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THE EMS MODEL AND ORGANIZATIONAL STRUCTURE - RELATIONS, BARRIERS, CONSEQUENCES

Summary

In the paper author presented an outline of the concept of business personalities formulated by M.E. Gerber. She characterized the attitude of the entrepreneur, manager and technical specialist; discussed the relationship between personality of business owner and the company life cycle. The EMS model was defined and the results of the research project "The Gerber's EMS model", maintained in the Innovative Management Institute was presented; the aim of the project was to examine the feasibility of EMS model as one of the tools for diagnosis of pathology of the organization. Also mentioned the importance of the above. model in areas such as entrepreneurship, recruitment and selection, conflict management, team building and teamwork, negotiation, training and staff development, coaching and career paths creation. Keywords: business personality, entrepreneur, manager, specialist, organizational system, the EMS model

1. Introduction

In 2001, Michael E. Gerber has published a book titled "The E-myth Revisited. Why Most Small Business Don't Work and What to Do About It". Based on his twenty four years' experience of running own company (E-Myth Worldwide) and business consultancy, Gerber described problems of entrepreneurship. He has focused on first phase of company life cycle, attitudes of people who starts business activity, and moreover on causes of new born companies breakdowns. According to reports prepared by US Department of Commerce, every year more than one million people starts own business. More than 40 percents of them leave the market during first year of their activity¹. This negative phenomenon induced the Author to analyse reasons of so many entrepreneurs' failure. Conclusions formulated by

¹ / M.E. Gerber, *Mit przedsiębiorczości. Dlaczego większość małych firm upada i jak temu zaradzić*, wyd. 2, MT Biznes, Warszawa 2010, p. 15

Gerber were so accurate, that book in a short time became bestseller, and indirectly affected development of E-Myth Worldwide company.

Among many inspiring concepts created by the Author one deserves special attention. It is separation and characterization of three business attitudes (called by the Author as “business personalities”) as follows: entrepreneur, manager and specialist.

An *entrepreneur* is a dreamer, visionary, accelerator of changes, focused on future, thinks abstractly, inventor, strategist, very creative personality with strong need of control of environment and people, seeing both opportunities and threats. This type of businessman usually tyrannizes, harasses, criticizes, adulates, hustles, screams and finally, when all else fails, promises everything he/she must, to do not bury his/her project². The last sentence in a rather poetic, but accurate way presents the essence of entrepreneur’s behaviour. Because this type sees unlimited range of possibilities all around, but for others it is unbelievable, not so obvious and just impossible, people don’t understand him/her and cannot move in the direction set by and at the same pace as he/she.

A *manager*, in turn, it is a pragmatist, preventive man, living past, perceiving problems, with strong need to manage and little inclination to change. At this point it is worth quoting, imaginative characteristics created by Gerber. According to the Author: an entrepreneur sees opportunities in the events, but manager sees only problems; a manager builds order and puts things in rows; entrepreneur creates things that manager organizes; without managers there would be neither companies nor societies, without entrepreneur there would be no innovations³.

The last personality described by Gerber is a specialist. A *specialist* is the type of person that does not plan, but only performs. He/she focuses on details, expects tasks, likes working, lives present and very often is forceful individualist.

According to the Author of “E-Myths” every person represents all three personalities, but those personalities do not have equal influence on the behaviour of the person. In particular time or situation one of them is dominant. A typical small business owner is an entrepreneur only in 10 percent, a manager at 20 percent and 70 percent specialist⁴.

Assuming the classification of personalities proposed by Gerber for the inspiration, it is interesting to trace the presence of the above symptoms not only in the sector of small and medium enterprises, but in large companies and even corporations.

² / M.E. Gerber, *Mit przedsiębiorczości. Dlaczego większość małych firm upada i jak temu zaradzić*, wyd. 2, MT Biznes, Warszawa 2010, p. 31

³ / ibidem

⁴ / M.E. Gerber, *Mit ..., op.cit.*, p. 33

Although Gerber pointed out the relationship between the change in the dominant personality in the business, and the life cycle of the organization, but his analysis was conducted on the assumption that all phases of the life cycle of a given company, the same person was leading this company and for that reason he/she went further metamorphosis.

