Management Diagnostic Report

VERSA AGENCY: ALIGNING THE 4-DAY WORKWEEK WITH AI INNOVATION

September 2026-November 2026



An in-depth diagnostic audit examining the operational alignment of Planning, Leading, Organizing, and Controlling (POLC framework). Prepared as a comprehensive advisory deliverable.

Course & Year	**Management (3rd Year)- Academic year 2026-2027**
Student Team	**Manon G, Alice, Minh Thu, Lou, Romane**
Professor	**Sea BEZ**
Client Organization	**VERSA Agency**
Lead Executive	**Kath Blackham, Founder & CEO**

I particularly appreciated your use of Thinkers50 to improve the company's purpose, your interesting reflections on boundary conditions, and your analysis of organizational highs and lows, supported by concrete examples. Your recommendations are clear, practical, and easy to understand.

A few areas for improvement:

Company choice: The justification could be more convincing.

Purpose: Double-check your reference to Ting Zhang regarding employee well-being and mental energy. I am not sure these concepts come from her research. What is your source?

Theoretical analysis: Remember to start with the definitions and concepts covered in class before extending your analysis with additional research.

Presentation: Revise the table of contents to include the correct page numbers.

Overall, a strong report with interesting reflections, good use of theory, and actionable recommendations. Well done!

Introduction

In this management diagnostic report, we examine the management strategies and operational practices of **VERSA Agency**, an independent Australian digital consultancy founded by **Kath Blackham**. Commissioned as a strategic diagnostic team, our primary objective is to evaluate the company's current managerial architecture and formulate actionable, non-obvious recommendations to optimize its organizational effectiveness and sustainable performance.

Our analysis is structured around the classical **POLC framework** originates from **Henri Fayol** comprising **Planning, Organizing, Leading, and Controlling**. In contemporary management, this framework provides an essential diagnostic lens not only to map an organization's internal functioning, but also to identify structural blind spots and strategic misalignments across its daily workflows.

Headquartered in Melbourne, Australia, Versa operates as a mid-sized, knowledge-intensive digital transformation and artificial intelligence consultancy. The company originally built its reputation as a pioneer in voice technology and conversational user experiences at a time when enterprise clients were first exploring digital assistants and automated voice interfaces.

In 2019, VERSA merged with **Deepend Melbourne,** a digital experience and design agency also established by Kath Blackham. This combination significantly expanded the firm's capabilities by unifying user-centered experiece design and deep emerging technology under the unified VERSA brand. Today, VERSA has evolved into a full-service AI-driven contact center and digital transformation partner, helping international brands and public institutions deliver intuitive employee experiences and customer service solutions through cutting-edge technologies.

> **The Strategic Dilemma: Bounded Empowerment vs. Algorithmic Innovation : relevance of a management diagnostic**
> While eliminating timesheets and introducing mid-week "Flexi-Wednesdays" yielded a 46% revenue increase and an 80% reduction in sick leave, autonomy remains strictly conditional on hitting Tuesday deadlines. Under these compressed delivery windows, engineers face intense deadline pressure and systematically avoid novel, unproven AI models to protect their day off. This tension between time and exploratory risk-taking directly threatens VERSA's competitive positioning as a frontier innovation pioneer

By conducting this diagnostic, our goal is to evaluate whether VERSA's management practices authentically sustain its human-centered mission, and to provide strategic guidance that enables the agency to scale its cutting-edge AI capabilities without compromising the well-being of its teams.

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Part 1 : Assessing the Planning Function

Theoretical Definition: The Strategic Role of Purpose

A company's purpose anchors the organization around three foundational pillars: Core Identity (who we are), Distinctiveness (what makes us unique), and Mission (what we exist to achieve). Defining these elements with precision forces leadership to make deliberate strategic trade-offs rather than diluting resources by attempting to be everything at once. Communicated clearly across the firm, this strategic clarity guides autonomous daily execution, fosters psychological inclusion, and enables clients to immediately recognize the company's value.

Task 1: Presentation of the Orginial Purpose Statement :

On its corporate platforms, VERSA (VERSA Agency | VERSA)articulates its core identity and long-term trajectory through two foundational statements :

Primary Purpose Statement: *"We strive to always be at the cutting-edge of digital innovation; designing and building customer-centric solutions that make life better."*

Positioning & Team Identity Statement: *"We're an award-winning team of thinkers, creators, builders, and tinkerers, bringing over 15 years of experience delivering world-first digital solutions."*

VERSA positions its purpose at the intersection of emerging AI and customer experience, using technology strictly as an enabler to improve daily human interactions. Backed by 15+ years of credibility, its multidisciplinary team of "thinkers, builders, and tinkerers" balances the risks of cutting-edge innovation with proven enterprise reliability. Ultimately, the commitment to "make life better" acts as a unifying strategic compass, guiding agile delivery toward measurable client impact and social value.

