Readings in Management

DR. MCR HRD INSTITUTE OF TELANGANA

(MANAGEMENT AND BEHAVIORAL SCIENCES)

Unit I: Principles of Management of Organizations

Session 1: The nature and purpose of organizations – what are the key functions of Organizations?

- Roberts, J. (2007). Nature and Purpose of the Firm. Oxford University Press.*
- Coase, R. H., (1936). Nature of Firm. *Economica, New Series*, Vol. 4, No. 16, pp. 386-405.

Session 2 and 3: Evolution of thought in the area of Management and Public Administration.

- Henry, N., (Jul -Aug., 1975). Paradigms of Public Administration. *Public Administration Review*, Vol. 35, No. 4 pp. 378-386
- Kaboolian, L., (May-Jun., 1998). The New Public Management: Challenging the Boundaries of the Management vs. Administration Debate. *Public Administration Review,* Vol. 58, No. 3 pp. 189-193

Session 4 and 5: Recent Changes in Public Management

- Denhardt, R. B., and Denhardt J. V., (2000). The New Public Service: Serving Rather Than Steering. Public Administration Review. Vol. 60, No. 6, pp. 549-559
- Behn,R. D., (1995). The Big Questions of Public Management. Public Administration Review, Vol. 55, No. 4, pp. 313-324

Session 6: What do Managers actually do and what are the generic skills they need?

- Katz, R. L., (2009). Skills of an Effective Administrator. Harvard Business Press.*
- Mintzberg, H., (1975). Manager's Job: Folklore and Fact. Harvard Business Review, Vol. 53, No. 4, pp. 49-61
- Drucker, P., (2004). What makes an Effective Executive? Harvard Business School Publishing (HBSP)

Session 7 and 8: Organization Design

- Mintzberg, H., (1981). Organization Design: Fashion or fit? *Harvard Business Review.* Vol. 59, No. 1, pp. 103-116.
- Lorange, P. and Scott Morton, M.S. (1974). A framework for management control systems. *Sloan Management Review.* 16(1), pp. 41–56

Unit II: Organizational Behaviour

Session 1 and 2: What is Leadership?

- Chapter 5 and 6: Robbins, S., & Judge, T. A., (2010). *Organizational Behaviour.* Prentice Hall; 12 Edition*
- Goleman, D., (2006). *What makes a Leader: Why Emotional Intelligence Matters?* More Than Sound.
- Goleman, D. (March-April, 2000). Leadership that gets Results. *Harvard Business Review.* pp. 78-90
- Kotter, J., (1999). *What Leaders really do? (Harvard Business Review Book Series).*Harvard Business Review Press; First edition
- Ancona, D, Malone, W. T., Orlikowski, W. J., and Senge, P. M. (February 2007). In Praise of the incomplete leader. *Harvard Business Review.* pp. 92-100
- Goffee, R & Jones, G (September, 2000). 'Why should anyone be led by you?' *Harvard Business Review.* pp. 63-70

Session 3 and 4: How to Motivate Employees?

- Livingston, J. S., (Jul-Aug 1969). Pygmalion in Management. *Harvard Business Review,* Vol. 47, No. 4, pp. 81-89
- Herzberg, F., (1968). One More Time How do You Motivate Employees. *Harvard Business Review,* Vol. 46, No. 1, pp. 53-62
- Nohria, N., Boris G., and Linda-Eling L., (Jul–Aug 2008). Employee Motivation: A Powerful New Model. *HBS Centennial Issue Harvard Business Review.* Vol. 86, No. 7/8, pp. 78–84

Session 5: Power, Authority and Accountability in Organizations

- Romzek, B. S. and Dubnick, M. J. (1987). Accountability in the Public Sector: Lessons from the Challenger Tragedy. *Public Administration Review.* Vol. 47, No. 3, pp. 227-238

Session 6: Effective Delegation

- Oncken, W. & Wass, D. L., (1999). Management Time: Who's got the Monkey? Harvard Business Review. Vol. 77, No. 6, pp.178-186

Session 7 and 8: Working in Groups / Teams

- Chapter 9: Robbins, S., & Judge, T. A., (2010). *Organizational Behaviour.* Prentice Hall; 12 Edition*
- Chapter 14: Hersey, P. & Blanchard K. H., (2000). *Management of Organizational behavior.* Prentice Hall; 8th edition*

- Richard, H. J., & Coutu, D., (May 2009). Why teams don't work. *Harvard Business Review.* 98–105.

Session 9: Organizational Change

- Fernandez, S., and Rainey, H. G. (2006). Managing Successful Organizational Change in the Public Sector. *Public Administration Review.* Vol. 66, No. 2, pp. 168-17
- Kotter, J., (1995). Leading Change: Why Transformation Efforts Fail. *Harvard Business Review.* Vol. 73, No. 2, pp. 59 – 67.

Session 10: Performance Management

- Behn, R. D. (2003). Why Measure Performance? Different Purposes Require Different Measures. *Public Administration Review.* Vol. 63, No. 5. pp. 586-606
- Drucker, P. F., (Jan 2008). *Managing Yourself,* Harvard Business Review Classics.
- Schon, D.A. (1987). *Teaching artistry through reflection in action. In educating the reflective practitioner.* San Francisco, CA: Jossey-Bass Publishers. pp. 22-40*

Unit III: Human Resources Management in Government

- Dressler, G. & Varkey, B., (2009). *Human Resource Management.* Pearson Education; 11th Edition*

Unit IV: Financial Management-I

Main Text:

- Chandra, P., (2008). *Financial Management.* Tata McGraw-Hill Education*

Suggested Readings:

- Anthony, R. N., & Reece, J. S., (1991). *Accounting Principles.* AITBS Publishers and Distributors; 6 edition, New Delhi*
- *How to Read a Balance Sheet: An ILO Programmed Book* (Adapted to Indian Laws and Requirements), (1989). Oxford & IBH Publishing Co. Pvt Ltd.; 1st Indian Edition

Unit V: Data Analysis and Data Interpretation

- Aczel, A. D. & Sounderpandian J., (2006). *Complete Business Statistics*: Tata Mcgraw Hill; 6 Edition*
- Black, K., (2009). *Business Statistics for Contemporary Decision Making.* John Wiley;5 Edition*

Unit VI: Project Management

- Kerzner, H. R., (2013). *Project Management: A Systems Approach to Planning, Scheduling, and Controlling*. John Wiley & Sons; 11 Edition*
- Wernham, B., (2012). *Agile Project Management for Government*. Maitland & Strong.
- Wirick, D., (2009). *Public-Sector Project Management: Meeting the Challenges and Achieving Results*.Wiley; 1 Edition

*Book is available in the library.

