



FESTO

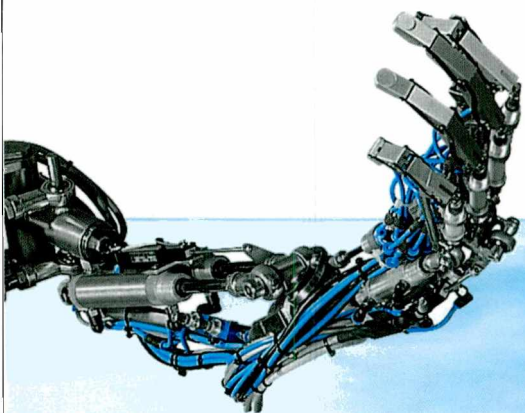
**From business
model to
model business**

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Management, change
management and
business re-engineering
in a technical
family concern

Professionals and their social capital

Joseph Kessels



The history of Festo illustrates how the economy is rapidly being transformed into a knowledge economy. The company and its teams needed to develop the necessary competencies to be able to participate in a working life that is mainly based on knowledge productivity. Traditional approaches to management, training and development did no longer provide the learning environment that is required for knowledge work. Festo is constantly turning the day-to-day work environment into a powerful learning environment.

This working-learning environment helps individuals to develop their talents and take part in various forms of knowledge work. Our perceptions of the role of human intervention in economic transactions have changed. Of the products manufactured and services rendered by organizations, material items (such as commodities), capital and physical labour, are now less significant than the combination of knowledge embodied in the product or service. Of course, traditional economic aspects such as labour and materials are still important, but it is now critical to be able to add value to products and services through knowledge. Economic success requires the ability to improve and innovate.

Festo's career history shows that this slow but dramatic change in the economy has a tremendous impact on organizing work and the meaning of learning. In the current timeframe, it is challenging to investigate the characteristics and requirements of an emerging knowledge economy and its implications for individual development of professionals in the context of work-related learning. Such a perspective is not restricted to the highly educated service worker: even manual workers must be cooperative, responsible, creative and autonomous. Traditional virtues like obedience and loyalty do not propel improvement and innovation. Human capital, as a resource for organizational performance, will not be enough. It needs to be supported by social capital, based on shared responsibility, integrity, trust, respect for human dignity and environmental awareness. All these elements require high levels of critical individual learning.

In traditional firms, the managerial tendency of the last fifty to eighty years has been based upon routine work and mass production, an approach characterized by standardization with a focus upon efficient procedures and regulations controlled by the 'brains' at the top of the organization, which set the strategy. The problem with this is that in the knowledge economy, where the complexity of work increases and the role of knowledge creation is gaining importance, (top) management is no longer equipped to direct and control the organization in a traditional way. Management now has to be done at every level, and it also requires a contribution of knowledge from all employees at all levels. As a consequence, an entirely new approach to employing and managing workers is called for. The old work contract was based upon obedience and loyalty, in return for a decent salary and the company taking care of you and managing your performance. As soon as employees offer an entirely different input to the company, in terms of contributing ideas and proposals to improve and radically innovate, they become part of the collective ambitions of the organization.

For organizations, knowledge becomes productive when the creation and application of this knowledge results in gradual improvements and radical innovations of operating procedures, products and services. These processes take place in collaborative work relationships. Knowledge work and learning cannot be enforced on the basis of power, control or contract. It requires a shared ambition that is attractive, comprehensible and meaningful for both employees and the organi-

zation. This requires new ways of organizing work for knowledge production to be developed. The idea that management neither sets the goals nor determines the direction of employee development is central to the concept of knowledge production and the supporting learning. Knowledge workers and autonomous professionals take charge of their own development. The main principles for this concept are self-control and self-organization, integration of working and learning, coaching, leadership and collaboration. Such learning processes take place among staff members and clients in the course of their work. In addition, people are becoming increasingly aware that learning for knowledge work may be stimulated and supported through a variety of means other than formal training programs. Options include issuing special assignments, changing positions or seconding staff members, and actively participating in quality teams and discussion groups.

