MANAGING CORPORATE LIFECYCLES

PART II

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PART II

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To my clients

without whom

all my work would be in vain.

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Part III: Appendices

INTRODUCTION

THIS BOOK IS THE SECOND PART of a two-volume work in which I present the theory of organizational lifecycles and the principles for leading organizational change that I have practiced and refined over the last forty years.

The first book, *Managing Corporate Lifecycles: How Organizations Grow, Age, and Die,* Volume I[1] describes the typical behavior of organizations on the path from startup to bureaucracy, and even organizational death. In it, I highlight the normal and abnormal problems organizations encounter on this lifecycle. Volume I was descriptive.

In this second book, Volume II, I provide the diagnosis, the tools to explain why organizations grow and die, and introduce what interventions are necessary to bring an organization to Prime. The detailed prescriptions are in my book *Pursuit of Prime.*[2]

We'll consider what causes organizations to develop and subsequently to age, what causes flexibility and self-control, and why organizations have the problems described in *Managing Corporate Lifecycles: How Organizations Grow, Age, and Die*, Volume I.

I will present a postulate to explain organizational behavior.

I postulate that all living systems—and every organization is a living system—seek to be effective and efficient in the short and the long run.[3] It is as if the organization knows what it is doing. It is as if conscious forces guide organizations. Human leaders play their roles;[4] The players can speed the plot by turning the pages faster; they can even skip pages if they can find the shortcuts.

In organizations, what causes behavior is the system's drive for effectiveness and efficiency in the short and the long run. An organization is in Prime when it is both effective and efficient in the short and long run. Organizations seem to drive to Prime, and management, if performed correctly, is the process that facilitates getting there. If, however, management is performed badly, it inhibits, retards, and even blocks this innate tendency to progress to Prime. I once heard that children are born capable of perfection.[5] We the parents can either help the process of its realization or mess it up. We need to know how and when to get out of the way. Similarly, our bodies want to develop and be healthy. They tell us what they want, and each of us could be healthier if only we listened and followed the instructions our bodies give us. The same seems to apply to organizations.

Don't, for one minute, think that I am saying that there is no place for leadership or that we humans are mere puppets in a show we had nothing to do with writing. Not at all. Knowledge of medical science allows us to help or undermine the medical "reasons" for a healthy body. The same holds true for organizations. The role of management is to provide leadership and keep the organization in the healthy part of the lifecycle, preventing or treating abnormal or pathological problems along the way. The role of leadership is to lead the organization to its Prime and sustain it there. For that reason, leaders and those who have chosen the consulting profession need to understand what makes an organization healthy and what makes it sick. They must understand why organizations move along the lifecycle and why they develop normal, abnormal, or pathological problems. They have to know not only how to diagnose problems but also how and when to solve them.

In this book, I present the theory that I have been developing now for over forty years to explain organizational behavior and to provide the tools for changing that behavior. Those are the tools for directing organizational culture away from abnormal problems, getting the organization on the typical path, moving it toward Prime, and sustaining its position there. As you will see in subsequent chapters, this theory has been tested to produce predictable results by the practitioners of the methodology in over fifteen countries.

Once we understand the movement on the typical path, we will discuss how to get to and advance on the optimal path. (See Chapter 9, The Optimal Path.)

Notes

1. Adizes, I., *Managing Corporate Lifecycles: How Organizations Grow, Age, and Die,* Volume I (Santa Barbara, CA: The Adizes Institute Publications in conjunction with Embassy Book Distributors, 2012).

2. Adizes, I. *Pursuit of Prime*. (Santa Barbara, CA: The Adizes Institute Publications, 1996).

3. See the research on autopoiesis processes, particularly H. Maturanaand F. Varela's A*utopoiesis and Cognition* (1980), and *The Tree of Knowledge: The Biological Roots of Human Understanding* (1987).

See also the discussion of self-regulation that is circulating in the complexity literature, particularly F Capra's *The Web of Life: A New Understanding of Living Systems* (New York: Doubleday Anchor, 1996), esp. Chapter 4, "Models of Self-Organization." This line of research has shown that systems reproduce themselves, selecting for their own survival; that is, evolution occurs with directionality. G. Bateson has called this process "orthogenesis" and notes that this process is the "outward and visible sign of interactive process" [G. Bateson, "From Anthropology to Epistemology," in R. Donaldson, ed., *Sacred Unity: Further Steps to an Ecology of Mind* (New York: Harper, 1991)]. He was referring to the interaction between the component parts of the system, and its environment. So the directional "choices" that a system makes as it self-regulates are a function of the local and specific conditions which provide the information for the "choice."

4. One of the central mistakes of organizational theory has been the embedded assumptions about intention and rational "choice" that are attributed to organizational processes. See the critique of this positivist paradigm in D. Polkinghorne, *Narrative Knowing and the Human Sciences*, SUNY Series in the Philosophy of the Social Sciences (Albany: State University of New York Press, 1988), as well as J. Hassard, "Exploring the Terrain of Modernism and Postmodernism in Organizational Theory," in D. Boje (ed.) et al., *Postmodern Management and Organization Theory* (New York: Sage, 1996): 45–60.

5. See J. Hiliman, *The Soul's Code: In Search of Character and Calling* (New York: Warner, 1997), which posits that each one of us has the capacity to realize our potential, just as an acorn will inevitably grow into an oak tree. Problems, he argues, are a function of the inability to unfold ourselves into our potential; it follows that if we have a context to support "unfolding," health and self-actualization follow.

PART I

Analyzing Organizational Behavior

Chapter One

The Origins

SOME FORTY YEARS AGO, I discovered that for an organization to be effective and efficient in both the short and long run, four managerial roles must be performed. I made that discovery in the course of preparing my doctoral dissertation. I was studying the Yugoslav system of self-management.[1] To Western minds and experience, that system seemed alien. Nobody owned capital. Capital was the heritage of society. The Yugoslavs called it social ownership. That doesn't mean government ownership. The ownership of capital was analogous to the ownership of air. The entire society had access to capital but was not allowed to deplete it. Thus, organizational profits before depreciation had—at the very least—to equal depreciation. Rather than salaries, people received allowances based on a system similar to surplus sharing among the partners of a law firm. Employees elected representatives to the workers council, and the council interviewed candidates for the job of managing director. All the candidates presented plans of what, if elected, they intended to do for and with the company. The elected managing director's term was four years long, but managing directors were subject to impeachment if they acted illegally, say, acting without the authorization of the workers council. Sound familiar?

Yugoslavs applied political democracy to their industrial and nonindustrial organizations, and they called that system industrial democracy. The system's weakness was that it discouraged—actually destroyed—the entrepreneurial spirit. Entrepreneurs are individualistic, and few enterprises were able to find managing directors who knew how to take risks under these circumstances.