Unit I: Principles of Management of Organizations

Session -1
Coase, R. H., (1936). Nature of Firm. Economica, New Series, Vol. 4, No. 16, pp. 386-405.

Session -2 & 3

Henry, N., (Jul -Aug., 1975). Paradigms of Public Administration. *Public Administration Review*, Vol. 35, No. 4 pp. 378-386

Kaboolian, L., (May-Jun., 1998). The New Public Management: Challenging the Boundaries of the Management vs. Administration Debate. *Public Administration Review,* Vol. 58, No. 3 pp. 189-193

Session -4 & 5
Denhardt, R. B., and Denhardt J. V., (2000). The New Public Service: Serving Rather Than Steering. Public Administration Review. Vol. 60, No. 6, pp. 549-559 Behn,R. D., (1995). The Big Questions of Public Management. Public Administration Review, Vol. 55, No. 4, pp. 313-324

Session -6
Mintzberg, H., (1975). Manager's Job: Folklore and Fact. Harvard Business Review, Vol. 53, No. 4, pp. 49-61 Drucker, P., (2004). What makes an Effective Executive? Harvard Business School Publishing (HBSP)

Session -7 & 8
Mintzberg, H., (1981). Organization Design: Fashion or fit? Harvard Business Review. Vol. 59, No. 1, pp. 103-116. Lorange, P. and Scott Morton, M.S. (1974). A framework for management control systems. Sloan Management Review. 16(1), pp. 41–56

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Goleman, D., (2006). *What makes a Leader: Why Emotional Intelligence Matters?* More Than Sound. Goleman, D. (March-April, 2000). Leadership that gets Results. *Harvard Business Review*. pp. 78-90 Kotter, J., (1999). *What Leaders really do? (Harvard Business Review Book Series).*Harvard Business Review Press; First edition Ancona, D, Malone, W. T., Orlikowski, W. J., and Senge, P. M. (February 2007). In Praise of the incomplete leader. *Harvard Business Review*. pp. 92-100 Goffee, R & Jones, G (September, 2000). 'Why should anyone be led by you?' *Harvard Business Review*. pp. 63-70

Session -3 & 4
Livingston, J. S., (Jul-Aug 1969). Pygmalion in Management. *Harvard Business Review*, Vol. 47, No. 4, pp. 81-89 Herzberg, F., (1968). One More Time How do You Motivate Employees. *Harvard Business Review*, Vol. 46, No. 1, pp. 53-62 Nohria, N., Boris G., and Linda-Eling L., (Jul–Aug 2008). Employee Motivation: A Powerful New Model. *HBS Centennial Issue Harvard Business Review*. Vol. 86, No. 7/8, pp. 78–84

Session -5
Romzek, B. S. and Dubnick, M. J. (1987). Accountability in the Public Sector: Lessons from the Challenger Tragedy. *Public Administration Review*. Vol. 47, No. 3, pp. 227-238

Session -6
Oncken, W. & Wass, D. L., (1999). Management Time: Who's got the Monkey? Harvard Business Review. Vol. 77, No. 6, pp.178-186

Session -7 & 8
Richard, H. J., & Coutu, D., (May 2009). Why teams don't work. *Harvard Business Review*. 98–105.

Session -9
Fernandez, S., and Rainey, H. G. (2006). Managing Successful Organizational Change in the Public Sector. *Public Administration Review*. Vol. 66, No. 2, pp. 168-17 Kotter, J., (1995). Leading Change: Why Transformation Efforts Fail. *Harvard Business Review*. Vol. 73, No. 2, pp. 59 – 67.

Session -10
Behn, R. D. (2003). Why Measure Performance? Different Purposes Require Different Measures. Public Administration Review. Vol. 63, No. 5. pp. 586-606 Drucker, P. F., (Jan 2008). Managing Yourself, Harvard Business Review Classics.

Unit VI: Project Management

Session -1 & 4
Wernham, B., (2012). *Agile Project Management for Government.* Maitland & Strong. Wirick, D., (2009). *Public-Sector Project Management: Meeting the Challenges and Achieving Results.*Wiley; 1 Edition

(MANAGEMENT AND BEHAVIORAL SCIENCES)

Suggested Readings:

Unit I: Principles of Management of Organizations

Session 1:
Comparing Public and Private Organizations Author(s): Hal G. Rainey, Robert W. Backoff and Charles H. Levine Source: Public Administration Review, Vol. 36, No. 2 (Mar. - Apr., 1976), pp. 233-244

Session 2 & 3:

The New Public Management: Challenging the Boundaries of the Management vs. Administration Debate Author(s): Linda Kaboolian Source: Public Administration Review, Vol. 58, No. 3 (May - Jun., 1998), pp. 189-193

Session 4 & 5:

The New Governance: Practices and Processes for Stakeholder and Citizen Participation in the Work of Government Author(s): Lisa Blomgren Bingham, Tina Nabatchi and Rosemary O'Leary Source: Public Administration Review, Vol. 65, No. 5 (Sep. - Oct., 2005), pp. 547-558Published

Citizen Participation in Decision Making: Is It Worth the Effort? Author(s): Renée A. Irvin and John Stansbury Source: Public Administration Review, Vol. 64, No. 1 (Jan. - Feb., 2004), pp. 55-65Published

Session 6:

Gosling, J. and Mintzberg, H., (2003). The five Minds of a Manager. Harvard Business Review, Vol. 81. No. 11, pp. 378-386.

Session 7 &8:

Goold, M., & Campbell, A., (2002). Why do we need well designed organizations? Harvard Business Review Vol. 80. No. 3, pp. 117-24

Organizing for Performance, Chapter 5 in "The Modern Firm" by John Roberts.

