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AN ACTION RESEARCH JOURNAL
ON
PERSONAL AND ORGANISATIONAL TRANSFORMATION

THE INSTITUTE OF CULTURAL AFFAIRS and LENS INTERNATIONAL

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AN ACTION RESEARCH JOURNAL ON PERSONAL AND ORGANISATIONAL TRANSFORMATION

The Action Research Journal is written to communicate designs, formats and ideas of transformational processes which promote the human factor in private and public sectors. It is published by the Corporate Services Division of The Institute of Cultural Affairs: India for distribution through the Asia Network of ICA andaffliated organisations. These include ICA: India (Bombay, Panvel and Pune), LENS Services Pvt. Ltd. (New Delhi), LENS International Malaysia Sdn. Bhd., ICA: Australia, ICA: Philippines, ICA: Taiwan, ICA: Hong Kong and LENS International Japan.

The Action Research Journal draws on a variety of sources including other ICA world-wide offices and affiliated professional consulting organisations to provide a spectrum of practical tools and constructs that facilitate individual and organisational transformation. We welcome comments and articles from our readers.

ISSUE TWENTY TWO NOVEMBER 1994

"CHANGE AND STRATEGY"

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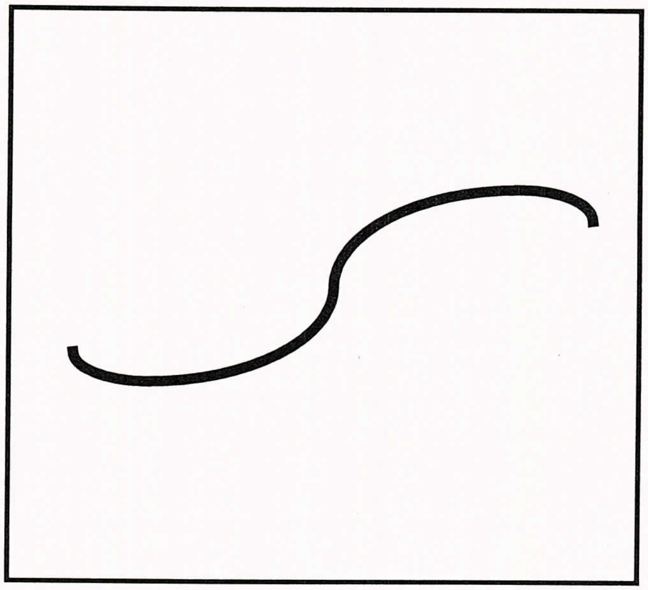


I'm sitting in the Quality Summit in Bangalore listening to speaker after speaker talk about the need to implement TQM in their organisations. Although the TQM awareness is relatively new to India, it seems that everyone is trying to implement quality based changes in their organisations. The basic components are well known from the literature and experts who profess to have the formulas for success. All seem to agree that it needs to be driven from the top, with the CEO as the champion.

Yet, CEOs speak about the difficulty of getting compliance with their directives. The cultures seem to create barriers that defy solution. What's going on here? Is change really dependent on top-down initiative? Those who have studied change in systems in general, understand that change can happen, or be initiated, anyplace in the organisation. The key is to have effective change agents who take into account the existing culture and plan accordingly. Yes, it is perhaps easier with the blessing and encouragement from the top, but change is a local affair first, then perhaps, it can spread to a macro change.

Developing an effective change strategy is hard. Whether it be TQM, BPR or some other business strategy, the implementation process often causes much grief, anguish and failure. Knowing what to do does not translate directly into how to do. The more the desired change impacts deeply held values, beliefs and the sense of identity of organisation members, the more difficult and costly it will be.

Strategic changes such as those mentioned must take into account the state of the existing culture in any action plan. In our work with participants in the Transformational Leadership Lab (TLL), we use a 10 step process in designing a strategic change strategy. Based on the work of Dr. Roger Harrison of the United States, it involves a detailed analysis of the existing culture as well as analyzing the change readiness of the organisation and the degree of stress being experienced. Organisations need more than an awareness to change. They need "free energy", that is, they need some capacity to suffer some drop in performance while the change is being implemented. One trouble with large organisations is that the need for TQM or some other major change is not felt by everyone. Balance sheets and market share might be very good at the present, with the threat not to be felt for some time to come. It's difficult to get people to change when they feel no stress or need to change directly.

Cultures can be seen in three major modes. **Transactional** cultures are those that tend to operate in a hierarchical fashion with power concentrated at the top. They are characterised by low trust levels, punishment and reward motivation systems and are, in general, slow to change. Many of the companies in India, although appearing to be progressive in their business plans, are traditional top-down types of organisations. This stems from inheriting British models of management or being the residue of the many family style enterprises that comprises many of the major organisations. Change is hard because they are reluctant to loosen control and power.

Dr. Harrison writes on Transactional change. "One of the signs of bureaucratisation of the process of change is a strong push on training employees for TQM, followed by a slowdown or hiatus in the problem solving phases. Training is something Transactional cultures do easily and well. It fits the cultural bias. Employees are seen to be lacking in that which management knows and can provide. The problem identification and problem-solving phases imply, however, that employees can take initiative to discover and even correct difficulties that management doesn't know about. But such activities are counter-culture (in the context of the current culture) both for management and for the employees."

A second form, according to Dr. Harrison, is that of a **Self-Expression** culture. This culture, like many small, entrepreneurial organisations, consists of individual performance centred systems. A lot of authority resides with the individual and pay for performance is the key to a person's success. Change is driven by individuals, with well established goals and accountability.

Dr. Harrison describes the problem in change in Self-Expression cultures. "There is a problem of sustained effort in Self-Expression organisations. In these organisations, resistance to change is not the problem that it is in more traditional cultures. People are looser, more autonomous, more ready to experiment with new methods and ideas. Such organisations are often high energy places where people are very committed to their work and have little patience with anything that interferes with it. Once one has succeeded in getting something tried, and it has been found successful, then it is difficult to get any sustained cooperative effort going to implement change beyond the local area on which it is first tried."

Mutuality cultures, the third form, are those in which there is a strong value on mutual support, care and consensus. They may have bureaucratic and/or self-expression dimensions to them, but their culture is like a family. Real empowerment is present and change is most easily accomplished in this culture. The only difficulty may be a slowness due to operating by consensus. The Japanese companies tend to be strong mutuality cultures. They change, but often slower than necessary.

Regardless of which culture a company has, only those that incorporate their culture into their change strategy will succeed.

This Issue

A couple of years ago, we did an issue on Implementation (No. 8, June 1990) and we have done one issue on Strategic Thinking (No. 13, January 1992). This issue on **Change and Strategy** falls someplace in between. It is more about the theory of change and some very fine advice on what to do and not to do in conducting change within organisations.

The lead article, **The Sigmoid Curve**, by Charles Handy, sets the tone for understanding the change process from an energy perspective. We need to introduce change at that very point where all existing measurements indicate a strong trend to continue in the direction we are presently going. This is a chapter from his book, The Empty Raincoat, Hutchinson, 1994.

I have read no better example of dramatic and exciting change in an organisation than that of Ricardo Semler's transformation of Semco, a Brazilian engineering company. He has created one of the most controversial, and most admired, companies in Brazil. In his book Maverick, Werner Books, 1993, he outlines his journey of change. It involves a personal transformation that preceded his ability to change Semco. His dramatic shifts in policies, structure and culture are breathtaking. We are including for this issue one chapter we have called **Change at Semco**.

As mentioned in the introduction, there is a strong belief that change happens from the top down. But Margaret Wheatley gives us another perspective. Margaret authored the book Leadership and the New Science, Berret Koehler, 1992. We have published other chapters in previous issues and have excerpted the chapter **Change, Stability and Renewal**. She outlines how the new physics informs us that when change is introduced to an open system that destabilises it, energy becomes available for transformation. When the system has a self-reference capacity and the energy is magnified by recurring resonance, small changes can result in major transformations. Such is the hope for those change agents not in control of the top.

Tom Peters is a fanatic about change. He is the advocate of developing a culture of speed and "if it ain't broke, break it!" All of his latest books, including this one, The Tom Peters Seminar, Vintage Press, 1994, call for absolute revolution in organisations. Starting with a chapter called "The Abandonment of Everything", he outlines, with countless examples, the radical change the times call for. We include an edited version of his last chapter, **Toward Perpetual Revolution**: Successful Failures.

Rosabeth Moss Kanter has written a fine book for understanding change strategy from the macro perspective, that is, how organisations that are undergoing major strategic changes need to operate. The book, The Challenge of Organizational Change, Free Press, 1992, systematically describes the process of strategic change with lots of case studies of both success and failure. The concluding chapter is all about **Implementing Change** in which she outlines a step-by-step process for initiating and sustaining change action. We have included just a part of this chapter for this issue.

Lens International Malaysia, publishes a regular "how to" sheet for its customers.. We are including one such sheet on **Indirect Action and Maneuvers**. It's a useful guide to anyone building action plans.

Finally, I am including a poem written by a good friend of mine, Pat Weygandt, on **Strategy and Spirit**. It, perhaps in a better way than all the prose written, describes the experience of real, authentic change.

I hope you enjoy this issue and that all your change efforts will benefit from the wisdom shared here.

Jack Gilles
Editor

THE SIGMOID CURVE - Charles Handy

The Wicklow Mountains lie just outside Dublin in Ireland. It is an area of wild beauty, a place to which, as an Irishman born near there, I return as often as I may. It is still a bare and lonely place, with unmarked roads, and I still get lost. Once, I stopped and asked the way. 'Sure, it's easy,' the local replied. 'Just keep going the way you are, straight ahead, and after a while you'll cross a small bridge with Davy's Bar on the far side, you can't miss it!' 'Yes, I've got that,' I said, 'straight on to Davy's Bar.' 'That's right. Well, half a mile before you get there, turn to your right up the hill.'

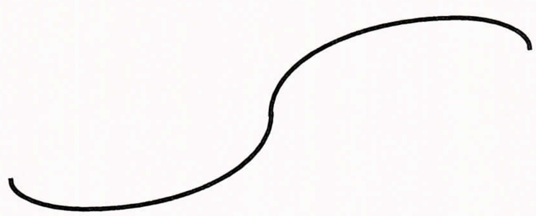
It seemed so logical that I thanked him and drove off. By the time I realised that the logic made no sense he had disappeared. As I made my way down to Davy's Bar wondering which of the roads to the right to take, I reflected that he had just given me a vivid example of paradox, perhaps even the paradox of our times: by the time you know where you ought to go, it's too late to go there; or, more dramatically, if you keep on going the way you are, you will miss the road to the future.