For all practical purposes, the entrepreneurial spirit was legally prohibited. The system mandated group entrepreneurship or bust. And bust it went. The goal was to create a New Human, whose motivations, according to Karl Marx, would be very different from those of "Old Humans" plagued with exclusive materialistic motivations.[2]

Anyway, the situation proved lucky for me. I was like that British doctor who found himself on a ship with no available sources of vitamin C. When he saw that the sailors, long deprived of vitamin C, suffered from scurvy, the doctor recognized the connection between vitamin deficiency and a predictable disease. Observing organizational behavior in Yugoslavia, I discovered that if a certain role of management, say, entrepreneurship, is suppressed, organizations develop certain predictable managerial "diseases." My book *How to Solve the Mismanagement Crisis*[3] describes the styles of mismanagement that develop when one or more roles are deficient in an organization. The point is that I discovered a diagnostic and therapeutic methodology. Because I could see the relationship between each role and specific kinds of organizational behavior, I was able to identify which role deficiency causes which managerial "diseases."

Input	***Output***	
Management Role	*Makes the organization:*	*Time range*
(**P**)urposeful	effective	short run
(**A**)dministrative	efficient	short run
(**E**)ntrepreneurial	effective	long run
(**I**)ntegrative	efficient	long run

Using the above model I learned to analyze and diagnose organizational problems. Noting that a company was slow to react to change, I suspected deficiency of the (**E**), entrepreneurial, role. On the other hand, I suspected inadequacies in the (**A**), administrative, role if a company routinely delivered late, lacked cost controls, or failed to document its engineering approval processes properly. I then discovered that if it were possible for me to "inject" the missing roles, the organization would become effective and efficient in the short run and the long run. And we did so, for instance, taking one company from $12 million in revenues to $700 million in revenues without any dilution in ownership. (Today the company's revenues are $1.5 billion.)

Because no organization is "born" in Prime, each one has to develop those roles. As organizations develop the management roles one by one, they follow the typical lifecycle curve, experiencing the problems associated with deficiencies in one or more of those roles. When an organization gets "stuck" and is incapable of developing a particular management role, it experiences abnormal problems. If the development delay is prolonged, the organization's lack of that management role may threaten its ability to survive.

Since organizations develop the four management roles in a predictable sequence, the problems are also predictable, and so is the therapy.

The Four Management Roles

Let us now investigate with some depth what those roles are. Those four necessary roles explain the development of organizational cultures, and in particular, the *why*, *when*, and *how* of change in the lifecycle.

The (P) Role

Leadership's first function is the (**P**) role, which makes the organization effective in the short run. The (**P**) stands for the organization's (**P**)urposeful (**P**)erformance. What is the (**P**)urpose that must be (**P**)erformed? Is it profit?

Imagine five people are walking down a narrow path along the top of a mountain. The path is so narrow, they must walk single file. To their right, there is a deep canyon, and to their left, there is a steep incline. They have been walking for hours, singing, joking, laughing, whistling, and talking. In the eyes of an organizational behaviorist, anthropologist, psychologist, or social psychologist, the five people are interacting as an organization.

From a management point of view, although we can see that the five have formed a socially interactive organization, we recognize no managerial process until the group encounters a rock so large that it blocks passage and none of the five can move it alone. At that moment, the managerial process begins. Someone needs to plan, organize, motivate, and control (or correct) actions that will allow the group to move the rock. That someone does not necessarily have to be an individual. It can be a team making those decisions. Nevertheless, decisions have to be made that will move the rock: There are processes that need to be performed for a goal to be identified and achieved.

The managerial process exists when there is a task to be performed, a task that requires interdependence among people.

If a single person could lift the rock, there would be no managerial component to the group's organization. If the same five people were walking along the path with a purpose—say, rock climbing or spelunking—that required interdependence, the management process would have started even before they encountered the rock. What if the group simply went to have fun with no explicit plan? So long as there is a purpose, the group needs a managerial process. It needs to articulate, operationalize, and re-articulate that purpose as needs develop. Unless the purpose is to have no purpose, purposes are not realized by themselves. (Come to think of it, it takes effort not to have a purpose too. In Zen Buddhism, they say it takes a tremendous effort not to think!)

The first role of management is to define or enable a definition of organizational purpose. What is the function for which the organization exists?

Every organization must have a reason to exist. That reason, that "rock," is the focus of interdependency among people.

Whenever I work with an organization I ask the top managers, "Why are you together? What does accounting have to do with marketing, or personnel with research and development? What's the purpose of your organization's existence?" I'm amazed how frequently they tell me that the purpose of their organization is to make profits. That's the wrong answer. I gave this same answer in interpreting the (**P**) role in *How to Solve the Mismanagement Crisis*.[4]

Economic theory teaches us that the purpose of economic entities—of commerce—is profit. Who dares to argue? However, many organizations are so preoccupied with profits that they go bankrupt. Why? If a company focuses on profits, shouldn't it generate profits? No. That reasoning confuses input with output.

Profit is like love, health, and happiness. If you focus on happiness and say "I must be happy today," you may become quite miserable. If you say "I must be healthy," you may become a hypochondriac. And to say "There must be love" can create a great deal of hate. What you must ask yourself is *what* makes you happy, healthy, or feel that you are in love. That should be your focus. Focus on the inputs in the direction of the output. If you focus on the output and ignore the input, you create expectations that might not be realizable.

If you were playing tennis, the scoreboard would be the profits. Who can play successfully if his eyes are always on the scoreboard? You should ignore the board and *play the best you can*. Follow the ball, and hit it across the net to the opponent's court. Organizations that focus on earnings per share and profit margins, rather than the input and throughput that produce the profit, might be going bankrupt, not in spite of, but because of all their focus on profit. They are failing to keep their eyes on the ball.

If you hit the ball effectively—repeatedly and efficiently (for which the other three roles are also necessary)—you will win the tennis game. Winning means you will be profitable. What then is the purpose of a business organization? What is the "rock" it must move? What is the "ball" it must watch? What (**P**)urpose should the organization (**P**)erform?

Let's think about the very earliest stages of Courtship, when founders are dreaming about starting their organizations. What do they see in the future? Profits? That's possible, but that's not what gets them out of bed in the morning. They see opportunities to make profits. Note my choice of words: *opportunities to make profits*. Profit is an output; opportunity is the input. We have to focus on the input if we want the output to occur. We have to hit the ball, exploit the opportunity, and treat every volley as a first volley.

What are the opportunities that founders notice? They perceive unsatisfied needs in the marketplace, needs that they believe they can truly satisfy.

From a managerial point of view, the distinction between for-profit and nonprofit organizations is no longer valid. Both organizations have clients and both organizations, to be effective, must satisfy clients' needs. The end results for the two are different: economic profit for one and political or social survival for the other. But in both cases, input management must have the same focus: to (**P**)erform a service, and to satisfy the needs of the clients for which the organization exists. That is, both must aim to add value.

Every organization—whether it's a unit within a larger organization or the large organization itself—has clients for which it exists. There is no organization and no management without clients. The clients of the sales organization are called customers, and the accounting department and the personnel department have only clients, not customers. Their clients are within the organization.