Unit II: Organizational Behaviour

Session 1 &2:

Collins, J. (2005). Level five Leadership. Harvard Business Review, Vol. 79(1), pp. 66-76

Session 3 & 4:

Building a practically useful theory of goal setting and task motivation: 35 Year odyssey. Amercian Psychologist, 57:9, sept., pp 705-717

Session 5:

Long, N. E., (1949). Power and Administration. Public Administration Review, Vol. 9, No. 4 (autumn, 1949), pp. 257-264

Session 10:

Robert S. Kaplan, (2012) "The balanced scorecard: comments on balanced scorecard commentaries", Journal of Accounting & Organizational Change, Vol. 8 Iss: 4, pp.539 - 545

The Nature of the Firm (1937)

R. H. COASE

Economic theory has suffered in the past from a failure to state clearly its assumption. Economists in building up a theory have often omitted to examine the foundations on which it was erected. This examination is, however, essential not only to prevent the misunderstanding and needles controversy which arise from a lack of knowledge of the assumptions on which a theory is based, but also because of the extreme importance for economics of good judgment in choosing between rival sets of assumptions. For instance, it is suggested that the use of the word "firm" in economics may be different from the use of the term by the "plain man."' Since there is apparently a trend in economic theory towards starting analysis with the individual firm and not with the industry,[2] it is ail the more necessary not only that a clear definition of the word *"firm"* should be given but that its difference from a firm in the "real world," if it aists, should be made clear. Mrs. Robinson has said that "the two questions to be asked of a set of assumptions in economics are: Are they tractable? and: Do they correspond with the real world?"[3] Though, as Mrs. Robinson points out, "More often one set will be manageable and the other realistic," yet there may well be branches of theory where assumptions may be both manageable and realistic. It is hoped to show in the following paper that a definition of a firm may be obtained which is not only realistic in that it corresponds to what is meant by a firm in the real world, but is tractable by two of the most powerful instruments of economic analysis developed by Marshall, the idea of the margin and that of substitution, together giving the idea of substitution at the margin.[4] Our definition must, of course, "relate to formal relations which are capable of being *conceived* exactly."[5]

I

It is convenient if, in searching for a definition of a firm, we first consider the economic system as it is normally treated by the economist. Let us consider the description of the economic system given by Sir Arthur Salter[6]. "The normal economic system works itself. For its current operation it is under no central control, it needs no central survey. Over the whole range of human activity and human need, supply is adjusted to demand, and production to consumption, by a process that is automatic, elastic and responsive." An economist thinks of the economic system as being co-ordinated by the price mechanism and society becomes not an organization but an organism.[7] The economic system "works itself. This does not mean that there is no planning by individuals. These exercise foresight and choose between alternatives. This is necessarily so if there is to be order in the system But this theory assumes that the direction of resources is dependent directly on the price mechanism. Indeed, it is often considered to be an objection to economic planning that it merely tries to do what is already done by the price mechanism.[8] Sir Arthur Salter's description, however, gives a very incomplete picture of our economic system. Within a firm, the description does not fit at all. For instance, in economic theory we find that the allocation of factors of production between different uses is determined by the price mechanism. The price of factor *A* becomes higher in X than in *Y*. As a result, *A* moves from *Y* to X until the difference between the prices in X and *Y*, except if 50 far as it compensates for other differential advantages, disappears. Yet in the real world, we find that there are many areas where this does not apply. If a workman moves from department *Y* to department X, he does not go because of a change in relative prices, but because he is ordered to do 50. Those who object to economic planning on the grounds that the problem is solved by price movements can be answered by pointing out that there is planning within our economic system which is quite different from the individual planning mentioned above and which is akin to what is normally called economic planning. The example given above is typical of a large sphere in our modem economic system. 0f course, this fact has not been ignored by economists. Marshall introduces organization as a fourth factor of production; J.B. Clark gives the co-ordinating function to the entrepreneur; Professor Knight introduces managers who co-ordinate. As D. H. Robertson points out, we find "islands of conscious power in this ocean of unconscious co-operation like lumps of butter coagulating in a pail of buttermilk."[9] But in view of the fact that it is usually argued that co-ordination will be done by the price mechanism, why is such organization necessary? Why are there these "islands of conscious power"? Outside the firm, price movements direct production, which is co-ordinated through a series of exchange transactions on the market. Within a firm, these markets transactions are eliminated and in place of the complicated market structure with exchange transactions is substituted the entrepreneurco-ordinator, who directs production.[10] It is clear that these are alternative methods of co-ordinating production. Yet, having regard to the fact that if production is regulated by price movements, production could be carried on without any organization at all, well might we ask, why is there any organization?

0f course, the degree to which the price mechanism is superseded varies greatly. In a department store, the allocation of the different sections to the various locations in the building may be done by the controlling authority or it may be the result of competitive price bidding for space. In the Lancashire cotton industry, a weaver can rent power and shop-room and can obtain looms and yarn on credit.[11]

This co-ordination of the various factors of production is, however, normally carried out without the intervention of the price mechanism. As is evident, the amount of "vertical" integration, involving as it does the supersession of the price mechanism, varies greatly from industry to industry and from firm to firm.

It can, I think, be assumed that the distinguishing mark of the firm is the supersession of the price mechanism. It is, of course, as Professor Robbins points out, "related to an outside network of relative prices and costs,"[12] but it is important to discover the exact nature of this relationship. This distinction between the allocation of resources in a firm and the allocation in the economic system has been very vividly described by Mr. Maurice Dobb when discussing Adam Smith's conception of the capitalist: "It began to be seen that there was something more important than the relations inside each factory or unit captained by an undertaker; there were the relations of the undertaker with the rest of the economic world outside his immediate sphere... the undertaker busies himself with the division of labour inside each firm and he plans and organises consciously," but "he is related to the much larger economic specialisation, of which he himself is merely one specialised unit. Here, he plays his part as a single cell in a larger organism, mainly unconscious of the wider rôle he fills."[13]

In view of the fact that while economists treat the price mechanism as a coordinating instrument, the? also admit the co-ordinating function of the "entrepreneur," it is surely important to enquire why co-ordination is the work of the price mechanism in one case and of the entrepreneur in another. The purpose of this paper is to bridge what appears to be a gap in economic theory between the assumption (made for some purposes) that resources are allocated by means of the price mechanism and the assumption (made for other purposes) that this allocation is dependent on the entrepreneur-co-ordinator. We have to explain the basis on which, in practice, this choice between alternatives is effected.[14]

II

Our task is to attempt to discover why a firm emerges at ah in a specialized exchange economy. The price mechanism (considered purely from the side of the direction of resources) might be superseded if the relationship which replaced it was desired for its own sake. This would be the case, for example, if some people preferred to work under the direction of some other person. Such individuals would accept less in order to work under someone, and firms would arise naturally from this. But it would appear that this cannot be a very important reason, for it would rather seem that the opposite tendency is operating if one judges from the stress normally laid on the advantage of "being one's own master;"[15] Of course, if the desire was not to be controlled but to control, to exercise power over others, then people might be willing to give Up something in order to direct others; that is, they would be willing to pay others more than they could get under the price mechanism in order to be able to direct them. But this implies that those who direct pay in order to be able to do this and are not paid to direct, which is clearly not true in the majority of cases.[16] Firms might also exist if purchasers preferred commodities which are produced by firms to those not 50 produced; but even in spheres where one would expect such preferences (if they exist) to be of negligible importance, firms are to be found in the real world.[17] Therefore there must be other elements involved.