Task 2 : Strategic Analysis of this purpose

In *The Strategist (2012),* **Cynthia Montgomery** argues that an authentic purpose cannot be a generic collection of buzzwords. It must define specific boundaries, reflect true internal capabilities and capture what the organization genuinely stands for.

Analyzing Versa Agency's statement reveals a critical strategic gap: **their purpose completely ignores their employee-centric culture (their pioneering adoption of the 4-day work week and their care for staff wellbeing)**

Pillar (Montgomery)	Current Stated Formulation	Analysis
Core identity: ***Who we are?***	"We strive to always be at the cutting-edge of digital innovation..."	The current statement reduces VERSA to a generic tech agency chasing industry trends, overlooking what truly sets it apart: its internal culture. By omitting its commitment to employee well-being, the statement fails Cynthia Montgomery's standard of authentic identity. Therefore, it presents an incomplete reflection of who VERSA genuinely is.
Distinctiveness: ***What makes us distinctive?***	"...designing and building customer-centric solutions..."	The phrase "customer-centric solutions" completely fails the **substitution test,** providing zero strategic differentiation from direct competitors. In an industry plagued by burnout, VERSA's authentic competitive edge is its sustainable 4-day workweek and deep employee care. By leaving this out, the statement ignores the core driver of its success: high-quality output delivered by a well-rested, supported team.
Mission: ***What we exist for?***	"...solutions that make life better."	The phrase "solutions that make life better" expresses a commendable moral ambition, yet it remains overly vague and exclusively focused on external clients. It neither defines standards of success nor connects with VERSA's foundational principle: that elite delivery is driven by well-cared-for employees. By disconnecting client impact from its internal sustainability model, this purpose fails to guide daily operational trade-offs or show staff how their wellbeing fuels the firm's success.

MEMO TO:	Kath Blackham, Founder & CEO	**FROM:**	Strategic Advisory Group
SUBJECT:	Purpose Deconstruction & Strategic Planning Audit	**DATE:**	October 25, 2026

Task 3 : Our New and Improved Purpose (Integrating Ting Zhang)

Revised Purpose Statement for VERSA Agency:

We are a human-centered digital and AI consultancy that uses innovative technology to develop meaningful projects with brands, non-profit organizations and the government. By combining cutting-edge technology with shared learning and employee wellbeing, we invent solutions that make people's lives better.

We chose this new purpose because it links Versa's high-performance digital work directly to its real competitive advantage: a human-first workplace culture that protects employee wellbeing. By explicitly mentioning partnerships with brands, non-profits and governments, it sets the agency apart from generic competitors while proving that great technology is built by rested, valued teams. It also puts Dr. Ting Zhang's research into practice. By encouraging shared learning across all team levels and protecting employees' mental energy, Versa ensures its innovation remains ethical and focused on building user-friendly tools.

Leveraging Ting Zhang to Rethink VERSA's Purpose :

- "Meaningful projects with brands, non-profits, and government" - Shifting from "Should" to "Could"

Versa's legacy purpose relied on an obligation-driven frame (*"We strive to always be..."*), which **Zhang, Gino, and Margolis (2018)** describe as a prescriptive "should" mindset that narrows cognitive horizons. By explicitly expanding our focus to non-profits and public service, our purpose adopts an exploratory "could" mindset (*"what meaningful problems could technology solve?"*). This shift encourages project teams to apply AI toward complex societal issues, like public accessibility.

- "Shared learning" - Overcoming the Curse of Expertise via Downward Learning (**Zhang, Wang, & Galinsky, 2023; Zhang, in press**)

Senior technology leads frequently fall victim to the "curse of knowledge," designing complex systems that alienate everyday users. By framing purpose around "shared learning," leaders are required to adopt a beginner's mind, actively validating insights from junior developers who are often closer to emerging open-source AI tools.

- "Employee wellbeing" - Protecting mental energy to give better advice

Zhang's research shows that giving great strategic advice takes real mental energy. Exhausted teams simply cannot produce creative or ethical work. In an industry known for severe burnout, Versa's 4-day workweek is not just a nice perk-it is the company's biggest competitive strength. Linking wellbeing to innovation proves that the best client results come from teams that are well-rested and sharp.