By definition, each organization has a reason to be: to satisfy clients' needs that cannot be satisfied by an individual.

If an organization does not focus on its clients' needs, it behaves like a cancer: It exists and consumes resources, but it serves no client functions. It serves only itself.

When a manager makes a decision, he must first ask himself what the (**P**) role is. Who are his organization's clients? What are their needs? Which needs can, and will, the organization satisfy? That is the (**P**)urpose of the organization he manages. This applies not just to top management, but to managers at every level.

If the organization performs the (**P**) function, it will be effective because it satisfies the needs for which it exists. We measure effectiveness in terms of repetitive demands for the organization's services. In business, that is called brand loyalty. Do the clients come back for more? If they don't come back for more of the same service or product, it means their needs are not being satisfied, and the organization is not effective.

Profit, as I have stated, is the indicator of how well the organization performs all four management roles. That is, it indicates how effective and efficient the organization is in the short and the long run.

Organizational effectiveness indicates performance of the purpose for which the organization was created. A pen is effective if it writes. What if the pen doesn't write but you can use it to scratch your head? If it was designed for head scratching, it would not be called "pen," it would have been called "head scratcher." How about a chair? It is a chair if you can sit on it. Why don't you call it a cow? You should, if you can milk it. "I can sit on a cow, so why don't I call it a chair?" a student once asked me. "Because a cow has not been created for sitting."

I am postulating again that everything, absolutely everything, is created with a purpose. The light is for illumination; the heater is to provide heat; and so forth. The same is true for us as people. Some of us are created to write. We nevertheless spend our lives scratching our heads. When you do that for which you have been created, you feel fulfilled. When I present my material in lectures that last six hours, even after a long flight from home through several time zones, I feel rejuvenated. I end up with more energy than when I started. But if you want me to do bookkeeping, I'll beg you to shoot me first!

I have no doubt that my accountant would ask for the firing squad if he had to present a lecture.

But not only chairs, cows, and people like me and you have a purpose. Organizations also have purposes. They should follow their calling and stop scratching their heads if they were designed to write. Just as I can't do bookkeeping, some organizations cannot and should not conduct basic research. They know how to commercialize technology. They cannot develop it. Some companies are excellent retailers, but do not ask them to create high fashion. Even if they hired creative designers, the designers would never survive the penny pinching that prevails in the retailing culture with its bone-thin margins.

> ***In today's business lingo, people talk about core competencies. Organizations should stick to them, but core competencies are not just know-how and equipment. They include the organizational culture as well.***

Years ago I studied performing arts organizations. (I established the first Master's program in the world in Management of the Arts at UCLA in 1969.) In the process of my research, I visited the Minneapolis Symphony, which is now the Minnesota Orchestra. At the time, Stanislaw Skrowaczewski was the artistic director and conductor.

The symphony's board of directors was debating whether or not to inaugurate a summer season of pops in the park, similar to the Boston Symphony's Boston Pops. Skrowaczewski was adamantly opposed. "You cannot," he said, "take a musician who plays Paganini during the winter season, ask him to play Sousa in the summer, and at the end of the summer tell him to play a Mendelssohn concerto." In my business language, he was saying, "You cannot produce a Rolls-Royce and a Yugo using the same labor force." Yugo producers don't have Rolls-Royce's compulsive dedication to quality. That takes years to develop and make an integral part of the culture. Two product lines are fine. Boston offers two distinct product lines, and there are two orchestras: one plays pops and the other is the symphony orchestra. The concert master and other leading musicians play chamber music during the summer, while the others play pops in the park.

In other words, every organization must decide who it is and what it does. It cannot be whatever makes money at that minute. You should not try to milk a chair even if the price of milk is skyrocketing.

How does an organization identify its (**P**) role?

Rabbi Hillel, in the Wisdom of the Fathers, asks, "If I am not for myself, who is for me? And when I am for myself, what am I?" As I have said, everything has a purpose, and that is to serve others. The lamp is here to shine light so I can type. The food I just ate is to nourish me. The bed across the room is for me to rest and sleep upon. Nothing in life exists for itself. Anything that serves only itself is like a cancer which serves no function but death. Some people are cancerous. Existing for no one but themselves, they are exclusive takers. They take more from the land, water, and people than they leave behind. They destroy social value. They are socially cancerous. Sustainable growth is not an empty slogan.

To be functional—that is, effective—an organization must, from the outset, define for whom it exists, who are its clients, and which of their needs will the organization satisfy. No organization can or should be everything for everyone. Segment your market. Next, go and do it. That means: (**P**)rovide the desired needs of your clients; (**P**)roduce the results to which you are committed; (**P**)erform as expected.

That is the (**P**) role that, if (**P**)erformed, causes organizations to produce the results for which they exist.

The (A) Role

How about efficiency in the short run?

To be efficient in the short run, management must systematize, program, and organize. It must see to it that the right things happen at the right time, with the right intensity, in the right sequence. That means (**A**)dministration. For that, management needs to think linearly, logically, and with attention to details. Proper (**A**)dministration prevents an organization from reinventing the wheel every time it needs to wheel something around.

The (**P**) and (**A**) roles can create effectiveness and efficiency in the short run. With only those two management roles, the organization will be profitable in the short run.

The (E) Role

> ***Imagination is more important than knowledge.***
> ALBERT EINSTEIN

What do we need for long-term effectiveness?

Again, let's consider the tennis example. Hitting the ball over the net into the opponent's end is the (**P**) role. The volley was effective. We (**P**)erformed the (**P**)urpose for which we hit the ball. In training to play tennis, practicing and perfecting motion to utilize minimum energy for maximum impact, we provide for the (**A**) role, making our game efficient.

But winning a volley is not winning the game. To win a game you must do more than win a single volley.

You must perform two additional functions in order to be effective and efficient in the long run. The first of those is the (**E**) role.

To win a tennis game, efficiently getting the ball over the net one time is just a start. To hit the next ball, you must be prepared, anticipating where the next ball will go and positioning yourself to respond. You must be thinking strategically. Should you run to the net? Should you move back to the center of the court? To be effective in the long run, you must anticipate that long-run event and get ready to respond to it when it arrives. That requires two factors: creativity and risk taking.

Long-term effectiveness calls for us to predict the future. Where is the next ball going to come to? What is the next generation of needs? To answer those questions requires creativity to predict what did not happen yet. But that is not all. We position ourselves on the court according to where we anticipate the ball will come, but the ball might land far from where we were awaiting it. Taking position on the court entails taking risk.

The ability to plan what to do today in anticipation of tomorrow requires creativity and the capability to take risk.

The role that visualizes future changing needs, and proactively positions the organization for that future, I call the (E)ntrepreneurial role. If it is performed right, the organization will be effective in the long run. It will be prepared to meet future needs. (E)ntrepreneuring is like planning—deciding not what to do tomorrow but what to do today in light of what we expect and want to happen tomorrow.