The main reason why it is profitable to establish a firm would seem to be that there is a cost of using the price mechanism. The most obvious cost of "organizing" production through the price mechanism is that of discovering what the relevant prices are.[18] This cost may be reduced but it will not be eliminated by the emergence of specialists who will sell this information. The costs of negotiating and concluding a separate contract for each exchange transaction which takes place on a market must also be taken into account.[19] Again, in certain markets, e.g., produce ex-changes, a technique is devised for minimizing these contract costs; but they are not eliminated. It is true that contracts are not eliminated when there is a firm but they are greatly reduced. A factor of production (or the owner thereof) does not have to make a series of contracts with the factors with whom he is co-operating within the firm, as would be necessary, of course, if this co-operation were as a direct result of the working of the price mechanism. For this series of contracts is substituted one. At this stage, it is important to note the character of the contract into which a factor enters that is employed within a firm. The contract is one whereby the factor, for a certain remuneration (which may be fixed or fluctuating), agrees to obey the directions of an entrepreneur *within certain limits.*[20] The essence of the contract is that it should only state the limits to the powers of the entrepreneur; Within these limits, he can therefore direct the other factors of production.

There are, however, other disadvantages - or costs - of using the price mechanism. It may be desired to make a long-term contract for the supply of some article or service. This may be due to the fact that if one contract is made for a longer period, instead of several shorter ones, then certain costs of making each contract will be avoided. Or, owing to the risk attitude of the people concerned, they may prefer to make a long rather than a short-term contract. Now, owing to the difficulty of forecasting, the longer the period of the contract is for the supply of the commodity or service, the less possible, and indeed, the less desirable it is for the person purchasing to specify what the other contracting party is expected to do. It may well be a matter of indifference to the person supplying the service or commodity which of several courses of action is taken, but not to the purchaser of that service or commodity. But the purchaser will not know which of these several courses he will want the supplier to take. Therefore, the service which is being provided is expressed in general terms, the exact details being left until a later date. All that is stated in the contract is the limits to what the persons supplying the commodity or service is expected to do. The details of what the supplier is expected to do is not stated in the contract but is decided later by the purchaser. When the direction of resources (within the limits of the contract) becomes dependent on the buyer in this way, that relationship which I term a "firm" may be obtained.[21] A firm is likely therefore to emerge in those cases where a very short-term contract would be unsatisfactory. It is obviously of more importance in the case of services -labor-than it is in the case of the buying of commodities. In the case of commodities, the main items can be stated in advance and the details which will be decided later will be of minor significance.

We may sum Up this section of the argument by saying that the operation of a market costs something and by forming an organization and allowing some authority (an "entrepreneur") to direct the resources, certain marketing costs are saved. The entrepreneur has to carry out his function at less cost, taking into account the fact that he may get factors of production at a lower price than the market transactions which he supersedes, because it is always possible to revert to the open market if he fails to do this.

The question of uncertainty is one which is often considered to be very relevant to the study of the equilibrium of the firm. It seems improbable that a firm would emerge without the existence of uncertainty. But those, for instance, Professor Knight, who make the *mode of payment* the distinguishing mark of the firm - fixed incomes being guaranteed to some of those engaged in production by a person who takes the residual, and fluctuating, income-would appear to be introducing a point which is irrelevant to the problem we are considering. One entrepreneur may sell his services to another for a certain sum of money, while the payment to his employees may be mainly or wholly a share in profits.[22] The significant question would appear to be why the allocation of resources is not done directly by the price mechanism.

Another factor that should be noted is that exchange transactions on a market and the same transactions organized within a firm are often treated differently by Governments or other bodies with regulatory powers. If we consider the operation of a sales tax, it is clear that it is a tax on market transactions and not on the same transactions organized within the firm. Now since these are alternative methods of organization"-by the price mechanism or by the entrepreneur-such a regulation would bring into existence firms which otherwise would have no *raison d'être.* It would furnish a reason for the emergence of a firm in a specialized exchange economy. Of course, to the extent that firms already exist, such a measure as a sales tax would merely tend to make them larger than they would otherwise be. Similarly, quota schemes, and methods of price control which imply that there is rationing, and which do not apply to firms producing such products for themselves, by allowing advantages to those who organize within the firm and flot through the market, necessarily encourage the growth of firms. But it is difficult to believe that it is measures such as have been mentioned in this paragraph which have brought firms into existence. Such measures would, however, tend to have this result if they did not exist for other reasons.

These, then, are the reasons why organizations such as firms exist in a specialized exchange economy in which it is generally assumed that the distribution of resources is "organized" by the price mechanism. A firm, therefore, consists of the system of relationships which comes into existence when the direction of resources is dependent on an entrepreneur;

The approach which has just been sketched would appear to offer an advantage in that it is possible to give a scientific meaning to what is meant by saying that a firm gets larger or smaller A firm becomes larger as additional transactions (which could be exchange transactions co-ordinated through the price mechanism) are organized by the entrepreneur and becomes smaller as he abandons the organization of such transactions. The question which arises is whether it is possible to study the forces which determine the size of the firm. Why does the entrepreneur not organize one less transaction or one more? It is interesting to note that Professor Knight considers that:

> the relation between efficiency and size is one of the most serious problems of theory, being, in contrast with the relation for a plant, largely a matter of personality and historical accident rather than of intelligible general principles.
>
> But the question is peculiarly vital because the possibility of monopoly gain offers a powerful incentive to *continuous and unlimited* expansion of the firm, which force must be offset by some decreased efficiency (in the production of money income) with growth in size, if even boundary competition is to exist.[23]equally powerful one making for

Professor Knight would appear to consider that it is impossible to treat scientifically the determinants of the size of the firm. On the basis of the concept of the firm developed above, this task will now be attempted.