The author of this article has become more intrigued by other questions. Can Gerber's personality model be used as a tool in diagnosing sources of pathology in management systems and organizational behaviour of members of the organization? Another words, can the crises caused by differences in personality be a common reasons of management conflicts, such as lack of internal communication, decision-making paralysis, inconsistency between the plans and the execution of tasks, etc. In addition, assuming that the model can be such a tool, what combination of business personalities should be applied for various types of organizational structures to achieve optimal effect, that is conducive to the development of the organization. First of all, of course, appeared a common problem, how these relationships should be explored?

Analysing the relationship between business personality and organization life cycle, Gerber based on the simplest model of the cycle, identifying the following phases: embryonic, growth and mature. This is obviously far too general model, but also to the author it was insightful to examine the correlation of concepts, but superficial to signal a problem. Conclusions indicated by Gerber can presented as follows:

1. in the embryonic stage of the enterprise, the phase associated with starting a business, prevails personality of specialist, due to the fact that most of these companies are established by experts of different professions, and industries who wanted freedom of action, had their own vision of development or just an idea of business; a specialist, who is also the founder of the company, must same time perform many other functions (managerial and entrepreneurial), but at the beginning is not aware of it; he/she does the work associated with their specialization, i.e.: a house painter – collects orders and paints; hairdresser - supports customers; programmer – writes program, etc.); according to Gerber, focusing on the work is the common cause of the collapse of so many companies in the embryonic stage; the problem is that people mostly cannot correctly organize their time and administrative duties; instead of planning they employ more people, even if it is economically inefficient;
2. at the growth stage entrepreneur already earned profit, structure and portfolio of own clients, recognizes the enormity of the tasks and work related to the business, and therefore begins to hire employees who are to take over part of the job, such as:

- a. customer service - execution of the same type of work as the specialist does (i.e., painter employs other painters, and a hairdresser another hairdresser),
- b. executive - complementary, which is most commonly associated with the diversification of activities (i.e., a painter employed electrician),
- c. supporting the core business (i.e., employment of the driver to ensure goods delivery),
- d. supporting administrative activities (i.e., employment of an accountant, cleaners, secretaries, etc.);

company in this stage of life needs a manager, not only because of the employees, but also because of the number and complexity of the managerial functions; unfortunately not every specialist is skilled to deal with in this role, which is why the company to either withdraw to the embryonic stage, or a person delegates authority to others hired on different position; the last of these situations raises a lot of disappointment, because those employed as professionals are held responsible, which is not expected, an example may be the case of an employee for an accountant, who day by day must take over the duties of assistant, the sales representative, human resource manager, etc.; that is how an office assistant became more important than an owner of the company;

3. maturity phase is the time when the owner needs to look at a company run by the so-called prism of entrepreneurial model; Gerber has written that this model shows how the company works, not what it does"⁵; the main task for a business owner in the maturity stage is, once again, the need for a change of mentality and that much a larger scale than it did in the case of a change from specialist to manager, because now a specialist who likes to perform a specific job, must begin a visionary, far-reaching and multi-faceted strategic thinking, which by definition does not bring immediate results, and is therefore not understood skilled, irrational, and thus inaccessible.

Organization life cycle, described above, together with an indication of the dominant business personality is, de facto, a picture of owner's personality evolution through all phases of the above cycle. Of course, only in case when an owner is sufficiently flexible and talented to change his/her way of thinking, habits and behaviour.

2. "The Gerber's EMS Model" – description of scientific project

⁵ / M.E. Gerber, *Mit ..., op.cit.*, p. 64

Gerber's conclusions seem to be relevant to businesses in the SME sector and line organizational systems. But, what about the big companies? What is the impact of various business personalities to large corporations? What about the people who have the particular business personality and enter to company and ambient operating, human and organizational systems? The Author of the paper decided to find the answer for above mentioned questions by starting research project called "The Gerber's EMS Model" in the Innovative Management Institute operates at the Poznan University College of Business.