Because, like my Irishman, it is easy to explain things looking backwards, we think we can then predict them forwards. It doesn't work, as many economists know to their cost. The world keeps changing. It is one of the paradoxes of success that the things and the ways which got you where you are, are seldom the things to keep you there. If you think that they are, and that you know the way to the future because it is a continuation of where you've come from, you may well end up in Davy's Bar, with nothing left but a chance to drown your sorrows and reminisce about times past.

Although he knew it not, my Irish friend has also introduced me to the Sigmoid Curve, the curve which explains so many of our present discontents and confusions. It is this curve, and what follows from it, which is the first of the Pathways through Paradox, the first of the three devices for finding a balance between the contradicitons.

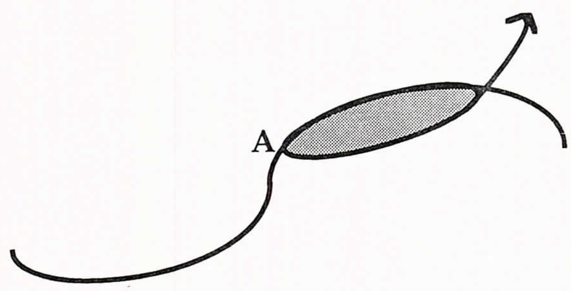
The Sigmoid Curve

The Sigmoid Curve is the S-shaped curve which has intrigued people since time began. The Sigmoid Curve sums up the story of life itself. We start slowly, experimentally and falteringly, we wax and

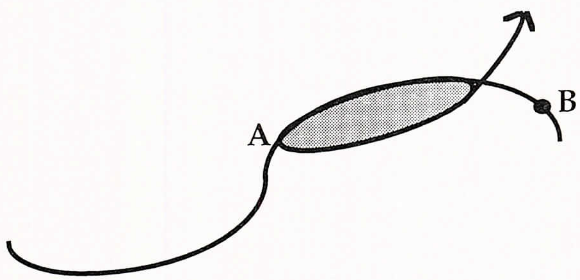


then we wane. It is the story of the British Empire - and of the Russian Empire and of all empires always. It is the story of a product's life-cycle and of many a corporation's rise and fall. It even describes the course of love and of relationships. If that were all, it would be a depressing image, with nothing to discuss except to decide where precisely on the curve one is now, and what units of time should go on the scale at the bottom. Those units of time are also getting depressingly small. They used to be decades, perhaps even generations. Now they are years, sometimes months. The accelerating pace of change shrinks every Sigmoid Curve.

Luckily, there is life beyond the curve. The secret of constant growth is to start a new Sigmoid Curve before the first one peters out. The right place to start that second curve is at point **A**, where there is the time, as well as the resources and the energy, to get the new curve through its initial explorations and flounderings before the first curve begins to dip downwards.



That would seem obvious; were it not for the fact that at point **A** all the messages coming through to the individual or the institution are that everything is going fine, that it would be folly to change when the current recipes are working so well. All that we know of change, be it personal change or change in organisations, tells us that the real energy for change only comes when you are looking disaster in the face, at point **B** on the first curve.



At this point, however, it is going to require a mighty effort to drag oneself up to where, by now, one should be on the second curve. To make it worse, the current leaders are now discredited because they are seen to have led the organisation down the hill, resources are depleted and energies are low. For an individual, an event like redundancy typically takes place at point **B**. It is hard, at that point, to mobilise the resources or to restore the credibility which one had at the peak. We should not be surprised, therefore, that people get depressed at this point or that institutions invariably start the change process, if they leave it until point **B**, by bringing in new people at the top, because only people who are new to the situation will have the credibility and the different vision to lift the place back on to the second curve.

Wise are they who start the second curve at point **A**, because that is the Pathway through Paradox, the way to build a new future while maintaining the present. Even then, however, the problems do not end. The second curve, be it a new product, a new way of operating, a new strategy or a new culture, is going to be noticeably different from the old. It has to be. The people also have to be different.Those who lead the second curve are not going to be the people who led the first curve. For one thing, the continuing responsibility of those original leaders is to keep that first curve going long enough to support the early stages of the second curve. For another, they will find it temperamentally difficult to abandon their first curve while it is doing so well, even if they recognise, intellectually, that a new curve is needed. For a time, therefore, new ideas and new people have to coexist with the old until the second curve is established and the first begins to wane.

The shaded area beneath the peak is, therefore, a time of great confusion. Two groups of people, or more, and two sets of ideas are competing for the future. No matter how wise and benevolent they be, the leaders of the first curve must worry about their own futures when their curve begins to die. It requires great foresight, and even greater magnanimity, to foster others and plan one's own departure or demise. Those who can do it, however, will ensure the renewal and the continued growth of their organisation.

I cannot pretend that is easy even with that foresight. I have sat and watched the chairman of a great company speak to his assembled barons. 'I have two messages for you today,' he said. 'First, I want to remind you that we are a very successful business, perhaps more successful today than we have ever been. Secondly, I must tell you that if we want to continue to be successful we shall have to change, fundamentally, the way we are working now.' He went on to explain why the different futures he foresaw would require different responses, but no one was listening. The first message had drowned out the second. If they were so successful, they felt, it would be folly to change. He was right; he was standing at point **A** and looking over the hill, but he could not get his changes implemented. Three years later, by now at point **B**, the company knew it had to change but the first person they turned on, and removed, was the chairman. He was no longer credible, nor had his conviction that he was right endeared him to his colleagues.

What is true of organisations is as true of individuals and their relationships. A good life is probably a succession of second curves, started before the first curve fades. Lives and priorities change as one grows up and older. Every relationship will sometime need its second curve. Too often, couples cling on to their old habits and contracts for too long. By the time they realise their need of that second curve they are already at point B. It is too late to do it together. They find other partners. On the other hand, I sometimes like to say, teasingly, that I am on my second marriage - but with the same partner, which makes it less expensive. Because we managed, in time, to find that very different second curve - together. I would not deny, however, that the shaded period beneath the peak was difficult, as we struggled to keep what was best in our past while we experimented with the new.

Capitalism, newly triumphant, probably has to reinvent itself. Things which we took for granted, like nation states and large organisations, seem to be impediments to progress not its helpers. When both monarchy and the judiciary, in Britain, are seen to be wanting, few institutions in that country can be sure that they are still on the upward curve. We ask our politicians for a lead, by which we mean a sight of the second curve, but we want them, all the same, to do nothing to disturb the first curve. In our own lives we sense that there is often another hill to climb now that life is longer and, in many ways, larger, but we have no sense of where to find it. We are, so many of us, living in that shaded area, worrying that the first curve will turn down before we find the second.

The second curve is the road up the hill to the right. We stand today at the crossroads, asking the way to our future. Words like hierarchy, loyalty and duty, no longer carry the weight they once did. Other words like freedom, choice and rights turn out to be more complicated than they seemed. What was once obvious, like the necessity of economic growth, is now hedged around with qualifications. We thought we knew how to run organisations, but the organisations of today bear no resemblance to the ones we knew, and so we have to think again, to find the second curve of management before it is too late. Meanwhile, we have to keep the first curve going. As long as we can do that, we will keep the balance between the present and the future; we can manage to live with paradox because we understand what is happening.

The Discipline of the Second Curve

The concept of the Sigmoid Curve has, I find, helped many people and many institutions to understand their current confusions. The question which they always ask, however, is 'How do we know where we are on the first curve?' One way of answering that is to ask them to make their own private and personal assessment of their position, or that of their organisation, to draw the first curve as they see it, and to mark as **X** on it to show where they are now. Almost invariably, when they reveal their perceptions of the curve, there is a consensus that they are farther along the curve than any of them would previously have admitted. They are nearer to point **B** than to point **A**.

Like the story of the road to Davy's Bar, you will only know for sure where you are on the curve when you look back. It is easier, too, to see where others are on their curves than to see yourself. We must therefore proceed by guess and assumption. There is no science for this sort of thing.

The discipline of the second curve requires that you always assume that you are near the peak of the first curve, at point **A**, and should therefore be starting to prepare a second curve. Organisations should assume that their present strategies will need to be replaced within two or three years and that their product life-cycles are shorter than they were. Richard Foster of McKinsey studied 208 companies over 18 years in order to discover those who were consistently successful. There were only three who lasted the course for the whole 18 years. Fifty-three per cent could not maintain their record for more than two years. Individuals should also work on the assumption that life will not continue as it has forever and that a new direction will be needed in two or three years.

It may well be that the assumption turns out to be wrong, that the present trends can be prolonged much longer, and that the first curve was really only in its infancy. Nothing has been lost. Only the exploratory phase of the second curve has been done. No major commitments will have been undertaken until the second curve overtakes the first, which will never happen as long as the first curve is still on the rise. Keeping the two curves going will become a habit.

The discipline of devising that second curve will, however, have had its effect. It will have forced one to challenge the assumptions underlying the first curve and to devise some possible alternatives. It is tempting to think that the world has always been arranged the way it is and to delude ourselves that nothing will ever change. The discipline of the second curve keeps one sceptical, curious and inventive - attitudes essential in a time of change, and the best way of coping with the contradictions which accompany such a time.

The discipline of the second curve follows the traditional four-stage cycle of discovery. Questions start it off. The questions spark off ideas, possibilities, hypotheses. The best of these must then be tested out, tentatively and experimentally. Finally, the results of the experiments are reviewed. The first two stages cost nothing except the time for imagination. They can be very stimulating, particularly if they start from the greenfield hypothesis - 'If we did not exist would we reinvent ourselves and, if so, what would we look like?' Or, in a more personal example of second-curve thinking, 'If we did not live here, or do what we are doing, what would we be doing, where and how would we be living if we had the chance to start again?' The discipline of the second curve requires that you do not reinvent the same life, because that would merely perpetuate the first curve. The second curve is always different, although it builds on the first and grows out of it.

In *The Paradox of Success*, his book on the personal renewal of leaders, John O'Neil uses the model of the second curve to describe how leaders do, or do not, move on in life. He points out that one essential is to let go of your past. If one is too emotionally attached to what has gone before, it is difficult to be different in any way. One can then cling on until it is too late. He quotes Odysseus as an example of a young warrior chief who was so committed to roaming and raiding, at which he once excelled, that he spent 20 years coming back from the war in Troy to his kingdom of Ithaca, reluctant to assume the responsibilities of government. By the time he did get home he was a failed commander, in rags, with his kingdom in a mess. It is the story of the man who did not want to grow up.