Part 2: Assessing the Leading Function

Leadership is a process whereby an individual influences a group of individuals to achieve a common goal, while empowerment operationalizes this process by delegating authority and decision-making, sharing information, and actively seeking employee input. (**Sea BEZ, 2026**)

Task 1: Leadership and Motivation Practices at VERSA :

VERSA's management model, established under founder Kath Blackham, challenges traditional digital agency norms by prioritizing human well-being and output over continuous physical presence. VERSA implemented three non-traditional managerial practices:

- **"Flexi-Wednesdays" (The 4-Day Workweek):** An agency-wide operational shutdown on Wednesdays, breaking the standard week into two 48-hour delivery sprints (Monday–Tuesday, Thursday–Friday) within a 37.5-hour schedule . Blackham launched this model through progressive iterations: first testing it with a single employee over one month, gradually scaling it across three months, and ultimately proving a 46% increase in revenue alongside a tripling of operating profits (**Blackham, 2019,2022**).This prevents cumulative cognitive fatigue and burnout while giving employees a dedicated day for rest, medical appointments, caregiving, or study.(**AIM WA, 2021** ; **Body+Soul, 2020**).

- **Performance-Over-Presence Contract:** Management assesses performance strictly on project delivery, client satisfaction, and quality rather than billable hours logged in an office seat. Employees are trusted to structure their remaining four days to hit their milestones autonomously. (**Blackham in FirstHuman Podcast, episide 216, 2022**).

- **People-First Culture Rituals & Boundary Enforcement:** Structured well-being routines are integrated into the work cycle, including mindful check-ins before sprint meetings, mandatory boundary enforcement (discouraging client emails on off-days), and active feedback channels for experimenting with internal policies. When boundary enforcement comes directly from leadership, employees no longer fear being judged as uncommitted simply because they take their rest day. (**Blackham, Workplace Culture and Leadership Manifesto, 2022**).

Task 2 : Analysis of leadership and empowerment in VERSA

In management literature (**Spreitzer, 1995; Bowen & Lawler, 1995**), the degree of organizational empowerment is evaluated across distinct dimensions:

Empowerment dimension	Observed status at VERSA	Managerial & Cognitive Consequences
Structural Empowerment *Operational policies*	**High:** Total removal of desk-time tracking; complete scheduling freedom across working days.	Employees exercise full discretion over when and how they code, write, or design during active days.
Psychological Empowerment *Lived mental state*	**Fragile / Bounded:** High anxiety tied to the conditional status of Wednesday time off.	Employees experience work intensification, compressing 5 days of output into 4 days.
Strategic Empowerment *High-level decision rights*	**Low / Centralized:** Strategic tech bets, client selection, and pricing models remain top-down.	Frontline staff execute projects autonomously but have little voice in broader company direction.

The Paradox of "Bounded Empowerment"

While VERSA reported an 80% decrease in sick leave (**AIM WA, 2021**), qualitative reviews highlight significant work compression. Because taking Wednesday off is conditional on hitting Tuesday delivery milestones, junior staff and new hires experience acute deadline pressure, leading to self-imposed overtime on Monday and Tuesday evenings.

Theoretical framing :

Camilla Kring's (2025) concept of chronoleadership redefines management by aligning organizational tempos with human biological energy rather than treating time as an inflexible resource. By dividing the workweek into two 48-hour sprints via Flexi-Wednesdays, VERSA embeds recovery directly into workflows, preventing the cognitive decline typical of standard agency schedules. This operational model embodies **Douglas McGregor's (1960) Theory Y,** which assumes knowledge workers thrive when granted autonomy, self-direction, and mutual trust, demonstrated by the dismantling of timesheets and seat-time tracking. Furthermore, this structure supports **Abraham Maslow's (1943)** hierarchy of needs by securing baseline physiological rest and safety against chronic burnout, while shared sprint rituals reinforce social belonging. By removing administrative micromanagement, VERSA builds peer esteem and unlocks the cognitive bandwidth necessary for self-actualization through mastering cutting-edge artificial intelligence solutions.

However, empirical evidence reveals significant operational tensions between perceived autonomy and workplace reality. While public reports celebrate an 80% drop in sick leave (**AIM WA, 2021**), independent workplace assessments show that temporal compression often leads to work intensification as staff squeeze forty hours of high-velocity output into four extended days (**4 Day Week Global, 2022**). For junior team members lacking senior workflow efficiencies, this delivery prerequisite triggers a psychological regression down **Maslow's hierarchy,** creating acute performance anxiety that forces them to abandon creative self-actualization simply to secure basic psychological safety and job retention.

Consequently, the continuous threat of losing the mid-week break exposes a latent **Theory X** paradox, converting what is branded as **Theory Y** empowerment into an instrument of anxiety-driven self-surveillance (**McGregor, 1960**). Because falling behind directly jeopardizes the Wednesday rest day, technical staff naturally develop risk-averse behaviors, favoring proven, conservative code templates over the iterative trial and error demanded by frontier artificial intelligence. This operational constraint suppresses the exploratory mastery that **Daniel Pink (2009)** views as essential for genuine innovation, shifting employee focus from breakthrough creative problem-solving toward defensive compliance.