You must be creative to anticipate the future. You must imagine what it will look like so you can prepare for it. What does that mean?

Creative people can see through the fog of the present. Peering through fog, we have only limited information, and the validity of our information is subject to continuous change. We see bits of scenery, and as the fog moves, that scenery disappears, and the information changes. Creative people use those bits of information like pieces of a jigsaw puzzle. They fill in the missing pieces by imagining a complete picture.

Creativity alone, I repeat, is not sufficient. In order to act on that future, one must take risks.

What prevents a tennis player from getting to the place where he believes the next ball will come? Perhaps the ball is moving fast, and the player is out of shape and too slow. Or it might be that he doesn't want to risk moving until he knows exactly where the ball will land. He waits for the ball to land, and only when he knows where the ball is—once there is certainty—he advances toward the ball. Obviously it is already too late.

Some managers behave that way. They say, "We don't yet know how the market will behave. Let's wait for the picture to clear."

In a rapidly changing environment, if management behaves so cautiously, failing to match the speed of change, the organization will be only reactive. The role of (**E**)ntrepreneuring is not to adapt to the changing environment. Adapting implies reactive, not proactive behavior. We must anticipate, projecting the future and acting on it now. Make no mistake about this.

> ***We cannot afford the luxury of waiting to see the future before we decide what to do in the present.***

The (**E**) role makes an organization effective in the long run by making it proactive. We will be able to hit—(**P**)—the next ball and have a successful volley if we predict the future and take the risk in preparing for it.

The (I) Role

What about long-term efficiency?

Let's examine this role in detail. I believe that it goes some way to explaining the temporary dominance of Japan's management style over Western management style. It also explains why the Japanese are gradually losing that competitive advantage and why West Germany's economic performance excelled until the unification. Also, and not incidentally, it explains why organizations age and how to get to Prime with a shortcut. Read carefully.

There are examples of organizations managed by a single person who excels in the (**P**)erforming service role, the (**A**)dministration role, and the (**E**)ntrepreneurial role. Such (**PAE**) managers make decisions that focus on the needs of customers, and their organizations are highly effective—(**P**). They are efficiency oriented, and they run a tight ship. They waste no resources, a function of (**A**). Furthermore, they are highly (**E**)ntrepreneurial, projecting the new needs of the marketplace. And they take anticipatory action to satisfy those future needs.

What happens when such managers—rare birds, indeed—die or leave their organizations? By and large, the organizations suffer serious difficulties and, in some cases, they die.

In order for an organization to achieve long-term survival, it must be independent of any individuals who comprise it. The Catholic Church, for example, has existed for 2,000 years and it might continue for another 200,000 years, independent of who is the Pope. That has happened because it is an organized religion.

If we excised religion from the Catholic Church, it would be subject to the same survival challenges that confront any other organization. This suggests that to achieve long-term survival, an organization needs a culture of values that unites it in a transcendental way that far exceeds the power of any single individual. What organizations need is vision (purpose of existence), values, philosophies, rituals, patterns of behavior, and beliefs that unite people beyond the immediacy of the functions they perform.

The (**I**)ntegrating role develops a culture of interdependency and affinity, nurturing a unique corporate culture.

> ***To (I)ntegrate means to change an organization's consciousness from mechanistic to organic.***

Let us explain each and every word in the definition of (**I**)ntegration.

First, you must understand that to (**I**)ntegrate means to take action, to do something, to act. It is not passive. You have to change, not wait to be changed. If you wait and do nothing, the system disintegrates by itself. Buy the best car money can buy, and never drive it. Do not do anything to it. Over time you will not be able to use it. It will fall apart. The same is true of your garden. The best gardens, unless maintained, disintegrate over time.

Because of entropy, all systems fall apart over time. To (**I**)ntegrate, one must continuously work to counter entropy.

To change means to do something today, so tomorrow will be different from yesterday. (**I**)ntegration does not happen on its own. We must act to make it occur. The manager who performs the (**I**) role must be actively engaged.

Organization is difficult to explain. Frequently, in the course of a lecture, I might ask someone how large his organization is and how many people work for it. Usually, the person answers after checking the organization chart or the salary list; but neither is the right place to look.

For a manager to know how many organizational members she needs to (**I**)ntegrate, she should look at the rock from our earlier example. What needs must her organization satisfy? And the next question is, whom does she need to move the rock? There is a task interdependency that she must manage. The questions I am asking are, "Who are the people whose interdependency must you manage, and how do you reward them correctly so they are motivated to move the rock?" Some of those people you pay with salaries, others with commissions, and perhaps you pay some by taking them to dinner and massaging their egos. How you pay is irrelevant so long as it is ethical. What is relevant is that you know what your rock is, whom you need to move the rock, and how you should provide the rewards that move the people to move the rock.

An inexperienced manager might mistakenly claim that he cannot accomplish a certain job because the people he requires to work on it do not report to him exclusively. There is no manager—in my experience with hundreds of organizations and thousands of managers—who has all the requisite people reporting directly to him. The president of Bank of America, Sam Armacost, supported this point when he said, "You don't need to own a highway in order to drive on it. You just need to have a token to get on it."

Good managers first identify their rocks—their responsibilities or tasks—by identifying their organization's clients. The next question they answer is, "Whom do I need to complete this task?" The third question is, "What rewards do I give those people in order for them to help carry out the task?" Some will be paid in salary. Some will be "paid" in another way.

> ***Managers are as good as their ability to analyze the purpose of their organizations as well as the needs and wants of the people who will accomplish the purpose.***

Deficient managers move only pebbles, not rocks. They focus only on those tasks the people who work directly for them can do.

A good way to rate managers is to total the number of IOUs they possess in the bank of commitments. The more people who owe them commitments, the more they have to cash in when they need to move their own rocks. Support your colleagues. See how and where you can be helpful. Help them move their rocks. Build your bank account. The day will come when you will need their help.

Good managers recognize interdependency across organizational lines. They do their best to support and cooperate with others, and people support them in return. In short, a good manager is a team player.

Organizational membership depends on the task at hand. It usually includes more than those people who report directly to the manager or who are salaried. I consulted to an insurance company that used independent agents to sell its policies. Because those agents also represented products of the insurance company's competitors, the company harbored animosity towards them, referring to the agents as "they" rather than "we." People made disparaging and derogatory remarks about them. I asked management whether the company needed the independent agents to get the job done. Management responded that they were absolutely necessary. If that's the case, I said, even though they are not on the salary roster, and they don't report to you, they are members of your organization, and you need to manage, direct, and motivate them. You need to integrate them into the whole of your organization. You will treat them differently from your salaried people, using different approaches to motivate, direct, and control their actions, but you must manage them because you need them.

Companies that expand by franchising need to confront the same issue. Too often the franchiser and the franchisee are separated by a Grand Canyon rift, and franchisees end up bringing suit against their franchisers. Are the franchisees members of the organization? By my definition, they absolutely must be. Whether or not they are salaried employees, they are part of the organization because they share the rock.