If success comes early, it can be particularly hard to turn one's back on it when one's star begins to wane. It was sad to watch Bjorn Borg return to the tennis courts in an attempt to recapture past glories, long after his talents had faded. It is often easier to move on from disasters than from successes. I have always, therefore, been impressed by people like Leonard Cheshire, the distinguished and heroic British fighter pilot who, after the war was over, left all that behind and set out to create a network of homes for the elderly and disabled. I am impressed by the family business in France which, at just the right time, turned its back on the textile industry in which it had made its name, and launched a chain of supermarkets. 'Where did you find the courage to do something so completely different?' I asked. 'It would have required more courage to do nothing,' the head of the family replied. 'We had the responsibility to provide a future for the family, and the past, distinguished though it was, could not have been that future.'

Curvilinear Logic

Moving on requires a belief in what Schumacher used to call curvilinear logic, the conviction that the world and everything in it really is a Sigmoid Curve, that everything has its ups and its downs, and that nothing lasts forever or was there forever. Just-In-Time Manufacturing was developed in Japan, and later copied everywhere. The idea of a constant stream of deliveries to your factory door, as and when you needed them, was blindingly obvious when you thought about it. Cut out the warehouse and all those storage costs. Let the suppliers carry the inventory costs instead, or rather, eliminate them completely, provided always that you can guarantee that the lorries with the bits will arrive 'just-in-time'. Unfortunately, the idea became too popular. They tell me that the delivery vehicles now jam all the freeways around Tokyo, meaning that just-in-time often gives way to just-too-late. The costs of the traffic jams are beginning to outweigh the costs of the original warehouses, to say nothing of all the environmental damage caused by those idling exhausts. You can have too much of a good thing, or, curvilinear logic strikes again.

Curvilinear logic is not intuitively obvious if you are still ascending the first curve. Business history is littered with the stories of founding fathers who thought that their way was the only way. The French textile business mentioned above is a notable rarity among family businesses. The paradox of success, that what got you where you are won't keep you where you are, is a hard lesson to learn. Curvilinear logic means starting life over again, something which gets harder as one gets older. It is better, therefore, in organisations, to entrust the curvilinear thinking to the next generation. They can see more clearly where the first curve is heading and what the next curve might look like. It is the job of their elders to give them permission to be different, and then, when the next curve is established, to get out of the way. For that to happen, there has to be a new curve for them, outside.

'My father brought me back from America to run the business here in Treviso,' his daughter said. 'But he still comes into the office every day, even Sundays. He wants me to run the business as if I was him, and I'm not. And the business has to change, if he would only let it. It's very frustrating.' Her story was not unusual. The father had nothing else he wanted to do. The business had been his life, and now he had no other. 'Wet leaves, we call them in Japan,' said the Japanese lady, describing the reaction of Japan's women to their retired executive husbands. 'You know how it is with wet leaves, they just stick around!' For curvilinear logic to work in the organisation there has to be a life beyond the organisation for the heroes of the first curve.

The Coca-Cola Company is, on the face of it, the great exception to the concept of the second curve. For 104 years they have sold the same product in the same packaging with much the same advertising. The only time they changed the formula they were forced by their customers to reverse the decision. Their secret may lie, however, in the motto which is inscribed in their central offices and in the minds of all its officers - 'The world belongs to the discontented'. It was the favourite saying of their early and long-time chairman, Robert Woodruff. He was warning against complacency and advocating a perpetual curiosity - the itch of the second curve. Coca-Cola's Japanese company, I was told, test-markets a new soft-drink variety or other product every month. Even if most of them fail most of the time, it keeps the questing spirit alive. When and if Coca-Cola's 104-year curve turns down, they hope that they will be prepared.

CHANGE AT SEMCO - Ricardo Semler

I took the sixteen aspirins for just one day. Then I started making changes. Before I could reorganize Semco, I had to reorganize myself.

Long hours were the first issue I tackled. They were one of the biggest symptoms of time sickness, a disease that afflicts far too many executives. So I set 7 p.m. as the time I would leave the office, no matter what. After that, I would go to the movies, read books (but not business books) - anything but work. I wouldn't do any work on the weekends, either. And onto each long business trip I would add a week of pleasure travel.

Next, I resolved to delegate furiously, and to summon up the courage to throw unneeded papers away, so they wouldn't clutter my desk or thoughts. I would follow my intuition more and listen less to experts.

Yes, I would attack my problem directly, and that problem was not simply the management of a business but something even more fundamental: the management of time. So many executives find that the daily quota of twenty-four hours is too few to get to everything and still have any left over. I thought long and hard about time in the weeks after my visit to the Lahey Clinic. I realized that if I was going to find a cure for time sickness I first had to identify its causes.

Cause 1. The belief that effort and result are directly proportional.

"Order and Progress," the Brazilian flag proclaims. "Order *or* Progress" is more like it, since they usually aren't found together. In business, effort is too often confused with result. The sales manager who overflows with charm when talking to customers and, after closing a sale, takes the rest of the day off to celebrate is regarded as lazy but lucky, not as a talented sales executive.

When asked the reason for their success, entrepreneurs are fond of saying, "A lot of hard work." Sounds good, doesn't it? It plays well as home, too, to families who have been ignored for years. But if great entrepreneurs were to answer the question honestly, most would probably list such factors as a finely tuned sense of timing, the ability to recognize opportunity, friends in the right places, an occasional moral lapse, and luck. But hard work by itself is not enough. To say it is possible to establish a successful business just by arriving early and staying late is like saying that every mailman can be Howard Hughes. There is a prevailing conviction that sweat is obligatory, and with each new drop an executive moves a little closer to financial heaven. I had to rid myself of this notion. It isn't healthy. It isn't even true.

Cause 2. The gospel that the quantity of work is more important than the quality of work.

This is a variation on the same theme. Early in the century Max Weber recognized that the Protestant ethic of hard work had permeated the business world. It is even more of a factor today. Executives feel pressure from their bosses to outwork colleagues and build their image and career. By this reasoning, having a heart attack because of work leads to true glory and keeling over at the office is even better - a sign, a Calvinist might say, of being among the Elect.

Someone who manages his time is often suspect. And if he goes to the theater, doesn't carry a briefcase home, spends weekends with his family, and sometimes even picks up the kids at school for lunch, then he has already descended into an advanced state of indolence.

The executive who judges his contribution in hours will find himself muttering things like: "Well, we all know how unfair it was that they didn't promote me. Everyone knows I'm here at 8:00 in the morning and 8:00 in the evening." Or: "My daughter needs to make an appointment to speak to me."

Cause 3: "Things are a little uncertain at the office right now. I'll just have to work a little longer until they straighten out."

Few excuses are as convincing as "we're just going through a _____." Fill in the blank: a switch at the top, restructuring, layoff, expansion. Almost any change can be an excuse for poor time management. To allow such events to shape one's workday is to become a mere cork that bobs up and down on the sea.

Cause 4. Fear of delegation, and its cousin, fear of replaceability.

Here is where we lay bare some nerves. Fear of delegation is the belief that no one is as competent to solve a problem as you are. This kind of thinking (which at times may be justified) usually results from the belief that tasks will inevitably be done poorly if not done by capable hands - yours, of course. But how often is this really masking the fear that others can perform jobs you once thought only you could accomplish?

This in turn leads to the fear of replaceability. This means postponing vacations, or taking them but leaving phone numbers where you can be reached morning, noon, and night - and then being disappointed that no one needed you while you were gone.

Financial Systems Change

Let me say that I have recovered from time sickness so completely that I no longer wear a wristwatch. I gave it up soon after attending a concert by Brazil's most famous pianist, Madalena Tagliaferro. As I listened to her play Sibelius, I realized that she had been born when Brazil was a monarchy, witnessed the invention of the automobile and the airplane, lived through two World Wars, and was still performing. It struck me that time should be measured in years and decades, not minutes and hours. It is impossible to understand life in all its hugeness and complexity if one is constantly consulting a minute counter.

But how could I spread such an idea through a company being run as if every millisecond would dent our balance sheet? I couldn't. There was no way around it. Fernando would have to go. I admired his aggressiveness, energy, and dedication, but he needed a harsh, intimidating environment for his magic to work. If it was magic. After my visit to the Lahey Clinic, I was pretty sure it wasn't.

As soon as Fernando parted company, we began to realize that the bookkeeping system he and Ernesto had installed was actually hurting us. For starters, we now had an accounting department full of people who only stopped cranking out numbers to pick up their paychecks. And we had so damn many numbers, inside so damn many folders, that almost no one was looking at them. But no one would admit it. Everyone just bluffed their way through meetings, pretending to be familiar with every little detail. In retrospect, we realized that it was during this time that we knew the least about what was going on at Semco. It was a classic forest-versus-trees problem.

So we simplified the budget system, slashing the number of "cost centers" from 400 to 50 and beheading hundreds of accounting classifications and dozens of budget lines. We also reduced the number of documents we circulated, and the signature necessary to approve them. Our new system was simpler, with limited but relevant data.

As for our actual spending plans, we would eventually develop two budgets: a five-year plan and a six-month report. Yes, I know the argument against five-year plans. The Soviets used them, and look how that turned out. But when we look five years forward, we can ask ourselves whether we want to be in a particular market, or whether we should drop a product, or whether we will need a new factory, among other such questions. So a five-year view is essential.

In contrast, we take an operational view of six months, because we found that in a conventional one-year plan people will invariably believe that conditions will improve just enough to compensate for the problems they know they'll have in the first half of the year. Or vice versa.

In either plan we try to think in "zero-based" terms. Budgets should always be based on rethinking the company; most of the time, though, they're not much more than last year's numbers projected forward and are about as good as warmed-up coffee at two in the morning.

My constant insistence on seeing only the big numbers is the subject of interminable jokes at the company. The finance people say they only arrive at the big numbers by adding up all the little ones. Therefore, they go on, a budget with only the big numbers actually requires more effort to understand than one with every little detail. This is an expensive fallacy, but one that is difficult to eradicate.

One more word on financial planning while I'm on the subject. The receipt of cold numbers, even when they are current and correct, is not enough. In addition to comparing the numbers that arrive every month with the budget, it is essential that they be compared with the expectations of the person who is going to use them. At Semco, we introduced a program that requires each executive to make an educated guess about the revenues, expenses, and profits for his department at the end of each month. A few days later, the official report is distributed. The comparison gives everyone a sense of how much each manager actually knows about his area.