Finally, this empowerment remains strictly operational rather than structural, as strategic decision-making regarding client selection, pricing models, and overarching technological direction stays centralized at the executive level.

MEMO TO:	Kath Blackham, Founder & CEO	**FROM:**	Strategic Advisory Group
SUBJECT:	Empowering Leadership & Sustainable Motivation Roadmap	**DATE:**	October 25, 2026

RECOMMENDATIONS :

Recommendation 1 : Shift from Gatekeeping to Empowering Leadership (Herminia Ibarra, 2015 & McGregor, 1960)

At VERSA, executive management currently acts as a traditional gatekeeper by requiring formal approval for daily technical frameworks and sprint parameters, which slows delivery and signals lingering Theory X micromanagement. To establish genuine empowerment, leadership should adopt **Herminia Ibarra's** framework and transition from supervisory bottlenecks into supportive coaches, delegating direct technical authority to frontline project leads and engineers. This shift enacts **Douglas McGregor's Theory Y** by demonstrating structural trust in the workforce's ability to self-direct and solve complex engineering challenges autonomously. However, this operational autonomy has a boundary condition.

Boundary Condition: Applies to standard commercial client sprints; executive sign-off remains mandatory for high-liability security and regulatory compliance architectures.

Recommendation 2 : Foster Organizational Creativity Through Exploration and Meaningful Progress

Because missing a Tuesday sprint deadline threatens their Wednesday rest, VERSA's engineers naturally default to safe, routine algorithms rather than taking the creative risks required for cutting-edge artificial intelligence. To solve this tension, management should establish dedicated exploratory time integrate daily check-ins and reward small wins. Drawing directly on **Teresa Amabile and Steven Kramer's (2011)**, they establish that intrinsic motivation and breakthrough creativity depend on experiencing everyday progress in meaningful work. When workers face tight operational constraints, management must provide operational autonomy and clear supervisory encouragement for heuristic exploration, ensuring that creative problem-solving is not limited by short-term transactional pressures.

Boundary Condition: Applies during exploratory prototyping; strictly excludes final production deployments where zero-defect code is paramount.

Recommandation 3 : Decouple Mid-Week Rest from Delivery Coercion (Camilla Kring & Sunita Sah, 2023)

VERSA's primary structural vulnerability is that "Flexi-Wednesdays" function as a conditional reward rather than an authentic temporal right, forcing staff into unsustainable Monday–Tuesday crunches and triggering acute performance anxiety when unexpected technical roadblocks arise. Drawing on Camilla Kring's model of chronoleadership, executive leadership should make the Wednesday break a guaranteed day of rest transforming it into an unconditional biological recharge day that protects cognitive stamina. To make sure client work still gets done on time, teams should plan extra buffer days and pair up to help each other when technical roadblocks happen. Management must also use Sunita Sah's (2023) idea of "defiance," giving project managers clear permission to say "no" to clients who try to add extra, unplanned tasks in the middle of a sprint.

Boundary conditions : This protected rest applies to routine feature sprints and standard project roadmaps. It does not apply during catastrophic system outages, high-severity data breaches, or critical client server crashes, where immediate all-hands emergency intervention is contractually required.

Part 3 : Assessing the Organization Function

Task 1: Characterization via the Building Blocks of Organizational Design

Organizational structure determines how work efforts of individuals and teams are orchestrated, how resources are distributed, and how tasks are divided and integrated to execute a chosen strategy. To characterize VERSA Agency, we analyze the five foundational building blocks of organizational design (**Mintzberg, 1979**) with concrete operational practices:

Structural Building Block	Theoretical Definition	Concrete Operational Practices at VERSA
1. Specialization (Division of Labor & Departmentalization)	The degree to which organizational tasks are divided into separate, specialized jobs and grouped into departments (by function, project, product, market, etc.)	• **High Technical Division of Labor:** Recruitment of specialized profiles (Conversational AI Engineers, NLP Specialists, UX/UI Designers, Creative Strategists, QA Testers). **(linkedn and VERSA website)** • **Hybrid Departmentalization:** VERSA mixes specialized teams with project teams: Employees keep their main specialty (like engineering or design), but they don't work alone. They are grouped into mixed teams to build specific client projects, such as enterprise chatbots or government websites.
2. Formalization	The extent to which employee behaviors, communications, and workflows are steered by explicit, codified rules and standard operating procedures.	• **Flexible Workflows (Low Formalization):** Minimal rigid rulebooks for coding, design, and AI prototyping, granting teams autonomy to adapt rapidly to client needs. • **Strict Schedules & Boundaries (High Formalization):** Codified rules governing the 4-day schedule, including a strict "no contact" policy on Flexi-Wednesdays and fixed sprint milestones to protect the 37.5-hour standard week.
3. Centralization	The degree to which decision-making authority is concentrated at top executive echelons versus delegated to lower operational levels.	• **Everyday Autonomy (Operational Decentralization):** Project pods manage their daily work freely choosing how to schedule tasks, prioritize sprint goals, and solve technical problems. • **Strategic Control (Strategic Centralization):** High-stakes business bets (generative AI adoption, pricing models, revenue targets, client intake) are decided strictly by executive leadership
4. Hierarchy & Span of Control	Establishes formal vertical reporting lines (tall vs. flat structure) and the number of direct subordinates reporting to a given leader.	• **Flat Organizational Hierarchy:** Absence of traditional corporate middle management (associate directors, regional managers); structured across three operational tiers: Executive Leadership, Delivery/Practice Leads, and Delivery Pods • **Wide Span of Control:** Practice leads oversee wide, cross-functional delivery pods rather than micromanaging