This is an enormous issue with hidden dimensions. Whenever I consult with an organization that franchises, I ask that leaders of the franchisees meet with us so that we can solve the problems together. Invariably, franchisers demur. Management refuses to invite to the decision-making forum exactly those parties with whom it has problems.

Let's take one more step now.

Do a company's workers share the rock? Do you as the leader of the organization need their support, enthusiasm, and passion to move the rock?

The answer is obvious, but it's not that easy to take appropriate action. Management has a real difficulty bringing unions into meetings where they can solve problems together. In some cases, that reticence might be justifiable. Perhaps your workers are represented by a union that encompasses the entire industry, and the union leaders worry about a totally different rock—the union and their political standing in it. Since you and they do not share the same rock, their self-interest will interfere with the process of lifting your rock. They will want a solution that will lift their rock, and that might undermine your capability to secure their cooperation to lift your rock. But if that is not the case, why not have your workers share your problems and help solve them?

Here is another case. Are volunteers of nonprofit organizations members of those organizations? Can you manage them as if they were salaried employees? Better not. Do they need to be led and managed? Sure! How? Ask them why they have volunteered. Find out what their needs are, and ask yourself how you can satisfy those needs in ways that help lift your rock.[5]

Mechanistic vs. Organic Consciousness

Now that the words "to change" and "organizational" have been clarified, let us turn to the word consciousness. What does it mean?

Every organization has personality, behavioral patterns, and style. Once we know an organization, its behavior is predictable. For example, we know that Bureaucratic organizations lose files, take a long time to respond to queries, and even after long delays, respond inadequately. To (**I**)ntegrate means to change an organization's mechanistic consciousness, behavior, culture, and system of beliefs, making them organic.

What is *mechanistic consciousness*? Look at a chair that has four legs. You identify it as a chair because you can sit on it. If you could not sit on it, it would not be a chair. We define an object by what it does.

A hammer is a tool if it is used to pound nails. If someone uses the hammer to harm another person, it is not a tool; it is a weapon. If it hangs on the wall as folk art, then it is not a hammer; it's a decorative object.

What happens to a chair if one of its legs breaks? It stops functioning as a chair; nobody can sit on it. For the chair to perform, someone from the *outside* must repair it.

Why doesn't one of the other legs move to the center of the chair and create a stool so that the chair can resume functioning as a chair? The obvious answer is that in an inanimate object or a machine, there is no internal interdependency among parts. A multi-billion dollar spaceship fails to function because of a few dollars' worth of deficient O-rings. If it is to function, it requires external intervention to repair any breakage or weaknesses. That is the nature of the mechanistic consciousness. It lacks internal interdependency of parts to perform the function of the total unit.

In organizations, mechanistic consciousness is recognized as parochialism, tunnel vision, or silo mentality. Each unit acts by itself and for itself—not as a part of the total system. To get the system to perform as a whole, someone *from outside the system* must manage the interdependence of those parts.

Some companies' disintegration is such that customers and suppliers are considered outsiders. Others perceive even their employees as outsiders. Certain organizations view their presidents as outsiders.

Let's contrast an organic consciousness with a mechanistic consciousness. Look at your hand. We use our hands to write, point, and hold things. What happens if I break a finger? Will my hand still function? Sure. Other fingers compensate for the injured one. I could lose three fingers and still have a hand—not so good as before, but better than no hand at all. The hand continues to perform. Why? What makes a hand? Five interdependent fingers, each of which "thinks" like a hand.

If I lost my hand and replaced it with a prosthetic claw, I would need physiotherapy to learn how the parts of the claw work together. When I teach the parts of the claw to behave like a hand, I am performing the (**I**) role, creating interdependency among the components for a common purpose. That is organic consciousness.[6]

Here is an analogy. Three people are laying bricks. A man walking by stops and asks the first laborer what he is doing. "I'm laying bricks," he says. The pedestrian then turns to the next worker and asks him the same question. He answers, "I am building a wall." When the third worker is asked the question, he responds, "We are building a place to worship God."

The third man understands the interdependence and the purpose of that interdependence. When the components of a system recognize their interdependency and the purpose of that interdependency—nobody is indispensable—the organization is efficient in the long run.

> ***That internal sense of belonging, of interdependence, I call (I)ntegration. And it is integration that makes an organization efficient.***

A well-integrated organization needs no extra resources in reserve for when there is a default. To fulfill their common purpose, the components support one another as needed, and no one is indispensable.

Such interdependence does not require physical proximity or connection. If you broke your finger, your eyes might fill with tears. What is going on? "Well, we belong to one another," the finger and the eyes might answer if they could talk. "We are one. Its pain is my pain." A skeptic might object and say that their interdependence is purely a physical nervous connection. To that, I would ask, "If the finger that broke was not yours but your own little son's finger, wouldn't you feel pain?" You don't need to be connected physically to rejoice or feel the pain of something or someone you believe is part of you.

Input (Role)	***Throughput***	***Output***
(**P**)rovide the desired needs	Functional	Effective in the short run
(**A**)dminister	Systematized	Efficient in the short run
(**E**)ntrepreneur	Proactive	Effective in the long run
(**I**)ntegrate	Organic	Efficient in the long run

Testing Your Understanding

I give this exam to my classes to make sure everyone understands each of the four management roles. Here's a familiar situation:

Some time ago, when my sons were three and four years old, I was in the living room, reading the Sunday newspaper. The boys had been playing quietly in their room for a while, but suddenly, they started to fight.

"Daddy," wailed one, "it's mine!"

And the other screeched, "No, it's miiiiine!"

"Daaaaddddyyyyyy!"

Here is my first question. If the boys were calling me to resolve their dispute, is their relationship organic, by my definition, or is it mechanistic?

Their relationship is mechanistic. They cannot resolve the issue by themselves. They need outside intervention to solve whatever is not functioning between them. I went into their room. At that time, when I still had energy to make and enforce such rules, all toys were shared. There was no such thing as "mine" or "his." I expected them to share. On that particular Sunday, both boys wanted to play with the xylophone, and the urge to play with it hit each of them at precisely the same moment.

"It is mine!"

"No," the other countered, "I touched it first."

"Daddy, tell him he has to give it to me!"

You know the scene. What would be the (**P**) solution? How would you solve the problem using the (**P**) role, the (**P**) "vitamin"?

Here is the response I get most frequently when I ask that question: "Take the xylophone away from both of them!"

That is a solution, but be careful. Who is the client in that solution? The parent. I want peace and quiet. So I satisfy my needs. The kids still want to kill each other, and I am taking away their pretense.