Simplifying our budget didn't solve all our problems. But it did help us see them more clearly. We were still late on deliveries. Authorization forms still spent days bouncing from one person to another; people were afraid to sign their name to anything, for fear they would stand out in the next accounting report. Worst of all, Semco was a company full of fiefdoms: each department defended its turf at all costs. Salespeople thought the people in marketing lived on the moon. Marketers thought the salespeople could see all the way to their navels. Financial types believed the plant managers wanted to fill the stockrooms to the ceiling with inventory. Purchasing thought the people in administration hadn't a clue about how irritated suppliers get when they have to wait for seven signatures before they get their check. And production thought the people in sales imagined they were living in Japan, with overnight delivery dates.

My colleagues and I tried various quick fixes for our foundering organization, from suggestion boxes to leadership training to Japanese-style Quality Circles, in which a range of people from the same business unit, from janitors to executives, would sit down together to find solutions to common problems. I tried all the prepackaged ideas I could find, scouring every damn business book with the title that began with a "How to . . ." or ended with the word "System" or "Method." I read Alfred Sloan's *My Years with General Motors* and Tom Peters's *In Search of Excellence*. I studied popular business writers and academic ones. I had two bookcases full of business books, each floor to ceiling. I also sought out executives at other companies, grilling them about management styles over lunch. I picked up plenty of ideas and techniques, but I just couldn't make them work in our offices or factories. Our people would be motivated for a while, but then slip back. I began to suspect that Semco's problems went deeper than I had realised.

When I first started working at Semco, I was shocked by the oppression I found. To someone who spent much of his adolescence playing rock 'n' roll, the rules and procedures at Semco left me numb. Still, I tried to become the embodiment of a traditional executive - and had, I thought, succeeded. I wore the right suits. I thought the right thoughts. I was so proud when I devised a tardiness program that docked an employee's wages if he was just a few minutes late. I was a tough guy.

Now, I had a different view. Semco appeared highly organized and well disciplined, and we still could not get our people to perform as we wanted, or be happy with their jobs. There weren't enough cathedral builders. If only I could break the structure apart a bit, I thought to myself, I might see what was alienating so many of our people. I couldn't help thinking that Semco could be run differently, without counting everything, without regulating everyone, without keeping track of whether people were late, without all those numbers and all those rules. What if we could strip away all the artificial nonsense, all the managerial mumbo jumbo? What if we could run the business in a simpler way, a more natural way. A natural business, that's what I wanted.

The more I thought about it, the more I was convinced the whole company needed to change. I had no grand plan. There was no blinding revelation. Just a sense that there was a lifelessness, a lack of enthusiasm, a malaise at Semco, and that I had to change it. People weren't gratified by their jobs and often seemed oppressed by them. The traditional attitude about workers was that you couldn't trust them. You needed systems to control them. Yet at Semco the system was dispiriting and demotivating them. So, I thought to myself, why not start by eliminating some of the most visible symbols of corporate oppression.

Eliminating Security Checks

I had always wondered about the security check our people were forced to submit to on their way out through the plant gate. It bothered me that we treated even veteran workers that way. I asked a top executive about it in my first year at the company.

"Everybody does it," he patronizingly assured me. "Theft is so common we need to check everyone, every day. We can't make any exceptions."

He made me feel so naive for thinking that business could be conducted based on trust that I didn't bother to ask him about the time clocks or the invariably burly watchmen who loomed over them, making sure incoming workers didn't cheat by punching anyone else in.

Nearly every company of any size has its own FBI. Some even have their own J. Edgar Hoovers. Yet these same companies tell their employees they're all part of one big, happy family. How can they rationalize such sanctimonious sentiments when they frisk their workers on the way home? Or deduct vacation time when someone arrives ten minutes late? Or audit the petty cash account of someone who has been with the company for two decades? Or put padlocks on the storerooms to prevent the entry of "unauthorized personnel"? What family searches its members for silverware as they leave the dinner table?

Workers are adults, but once they walk through the plant gate companies transform them into children, forcing them to wear identification badges, stand in line for lunch, ask the foreman for permission to go to the bathroom, bring in a doctor's note when they have been ill, and blindly follow instructions without asking any questions.

So I decided to end the searches at Semco. It wasn't hard. I just had a sign posted at the gate that read, PLEASE MAKE SURE AS YOU LEAVE THAT YOU ARE NOT INADVERTENTLY TAKING ANYTHING THAT DOES NOT BELONG TO YOU.

I knew some managers would be appalled. What I didn't anticipate was that shop stewards would complain. Some workers, they said, were worried they would be blamed if a tool disappeared, as it inevitably would. "Our people want the searches," the union leaders pleaded. "They want everyone to know that they're not the ones taking the tools." In fact, after two hand-held drilling machines disappeared from the Hobart plant, so many workers demanded that searches be resumed we had to hold a plantwide assembly to calm everyone.

Imagine! Workers wanted to be searched to prove their innocence. We tried to explain that they were forsaking their right to credibility. What happened to innocent until proven guilty? Isolated thefts should not be enough to make them give that up.

I wasn't under the illusion that, by eliminating the searches, we would eliminate thefts. I'll bet that on average 2 percent or 3 percent of any work force will take advantage of an employer's trust. But is this a valid reason to subject 97 percent to a daily ritual of humiliation? Yes, there will be theft here and embezzlement there, but that's the case in companies with huge auditing and monitoring departments. It's a cost of doing business. I would rather have a few thefts once in a while than condemn everyone to a system based on mistrust.

While I was at it, I took out the big time clock at the plant gate and had small clocks installed throughout the plant and offices. Then I suggested to everyone that punching in for their colleagues would not be appreciated, and let it go at that. Today, the time clocks are there only to help our employees keep track of the hours they work.

Have thefts and time card cheating increased or decreased? I don't know and I don't care. It's not worth it to me to have a company at which you don't trust the people with whom you work.

Nothing seems more medieval than dress codes. Office personnel are supposed to stroll around in suits and ties or dresses, but who remembers why? It's like this because . . . well, it just is.

The receptionist is the calling card of the company - how silly is that? What customer, supplier, or banker would cancel a deal when he sees a casually attired receptionist? What buyer has failed to do business with a company because a salesman wasn't sufficiently fashionable?

Dress codes are all about conformity. People want to feel secure, and dressing like everyone else is one way to accomplish it. If everyone at IBM wears blue suits and white shirts, then even a trainee will feel he is part of the company if he is so attired. But the flip side is that these same people will come to depend on other forms of artificially imposed unity, such as a uniform language, uniform behavior, maybe even uniform thinking. At its worst, a company turns Orwellian and creativity and freedom are smothered by discipline and the weight of shared expectations. Obviously, few corporations let it go that far, but even relatively informal businesses have unwritten codes of conduct. The more elaborate they are, the worse it is for flexibility and, ultimately, profits.

Of course, some people say they like suits and dresses. Clovis, for example, always comes to work in a suit and tie. If I needed any proof of the ridiculousness of dress codes, I had only to recall how our old friend Ernesto Gabriele brought his old ties from home for the clerks in the accounting department, who didn't have any of their own. It was one more example of how Ernesto tried to create an atmosphere worthy of a multinational, but with their knots tied wrong and their shirttails hanging outside their pants, the clerks looked like they were headed to a Halloween party.

Why is it that when they come to work on weekends, people invariably dress in casual clothes? Because they feel more comfortable. Well, why shouldn't they feel more comfortable every day? So we told our office workers and managers they could dress as they pleased. Period. And most gave up suits and ties and dresses in favor of jeans and, on hot days, shorts. Sure, there are moments when more formal attire is appropriate, such as at board meetings and presentations to important customers. But every responsible adult knows how to dress correctly for these occasions. In fact, one of the few complications of our new policy occurred when one of our air conditioner repairmen was denied entrance to the Citibank Building in Sao Paulo because he was dressed too casually. To fix an air conditioner! He went home, changed, and went back to work. End of problem.

We hoped eliminating the dress code would help create a company in which office doors would seldom be closed and it would be common for people to walk in, sit on a colleague's desk, and eavesdrop on a meeting that had nothing to do with him. Today I am a big believer in MBWA, or Management by Wandering Around. Popularized at Hewlett-Packard, it simply means taking time each week to walk around with, as Bob Dylan said, no destination known. You can see how new projects are going, solve some problem in the factory or the office, or just chat in the hall with someone you haven't seen in a long while.

Sometimes, though, you can't break down the walls until you actually break down the walls. So one day I called in everyone on the third floor, one by one, and asked them what they would think about giving up their individual offices and sharing one big, beautiful work space divided by plants and flowers. We formed a committee and soon enough the wrecking crews arrived. My goal was for each person to have a desk wherever he wanted, which made it all rather complicated. But with our employees pitching in we managed to finish in a month.

My own work area, incidentally, got much smaller. And I still can't find that sofa I used to have.

Emboldened, I took on a really serious problem. At Semco, one of our biggest headaches was parking. We didn't have nearly enough spaces at our Sao Paulo headquarters. After much discussion among managers, we solved the problem democratically: we abolished reserved space for big shots and apportioned them by department, in proportion to their size. Directors and managers ended up with eight spaces, administration had ten, clerks and other office workers ten, machine operators fifteen, and so on. Within each department, all spaces were available on a first-come, first-served basis. Only after a few executives were forced to leave their cars outside the gates and saw to their astonishment that their instructions continued to be carried out by the workers who had parked inside the gates did they acknowledge that respect is not a function of the distance from car door to plant door.

In the next few months, Semco asked executives to share secretaries; eliminated private dining rooms; and allowed managers of the same rank to have different kinds of desks and chairs and occupy offices of varying sizes. No longer would it be possible to discern a person's status by the grade and grain of his office furniture or the plushness of his carpet.

Democracy is a lot of work, I kept telling myself and anyone who would listen. It needs to be exercised with conviction and without subterfuge or exception. And it begins with little things.

CHANGE, STABILITY AND RENEWAL -

One day when a child, I stood beneath a swing frame that towered above me. Another child, older than me, told me of the time a girl had swung and swung until, finally, she looped over the top. I listened in silent awe. She had done what we only dreamed of doing, swung so uncontrollably high that finally not even gravity could hold her.

I think of this apocryphal story as I sit now in a small playground, watching my youngest son run from one activity to another. He has climbed, swung and jumped, whirled around on a spinning platform, and wobbled along a rolling log until, laughing, he loses his balance. Now he is perched on a teeter-totter, waiting to be bumped high in the air when his partner crashes to the ground. Everywhere I look, there are bodies in motion, energies in search of adventure.

It seems that the very experiences these children seek out are ones we avoid: disequilibrium, novelty, loss of control, surprise. These make for a good playground, but for a dangerous life. We avoid these things so much that if an organization were to take the form of a teeter-totter, we'd brace it up at both ends, turning it into a straight plank. But why has equilibrium become such a prized part of adult life? Why are we afraid of what happens if our boat gets rocked? Is it that we prefer balance to change? Does equilibrium feel more secure?