It was suggested that the introduction of the firm was due primarily to the existence of marketing costs. A pertinent question to ask would appear to be (quite apart from the monopoly considerations raised by Professor Knight), why, if by organizing one can eliminate certain costs and in fact reduce the cost of production, are there any market transactions at all?[24] Why is not ah production carried on by one big firm? There would appear to be certain possible explanations.

First, as a firm gets larger, there may be decreasing returns to the entrepreneur function, that is, the costs of organizing additional transactions within the firm may rise.[25] Naturally, a point must be reached where the costs of organizing an extra transaction within the firm are equal to the costs involved in carrying out the transaction in the open market, or; to the costs of organizing by another entrepreneur. Secondly, it may be that as the transactions which are organized increase, the entrepreneur fails to place the factors of production in the uses where their value is greatest, that is, fails to make the best use of the factors of production. Again, a point must be reached where the loss through the waste of resources is equal to the marketing costs of the exchange transaction in the open market or to the loss if the transaction was organized by another entrepreneur. Finally, the supply price of one or more of the factors of production may rise, because the "other advantages" of a small firm are greater than those of a large firm.[26] Of course, the actual point where the expansion of the firm ceases might be determined by a combination of the factors mentioned above. The first two reasons given most probably correspond to the economists' phrase of "diminishing returns to management."[27]

The point has been made in the previous paragraph that a firm will tend to expand until the costs of organizing an extra transaction within the firm become equal to the costs of carrying out the same transaction by means of an exchange on the open market or the costs of organizing in another firm. But if the firm stops its expansion at a point below the costs of marketing in the open market and at a point equal to the costs of organizing in another firm, in most cases (excluding the case of "combination"[28]), this will imply that there is a market transaction between these two procedures, each of whom could organize it at less than the actual marketing costs. How is the paradox to be resolved? If we consider an example the reason for this will become clear. Suppose *A* is buying a product from *B* and that both *A* and *B* could organize this marketing transaction at less than its present cost. *B*, we can assume, is not organizing one process or stage of production, but several. If *A* therefore wishes to avoid a market transaction, he will have to take over all the processes of production controlled by *B*. Unless *A* takes over ail the processes of production, a market transaction will still remain, although it is a different product that is bought. But we have previously assumed that as each producer expands he becomes less efficient; the additional costs of organizing extra transactions increase. It is probable that *A's* cost of organizing the transactions previously organized by *B* will be greater than *B's* costs of doing the same thing. *A* therefore will take over the whole of *B's* organization only if his cost of organizing *B's* work is not greater than *B's* cost by an amount equal to the costs of carrying out an exchange transaction on the open market. But once it becomes economical to have a market transaction, it also pays to divide production in such a way that the cost of organizing an extra transaction in each firm is the same.

Up to now it has been assumed that the exchange transactions which take place through the price mechanism are homogeneous. In fact, nothing could be more diverse than the actual transactions which take place in our modem world. This would seem to imply that the costs of carrying out exchange transactions through the price mechanism will vary considerably as will also the costs of organizing these transactions within the firm. It seems therefore possible that quite apart from the question of diminishing returns the costs of organizing certain transactions within the firm may be greater than the costs of carrying out the exchange transactions in the open market. This would necessarily imply that there were exchange transactions carried out through the price mechanism, but would it mean that there would have to be more than one firm? Clearly not, for all those areas in the economic system where the direction of resources was not dependent directly on the price mechanism could be organized within one firm. The factors which were discussed earlier would seem to be the important ones, though it is difficult to say whether "diminishing returns to management" or the rising supply price of factors is likely to be the more important.

Other things being equal, therefore, a firm will tend to be larger:

a. the less the costs of organizing and the slower these costs rise with an increase in the transactions organized.

b. the less likely the entrepreneur is to make mistakes and the smaller the increase in mistakes with an increase in the transactions organized.

c. the greater the lowering (or the less the rise) in the supply price of factors of production to firms of larger size.

Apart from variations in the supply price of factors of production to firms of different sizes, it would appear that the costs of organizing and the losses through mistakes will increase with an increase in the spatial distribution of the transactions organized, in the dissimilarity of the transactions, and in the probability of changes in the relevant prices.[29] As more transactions are organized by an entrepreneur, it would appçar that the transactions would tend to be either different in kind or in different places. This furnishes an additional reason why efficiency will tend to decrease as the firm gets larger. Inventions which tend to bring factors of production nearer together, by lessening spatial distribution, tend to increase the size of the firm.[30] Changes like the telephone and the telegraph which tend to reduce the cost of organizing spatially will tend to increase the size of the firm. All changes which improve managerial technique will tend to increase the size of the firm.[31/32]

It should be noted that the definition of a firm which was given above can be used to give more precise meanings to the terms "combination" and "integration."[33] There is a combination when transactions which were previously organized by two or more entrepreneurs become organized by one. This becomes integration when it involves the organization of transactions which were previously carried out between the entrepreneurs on a market. A firm can expand in either or both of these two ways. The whole of the "structure of competitive industry" becomes tractable by the ordinary technique of economic analysis.

III

The problem which has been investigated in the previous section has not been entirely neglected by economists and it is now necessary to consider why the reasons given above for the emergence of a firm in a specialized exchange economy are to be preferred to the other explanations which have been offered.

It is sometimes said that the reason for the existence of a firm is to be found in the division of labor This is the view of Professor Usher, a view which has been adopted and expanded by Mr. Maurice Dobb. The firm becomes "the result of an increasing complexity of the division of labour... The growth of this economic differentiation creates the need for some integrating force without which differentiation would collapse into chaos; and it is as the integrating force in a differentiated economy that industrial forms are chiefly significant."[34] The answer to this argument is an obvious one. The "integrating force in a differentiated economy" already exists in the form of the price mechanism. It is perhaps the main achievement of economic science that it has shown that there is no reason to suppose that specialization must lead to chaos.[35] The reason given by Mr. Maurice Dobb is therefore inadmissible. What has to be explained is why one integrating force (the entrepreneur) should be substituted for another integrating force (the price mechanism).

The most interesting reasons (and probably the most widely accepted) which have been given to explain this fact are those to be found in Professor Knight's *Risk, Uncertainty and Profit.* His views will be examined in some detail.