The project was conducted from February to July 2009. The whole project was divided into five stages: methodology consultation, pilot study, the main test, summary of the results, presentation of the results in the form of publication. Methodology consultation was carried on among persons employed in the various levels of management. These consultations were aimed at examining how to present model for target respondents to allow them properly identify the relationships and the consequences of its occurrence. In addition, it was also interesting to check how the concept of EMS model is seen by business practitioners. Consultation methodology was repeated in February 2010 in order to verify the concept and applications. Consultations made each year covered different groups of respondents.

The purpose of pilot study was to select the most effective method of research, therefore, such methods as questionnaire, interview, experiment, etc. were tested in different companies.

Finally, in the study it was decided to use the appropriate method of observation, interview and case study. It was assumed that social phenomena, especially the impact of individual's personality on the group of people and the processes occurring in these groups can be pre-selected to describe the example of the community. These research methods also indicated Stocki⁶ as an effective organization studies, although certainly not the only one.

In determining the target of the research the following criteria has been used:

1. the study will be covered by companies operating in at least one of the following industries: retail, manufacturing and / or services.
2. it will be the company nationwide, which have organizational units (departments, centers, etc.) in different parts of Poland,
3. the company will be "large" within the meaning of European Commission Regulation (EC) No 800/2008 of 6 August 2008, in art. 2 pts. 8 above. Regulation states that "large enterprises" means companies do not meet the criteria referred to in Annex I; therefore,

⁶ / R. Stocki, *Patologie organizacyjne – diagnoza i interwencja*, wyd. 1, Oficyna Ekonomiczna, Kraków 2005

the definition of "large company" can be reached by exclusion, as in art. 2 of Annex I, by setting ceilings for employment and financial ceilings defined the concept of micro, small and medium-sized enterprises, namely, the category of micro, small and medium-sized enterprises ("SMEs") are enterprises which employ less than 250 persons and which have an annual turnover not exceeding 50 million euro, and / or annual balance sheet total not exceeding EUR 43 million; in particular in the SME category, a small enterprise is defined as an enterprise which employs less than 50 persons and whose annual turnover or annual balance sheet total not exceeding EUR 10 million, while the micro-enterprise is defined as an enterprise which employs fewer than 10 persons and whose annual turnover or annual balance sheet total does not exceed EUR 2 million.

Consequently, following the adopted criteria, six organizations has been selected: three banks, two companies from information technology and one trading company from the automotive industry. All the above entities were capital companies (limited liability company or joint-stock company), where the organization is determined by the The Code of Commercial Companies, so the structure of their top management level was organized in the form of a collegiate structure in a body called the board of directors.

The aim of this study was to identify the interaction between individual's personality and his/her position in the organizational structure and the consequences of the particular relationship. The study was designed to indicate both positive and negative effects.

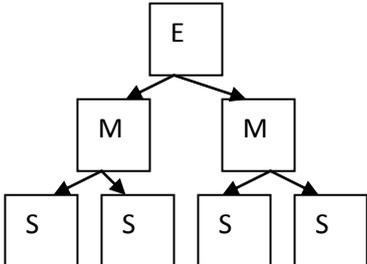
Finally, 46 scientific activities was done: 10 direct observation in companies, 29 interviews and 7 analysis of case studies.

First of all, one of the effects of the project was the articulation of a "model of EMS." In contrast to the Gerber's concept of personality, the concept of organizational model means a system in which people come together at different levels of the organizational structure, dependent on each other, with different or the same business personalities and the resulting relationship is reflected in the behavior of these people, particularly on the basic functions of management (eg, decision-making, internal and external communications, etc.).

The easiest way to explain the concept of EMS model is to present it at basic type of organizational structure, that is line structure (Figure 1). Analyzing this model it is important to avoid the fundamental mistake, already identified in the consultation phase, which consists in identifying business personalities with levels (positions) in the organizational structure. Linear system is rather a matrix for all combinations that can be diagnosed in your organization, and then tested. Model presented in Figure 1 should be read as follows: on the

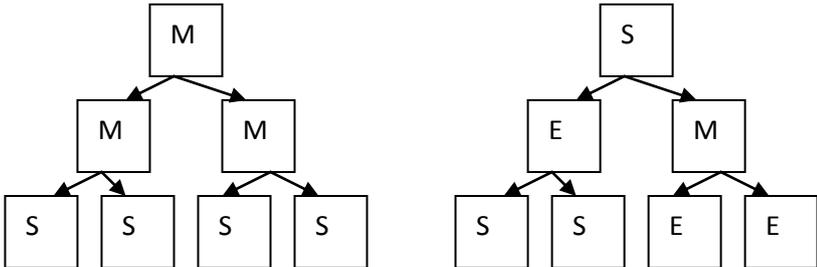
highest level of management there is / are the characteristics of "entrepreneur", the middle-management level - "manager", and at the lowest level of management - "specialist".