Sometimes, to clear up a confusing concept, it helps me to return to the accepted definition of the word. So I open the American Heritage Dictionary to learn about equilibrium: "Equilibrium, 1. A condition in which all acting influences are canceled by others resulting in a stable, balanced, or unchanging system. 2. Physics. The condition of a system in which the resultant of all acting forces is zero.

I am surprised by the negativity of the first two definitions. A condition in which the result of all activity is zero? Why, then, do we desire equilibrium so much, or use the same word to describe mental and emotional well-being? In my own life, I don't experience equilibrium as an always desirable state. And I don't believe it is a desirable state for an organization. Quite the contrary. I've observed the search for organizational equilibrium as a sure path to institutional death, a road to zero trafficked by fearful people. Having noticed the negative effects of equilibrium so often, I've been puzzled why it has earned such high status. I now believe that it has to do with our outmoded views of thermodynamics.

The Second Law of Thermodynamics only applies to isolated and closed systems - to machines, for example. The most obvious exception to this law is *life*, open systems that engage with their environment and continue to grow and evolve. Yet both our science and culture have been profoundly affected by the images of degeneration contained in classical thermodynamics. When we see decay as inevitable, or society as going to ruin, or time as the road to inexorable death, we are unintentional celebrants of the Second Law. James Lovelock, biologist and author of the Gaia hypothesis, says the laws of thermodynamics "read like the notice at the gates of Dante's Hell."

In a universe that is on a relentless road to death, we live in great fear. Perhaps we become so fearful of change because it uses up valuable energy and leaves us only with entropy. Staying put or keeping in balance are our means of defense against the eroding forces of nature. We want nothing to rock the boat because only decline awaits us. Any form of stasis is preferable to the known future of deterioration.

But in venerating equilibrium, we hide from the processes that foster life. It is both sad and ironic that we have treated organizations like machines, acting as though they were dead when all this time they've been living, open systems capable of self-renewal. We have magnified the tragedy by treating one another as machines, believing the only way we could motivate others was by pushing and prodding them into action, overcoming their entropy by the sheer force of our own energy. But here we are, living beings in living systems in a universe that continues to grow and evolve. Can we dump these thermodynamics and get to the heart of things? Can we respond to *life* in organizations and discard the deathwatch? Can we cooperate with living systems and stop our clumsy attempts to restrain change or to suppress disturbances?

Equilibrium is neither the goal nor the fate of living systems, simply because as open systems they are partners with their environment. The study of these systems, begun with Prigogine's prize-winning work (1980), has shown that open systems have the possibility of continuously importing free energy from the environment and of exporting entropy. They don't sit quietly by as their energy dissipates. They don't seek equilibrium. Quite the opposite. To stay viable, open systems maintain a state of non-equilibrium, keeping the system off balance so that it can change and grow. They participate in an active exchange with their world, using what is there for their own renewal. Every organism in nature including us, behaves in this way.

In the past, systems analysts and scientists studied open systems primarily focusing on the overall *structure* of the system. This route led away from observing or understanding the processes of change and growth that make a system viable over time. Instead, analysts went looking for those influences that would support *stability*, which is the desired trait of structures. Feedback loops were monitored as a way of maintaining system stability.

Regulatory or negative feedback loops served this function well, signalling departures from the norm. As managers watched for sub-standard performance, they could make corrections and preserve the system at its current levels of activity.

But there is a second type of feedback loop - positive ones that amplify responses and phenomena. These loops use information differently, not to regulate, but to amplify into troublesome messages, like the ear-piercing shrieks of microphones caught in a positive feedback loop. In these loops, information increases and disturbances grow. The system, unable to deal with so much magnifying information, is being asked to change. For those interested in system stability, amplification is very threatening, and there is a need to quell it before eardrums burst.

For many years scientists failed to notice the role positive feedback and disequilibrium played in moving a system forward. In trying to preserve things as they were, in seeking system stability, they failed to note the internal processes by which open systems accomplish growth and adaptation.

It was not until the element of time was introduced in Prigogine's study of thermodynamics that interest turned from system structures to system dynamics. His work, and those who built on it, dramatically expanded our awareness of how open systems use disequilibrium to avoid deterioration. Looking at the dynamics of open systems over time, scientists were able to see the effects of energy transformations that had not previously been observed. Entropy, that fearful measure of a system's demise, was still being produced, sometimes in great quantities. But instead of simply measuring how much entropy was present, scientists could also note what happened to it - how quickly it was produced and whether it was exchanged with the environment.

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Once it was noted that systems were capable of exchanging energy, taking in free energy to replace the entropy that had been produced, scientists realized that deterioration was not inevitable. Disturbances could create disequalibrium, but disequilibrium could lead to growth. If the system had the capacity to react, then change was not necessarily a fearsome opponent. To understand the world from this perspective, scientists had to give up their views on decay and dissipation. They had to transform their ideas about the role of disequilibrium. They had to develop a new relationship with disorder.

Self-organising Systems

Prigogine's work on the evolution of dynamic systems demonstrated that disequilibrium is the necessary condition for a system's growth. He called these systems *dissipative structures* because they dissipate their energy in order to recreate themselves into new forms of organization. Faced with amplifying levels of disturbance, these systems possess innate properties to reconfigure themselves so that they can deal with the new information. For this reason, they are frequently called self-organizing or self-renewing systems. One of their distinguishing features is system *resiliency* rather than stability.

The self-organizing dynamics are evident in all open systems. These dynamics apply to such a broad spectrum of phenomena that they unify science across the domains of many disciplines. But, more importantly, they give us a new picture of the world, in the words of Erich Jantsch they "let us feel the quality of a world which gives birth to ever new variety and ever new manifestations of order against a background of constant change."

One thing that I find especially intriguing about self-renewing systems is their relationship with their environment. It feels new to me. In organizations, we typically struggle against the environment, seeing it as the source of disruption and change. We tend to insulate ourselves from it as long as possible in an effort to preserve the precious stability we have acquired. Even though we know we must become responsive to forces and demands beyond the boundaries of our organizations, we still focus our efforts on maintaining the strongest defensive structure possible. We experience an inherent tension between stability and openness, a constant tug-or-war, or either/or. But as I read about self-renewing structures, these dualities feel different. Here are structures that seem capable of maintaining an identity while changing form. So how do they do it?

Part of their viability comes from their internal capacity to create structures that fit the moment. Neither form nor function alone dictates how the system is constructed. Instead, form and function engage in a fluid process where the system may maintain itself in its present form or evolve to a new order. The system possesses the capacity for spontaneously emerging structures, depending on what is required. It is not locked into any one form but instead is capable of organizing information in the structure that best suits the present need.

We are beginning to see organizations that tap into this property of self-organizing or self-renewing systems. Some theorists have termed these "adaptive organizations," where the task determines the organizational form. In a separate but related example are those corporations structured around core competencies, as described by C.K. Prahalad and Gary Hamel. Both types of organizations avoid rigid or permanent structures and instead develop a capacity to respond with great flexibility to external and internal change. Expertise, tasks, teams, and projects emerge in response to a need. When the need changes, so does the organizational structure.

But an organization can only exist in such a fluid fashion if it has access to new information, both about external factors and internal resources. It must constantly process this data with high levels of self-awareness, plentiful sensing devices, and a strong capacity for reflection. Combing through this constantly changing information, the organization can determine what choices are available, and what resources to rally in response. This is very different from the more traditional organizational response to information, where priority is given to maintaining existing operating forms and information is made to fit the structure so that little change is required.

While a self-organizing system's openness to new forms and new environments might seem to make it too fluid, spineless, and hard to define, this is not the case. Though flexible, a self-organizing structure is no mere passive reactor to external fluctuations. As it matures and stabilizes, it becomes more efficient in the use of its resources and better able to exist within its environment. It establishes a basic structure that supports the development of the system. This structure then facilitates an insulation from the environment that protects the system from constant, reactive changes.

What occurs in these systems is contrary to our normal way of thinking. Openness to environmental information over time spawns a firmer sense of identity, one that is less permeable to externally induced change. Some fluctuations will always break through, but what comes to dominate the system over time is not environmental influences, but the self-organizing dynamics of the system itself. High levels of autonomy and identity result from staying open to information from the outside.

I say this is contrary thinking because we often practice a reverse belief - that to maintain our identity, our individuality, we must protect ourselves from the demands of external forces. We tend to think that isolation and clear boundaries are the best way to maintain individuality. But in the world of self-organizing structures, we learn that useful boundaries develop through openness to the environment. As the process of exchange continues between system and environment, the system, paradoxically, develops greater freedom from the demands of its environment.

Companies organized around core competencies provide a good example of how an organization can obtain internal stability that leads both to well-defined boundaries and to openness over time. A business that focuses on its core competencies identifies itself as a portfolio of skills rather than as a portfolio of business units. It can respond quickly to new opportunities because it is not locked into the rigid boundaries of preestablished end products or businesses. Such an organization is both sensitive to its environment, and resilient from it. In deciding on products and markets, it is guided internally by its competencies, not just the attractiveness or difficulty of a particular market. The presence of a strong competency identity makes the company less vulnerable to environmental fluctuations; it develops an autonomy that makes it unnecessary to be always reactive.

Yet such companies are remarkably sensitive to their environment, staying wide open to new opportunities and ventures that welcome their particular skills. They also develop capacities to shape the environment, creating markets where none existed before. In the assessment of Prahalad and Hamel, companies focused on core competencies are able to "invent new markets, quickly enter emerging markets, and dramatically shift patterns of customer choice in established markets."

Self-Reference

These companies highlight a principle that is fundamental to all self-organizing systems, that of *self-reference*. In response to environmental disturbances that signal the need for change, the system changes in a way that remains consistent with itself in that environment. The system is *autopoietic*, focusing its activities on what is required to maintain its own integrity and self-renewal. As it changes, it does so by referring to itself; whatever future form it takes will be consistent with its already established identity. Changes do not occur randomly, in any direction. They always are consistent with what has gone on before, with the history and identity of the system. This consistency is so strong that if a biological system is forced to retreat in its evolution, it does so along the same pathway. The system, in Jantsch's terms, "keeps the memory of its evolutionary path."

Self-reference is what facilitates orderly change in turbulent environments. In human organizations, a clear sense of identity - of the values, traditions, aspirations, competencies, and culture that guide the operation - is the real source of independence from the environment. When the environment demands a new response, there is a reference point for change. This prevents the vacillations and the random search for new customers and new ventures that have destroyed so many businesses over the past several years.