Professor Knight starts with a system in which there is no uncertainty:

> acting as individuals under absolute freedom but without collusion men are supposed to have organised economic life with the primary and secondary division of labour, the use of capital, etc., developed to the point familiar in present-day America. The principal fact which calls for the exercise of the imagination is the internal organisation of the productive groups or establishments. With uncertainty entirely absent, every individual being in possession of perfect knowledge of the situation, there would be no occasion for anything of the nature of responsible management or control of productive activity. Even marketing transactions in any realistic sense would not be found. The flow of raw materials and productive services to the consumer would be entirely automatic.[36]

Professor Knight says that we can imagine this adjustment as being "the result of a long process of experimentation worked out by trial-and-error methods alone," while it is not necessary "to imagine every worker doing exactly the right thing at the right time in a sort of 'pre-established harmony' with the work of others. There might be managers, superintendents, etc., for the purpose of co-ordinating the activities of individuals," though these managers would be performing a purely routine function, "without responsibility of any sort."[37]

Professor Knight then continues:

> With the introduction of uncertainty-the fact of ignorance and the necessity of acting upon opinion rather than knowledge-into this Eden-like situation, its character is entirely changed. . . . With uncertainty present doing things, the actual execution of activity, becomes in a real sense a secondary part of life; the primary problem or function is deciding what to do and how to do

This fact of uncertainty brings about the two most important characteristics of social organization.

> In the first place, goods are produced for a market, on the basis of entirely impersonal prediction of wants, not for the satisfaction of the wants of the producers themselves. The producer takes the responsibility of forecasting the consumers' wants. In the second place, the work of forecasting and at the same time a large part of the technological direction and control of production are still further concentrated upon a very narrow class of the producers, and we meet with a new economic functionary, the entrepreneur. . . . When uncertainty is present and the task of deciding what to do and

how to do it takes the ascendancy over that of execution the internal organisation of the productive groups is no longer a matter of indifference or a mechanical detail. Centralisation of this deciding and controlling function is imperative, a process of "cephalisation" is inevitable.[39]

The most fundamental change is:

the system under which the confident and venturesome assume the risk or insure the doubtful and timid by guaranteeing to the latter a specified income in return for an assignment of the actual results... With human nature as we know it it would be impracticable or very unusual for one man to guarantee to another a definite result of the latter's actions without being given power to direct his work. And on the other hand the second party would not place himself under the direction of the first without such a guarantee...The result of this manifold specialisation of function is the enterprise and wage system of industry. Its existence in the world is the direct result of the fact of uncertainty.[40]

These quotations give the essence of Professor Knight's theory. The fact of uncertainty means that people have to forecast future wants. Therefore, you get a special class springing Up who direct the activities of others to whom they give guaranteed wages. It acts because good judgment is generally associated with confidence in one's judgment.[41]

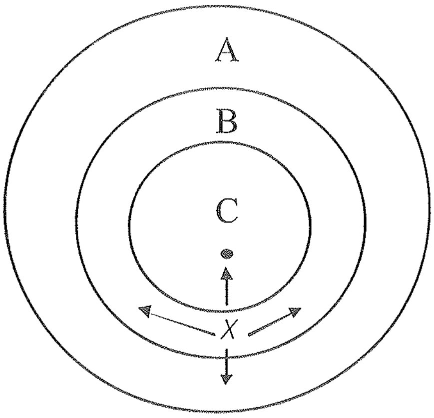
Professor Knight would appear to leave himself open to criticism on several grounds. First of all, as he himself points out, the fact that certain people have better judgment or better knowledge does not mean that they can only get an income from it by themselves actively taking part in production. They can sell advice or knowledge. Every business buys the services of a host of advisers. We can imagine a system where ah advice or knowledge was bought as required. Again, it is possible to get a reward from better knowledge or judgment not by actively taking part in production but by making contracts with people who are producing. A merchant buying for future delivery represents an example of this. But this merely illustrates the point that it is quite possible to give a guaranteed reward providing that certain acts are performed without directing the performance of those acts. Professor Knight says that "with human nature as we know it, it would be impracticable or very unusual for one man to guarantee to another a definite result of the latter's actions without being given power to direct his work." This is surely incorrect. A large proportion of jobs are done to contract, that is, the contractor is guaranteed a certain sum providing he performs certain acts. But this does not involve any direction. It does mean, however, that the system of relative prices has been changed and that there will be a new arrangement of the factors of production.42 The fact that Professor Knight mentions that the "second party would not place himself under the direction of the first without such a guarantee" is irrelevant to the problem we are considering. Finally, it seems important to notice that even in. the case of an economic system where there is no uncertainty Professor Knight considers that there would be co-ordinators, though they would perform only a routine function. He immediately adds that they would be "without responsibility of any sort," which raises the question by whom are they paid and why? It seems that nowhere does Professor Knight give a reason why the price mechanism should be superseded.

IV

It would seem important to examine one further point and that is to consider the relevance of this discussion to the general question of the "cost-curve of the firm."

It has sometimes been assumed that a firm is limited in size under perfect competition if its cost curve slopes upward,[43] while under imperfect competition, it is limited in size because it will not pay to produce more than the output at which marginal cost is equal to marginal revenue.« But it is clear that a firm may produce more than one product and, therefore, there appears to be no prima facie reason why this upward slope of the cost curve in the case of perfect competition or the fact that marginal cost will not always be below marginal revenue in the case of imperfect competition should limit the size of the firm.[45] Mrs. Robinson[46] makes the simplifying assumption that only one product is being produced. But it is clearly important to investigate how the number of products produced by a firm is determined, while no theory which assumes that only one product is in fact produced can have very great practical significance.

It might be replied that under perfect competition, since everything that is produced can be sold at the prevailing price, then there is no need for any other product to be produced. But this argument ignores the fact that there may be a point where it is less costly to organize the exchange transactions of a new product than to organize further exchange transactions of the old product. This point can be illustrated in the following way. Imagine, following von Thunen, that there is a town, the consuming center, and that industries are located around this central point in rings. These conditions are illustrated in the following diagram in which *A, B,* and *C* represent different industries.



Imagine an entrepreneur who starts controlling exchange transactions from x. Now as he extends his activities in the same product *(B),* the cost of organizing increases until at some point it becomes equal to that of a dissimilar product which is nearer. As the firm expands, it will therefore from this point include more than one product *(A* and *C).* This treatment of the problem is obviously incomplete,[47] but it is necessary to show that merely proving that the cost curve turns upwards does not give a limitation to the size of the firm. So far we have only considered the case of perfect competition; the case of imperfect competition would appear to be obvious.