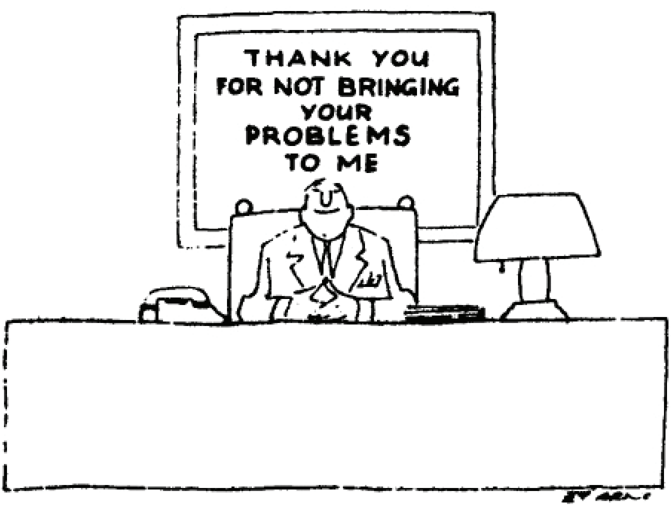
I see this so often. It happened to me in Italy. When I had a problem, I asked for help. Everyone answered, "*No problema.*" Apparently, that's Italian for, "It's not my problem." Some managers, even though they aren't Italian, take the same approach to problem solving. When colleagues or subordinates approach them with problems, the managers solve their own problems: They get out of the firing line. But the people who asked them for help are no better off.

Next solution: "How about buying the boys a second xylophone?"

That's a good solution if your underlying assumption is correct. Are the kids fighting because they really want to play music on a xylophone? If they really want to play music on Sunday morning, and each must play only a xylophone, I should go out and buy another xylophone. That would be a (**P**) solution because the clients' needs have to be satisfied. But do you believe that my kids really wanted to play music that Sunday morning? Maybe they were fighting because they wanted to make noise. In that case, I should get some pots and pans from the kitchen, and one could bang on the pots while the other bangs on the xylophone.

Perhaps noise wasn't their need either. Maybe they fought simply because of sibling rivalry, testing their relative positions of dominance. If I don't let them fight over the xylophone, they will fight about the pots and pans. They need to fight over something. In that case, I should let them have it their way and tell them, "Listen, boys, don't call me unless there is blood flowing!"

To find a (**P**) solution, you need first to identify the client and, then, using a process of trial and error, try to identify the need. The client can be internal or it can be external, in which case it is called a customer. You will know you have identified the need correctly when your client is content. Don't paternalize or maternalize the client. None of us really understands why we do the things we do—especially the first time around. How many people can really explain why they bought the car they bought? They can give a reason, but



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can they prove scientifically that that is the true reason? Consumer behavior theories can't explain consumer behavior because nobody can explain human behavior. We postulate, we believe, and we test our hypotheses to see what works. Even when a hypothesis works, we have no scientific explanation for why it works.

Clients have a need and they believe it can be satisfied by a certain product or service. But unless the product or service is a routine repetitive purchase, they don't know whether that product or service will satisfy their need for sure. As a manager, you have to test your solution—what you believe is the clients' need. Offer A. Do they buy it repeatedly? If not, try product B. If they like B, they should come back for more. You need to keep trying until they routinely return for more. That's when you know you have identified a real need.

Brand loyalty—repeat purchasing—is your proof that you are satisfying a need whether or not you can specify or define that need. And really, what is important is not to know for sure what the need is. The important thing is to satisfy a need—whatever we believe it to be—as proven by the fact that people keep buying our solution.

To know whether a family works as a family, ask whether the spouses come home because they want to be together or because they have no choice. If family members stay away from home, there is always a reason.

What about the (**A**) solution?

To apply an (**A**) solution, you must look for routine, repetition, law, and order. You have to go by the book, applying the family's standards. Perhaps the rules say that the toy goes to the child who touched it first, had it first, or had it the shortest. Perhaps the rules require the younger always to yield to the older, or the older always to yield to the younger. Or maybe they are supposed to flip a coin. If you apply an (**A**) solution, the children's immediate needs are ignored. The (**A**) solution focuses on the needs of the family unit, which abides by consistent standards: *The same rule must be applied when the same conditions exist*. You apply order and the appropriate rule, and then you enforce it. Under such circumstances, the children are not the clients. The family unit is the client. To sustain the efficiency of your parental—managerial—energy, you must apply the same solution to similar future situations. What about the kids' needs? What if their need is to beat up each other in order to see who is really the boss? If they have to play alone, and one at a time each gets time to play the xylophone, most probably they will forget the xylophone and start to fight over a ball or something else.

How about the (**E**) solution?

"Cut the xylophone into two pieces and let each play by himself!"

This creative solution is really a variation of the (**P**) solution: You are still trying to satisfy what you believe is the need the xylophone represents. You believe the boys are aching to make music or noise.

An (**E**) solution is not just any creative solution. The (**E**) solution—a proactive response to the problem—projects another, more powerful need that might redirect the children's energy away from their immediate need, whatever it is. (**E**) solutions might be to suggest watching television, playing soccer, or—one I find is a consistent winner—going to the movies. The kids focus on a new need, one that is different from the need that caused the conflict.

The (**I**) solution is the most difficult to identify. If you apply an (**I**) solution, you do want to move away from dependency on external intervention. You want to avoid having your children come to you to resolve all their differences. If they continually come to you to resolve their conflicts, it should be clear to you that your children share no organic consciousness. It is mechanistic.

Someone from the class will usually suggest that I should "teach them how to play together."

That is not a purely (**I**) solution. That solution assumes dependency on external intervention: The parent has to provide resolution. It is as if the parent is fixing the broken chair.

Alternatively, someone might say, "Give each boy one of the sticks, and let them play the xylophone together." That solution, like the last one, depends on me to impose order.

A truly (**I**) solution requires the children solve their problems by themselves. As their parent, my role, like that of any manager is, as Ralph Ablon, CEO of Ogden says, "to create an environment in which the most desirable will most probably happen."

So, invoking an (**I**) solution, what did I do? First, I admonished them, explaining that, "I am not here to solve all your problems. What would you do if I were not home?" In the future, I wondered, when they grow up and I am not around anymore, are they going to go to lawyers to solve their disputes? As a punishment, I took the xylophone away from them, and I sent them to the bathroom, where, I told them, they had to stay until they came up with the solution.

Of course, their first reaction was to protest quite loudly. They wanted a solution from an outsider. Outside refereeing is easier than having to find their own solution, but an outsider's solution will be good only temporarily. The children need to deal not only with the xylophone, but also with their relationship. Our goal in the (**I**) role is to make our children, like members of any organization, interdependent rather than dependent on external intervention.

If I went with the boys to their room and moderated their search for a solution, or if I asked them to agree on toy-sharing rules, which I would enforce, how would that be defined in (**PAEI**) terms? What if I made them make their own rules and insisted that they enforce those rules themselves? Would that work? Why or why not?

So how did the boys do in the bathroom? How long do you think it took them to find a solution and get out? I could picture the two of them in that bathroom looking at each other, one saying to the other, "Oh, man!" Obviously, they found a solution in no time.

What if they had come out of the bathroom and said, "We have a solution! We're going to burn the house down!" I would have sent them back until they had a solution I could accept. That is, they had to come up with a solution that resembled mine. They had to develop my outlook. They had to develop a family-wide perspective.