Another characteristic of self-organizing systems is their stability over time. They are often referred to as globally stable structures. Yet when we speak of the stability of mature self-organizing systems, we are referring only to a quality of the whole system. In fact, this global stability is maintained by another paradoxical situation, the presence of many fluctuations and instabilities occurring at local levels throughout the system. To use the example of an ecosystem, any mature ecosystem experiences many changes and fluctuations at the level of individuals and species. But the total system remains stable, capable of developing its own rhythm of growth and lessening the impact on the system of such outside disturbances as climatic change. Small, local disturbances are not suppressed; there is no central command control that prohibits small, constant changes. The system allows for many levels of autonomy within itself, and for small fluctuations and changes. By tolerating these, it is able to preserve its global stability and integrity in the environment.

Jantsch notes the profound teaching embedded in these system characteristics: "The natural dynamics of simple dissipative structures teach the optimistic principle of which we tend to despair in the human world: the more freedom in self-organization, the more order."

Here is another critical paradox: The two forces that we have always placed in opposition to one another - freedom and order - turn out to be partners in generating viable, well-ordered, autonomous systems. If we allow autonomy at the local level, letting individuals or units be directed in their decisions by guideposts for organizational self-reference, we can achieve coherence and continuity. Self-organization succeeds when the system supports the independent activity of its members by giving them, quite literally, a strong frame of reference. When it does this, the global system achieves even greater levels of autonomy and integrity.

In addition to these tantalizing paradoxes, there seems to be yet another important teaching for organizations in the behavior of self-organizing systems. Under certain conditions, when the system is far from equilibrium, creative individuals can have enormous impact. It is not the law of large numbers, of favorable averages, that creates change, but the presence of a lone fluctuation that gets amplified by the system. Through the process of autocatalysis, where a small disturbance is fed back on itself, changing and growing, exponential effects can result. "The ability of a system to amplify a small change is a creative lever," note Briggs and Peat.

It is natural for any system, whether it be human or chemical, to attempt to quell a disturbance when it first appears. But if the disturbance survives those first attempts at suppression and remains lodged within the system, an iterative process begins. The disturbance increases as different parts of the system get hold of it. Finally, it becomes so amplified that it cannot be ignored. This dynamic supports some current ideas that organizational change, even in large systems, can be created by a small group of committed individuals and champions.

Certain conditions support this process of change in both molecules and people. The revolutionaries cannot be isolated from one another. They must keep a firm grasp on their intentions and not let them be diffused into the larger system too early. And they must have links to other parts of the system. While this prescription reads like either a 1960s handbook on revolution or more recent texts on organizational change, it is, in fact, the governing principle by which self-organizing structures evolve. In some ways, it is humbling to realize that we have not invented our strategies for change; we have merely discovered them.

Self-organizing systems driven to change by this amplification process are given opportunities for creative reordering. If amplifications have increased to the level where the system is at maximum instability (a crossroads between death and transformation known technically as a bifurcation point), the system encounters a future that is wide open. No one can predict which evolutionary path it will take. Evolution itself is not constraining; the system is free to seek out its own optimal solution to the current environment. Except for honoring the principle of self-reference, the system has no predetermined course. At the bifurcation point, "such systems seem to 'hesitate' among various possible directions of evolution," Prigogine and Stengers state; "a small fluctuation may start an entirely new evolution that will drastically change the whole behavior of the macroscopic system."

I can think of several organizations, particularly market-oriented ones, that brag about how a customer inquiry or the suggestion of an employee directed them into new product lines that became very successful. There was no pre-planning, no long-range strategic objectives, that led them into these markets. Just the creativity of one or a few individuals who succeeded in getting the attention of the organization and then watched the process amplify itself into a new, unexpected direction for the company.

(Continued on page 18)

"Our feeling is that this rapid, chaotic rate of change will continue forever and will continue to accelerate," says Silicon Graphics CEO Ed McCracken. "Companies (must) burn themselves down and rebuild every few years," says business consultant Roger Martin.

Most leaders aren't living up to the challenges implicit in McCracken's and Martin's remarks. That's true at the top and true of supervisors, true in big companies and tiny ones. Much of what ails corporations today is traceable to a failure of nerve in every part and at every level of the organization.

Push the Needle All The Way Over

Nerve. Oticon's chief, Lars Kolind, has got it. He seems to live by the old Chinese proverb, "It's very dangerous to try to leap a chasm in two bounds." Kolind created a zany "spaghetti organization" overnight. The key to its successful implementation, he insists, was changing everything at once. In his company's case that meant organizational structure, culture, physical setting, and the very nature of work itself.

Former Union Pacific Railroad boss Mike Walsh told his lieutenants to take a "clean-sheet-of-paper" approach to company redesign; a 120-day revolution, which scraped 120 years of rust off the Union Pacific iron horse, followed. "Push the needle all the way over," Walsh counsels others, because, he adds, "Organizations are capable of taking on more than most of their leaders give them credit for."

Sure, most bosses these days know that pat hands will kill and that constant improvement is a must. But even constant improvement will not do. Only revolution will. And, for that matter, perpetual revolution. The *Financial Times* reported a late-1993 speech by Volkswagen's controversial Inaki Lopez to beleaguered European automakers. Kaizen, or changes of a few percent, is not enough, he said. The answer, instead, is a quantum leap, "30 to 40 to 50 percent improvement that must be made."

Paul O'Neill, CEO of materials giant Alcoa, understands what Lopez means. Continuous improvement is "probably a disastrous idea if you are far behind the world standard," he asserts. Consultant Marion Steeples reports that in 1991 O'Neill set a 24-month goal of closing "at least 80 percent of the gap between Alcoa's practices and world-class benchmarks"; by the end of 1992, "core targets were achieved or surpassed."

Bosses are also championing change agents, which is better than earlier attitudes, but not better enough. As Body Shop founder Anita Roddick puts it, only "anarchists" (her word) can do the trick - i.e., her salvation in the bruising cosmetics marketplace will come, she imagines, from nurturing those in the company with the moxie to thumb their noses at convention, and at her.

Former Xerox CEO David Kearns is one of the few who doesn't choke on the word "revolution." He likes it. "This is a revolution in the company," Kearns said as he launched a quality program that turned his punch-drunk company into a role model, "and we have to overthrow the old regime. The quality transition team is the junta in place to run things on a temporary basis. The standards and measures equate to the laws of the land. The reward and recognition system is the gaining of control of the banks. The training is capturing control of the universities. Communications is the seizing of control of the press, and senior management behavior is putting your own people in place to reflect the revolution. All of these elements are needed to change a culture." Amen.

The Action Faction

It's clear, isn't it? Pushing the needle all the way over, unabashedly championing revolution, and getting the company anarchists to the barricades means doing something. Taking action. Once more, Silicon Graphics' McCracken offers a lesson as he guffaws at the very idea of long-range planning. "When we finish one product-development program, we raise our heads and look around to see what to invent next," he told the *Harvard Business Review* in an article aptly titled "Mastering Chaos at the High Tech Frontier." "We try to get a sense of what customers might want and what is happening with changing technologies. Then we put our heads down, engineer like mad, and get the product into the marketplace. Once we've done that, we do it all over again. That's our planning cycle. If we can do that in nine months or a year rather than three years, we will have a tremendous advantage." Do it he has, and tremendous advantage has been his reward.

For my whole adult life I've studied the implementation of corporate strategies and read, it seems, most of the millions of pages that have been written on the topic. The academic buried deep inside me is still put off by simplistic answers to such questions as "What makes for effective strategy implementation?" Yet I keep stumbling across bosses who seem oblivious to hurdles, who assume (for themselves and their associates) that people can do damn near anything they have the will to do so long as they don't wait for one more analysis before starting.

Mind you, action-obsessed chiefs are not prophets, and what they and their hustling underlings accomplish may bear little resemblance to what they first imagined. The action faction nonetheless believes - and I concur - that if you can just get going, you'll learn quickly, and dramatically increase the odds of doing something worthwhile in short order.

The Relentless Pursuit of Failure

Pushing action (a must) has an awkward relative. Namely, tolerating screw-ups galore. It's that simple. And logical. Unfortunately, the typical boss cringes at the very idea of failure. The smart boss, though no fan of half-hearted tries, knows that perpetually pushing the limits means hitting the wall from time to time. "The whole secret of his success," says publisher John Brown, speaking of Virgin Group founder Richard Branson, "is his failures. . . He keeps opening things, and a good many of them fail - but he doesn't give a f—. He keeps on going!" Likewise, Wal-Mart CEO David Glass told me the No. 1 thing that stood out about Sam Walton was his ability to leave yesterday's cockup behind and get on with today's work. "He simply wasn't afraid to fail," Glass flatly asserts.

Fear of failure, on the part of the newly hired receptionist as well as the newly appointed chief executive officer, is the principal cause of paralysis. But even if you can somehow engender, in yourself and among your employees, a taste for small failures, it's nowhere near enough in these dizzying times. From time to time, and more often than you think, the failure must be big, bold, embarrassing, face-losing, and public. If we (you and me, our unit, our company) don't make utter fools of ourselves from time to time, we grow smug - that is, we do not grow at all.

The irony, and conundrum, is that the concern over the next round of layoffs that haunts most professionals these days leads to conservatism at precisely the time that we need audacity. "Maybe if I hide behind the desk, they'll miss me when the pink slips are handed out on Friday," goes the implicit refrain.

Mistake. Only those who restlessly and boldly pursue risky projects and career moves, and who laugh off the pratfalls that attend such a strategy, stand much of a chance of making it to the winner's circle, let alone staying there.

Never Accept a Tepid Response

I'm reminded of the first commandment for teachers from the venerated Notre Dame English professor Frank O'Malley: "Accept anything but a tepid response."

Walsh and the other transformation artists among leaders have this one down cold: They are determined to leap that chasm in one bound. And they're determined that you'll do the same. Sadly, tepid is still the temperature in many corporate corridors. Tepid questions are asked and tepid responses are accepted. "Make something great," said Nintendo's Yamauchi. That's no tepid request. And if you're one of those 892 Nintendoids who generated over $5 billion in revenues in 1992, you'd better be ready to respond in kind.

Spending Time (Amid the Mess)

Pushing the needle all the way over means action. Action calls for the bold embrace of failure. Replace tepid with hot. Then add one more to the list of leadership imperatives: focus. It's not easy, though. In a classic 1973 study of how managers actually spend their time, Canadian researcher Henry Mintzberg discovered that their days were amazingly fragmented, with the average duration of an activity running only nine minutes.

Fragmented, yes. But the trick for successful managers was turning those microbursts of activity into a consistent tune.