To determine the size of the firm, we have to consider the marketing costs (that is, the costs of using the price mechanism), and the costs of organizing the different entrepreneurs and then we can determine how many products will be produced by each firm and how much of each it will produce. It would, therefore, appear that Mr. Shove[48] in his article on "Imperfect Competition" was asking questions which Mrs. Robinson's cost curve apparatus cannot answer; The factors mentioned above would seem to be the relevant ones.

V

Only one task now remains; and that is, to see whether the concept of a firm which has been developed fits in with that existing in the real world. We can best approach the question of what constitutes a firm in practice by considering the legal relationship normally called that of "master and servant" or "employer and employee."[49] The essentials of this relationship have been given as follows:

(1) the servant must be under the duty of rendering personal services to the master or to others on behalf of the master, otherwise the contract is a con-tract for sale of

goods or the like.

(2) The master must have the right to control the servant's work, either personally or by another servant or agent. It is this right of control or interference, of being entitled to tell the servant when to work (within the hours of service) and when not to work, and what work to do and how to do it (within the terms of such service) which is the dominant characteristic in this relation and marks off the servant from an independent contractor, or from one employed merely to give to his employer the fruits of his labour. In the latter case, the contractor or performer is not under the employer's control in doing the work or effecting the service; he has to shape and manage his work 50 as to give the result he has contracted to effect.[50]

We thus see that it is the fact of direction which is the essence of the legal concept of "employer and employee," just as it was in the economic concept which was developed above. It is interesting to note that Professor Batt says further:

> That which distinguishes an agent from a servant is not the absence or presence of a fixed wage or the payment only of commission on business done, but rather the freedom with which an agent may carry out his employment.[51]

We can therefore conclude that the definition we have given is one which approximates closely to the firm as it is considered in the real world.

Our definition is, therefore, realistic. Is it manageable? This ought to be clear; When we are considering how large a firm will be the principle of marginalism works smoothly. The question always is, will it pay to bring an extra exchange transaction under the organizing authority? At the margin, the costs of organizing within the firm will be equal either to the costs of organizing in another firm or to the costs involved in leaving the transaction to be "organized" by the price mechanism. Business men will be constantly experimenting, controlling more or less, and in this way, equilibrium will be maintained. This gives the position of equilibrium for static analysis. But it is clear that the dynamic factors are also of considerable importance, and an investigation of the effect changes have on the cost of organizing within the firm and on marketing costs generally will enable one to explain why firms get larger and smaller; We thus have a theory of moving equilibrium. The above analysis would also appear to have clarified the relationship between initiative or enterprise and management. Initiative means forecasting and operates through the price mechanism by the making of new contracts. Management proper merely reacts to price changes, rearranging the factors of production under its control. That the business man normally combines both functions is an obvious result of the marketing costs which were discussed above. Finally, this analysis enables us to state more exactly what is meant by the "marginal product" of the entrepreneur. But an elaboration of this point would take us far from our comparatively simple task of definition and clarification.

NOTES

1. Joan Robinson, *Economics Is a Serious Subject* (1932), 12.
2. See N. Kaldor, "The Equilibrium of the Firm," 44 The Economic Journal (1934), 60-76.
3. Op. cit., 6.
4. J M. Keynes, *Essays in Biography* (1933), 223-24.
5. L. Robbins, *Nature and Significance of Economic Science* (1935), 63.
6. This description is quoted with approval by D. H. Robenson, *Control Of Industry* (1923), *85,* and by Professor Arnold Plant, "Trends in Business Administration," 12 *Economica* (1932) *45-62. It* appears in *Allied Shipping Control,* pp. 16-17.
7. See F. A. Hayek, "The Trend of Economic Thinking," 13 *Economica* (1933)121-37.
8. See *R* A. Hayek, op. cit.
9. Op. cit., *85.*
10. In the rest of this paper I shall use the term entrepreneur to refer to the person or persons who, in a competitive system, take the place of the price mechanism in the direction of resources.
11. *Survey of Textile Industries,* 26.
12. Op. *cit.,* 71.
13. *Capitalist Enterprise and Social Progress (1925),* 20. *Cf.,* also, Henderson, *Supply and Demand* (1932), 3-5.
14. It is easy to see when the State takes over the direction of an industry that, in planning it, it is doing something which was previously done by the price mechanism. What is usually not realized is that any business man in organizing the relations between his departments is also doing something which could be organized through the price mechanism. There is therefore point in Mr. Durbin's answer to those who emphasize the problems involved in economic planning that the same problems have to be solved by business men in the competitive system. (Sec "Economic Calculus in a Planned Economy," 46 *The Economic Journal* [1936] 676-90.> The important difference between these two cases is that economic planning is imposed on industry while firms arise voluntarily because they represent a more efficient method of organizing production. In a competitive system, there is an "optimum" amount of planning!
15. Cf. Harry Dawes, "Labour Mobility in the Steel Industry," 44 *The Economic Journal* (1934) 84-94, who instances "the trek to retail shopkeeping and insurance work by the better paid of skilled men due to the desire (often the main aim in life of a worker> to be independent" (86).
16. None the less, this is not altogether fanciful. Some small shopkeepers are said to earn less than their assistants.
17. G. F. Shove,, "The Imperfection of the Market: a Further Note," 44 *The Economic Journal* (1933>113-24, n. 1, points out that such preferences may exist, although the example he gives is almost the reverse of the instance given in the text.
18. According to N. Kaldor, "A Classificatory Note of thc Determinanteness of Equilibrium," I *The Review Of Economic Studies* (1934)122-36, h is one of the assumptions of static theory that "Ail the relevant prices are known to ail individuals." But this is clearly not true of the real world.
19. This influence was noted by Professor Usher when discussing the development of capitalism. He says: "The successive buying and selling of partly finished products were sheer waste of energy." *(Introduction to the Industrial History Of England* (1920), 13.) But he does not develop the idea nor consider why it is that buying and selling operations still exist.
20. It would be possible for no limits to the powers of thc entrepreneur to be fixed. This