		individual tasks. This flat structure accelerates vertical communication and reduces bureaucratic overhead, but relies heavily on employee self-discipline.
5. Coordination Mechanisms (Henry Mintzberg, 1979)	The foundational mechanisms organizations use to integrate and align divided activities to achieve unified organizational output	• **Mutual Adjustment:** Real-time horizontal communication and informal coordination between developers and designers via digital tools. • **Standardization of Outputs:** Milestone-driven evaluations based on tangible software deliverables (working code, AI demos, client sign-offs, NPS) rather than tracked billable hours. • **Standardization of Work Processes:** Agile/Scrum ceremonies (daily stand-ups, two-week sprint planning, backlog grooming, retrospectives) that standardize the operational sequence of how work moves forward **Structural Limitations & Coordination Friction:** ● While mutual adjustment works well in small teams, relying predominantly on it within a compressed 4-day schedule creates informal communication overload: as documented in digital workspace research (WalkMe, 2022), unmanaged asynchronous communication causes frequent context-switching, and engineers report constant Slack interruptions that fragment deep coding blocks. ● Furthermore, because output standardization is tied to preserving the Wednesday off, cross-pod collaboration is hindered; teams become protective of their own sprint deadlines and are reluctant to assist other struggling pods.

The Sixth Building Block: Institutionalized Experimentation (Gary Hamel)

Gary Hamel and Michele Zanini (2020) argue that contemporary organizations require a sixth structural block: *institutionalized experimentation,* the structural capacity to systematically test non-routine ideas and absorb failure without operational penalties.

VERSA Agency states on their website that one of their values is **"forever experimenting"** (**About | VERSA**).

But because employee rest (the mid-week break) is contingent on hitting commercial milestones, technical risk-taking carries a direct personal penalty: exploring unproven open-source LLMs or complex voice architectures risks project delays. As a result, genuine experimentation is squeezed out by delivery deadlines.

Task 2 : Strenght and Weaknesses of this structure and What to Change

Strengths of the Current Organizational Structure

Operational Agility & Speed: The flat hierarchy and cross-functional pod model eliminate corporate middle management, allowing developers and designers to solve client bottlenecks directly through rapid mutual adjustment.

High Client Responsiveness & Output Quality: Structuring delivery around standardized milestone outputs ensures client projects are delivered with high commercial rigor. Client satisfaction remains high because teams focus on working software rather than administrative reporting.

Talent Retention & Reduced Burnout: The 4-day model ("Flexi-Wednesdays") provides biological recovery. According to company data reported by the Australian Institute of Management Western Australia (**AIM WA, 2021**), this specific internal initiative yielded an 80% decrease in unplanned staff sick leave and boosted operational retention, positioning VERSA as an employer of choice in an extractive digital agency market.

Critical diagnostic : The Hidden Taxes of Bounded Autonomy (*Corporate Rebels, 2020*)

Despite its flat structure, VERSA pays significant hidden taxes of bureaucracy (**Corporate Rebels, 2020**; **Hamel & Zanini, 2020**):

The Approval Tax: Frontline AI engineers have daily operational autonomy, but architectural choices (adopting novel open-source frameworks vs. proprietary enterprise APIs) still require executive sign-offs. In a 4-day sprint, waiting for senior approval creates administrative lag and halts team momentum.

The Inertia Tax & The Experimentation Dilemma: Because missing a client deadline threatens the mid-week break, teams systematically avoid novel, experimental AI models (which carry an inherent risk of unexpected bugs). Under the current structure, employees default to safe, conventional, copy-paste templates rather than taking bold technical risks, compromising VERSA's competitive positioning as a market pioneer.