These considerations and strategies lead to three development principles for knowledge work that refer to the social context, the personal affinity with domain-specific content, and deliberate interventions to support the learning culture:

- Enhancing reciprocal appeal (the social context)
- Knowledge-productive workplaces are rich learning environments in which the social context fosters collaborative efforts. No single manager, instructor or trainer, is exclusively responsible. Participants work hard to maintain their reciprocal appeal, which means that they do their best to provide each other with a fruitful learning environment. Important characteristics of this social context for learning seem to be: reciprocal respect, appreciation and integrity, ample security and openness for constructive feedback and confrontations. The communicative and interactive skills of the participants are required to meet high standards. The need for reciprocal appeal is a keenly understood self-interest.

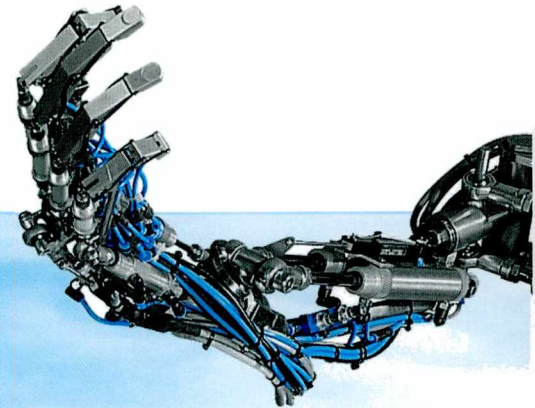
Searching for a passion (the content component)

People are clever only if they want to be. Nobody can talk somebody else into curiosity, motivation, interest and ambition. One cannot be 'smart against his will'. Discipline, loyalty and obedience may be welcome and valuable support systems for overcoming a temporary hurdle or an impasse. Without any substantive drive, however, they are likely to lead to mediocrity at best. Knowledge-productive environments encourage cultivation of a personal, substantive theme. Such an individual theme and passion for work inspires curiosity and enables information to be traced more quickly. It facilitates establishing connections with attractive, professional networks and stimulates exceptional achievements where others might give up. Knowledge workers need to become competent to navigate through the diffuse arena of affinity, motivation, passion and ambition to be able to develop and apply their capabilities in a productive way.

Enticement towards knowledge productivity (supporting the learning culture)

Cultivating reciprocal appeal serves primarily to create a favourable social context and a rich learning infrastructure, while searching for a passion establishes the foundation for substance and subject matter expertise. However, promoting knowledge productivity also requires the competence to work deliberately and systematically on the quality of the social context and the substantive component. The desire to manage, control and monitor in these matters is becoming increasingly difficult to fulfil. The growing interest in self-guidance is apparent in

both work and learning contexts. If we touch here on issues that cannot be managed in the traditional way this raises the question of how we can tempt or entice each other towards knowledge productivity. The main objective is to develop the capability to design a work environment that fosters the development of capacities like learning to learn, organising reflection, and basically applying knowledge to knowledge development.



These three principles for knowledge development directly support the learning infrastructures needed for the successful establishment of communities of practice, the ethical, social and psychological attributes of the social relationships in networks and the development of social capital marked by trust, respect, integrity, meaningful work, cooperation and mutual sharing of values. These qualities assume key significance, in order to generate knowledge that will bring benefits to all parties, whether in the board room or in the workplace.

Festo has lived a European history with more emphasis on stakeholder value than on shareholder value, focusing on sustainable growth instead of short term profits; financial capital is accompanied by human capital and embedded in social capital. Learning and development are engrained in the work environment and not isolated in remote classrooms. These characteristics create a favourable learning climate that is conducive for gradual improvement and radical innovation of Festo's work processes, products and services. These qualities are deeply rooted in its culture and cannot easily be copied, sold or stolen. Probably, here reside Festo's genuine resources: professionals and their social capital.