Figure 1 Basic example of EMS Model



If you map the structure of a company, or only part of it (subject to diagnosis), then the individual pieces would be filled the identified personalities of positions of workers involved, we get EMS model adequate to the audited entity (organization, individual, or organizational unit). Exemplary combinations of configurations were shown in Figure 2. These are purely hypothetical models which do not constitute any representation, specific organizational systems.

Figure 2 Exemplary configuration in EMS Model



As a result of the study, several conclusions was created, of which the most important are:

1. the basic model EMS, presented in Figure 1, cannot be considered as perfect and effective model for every type of organizations; in the basic model is was assumed that strategic decisions are taken by visionary entrepreneurs, then decisions are implemented and supervised by pragmatic managers, and specific tasks performed by specialists; this arrangement guarantees (not quite, because the factors of success is of course much more)

dynamic development of the organization; however, there are organizations whose core is stabilization, stability and tradition, and thus the highest level of management should be a person with managerial tendencies;

2. if diagnosed in a large enterprise are the causes of specific problems that can be associated with EMS model, it is necessary to use the extended test (holistic); it means that following factors must be analyzed: a system functioning on the board, system board-average level of management and the so-called. mini systems, the operating systems in different organizational units and, until such a study can give a picture of the causes of the problem;
3. extended study referred to above cannot be based on the performance of a given community (marked by both good and bad results), as in teamwork responsibility for mistakes and praise for the success of the blur of all the members, better results are definitely those given through observation of team members at work;
4. mini-systems, which are mentioned in second point, come down to mini linear structures, no matter what the overall organizational structure was specified for the company; the situation is due to the fact that in large companies that have complex organizational structures, a significant geographical distance between lowest-level employees and top management, produced a greater sense of hierarchical relationships and dependencies of the immediate supervisor (i.e. branch manager) than the president of the entire corporation; hence, for the quality of work and behavior in this group a greater impact has immediate superior than board members (especially when the latter once treat their employees as a nameless crowd, which at any time can be exchanged for another);
5. taking into account the professionally conducted recruitment process in the company, it means preceded by preparation of a worker profile for particular position, it is necessary to include the EMS model, since only conscious personality fit to the function occupied in the company, will eliminate possibility of the emergence of conflicts and problems management in the future;
6. EMS model should be applied consistently throughout the process of cooperation with the staff, especially in the assessment of the employee and the creation of the path of development and do not comply with the above. application may result in at least one of the following negative effects: changes in personality leading the employee to comply with the group (for example, the company hired a specialist to perform a specific job, the person with the time noted that his/her involvement is poorly perceived by other employees, it also does not receive additional gratuities for their work, decides to equate the level of their work to the others, which is usually underestimate the effectiveness),

result in diverting valuable worker (for example, the organization hired a person with a predominance of features entrepreneurs to develop sales, but management does not carried out in support of the changes, and even the holding some decisions that he quits his job), organizational mismatch (it is important to remember that a business personality in every human being can evolve, person hired as an entrepreneurial, can change over time in managerial attitude, rather than slow down the person for lack of efficacy, just move it to another position), etc.

3. Conclusions

The above proposals do not exhaust the issues discussed. These conclusions have been selected from a number identified in the research process. Nevertheless, even a cursory presentation of the issue makes clear the vital link between the problems of the company, and the mismatch in the model of EMS. The wrong people take the wrong decisions with financial and social consequences, causing stagnation or extremely dynamic organizational development, reduce the psychological comfort of work, etc. It is, therefore, seen through the prism of EMS model issues such as: business, recruitment and selection, conflict management, team building and work teamwork, negotiation, training and development, coaching and in particular the creation of career paths.

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