Next time your vice presidents start to compete among themselves for budgets, don't step in and solve their problem. Sure, you know the correct solution, but don't tell it to them. Send them to the "bathroom," and instruct them to stay there until they solve their problem in a way that takes into account the organizational perspective.

The Incompatibility of the Roles

Here's a new question. If, instead of taking the xylophone away from the children, I had let them keep it as they worked on their assignment to find a solution. How long would it take to find a solution under those circumstances? A little longer, right?

You have just discovered that the four roles are incompatible. It is more difficult to (**P**) and (**I**) than it is to (**P**) alone and (**I**) alone.

Organizations in which all four management functions—(**P**)erformance, (**A**)dministration, (**E**)ntrepreneurship, and (**I**)ntegration—are performed will be effective, efficient, proactive, and organic. They will be effective and efficient in the short and the long run. The roles, however, are interdependent and undermine each other, making the goals very, very hard, practically impossible, to achieve simultaneously.

(P)-(I) Incompatibility

Here's a familiar scenario. Your company holds a meeting. There is time pressure. It's important to make a quick decision. There is (**P**) pressure. You still try to be open-minded and receptive to everyone's opinions. You have (**I**) aspirations. How easy is this meeting for you?

(P)-(E) Incompatibility

(**P**) and (**E**) are also incompatible. How often do you say, "I have so much to do, I can't think clearly." What you are really saying is that you are so busy doing that you have no time to change. Likewise, people in bad marriages keep themselves very busy so they have no time to think about changes they need to make in their lives. What if they try to fix everything up by taking a vacation? When they come back, they'll be ready to file for divorce. Why this timing? After a glorious vacation that was supposed to fix everything? They want a divorce because during the vacation they had time to think.

As we have seen, (**P**)erformance has impact on (**E**)ntrepreneurship, and the reverse can also be true. (**E**)ntrepreneurship has impact on (**P**)erformance. People in production might say to the corporate planners and to the people in engineering, "If you guys don't stop changing your minds, we will never get anything done."

To get action, we must freeze planning. We have to decide when to stop changing, so action can start.

If there is too much change, we can accomplish little. Countries overwhelmed by too much change are paralyzed. To stop inflation in Brazil during the 1980s, the government was continually introducing new laws and economic policies. All those changes produced so much uncertainty that long-term business investments came to a near standstill. (**E**) threatened (**P**). The more erratically the government fought inflation, the more it fueled it. To get supply, you need stability. The higher the inflation, however, the more frantic and crisis-oriented the politicians became, enacting laws and introducing policies to demonstrate action which undermined the steady supply of goods. During a period of high inflation, Argentina changed its treasury minister almost annually, inciting rather than restraining inflation.

(P)-(A) Incompatibility

To win a tennis game you have to hit the ball into the opponent's court. This makes your volley effective. Simply hitting the ball into your opponent's court any way you can is analogous to providing the (**P**) role. It makes your game effective. Can it be inefficient? Sure! You manage to hit the ball, but your body is a cartoon of contortions.

How do you become efficient? When you train to play tennis, you program your body to move and hit the ball right. By training to use your hands and body correctly, you learn how to be efficient, to have maximum hitting power with minimum energy. That is applying the (**A**) role.

Can you be efficient and not effective? To be efficient and not effective means to make all the right moves without hitting the ball because the ball is somewhere else. Imagine a player who becomes extremely efficient at hitting the ball a certain way. Rather than moving to where the ball is going to be, he stands in his favored spot, complaining that the ball wasn't sent to him where he stood positioned to hit it most efficiently.

Bureaucracies behave that way. Bureaucracies go through the motions, making every move by the book. They are perfect. The needs of their customers, however, are somewhere else. Bureaucracies love doing things right, but they fail to do the right things. Their systems are so efficient that they stop being effective. The customers and their changing needs mess up Bureaucracies' efficiency. The bureaucratic managers would rather be efficient and ineffective than effective and inefficient. They prefer to be precisely wrong than approximately right.

(A)-(I) Incompatibility

(**A**) and (**I**) are also incompatible. (**A**) focuses on the how, while (**I**) focuses on the who and with whom. Both are how-oriented, but (**A**) is a mechanistic how, and (**I**) is an organic how. Here's an example of their incompatibility. Where is crime higher: in large, highly industrialized cities or in small villages where almost everyone knows everyone else? Crime is more prevalent in large cities where people feel a sense of alienation. They lack feelings of belonging and interdependency. There is an (**I**) deficiency: Crime is a manifestation of economic, social, emotional, and political dis(**I**)ntegration.

The typical law-and-order response to crime is an (**A**) solution to an (**I**) problem. The more we rely on (**A**) solutions, the greater the (**I**) problem becomes. (**A**) is a substitute for (**I**) in the same way that (**I**) can substitute for (**A**). The legal environment grows increasingly intense as people, relying less on social values to govern interdependencies, sue each other and attempt to resolve their disputes in court. The more (**A**), the more dis(**I**)ntegration. And disintegration calls for more (**A**) which calls for more and more (**A**).

The United States has the world's highest per capita rate of incarceration. As change accelerates, disintegration intensifies, and we become more likely to deal with crime in the mechanistic ways of (**A**). That is the favored approach of most elected legislators. They are lawyers by training, and they believe laws can solve problems. (**A**) means are effective ways to arrest crime, but only an (**I**) solution can really solve the problem of crime in socio-economic terms, like community councils, neighborhood watch, and community pride, or "taking care of your own."

People are more likely to provide (**A**) solutions to (**I**) problems because (**A**) solutions require us only to enforce rules. They don't demand that we think about the spirit of the solution and how to reinforce intricate interdependencies. (**A**) is the more efficient *how* in the short run; (**I**) takes much more time. But, its effects are more enduring. (**I**) is the long-term *how*.

> ***The more we rely on the short-term* how*, the greater the long-term* how *problems that eventually emerge.***

What country is strong on (**I**) and has a competitive advantage because of it? How about Japan? Its main strength was (**I**). It was called

Corporate Japan. Business and government cooperated; labor and management were in a love embrace. In Japan, there is a strong sense of interdependency, affinity, and loyalty between corporations and their employees.[7] Its (**I**) is so high that (**I**) has the debilitating effect of (**A**). And, Japanese (**A**) is very strong, too. Nowhere have I seen cleaner taxi cabs. The drivers wear white gloves. Japanese acceptance and adherence to rules and rituals is legendary. And the people are also extremely diligent and hard working, making (**P**) high. Being culturally (**PAI**) made them very successful in the short run, but I have been thinking for some time of the fall of Japanese hegemony in the long run because of its lack of (E). Japan is deficient in individualistic (**E**). Japan's educational system teaches people to learn to know, not to learn to learn and create freely.[8] Among individuals, (**E**) is weak.

Which country is growing in (**A**) and declining in (**I**)? The United States of America. How can the United States beat Japan's advantage?