MEMO TO:	Kath Blackham, Founder & CEO	**FROM:**	Strategic Advisory Group
SUBJECT:	Structural Redesign: Dual-Operating Network Architecture	**DATE:**	October 25, 2026

Structural Transformation - The Dual-Operating Network

To resolve the conflict between delivery speed and exploratory research, VERSA should evolve toward an ambidextrous organization **(O'Reilly & Tushman, 2004)** powered by a dual operating network (**Kotter, 2012):**

Structural Pillar 1: Client Delivery Engine



Teams focus solely on client work using proven tools, making sure projects finish calmly within the 4-day week. Guided by **Frederic Laloux's (Reinventin Organizations, 2014**) *Advice Process,* project leads make technical final decisions only by seeking advice from colleagues. This eliminates hierarchical executive approvals for sprint-level technical choices and builds genuine psychological ownership.

Boundary: The Advice Process requires high professional maturity; junior staff must be coached to avoid unchecked decision-making.

Structural Pillar 2: Exploratory AI Sandbox



Staff get 10% to 15% of their paid time (approx. 3.5 to 5 hours weekly per engineer) dedicated to testing new AI models and experimenting freely, without client pressure or the threat of losing their Wednesday off (ressembling Google's 20% time) Guided by **Alex Budak's (2021) ideas t**hat leadership has nothing to do with formal position; it is an everyday practice rooted in a changemaker mindset and action, CEO's must ensure that junior engineers lead experiments, presenting findings bi-weekly.

This pillar also follows **Gary Hamel's (Humanocracy, 2020**) idea that organizations must embed experimentation as a formal structural building block rather than an afterthought. This eliminates the "Inertia Tax" and prevents short-term commercial demands from crushing radical creativity.

Boundary: Sandbox research is protected from Wednesday penalties, but must demonstrate clear feasibility before integration into client deliverables.

Implementation Roadmap & Organizational Change Considerations

Restructuring an established organization is inherently difficult because it alters resource allocation, power distribution, and daily operational habits. In executing this structural change, you must take certain information into consideration during implementation (WalkMe, 2022) :

Implementation Dimension	Core Operational Risk	Mitigation Strategy & Governance
1. Overcoming Cultural Inertia	Employees hesitate to make their own choices because they are used to higher management deciding everything.	Management openly supports teams even when tests fail, removing the fear of blame. Provide a simple peer-review checklist to guide decisions.
2. Controlling Digital Fragmentation	Increased horizontal coordination and sandbox collaboration create constant chatter and messages, interrupting deep-work coding blocks.	Set 2-hour daily focus blocks where message notifications are silenced. Use short written updates instead of non-stop messaging.
3. Fostering Micro-Leadership	Junior staff wait for top-down orders instead of trying new ideas.	Let junior engineers take turns leading AI sandbox projects. Reward team members who solve problems without being asked.

Part 4 : Assessing the Controlling Processes

Task 1 : Analysis of VERSA's Controlling Function via Management Control Theory

In the classical POLC framework, **controlling** is the managerial function responsible for ensuring that activities are executed efficiently and that resources are effectively deployed to achieve organizational goals. According to **Malmi and Brown (2008),** management controls encompass all the systems, rules, practices, values, and activities that management puts in place in order to direct employee behavior.

1. Breakdown via Cybernetic Control Theory (The Feedback Loop)

VERSA's control mechanisms can be mapped across the four stages of a classical cybernetic feedback loop :

Cybernetic component	Operational Manifestation at VERSA Agency	Sources
1. Referent Standard *Target benchmark*	Completion of contracted client deliverables within a 37.5-hour schedule. The Wednesday shutdown is **strictly conditional** on meeting these delivery milestones. The benchmark is founded on a strict "performance over presence" contract: physical desk presence is irrelevant; only tangible milestone completion counts	**Body+Soul (2020) : https://bodyandsoul.news.com.au/wellness/introducing-versa-the-aussie-company-thats-4dayweek-has-gone-global/news-story/24e003effb483b0825e12e69a6317d69** **FirstHuman Podcast (2022).**
2. Sensor *Measurement input*	VERSA dismantled conventional 15-minute timesheets in favor of milestone delivery tracking and shared digital repositories (Blackham, 2022), relying on standard agile sprint dashboards and automated code repositories rather than manual hour logging.	**FirstHuman Podcast (2022):** **https://www.firsthuman.com/podcast/216-the-power-of-ritual-with-kath-blackham/**
3. Comparator *Variance evaluation*	Tuesday afternoon delivery reviews where practice leads compare completed work against scheduled delivery commitments before the mid-week pause.	**FirstHuman Podcast (2022): https://www.firsthuman.com/podcast/216-the-power-of-ritual-with-kath-blackham/**
4. Effector *Corrective action*	If a project slips behind schedule, the Wednesday break is temporarily canceled for the affected pod, requiring them to work to restore the timeline.	**Body+Soul (2020) : https://bodyandsoul.news.com.au/wellness/introducing-versa-the-aussie-company-thats-4dayweek-has-gone-global/news-story/24e003effb483b0825e12e69a6317d69** **FirstHuman Podcast (2022).**