All bosses have hundreds of distractions a day. Hey, it's what they get paid for handling. However, the best bosses use every distraction, no matter how minor and no matter what the apparent issue is, to hammer home their dominant theme. Milliken & Co. CEO Roger Milliken got the quality religion in 1980. He preached the gospel at every occasion. "(Roger) Milliken is obsessed with quality," one company exec told journalist Jeremy Main, "from the way we write memos to (how we maintain) the guest quarters. Once I picked him up at the airport and he asked me how long it would take to drive to the guest house. I said twelve minutes. He said, 'OK, you've got twelve minutes to tell me what you have done this week to improve quality.'"

What an exception to the rule! Many CEOs may loudly sing the quality hymn, chant the reengineering mantra, or dance the speed jig. But look at their calendars, and you'll see that after the entertainment, they're quickly cloistered with 73rd-floor staffers, poring over the quarterly numbers. By all means, make the numbers these days, especially with impatient boards and activist institutional shareholders looking over your shoulder. But just remember that the numbers will only sustain you if the company is transformed - e.g., becomes a quality exemplar like Milliken under Milliken or Xerox under Kearns. And that takes CEO time. Five minutes here. Twelve minutes there. Hour after hour. Day after day. Year after year.

It goes without saying (or it should) that what holds for the CEO who has held his job for 47 years (Milliken) applies to the young woman appointed to her first managerial post yesterday morning. At the end of her 18-month tour of duty, the department will be different. Or not. If it is different - known, say, for phenomenal responsiveness to internal customers - it will only be because she found a way, leveraging those daily distractions, to stay v-e-r-y focused.

Put the pedal all the way to the metal ("organizations are capable of taking on more . . " - Mike Walsh). Action ("put our heads down and engineer like mad" - Ed McCracken). Embrace failure ("he doesn't give a f—" - John Brown on Richard Branson). No tepid responses ("make something great" - Yamauchi). Focus amidst the mayhem ("you've got twelve minutes - Roger Milliken). These are the five cardinal virtues of the most effective leader-revolutionaries, at all levels, including the front line, that I've met. Tack, jibe, keep your eye on the finish line, and don't look back. Except . . .

Thriving Amidst Constant Disequilibrium

Except the damned finish line keeps changing. Sun Microsystems "has become a vortex in which you really have a constant state of disequilibrium," said Sun vice president Bill Raduchel. A constant state of disequilibrium is something all of us must get used to. Learning to love change (uh, revolution), thrive on change (uh, revolution), cherish change (uh, revolution) - that's the ticket.

Anita Roddick puts it in slightly different terms. Her corporate philosophy is clear: "First, you have to have fun. Second, you have to put love where your labor is. Third, you have to go in the opposite direction to everyone else." Roddick is almost, but not quite, alone on that last point. Sony cofounder Masaru Ibuka adds: "The key to success for Sony, and to everything in business, science, and technology . . . is never to follow the others."

Ah, how sad it is, in these turbulent times, to watch the average company, small or large, trying to succeed in the herd by moving maybe "a little bit faster than yesterday" or "delivering a little better quality or service than yesterday." Forget it. It'll be trampled.

Furthermore, from inside the herd it won't even see the real competition: the company off to the side and heading in the opposite direction that just reinvented their industry. As one consultant said of a client obsessed with process improvement, "While they're calmly shampooing the carpet for the umpteenth time, the competition is busy pulling it out from under them."

Hearken back to self-DESTRUCTION (and don't forget those capital letters, please), the term Quad/Graphics boss Harry Quadracci favors. Or recall Nike's Phil Knight: "The target now is to invent a new game."

"If your business has anything to do with information, you're in deep trouble." That's the word from His Eminence, Microsoft founder Bill Gates. But all our businesses have lots to do with information, and almost all of them are in trouble. I agree with Gates. (And he'd better watch out, too.)

"There's no way to be careful in this business," says Novell founder Ray Noorda. "All you can do is be aggressive, strong, and give the customer choices." I like that: "No way to be careful." Most firms are far too careful protecting a franchise that's disintegrating before their eyes.

"The most probable assumption is that no currently working 'business theory' will be valid 10 years hence," says management grandee Peter Drucker. But a tough Irishman, MCI's late boss Bill McGowan, put it more bluntly: "The chump-to-champ-to-chump cycle used to be three generations. Now it's about five years."

On your mark! Get set! Reinvent!

Lessons Learned

- ☑ Push the needle all the way over
- ☑ Revolution, not change
- ☑ Perpetual revolution, not revolution
- ☑ Anarchists, not change agents
- ☑ Action, action, action
- ☑ The pursuit of embarassing failures
- ☑ No tepid responses
- ☑ Focus amidst the confusion
- ☑ Disequilibrium the norm
- ☑ Always head in the opposite direction
- ☑ Be careful - and you're history
- ☑ Is it weird enough?

(Change, Stability and Renewal - from page 15)

In the world of self-organizing structures, everything is open and susceptible to change. But change is not random or incoherent. Instead, we get a glimpse of systems that evolve to greater independence and resiliency because they are free to adapt, and because they maintain a coherent identity throughout their history. Stasis, balance, equilibrium - these are temporary states. What endures is process - dynamic, adaptive, creative.

IMPLEMENTING CHANGE - Rosabeth Moss Kanter

Getting ready for change implementation requires that managers think about organisations in some new ways. The first element of a change-friendly mindset is simple to state, difficult to do: *understand and accept reality.* There is great reluctance to recognize just how fundamentally flawed many organizations are. This is a splendid example of what sociologists call "pluralistic ignorance." Everyone is aware of the same thing, but because people think it true only for themselves, all pretend otherwise. Refusal to face the deep flaws at the core of organizations deflects attention from the real problems to the symptoms.

The second element of a change-friendly mindset requires senior managers to *accept a different orientation about their role and responsibility* and to shift from simply blaming individuals (including themselves) for problems, or rewarding them for successes. Instead, they must recognize that results, both for better and for worse, are often largely reflections of particular organizational structures and characteristics. Only with that perspective can executives address organizational problems as an exercise of leadership rather than an admission of personal failure.

The third element is an *understanding that most of an organization's major problems are probably not unique errors or mistakes.* Most problems recur. As managers know only too well, they "solve" problems only to have them pop up again and again. Problems mainly reflect existing underlying organizational patterns, reflecting the organization's character. Implementors can create the new patterns they want, but only by recognizing and facing up to one central fact: recurring problems are as much "products" of the organization as are the products the company markets. Both are predictable and logical consequences of the organization's design.

The fourth element is *evidence and examples that demonstrate convincingly the shortfall between the organization's present reality and its future possibilities.* One primary source of evidence is the high level of unusual internal performance. If an organization did it once, it ought to be able to do it again and again. Another is benchmarking results, examples of internal and external "best practices" or role models that can serve as both inspiration and demonstration.

The fifth and final element is a *change execution plan that meets at least four criteria*:

- It involves and empowers people throughout the organization.
- It reflects a valid conceptual framework
- It is driven by and tied operationally to the organization's critical goals and objectives.
- It is based on a thorough understanding of the actual situation. Accurate diagnosis based on valid data is essential.

Given that understanding, how can the need for planning be balanced against the need to ensure continual adjustment? What does *helpful* planning look like, and what are its elements?

Making It Happen and Making It Stick

Effective implementation of change includes eight important steps.

1. Coalition Building: Assembling Backers and Supporters

A critical first step is to involve those whose involvement really matters in getting the implementation process off the ground *before* proceeding with other actions, and before going public with the change program. Share it first with potential allies and discuss it with key people. Feedback from these discussions (what one company calls a "sanity check") often improves the original idea. Specifically, seek support from two general groups: (1) power sources and (2) stakeholders.

Power sources are the holders of important supplies necessary to make the change work: information (expertise or data), resources (money or materials), and support (legitimacy, political backing). Getting them behind the change - willing to invest their "power tools" in it - can be critical. Just as entrepreneurs need investors, so do leaders and change. Backers might also include key inside executives (or experts, opinion leaders respected by the staff, or an important board member), or useful outsiders such as consultants, financial backers, and government officials.

Stakeholders include everyone who stands to gain or lose from the change. It is especially important to canvass the potential losers early in the process, if they are remaining in the picture, and to determine whether they can be given a piece of the action and converted into allies or else must be removed or neutralized before significant action begins. When stakeholders are organized (e.g., in unions), it is even more critical to consult with their leadership early or to define a strategy for dealing with them.

2. Articulating a Shared Vision

Once key supporters and investors have been assembled, it is important to articulate and spread the vision, the mission, goals, and desired results of the change.

A vision is a picture of a destination aspired to, an end state to be achieved via the change. It reflects the larger goal people need to keep in mind while concentrating on concrete daily activities. A vision is not necessarily a detailed and full-blown strategy; sometimes it is better seen as a general statement of purpose. One old lesson about organizations is that if goals are easily translated into actions, the actions become ends in themselves. Furthermore, without an articulated vision, changes launched by a manager can seem arbitrary or whimsical, and are therefore mistrusted or resisted. A vision shows that change efforts are guided by larger goals others can endorse, particularly if they've helped shape them.

What matters about a vision of the destination is both understanding and agreement. The *details* can (and often should) be worked out in the implementation process, but the general *goals* should be clear and reasonably stable from the start. First, sharing the vision ensures that the reason for making certain specific changes is understood, so that people do not confuse means with ends. For example, an effort to reposition the company for greater competiveness that begins with cost-cutting can be confused with "just another cost drive" if the vision does not show why it is more than that. Otherwise, there is a risk that support will be lost and proactive contributions not made. Second, sharing the vision is critical in getting others to buy into it and make it theirs.

An inspiring vision can be highly motivating, helping overcome the reluctance to embrace change that comes from anxiety over uncertainty. All changes involve some risk and some discomfort; an exciting goal or a significant mission can make the risk worthwhile and the discomfort endurable.

3. Defining the Guidance Structure and Process

A major issue in effective implementation is to sort out and assign accountability and responsibility. It is important to identify "who's in charge" over-all as well as who is responsible for carrying out discrete tasks. Even though this may seem obvious, even highly sophisticated companies have been known to launch a whole series of actions and programs to refocus the business without giving much thought to either their coordination or the allocations of responsibilities and accountabilities for each activity. The same people who are managing ongoing operations may also be expected to implement change at the same time; moreover, there may be little guidance or oversight from anyone.

Clarity about who is guiding the change and where various activities "report" can help build commitment and avoid confusion and chaos. In general, the more significant, complex, and time-consuming the change, the more important it is that time and people be dedicated to the change effort itself.