The United States should export (**A**), and import (**I**). How? I jokingly suggest that the United States should send professors of business administration to teach the Japanese the traditional management theory: span of control, unity of command, the exclusive rights of management versus labor, elitist managerial decision making, and a management practice based on adversary relations. All those concepts increase (**A**) and threaten (**I**). Next the United States should learn Japan's participatory systems and the mutual cooperation and long-term loyalty that characterize Japanese management practice. That, in fact, is what has been happening. The Japanese admire and emulate the United States. Many Japanese executives have complained to me about the inefficiencies of the Japanese participatory system, saying how much they admire the management teachings of the Harvard Business School.[9] And what did the Americans learn from the Japanese? They learned to (**I**) the Japanese way of participatory management. That exchange can make the United States stronger and Japan weaker.

There is a difference between (**A**) and (**I**). (**I**) can cause both short- and long-term efficiency while (**A**) is functional in the short run only. As environments change, if (**A**) remains for the long term, it becomes dysfunctional. (**I**) is flexible and adaptable. (**A**) is neither.

Can a company be efficient in the short run, using (**I**) alone, without (**A**)? Yes. That, in fact, is what happens in partisan or guerrilla forces. They have no manuals like those of established military hierarchies. Instead, the people honor a set of values that serve as the rules of conduct. Likewise, Asian business dynasties manage their extended family businesses not with (**A**), but with (**I**). Peter Drucker predicts that in the next century Asian business clans will dominate the world.[10] I do not think he's right. Families do fall apart without (**A**), and in those clans, (**E**) is individualized. They can suffer the family trap. Multinational corporations, on the other hand, can learn to (**I**) without losing the (**A**) and the (**E**). I base my predictions on work I have done in Japan, Malaysia, Indonesia, and Singapore.

(**A**) and (**I**) serve the same organizational function: They are the glue that provides for interdependency. The difference between them is that (**A**) is documented; (**I**) does not have to be. (**A**) is not coopted behaviorally, it is enforced by external forces. (**I**) will not exist unless the participants identify with it and make it their value system. (**I**), therefore, is regulated and enforced by those who share it.

In an (**AI**) situation, the organization accepts the manual. Chester Barnard called that "authority by acceptance." The legislated rules reflect social mores and are enforced by the people as well as the authorities.

(E)-(I) Incompatibility

The (**E**) and the (**I**) roles are also incompatible. The (**E**) role of creativity and risk taking, usually attributed to an individual, can be hampered by the sense of affinity, belonging, and group pressure that characterize the (**I**) role. Some creative (**E**) individuals find the (**I**) process stifling. On the other hand, individual creativity—which is a deviation from the norm—can threaten the sense of affinity and unity that the (**I**) role produces. Religious organizations like cults, for instance, start out with strong (**I**), but they quickly become (**A**) systems because the (**I**) dominance discourages (**E**), which is perceived as aberrant behavior.

(**I**)ntegration goes and should go with any other (**PAE**) role.

(**I**)ntegration makes organizations organic, rather than mechanistic. Although (**I**)ntegration can exist by itself, that is as undesirable as (**P**)roducing, (**A**)dministering, or (**E**)ntrepreneuring alone. (**I**)ntegration alone has no purpose to focus it. (**P**) alone is like a spinning top, turning and turning without purpose, just keeping busy. (**E**) alone means lots of creative ideas and plenty of noise but no action, direction, or continuous purpose.

To provide efficiency, (**I**) needs a common purpose. The purpose can be tactical, short-term in nature: (**PI**), like the hand example above. In wartime, people work together with long-term strategic purposes: (**EI**). Combining with (**A**), (**I**) can smooth implementation: (**AI**) enhances organizational efficiency.[11]

Let us summarize. For organizations to be effective and efficient in the short and long run, they need the four (**PAEI**) roles to be performed. Those roles need to be developed or applied in the organization. However, those roles are incompatible. Thus, their development and integration into the organization happen in a sequence. If the sequence is the optimal one, the organization follows the optimal path. Most, however, follow the typical path, for reasons to be explained in subsequent chapters. Some get stymied and cannot advance to develop the new role. Those are the organizations with pathological problems.

Let us first address the typical path most organizations take.

NOTES

1. I. Adizes, *Industrial Democracy: Yugoslav Style* (New York: The Free Press, 1971).

2. See discussion of the issues in M. Djilas, *The New Class: An Analysis of the Communist System* (San Diego: Harcourt Brace Jovanovich, 1983 [first U.S. publication, 1953]).

3. I. Adizes, *How to Solve the Mismanagement Crisis.* (Homewood, IL: Dow Jones/Irwin, 1979).

4. Ibid

5. I. Adizes, “Seattle Opera Association,” in *Business Policy: Strategy Formation and Management Action*, ed. by W. Glueck, 2nd edition (New York: McGraw Hill, 1976): 610–634.

6. See R. Penrose, *Shadows of the Mind: A Search for the Missing Science of Consciousness* (Oxford: Oxford University Press, 1994). This book seeks to describe human consciousness by examining the limits of computer intelligence. Also see the classic A. Young’s *The Reflexive Universe: Evolution of Consciousness* (New York: Delacorte Press, 1976). Young makes explicit the connection between reflexivity and consciousness. And finally, see A. Scott, *Stairway to the Mind: The Controversial New Science of Consciousness* (New York: Springer-Verlag, 1996), for a complete review of the area of consciousness studies. All of these books, as well as several excellent academic programs devoted to this topic, suggest that consciousness is a concept increasingly central to our understanding of mind and society.

7. See K. Ohmae, *The Mind of the Strategist: The Art of Japanese Business* (New York: McGraw Hill, 1982). He provides a thorough description of the relationship between the culture and the productivity of Japanese business.

8. For instance, see *USA Today,* March 10, 1998, page 13A.

9. Even while the Japanese were beginning to develop their sophisticated management and production models (TOM, JIT, Kaizen, and so on), the HBS was beginning to publish works on leadership and the organic company which would become the hallmark of 1990s thinking; for example, see E.C. Brusk's *Human Relations for Management: New Perspectives* (1956). Other typical titles in leadership, team management, production development, banking, etc.: A.M. Kantrow, *Survival Strategies for American Business* (1982); E. Collins, ed., *The Executive Dilemma: Handling People Problems at Work* (1985); R. Howard, ed., *The Learning Imperative: Managing People for Continuous Innovation* (1993); F Bartolomé, *The Articulate Executive* (1986), and others.

10. See P. Drucker, *Management: Tasks, Responsibilities, Practices* (New York: McGraw Hill, 1973).

11. See R. Axeirod, *The Evolution of Cooperation* (New York: Basic Books, 1984), for an excellent theoretical discussion of the nature of cooperation. His work is resonant to the current postmodern perspective on participation in organizations. See also R. Pascale and A. Athos, *The Art of Japanese Management* (New York: Simon & Schuster, 1981), for a description of the differences between Japanese and American management.

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