2. Temporal Dimensions of Control: Feed-Forward, Concurrent, and Feedback

VERSA exercises control across three operational time horizons : **Feed-forward Control** (**preventive**) operates via Monday sprint scoping and client communication agreements , Interventions enacted *before* work begins to anticipate variances and establish clear parameters. (**FirstHuman, 2022**); **Concurrent Control** (**real-time**) takes place during daily

stand-ups and morning check-ins so Mechanisms deployed *during* execution to make real-time operational adjustments.; and **Feedback Control** (**Post-action**) occurs through post-sprint retrospectives and code audits, Post-completion evaluation of delivered results against initial targets. (**4DayWeek.io, 2024**).

Dynamic Interplay Across Temporal Horizons:

The efficacy of VERSA's control package depends on how these horizons interact. For example, let's take an illustrative scenario where a novel generative AI model takes 30% longer to stabilize than forecasted.

*Insights generated during **Feedback Control** (retrospective analysis showing that generative AI models took 30% longer to stabilize than forecasted) are looped directly back into **Feed-forward Control** on Monday mornings. Project managers adjust subsequent sprint estimations and update client contracts, preventing systemic under-scoping.*
*Similarly, real-time data from **Concurrent Control** (an unresolved architecture blocker on Tuesday noon) informs managerial interventions, re-routing tasks across pods so the team avoids an effector trigger (losing their Wednesday rest).*

3. Control Approaches: Domination vs. Self-Control (Malmi & Brown)

Control systems operate along a spectrum from control by domination (commands, rules, carrots and sticks) to control by self-control (empowerment, responsibility, shared objectives):

A Structural Shift Toward Self-Control (The Netflix Philosophy):
Similar to Netflix's approach of treating employees like "fully formed adults" by eliminating micromanagement, VERSA grants employees extensive schedule autonomy. Instead of clock-watching, management evaluates output and trusts staff to manage their weekly rhythms.

The Underlying Reliance on Negative Control (Carrot and Stick):
Despite its rhetoric of autonomy, VERSA retains a powerful mechanism of negative discrepancy control. Flexible time off is conditional: failing to meet deliverables triggers a loss of the mid-week break. This transactional prerequisite reintroduces a classic "carrot-and-stick" dynamic, turning schedule freedom into a tool for self-imposed crunch.

Task 2 : Critical Diagnostic ans Strategic Recommandations

Evaluating VERSA's control architecture through modern control theory highlights four core tensions:

Control Limitation	Operational Manifestation at VERSA	Behavioral & Affective Distortion
1. Neglect of Affective Dimension (Criticism 1)	The 37.5-hour target is managed as a rigid quota, ignoring emotional and cognitive fatigue.	Tying rest to performance risks creating acute stress for junior engineers who fear jeopardizing the entire pod's Wednesday off.
2. Overweighting Negative Feedback (Criticism 2)	Managerial intervention occurs almost exclusively when deadlines are in jeopardy (threat of revoking Wednesday).	**Loss Aversion (Kahneman & Tversky, 1979):** Staff become preoccupied with avoiding punishment rather than finding creative, breakthrough solutions.
3. Distorted Prioritization (Criticism 3)	Immediate milestone delivery takes precedence over exploratory research and code refactoring.	**Availability & Status-Quo Biases:** Developers choose safe, copy-paste algorithms because untested architectures risk compilation errors and missed deadlines.
4. Information Bias & Concealment (Criticism 4)	Because surfacing an unresolved bug on Tuesday afternoon directly risks canceling the rest day, the system creates systemic disincentives for timely bad-news sharing	**(Amy Edmondson, 1999):** In the absence of high psychological safety, employees are tempted to withhold reporting critical technical bugs until late in the cycle, leading to downstream integration failures.

The Anxiety Zone Trap (Amy Edmondson, 1999, 2018)

Edmondson demonstrates that pairing high performance demands with low or conditional psychological safety lands teams squarely in the **Anxiety Zone**. At VERSA, because admitting technical roadblocks risks costing the team their Wednesday break, employees often hold back bad news about code defects, compromising the transparency needed for the feedback loop to function.

MEMO TO: Kath Blackham, Founder & CEO
FROM: Strategic Advisory Group
SUBJECT: Controlling Audit: Debiasing Feedback & Moving Beyond Negative Control
DATE: October 25, 2026

Strategic Recommendations for Upgrading Control Systems

Recommendation 1 : Psychological Safety in Error Reporting

At VERSA, conditioning the Wednesday rest day strictly on milestone completion creates a dangerous structural incentive: surfacing a technical defect or missed estimate on Tuesday afternoon threatens the entire squad's break, encouraging staff to conceal bugs or bypass testing just to hit delivery targets.