Similarly, depending on the nature of the activities involved in making the change, tasks may be identified in separate chunks and assigned to task forces or transition teams with either full-time or part-time responsibility. Task forces operating alongside the regular line organization for ongoing activities can be an effective way of generating widespread involvement in the change and widespread enthusiasm for it.

Regardless of the structure and reporting/oversight process chosen, it is important that they be clear to all participants. If new groups like task forces are formed, it is also important to clarify when they disband, how they are linked to the rest of the organization, and how their performance will be measured. Task forces have a tendency to take on a life of their own; they need to be reminded to communicate to the wider organization and reviewed periodically to ensure that they are on track. A schedule of meetings with the change manager or steering committee is also helpful.

4. Ensuring Communication, Education, and Training

Implementation of a change means that many people have to reorient, redirect, or engage in new actitivites - and they need the motivation, information, and skill to do so. Thus, managers need to plan for communication and education: when, how, and to whom information will be disseminated; when and how participants will be exposed to the new knowledge or skills necessary for carrying out their piece of the change process. Significant capital investments in major change efforts can fail to meet their targets because of a failure to invest in human capabilities, to use the system, to manage in new ways, or to understand fully the implications of the change.

Change managers also need to communicate with the whole organization either all at once or in steps; they can go out to various sites or bring key players to one location, communicate face to face or establish more impersonal media, do it once at the launch or on a continuing basis. Whatever strategy is chosen, two-way, face-to-face, continuing communication for the organization as a whole is especially important for changes that are:

- Of great strategic importance
- Of large scope
- With implications for many parts of the organization, or
- Involving many behavioral changes in day-to-day operations.

5. Undertaking Policy and Systems Review

In successful businesses, strategy, resource allocation, organization structure, daily operations and systems, the work environment, and people are all adequately aligned. In general, there should be a reasonable fit between policies and systems, which reinforces the organization's ability to carry out its strategic task. Changes in one major element may thus necessitate compensating or complementing changes in another.

Those implementing a major new course of action need to ensure that a continuous reassessment and readjustment process exists. Clearly, for example, changing organization structure without considering resource allocation, compensation policies, or communication systems might undermine or shift the goals of the change.

6. Enabling Local Participation and Innovation

Even though this is labeled step 6 in order of logic, it should be step 1 in the thinking of management. It is impossible to plan every step or every detail of an implementation effort from the top. Even if a leader could overcome the commitment problem, he or she would still be faced with the crystal ball problem - limited ability to anticipate every contingency surrounding a change or implementation effort. Even if this were possible, it would be extremely costly and thus wasteful. Furthermore, every change - no matter how well thought through in advance - is also a kind of experiment in which there is a chance to learn from the experience of doing it and thus even to improve on the initial plan.

The implementation process will benefit, then, from leaving some local options or local control over the details of the change. The extent to which different areas or different units can do it their own way depends on the kind of change. Of course, some may require more uniformity than others. (Note, however, that those at the top often tend to think more uniformity is necessary than those below.) Formal approaches for doing this range from explicit pilot tests, using different models, to greater local autonomy or options. In any case, it is important to build two things into the implementation plan:

1. Clarity about what is fixed or given versus what is open for local variation and positive encouragement of local innovation where it is allowable (We suggest more of the latter except where it might compromise overall coherence.)

2. A communication and coordination process to get information about the variations, to spread useful ideas across areas, and to resolve any conflicts that might occur as a result of any differences (Possibilities include: reporting on local projects at quarterly conferences; charging a task force with monitoring and documenting projects; or using a corporate eduation program or video series to disseminate infomation.)

Periodically, the change guidance team or steering committee should review implementation projects and consider their implications: Where do we need to redirect our efforts? How is the change being implemented differently in different places, and what can we learn from that? What can be done to take greater advantage of opportunities?

7. Ensuring Standards, Measures, and Feedback Mechanisms

How do we know the change has happened? How do we know it has been successful? Along the way, how do we know it's on track and that events are likely to lead to the desired change? How can we get information to monitor the impact of the process of the change on the people carrying it out?

While planning for implementation, it is thus equally important to plan for measurement and evaluation. Two kinds of measures are helpful:

1. *Results measures* - how we will know that we're "there" and that we have "done it."

2. *Process measures* - how we will know we are doing the things all along that will get us to "it," or whether readjustments are in order.

Routine data collection - either impersonal measures such as surveys or quantitative data, through managers checking in personally with people and operation, or via consultant interviews or focus groups - can allow the change management team to monitor progress and make midcourse adjustments. Process measures are particularly important. Often these can be developed by teams or special assignments, and of course can themselves be improved over time.

8. Providing Symbols, Signals, and Rewards

Sometimes managers announce a new emphasis or strategic direction, but skeptical employees and other managers (who may have been through this before or who may think this is just another impulse of their impulsive boss) withhold commitment or drag their feet on implementation actions. After all, even tangible actions (starting a new division, consoli- dating operations, or increasing financial investment in new products) take on meaning or importance only as part of a larger strategic thrust, and they can be more or less successful and more or less reversible, depending on the fervor with which they are pursued.

Organization members often wait for the signals that say "we mean it." (Or "we don't really mean it." For example, a decentralization campaign and a new formal organization chart doesn't help much if the general manager still insists on personally reviewing small decisions.) Leadership actions which provide important symbols and signs that the boss is serious about change are important.

New or special rewards are also an effective way to signal management's commitment to the change - finding new heroes, recognizing new achievements, offering special incentives. Rewards - or just sheer fun - are also important in motivating people to engage in the extra hard work that change requires.

INDIRECT ACTION AND MANEUVERS

"Between the idea and the action falls the shadow" T.S. Eliot

In the business world, good ideas abound. Theories, suggestions, plans, convictions, intentions, decisions, strategies, recommendations, mandates and directives are forthcoming at the mere hint of a request. Why do so few of these ideas get implemented?

Just give a good idea to someone for action and you'll soon come up against 101 reasons why it is impossible or unwise or just plain unnecessary. Often it seems that the greater the idea's potential, the stronger the mind's resistance to it, not because people are lazy or lack creativity, but because they are so painfully clear about the difficulties involved in taking the first step.

Effective action requires a different kind of thinking. It involves four steps:

Locate the leverage points. It does not help to suppose that effective action can be accomplished if it depends on someone else's performance. It has to be an arena in which you and your team members have control. Within the sphere of your control, the action must also have connection to an area of larger scale, the team's action project must focus on an area where there is obvious need for improvement, a situation that is found in a number of departments or areas around the company, and is visible so that the project's success will have an impact beyond the confines of the team's domain of control.

Create a demonstration of possibility for the whole operation. Place an emphasis on providing support so that a rapid, visible, startling change occurs. Perhaps it is only that you as senior manager show up on the front line for an hour (if you're demonstrating commitment to teamwork or customer service); or perhaps you transform the working space of a particularly non-spectacular department. You will have to decide on the particular demonstration, but be sure that it has a symbolic quality so that people will look at it and see a possibility for change in their own area.

Operate through short-term time frames. Don't put the whole project on a two-year schedule and let it go. Prolonged efforts serve only to exhaust, not to motivate. Make some interim goals, some short-term competitions, and build in celebration of accomplishments even when the whole project is far from completed. The most dramatic part of this step is to decide to announce your intentions before you begin.

Involve the people who carry out the project in designing the action initiative. It will not work to have one set of people decide and design the project while another set of people implement the action. Real ownership of the results happens when these two sets of people are the same.

Making things happen is not magic, and many factors will intervene to make it difficult. But when the team starts small with highly visible manifestations of what is possible, the spin-off effects are dramatic.

"The direct method may be used for joining battle, but indirect methods will be needed in order to secure victory. Indirect tactics, efficiently applied, are inexhaustible, unending as the flow of rivers and streams; like the sun and moon, they end but to begin anew." - *Sun Tzu*

According to Sun Tzu's *Art of War* indirect action is greatly preferable to direct action. It provides surprise, generates momentum and ensures victory.

So how does it work?

1) First **develop the direct action plan**, i.e., the specific steps necessary to reach the objective.

2) Second, **identify the critical point** in the plan, i.e., the point at which the project could be halted for lack of approval either from the top or "buy in" from those whom you hope to help carry out the task.

3) Thirdly, **build in several indirect approaches to ensure victory**:

> **Identify the advantage** to the other party for approving your proposal or participating in the project, and find ways of presenting those advantages indirectly before submitting the request for approval/buy in.

> **Use third party advocates** who are highly regarded by the one(s) with power to refuse your request.

> **Highlight and demonstrate the fun** of supporting the project; keep an enthusiastic, confident style. If one indirect tactic does not work as anticipated, use another, but be sure to avoid the all-or-nothing decision until you are certain of approval.

> **Direct praise for the project** both to the one(s) who approved the project as well as to those who implemented the action. Do not neglect the wisdom behind the saying: "You can do anything, if you don't mind who gets the credit."

STRATEGY AND SPIRIT - Pat Weygandt

A strategy is not the cold hard calculation of the mind...
nor the powder to put on some itch.
It's as vibrant and as multicolored as fertile mold growing in a swamp,
as hot as fire, dancing while it is consumed.
It's not dependent on the mind...
but on the electricity that lights that tiny room - THE SPIRIT.
The primary question of strategy is not "What shall I do?"
but "How do I see with new eyes, hear with new ears?"

It lies deep, deep within the power of discernment,
a treasure of THE SPIRIT.
For the right question, the right answer is always present.
It is an elusive thing.
It hovers over the landscape like the subtlest fog,
or morning mist, or waves rising from the cement.
It hovers and it is all encompassing...
AND IT IS WHOLE.

Oh, damn my cataracts, night blindness, nearsightedness and cloudy vision!
I know too well what I am missing!

Set THE SPIRIT loose, empower it, let the profundity splash in
And fill the whole being up to the eyeballs and - MIRACLE -
One "sees with new eyes" - (trite saying but it's true)

Reality is best seen through the eyes of profundity
When it can be grasped and held and cradled like a babe,
When it is a WHOLE THING!
And the strategy - a big idea - a million molecules of possibility
Glued together. And I see it! I see it!
It's a WHOLE THING!

I'll grab ahold of it and it will pull me forward...
And the spirit of me will move with it...
And we'll be like one jetstream across the sky...

Reality... all my knowing, doing and being... and that grand WHOLE idea.
That Strategy.

It's either all there, like a present...
Or I have none of it.

And it all depends...
Is the SPIRIT well? Is profundity alive?
Is it popping the eyelids? Is it cracking the eardrums?
Is it revealing REALITY beyond reality?

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