document is targeted to all executives, managers, media professionals and researchers who are involved in developing business models for future media companies.

1.2 Objectives

The objectives of the task is to

- clarify demanded company competences in future media service business
- define general organisational development needs resulting from future ways of doing business
- suggest case company specific organisational development needs based on observations on existing business system.

1.3 Approach

The task was originally planned to have theoretical and empirical research focussing on a new media service business model implemented in the case company. Thus, the approach was planned to be action research using qualitative research methods in analysing and supporting the on-going organisational development efforts. However, the absence of a real business case suitable for this deliverable, resulted the researcher to conduct an interview study about the business system of language training, especially in the context of using modern information and communication technology (ICT) as one platform for service offering.

The case company selected three language trainers to be interviewed about the new business possibilities provided by using ICT in education and learning. The interviews were done during October and November 2010.

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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Develop new business clusters and networks across the borders • Orchestrate and integrate lifelong learning-based communities
Entertainment and Games	<ul style="list-style-type: none"> • Enhance agility in development cycles • Utilise cash-flow management and multi-path revenue streams
Community Media	<ul style="list-style-type: none"> • Exploit both free (i.e. participative) versus more conventional ways of developing services
Future Media	<ul style="list-style-type: none"> • 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 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 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.

3 Organisational Development in Practice

Taking service business seriously as a 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, consisting mainly of social systems of new service development and service provision, is improving itself through mutual evaluation and learning. 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 Case Company Related Interview Observations

The case company operates in the education and learning business and it describes itself to be the leading provider of globalization services in the Nordic markets by actively supporting the customers in their competence and communication challenges in multilingual and global business environments. The globalization services include e.g. training and competence development, translation, terminology and localisation services, documentation as well as content products and services.

The company selected three experienced language trainers to be interviewed about the existing business models in the context of language training and especially the possibilities to create new business ideas utilising the modern information and communication technology as support for the training. All the interviewees have been in the business more than 10 years and at least 5 years in the case company. Table 2 presents the main observations of these interviews.

Table 2. Interview (n=3) observations about language training business system in the case company.

Element of the		
----------------	--	--

business system	Summary of interview findings	Special remarks
Described profit model	The case company sells standardised language training products having its primary focus on the amount of sales.	Trainers are motivated to help their customers in learning foreign language. The sold face to face time is often the most valued service for the customer.
Trainer's role in the business	Language trainers are the resource pool for the sold products.	Trainer's ability to create new or continuity sales is monitored.
Trainer's relation to customers	Sales unit is responsible for customer relationship and communication.	Based on personal motivation and interest the trainers tailor their services. This is not rewarded by the company.
Trainer's relation to content production	Teaching materials are not produced by the trainers. Ready made material is sold as a part of the service package for the customer.	Sometimes customers' actual training needs request the trainer to produce own teaching material. This is not rewarded by the company.
Trainer's relation to service development	Service and product development operates separately from trainers. Actual feedback and communication practices are missing.	Tailoring the training service takes place only in the interaction between the trainer and the customer.
Experienced communication and working culture	The case company is silo-oriented with very little communication between different units. Language trainers have a lot of freedom in planning their working hours.	Language trainers meet some times informally to share knowledge and ideas. Twice a year a formal information sharing meeting is arranged about company related issues.
Experienced support for the work	Trainers work as entrepreneurs whose calendars are at the case company's disposal. Training is often sold as ICT mediated service.	ICT support for the trainers and especially for the customers is insufficient. If ICT is used the trainer often acts as IT support for the customer.

5 Conclusions and Recommendations for Organisational Development

Analysing and reflecting the interview results (Table 2) against the elements of a business model (i.e. profit model and business system, see Chapter 1) it is possible to conclude that

- The case company's business culture in language training is more product and organisational functions driven than genuinely service driven culture.
- Language trainers need to find their individual ways to balance, on the front line with the customers, between the company's mass customised product selling and the trainer's tailored service mindset of working.
- Face to face working with real social interaction situations is experienced as the most rewarding and relevant way to support learning in language training.

If the case company envisions that its future business models are service based some recommendations concerning organisational development can be made.

As the first step the vision and the strategy supporting this vision need to be re-evaluated and reformed according to the value set supporting the service production paradigm. Second, necessary new customer and service knowledge generating and sharing tasks, roles and processes need to be defined and described. These processes need to be implemented as a part of the service provision. Management and personnel must be trained for the competences required. Typically, new competences concern communication, leading and collaborating skills in cross-organisational networks. Third, learning supporting practices such as self-evaluations and feedback dialogues need to be developed and implemented in the organisation.

6 Discussion

As a contrast to a product, a service is intangible, basically a user experience. As commonly known, a customer or user can not return the service she has consumed but did not satisfy her. Thus, the quality of a service is in the service experience and this experience will affect the customer's future decision about suitable service provider. Competitive service providers need to know much more about their potential customers than what we are used to in the tangible product driven, even if user centric world.

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.

6.1 Limitations of the study

The original plan to follow and analyse the implementation of a new business model in the case company was not possible during the first project year. Thus, the objective of this research task was modified and the scope was limited to language trainers' experiences about contributing on service development in their organisation. The number of interviews was limited. In the given time frame, the

case company could not arrange any interview possibilities to cover language business development. In this sense, it is obvious that the empirical view of this report is narrow.

6.2 Further steps

Resulting from the conclusions but also from the limitations of this study, following further research ideas are presented

- To analyse the maturity and competence level of the case company for implementing new service business models
- To analyse the respective organisational development needs of the case company.

References

- Giesecke, R. and Immonen, S. (2010) Media Sector Business Drivers In 2020. 2010 NEM Summit Proceedings http://nem-summit.eu/wp-content/plugins/alcyonis-event-agenda//files/Media-Sector-Business-Drivers-In-2020-NEM_Summit_2010.pdf
- Giesecke R., Immonen S., Sirkkunen E., Grenman K., Bäck A., Helle M., Nurmi O., Leminen S., Vuorimaa, P. and Häkkinen J. (2010) Media Scenarios 2020 Version 2 Tivit Next Media Programme http://www.hcl.tkk.fi/docs/Media-Scenarios-2020_V2.pdf
- Grönroos, C (2000). Service Management and Marketing. A Customer Relationship Management Approach. 2nd edition. Chichester: John Wiley & Sons.
- Itami, H. and Nishino, K. (2010) Killing Two Birds with One Stone. Profit for Now and Learning for the Future. Long Range Planning, 43, 364-369.
- Nurmi, O. (2010) Media Vision 2020. Project internal as draft. Tivit Next Media Programme.
- Ylitalo, J., Ziegler, K., Immonen, S. and Mäki, E. (2006) Learning Collaboration in a Long-term Strategic Inter-Organisational Relationship. The International Journal of Knowledge, Culture and Change Management. Vol 5.