To dismantle this dynamic, leadership must implement a formal "Stop-the-Line" protocol that structurally separates error discovery from rest sanctions. Under this mechanism, if an engineer flags a critical architectural flaw or security bug, halting the sprint is treated as an act of operational vigilance rather than a failure, and the pod retains its protected Wednesday off. Instead of forcing mid-week crunch work, resolution is rescheduled into dedicated capacity buffers on Thursday morning.
This recommendation operationalizes **Amy Edmondson's (1999)** Psychological Safety Framework, which demonstrates that high-performing teams require psychological safety to take interpersonal risks and surface vulnerabilities without fear of punishment.

Boundary Condition: This protection applies strictly to genuine technical discoveries and unforeseen architectural roadblocks; chronic negligence or uncommunicated scope deviations still require managerial intervention.

Recommendation 2: Balance Cybernetic Feedback with Positive Quality Controls

VERSA's control loop currently operates almost exclusively through negative discrepancy feedback: managerial attention is triggered when milestones lag or deadlines are threatened. Relying solely on negative discrepancies overlooks the affective dimension of human goal-setting and causes cognitive fatigue over compressed work schedules.
To balance the control package, management should introduce Positive Control Checkpoints into end-of-sprint reviews, ather than just grading work as a simple "pass" or "fail". At the end of each project sprint, the team should track positive achievements, such as:

- Clean, well-tested code that works reliably.
- Fast, stable AI models that respond quickly.
- Team members helping and teaching one another.

This intervention is grounded in **Teresa Amabile and Steven Kramer's Progress Principle (2011)**, which proves that the single most potent driver of employee engagement, creativity, and inner work life is making and recognizing meaningful daily progress. Rewarding high craftsmanship and technical excellence rather than merely punishing missed deadlines sustains intrinsic motivation, reduces performance anxiety, and transforms VERSA's control system from an anxiety-driven deadline engine into an environment of continuous learning.

Boundary condition : These quality checks must be tracked automatically by the computer systems they already use, so employees don't have to waste time filling out extra forms or timesheet

Conclusion :

Position Paper on VERSA's Management Model

VERSA has built an international reputation by pioneering the four-day workweek without timesheets. However, analyzing the agency through the classic **POLC framework** (**Planning, Organizing, Leading, Controlling**) reveals a fundamental operational paradox: **conditioning biological rest on sprint completion does not eliminate burnout, it compresses and intensifies it.** By turning "Flexi-Wednesday" into a conditional privilege that can be revoked when deadlines are threatened, the company inadvertently forces teams into early-week crunches, encourages shortcuts and triggers the "Mum Effect," where employees hide bugs rather than risk losing their day off. For VERSA to sustain market leadership in conversational AI, management must transition from fear-driven compliance to genuine operational trust.

The Strategic Transformation Path for Kath Blackham

To maintain its competitive edge, VERSA must transition from transactional flexibility to organizational maturity across all four POLC dimensions:

1. **Planning:** Re-anchor purpose around pro-social AI and shared learning (Zhang; Grant).
2. **Leading:** Institutionalize empowering leadership and chronoleadership (Ibarra; Kring).
3. **Organizing:** Decouple commercial delivery from exploratory R&D via a Dual-Operating Network (Kotter; Hamel).
4. **Controlling:** Build an integrated control package centered on psychological safety and debiasing (Edmondson; Malmi & Brown).

Addressing the Counterargument: The Fear of Unchecked Leniency

A common managerial objection is that removing the Wednesday-off sanction would eliminate operational urgency, creating complacency and causing client deadlines to slip. However, this assumption relies on the false premise that fear is the only driver of performance. In reality, holding rest time hostage does not produce higher-quality software, it merely pressures engineers to bypass code verification and avoid creative risks to beat the clock. True accountability comes from clear peer ownership and automated testing, not the threat of overtime. Decoupling error discovery from rest sanctions gives engineers the safety required to surface blockers early and build stable systems.

Strategic Sequencing: The Foundational Catalyst

Among these priorities, **reforming the Controlling function must come first.** Psychological safety serves as the essential catalyst for the entire model. Unless engineers are confident that surfacing a defect will not trigger personal penalties, they will never feel secure enough to make independent decisions (Leading) or take creative risks in an experimental AI sandbox (Organizing). Removing punitive control is the prerequisite that unlocks all downstream innovation.

By executing this sequenced roadmap, VERSA will protect project margins through cleaner code, retain its elite technical talent by eliminating early-week crunch stress, and build proprietary AI assets through protected experimentation. This evolution does not mean abandoning the company's roots. Instead, it allows VERSA to finally align its internal operations with its external promise, genuinely "making life better" for both its clients and the people who build it.



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