would be voluntary slavery. According to Professor Batt, *The Law o! Master and Servant* (1933), 18, such a contract would be void and unenforceable.
21. Of course, it is not possible to draw a hard and fast line which determines whether there is a firm or not. There may be more or less direction. It is similar to the legal question of whether there is the relationship of master and servant or principal and agent. Sec the discussion of this problem below.
22. The views of Professor Knight are examined below in more detail.
23. *Risk, Uncertainty and Profit,* Preface to the Re-issue, London School of Economics Series of Reprints, No. 16 (1933).
24. There are certain marketing costs which could only be eliminated by the abolition of "consumers' choice" and these arc the costs of retailing. It is conceivable that these costs might be so high that people would bc willing to accept rations because the extra product obtained was worth the loss of their choice.
25. This argument assumes that exchange transactions on a market can be considered as homogeneous; which is clearly untrue in fact. This complication is taken into account below.
26. For a discussion of the variation of the supply price of factors and production to firms of varying size, sec E. A. G. Robinson, *The Structure of Competitive Industry* (1932). It is sometimes said that the supply price of organizing ability increases as the size of the firm increases because men prefer to be the heads of small independent businesses rather than the heads of departments in a large business. Sec Jones, *The Trust Problem* (1921), 531, and Macgregor, *Industrial Combination* (1935), 63. This is a common argument of those who advocate Rationalization. It is said that larger units would be more efficient, but owing to the individualistic spirit of the smaller entrepreneurs, they prefer to remain independent, apparently in spite of the higher income which their increased efficiency under Rationalization makes possible.
27. This discussion is, of course, brief and incomplete. For a more thorough discussion of this particular problem, see N. Kaldor, "The Equilibrium of the Firm," 44 *The Economic Journal* (1934) 60-76, and E. A. G. Robinson, "The Problem of Management and the Size of the Firm," 44 *The Economic Journal* (1934) 242-57.
28. A definition of this term is given below.
29. This aspect of the problem is emphasized by N. Kaldor, op. cit. Its importance in this connection had been previously noted by E. A. G. Robinson, *The Structure Of Competitive Industry* (1932), 83-106. This assumes that an increase in the probability of price movements increases the costs of organizing within a firm more than it increases the cost of carrying out an exchange transaction on the market - which is probable.
30. This would appear to be the importance of the treatment of the technical unit by E. A. G. Robinson, op. cit., 27-33. The larger the technical unit, the greater the concentration of factors and therefore the firm is likely to be larger.
31. It should be noted that most inventions will change both the costs of organizing and the costs of using the price mechanism. In such cases, whether the invention tends to make firms larger or smaller will depend on the relative effect on these two sets of costs. For instance, if the telephone reduces the costs of using the price mechanism more than it reduces the costs of organizing, then h will have the effect of reducing the size of the firm.
32. An illustration of these dynamic forces is furnished by Maurice Dobb, *Russian Economic Development* (1928), 68. "With the passing of bonded labour the factory, as an establishment where work was organised under the whip of the overseer, lost its raison d'être until this was restored to it with the introduction of power machinery after 1846." It seems important to realize that the passage from the domestic system to the factory system is not a mere historical accident, but is conditioned by economic forces. This is shown by the fact that it is possible to move from the factory system to the domestic system, as in the Russian example, as well as vice versa. It is the essence of serfdom that the price mechanism is not allowed to operate. Therefore, there has to be direction from some organizer. When, however, serfdom passed, the price mechanism was allowed to operate. It was not until machinery drew workers into one locality that it paid to supersede the price mechanism and the firm again emerged.

33. This is often called "vertical integration," combination being termed "lateral integration."
34. Op. cit., 10. Professor Usher's views are to be found in his *Introduction to the Industrial History of England* (1920), 1-18.
35. Cf. J.B. Clark, *Distribution of Wealth* (1899), 19, who speaks of the theory of exchange as being the "theory of the organisation of industrial society."
36. *Risk, Uncertainty and Profit,* 267.
37. Op. cit., 267-68.
38. Op. cit., 268.
39. Op. cit., *268-95.*
40. Op. cit., 269-70.
41. Op. cit.,270.
42. This shows that it is possible to have a private enterprise system without the existence of firms. Though, in practice, the two functions of enterprise, which actually influences the system of relative prices by forecasting wants and acting in accordance with such forecasts, and management, which accepts the system of relative prices as being given, are normally carried out by the same persons, yet it seems important to keep them separate in theory. This point is further discussed below.
43. See Kaidor, op. cit., and Robinson, *The Problem of Management and the Size of the Firm.*
44. Mr. Robinson calls this the Imperfect Competition solution for the survival of the small firm.
45. Mr. Robinson's conclusion, op. cit., 249, n. 1, would appear to be definitely wrong. He is followed by Horace J. White, Jr, "Monopolistic and Perfect Competition," 26 *The American Economic Review* (1936) 645, n. 27. Mr. White states "It is obvious that the size of the firm is limited in conditions of monopolistic competition."
46. *Economics Imperfect Competition* (1934).
47. As has been shown above, location is only one of the factors influencing the cost of organizing.
48. G. F. Shove, "The Imperfection of the Market," 43 *The Economic Journal* (1933). 115. In connection with an increase in demand in the suburbs and the effect on the price charged by suppliers, Mr. Shove asks "...why do not the old firms open branches in the suburbs?" If the argument in the text is correct, this is a question which Mrs. Robinson's apparatus cannot answer.
49. The legal concept of "employer and employee" and the economic concept of a firm are not identical, in that the firm may imply control over another person's property as well as over their labor But the identity of these two concepts is sufficiently close for an examination of the legal concept to be of value in appraising the worth of the economic concept.
50. Batt, *The Law of Master and Servant,* 6.
51. Op. cit., 7.

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Paradigms of Public Administration

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■ Five paradigms of public administration are sketched in an effort to indicate that the notion of public administration as a unique, synthesizing field is relatively new. The discipline is conceived as an amalgam of organization theory, management science, and the concept of the public interest. It is suggested that it is time for public administration to establish itself as an institutionally autonomous enterprise in colleges and universities in order to retain its social relevance and worth.

Public administration again is examining itself.[1] Given the history of the field, this exercise probably is a sign of health. While self-scrutiny can be overdone—the late mathematician, John von Neumann, once described the state of a discipline that had become far too involved with self-study by coining the term "baroquism"—a reexamination by public administrationists of where the field has been and where it is going appears worthwhile. As an intellectual enterprise, public administration has reached a point of radical departure from its own past.

It is my purpose in this article to: (1) sketch the development of the field by describing four broad paradigms of American public administration, (2) speculate on what the emerging paradigm of public administration may turn out to be, and (3) attempt to justify why it is mandatory that public administration "come into its own" as an identifiable, unique, and institutionally independent field of instruction, research, and practice.

"Paradigm" no doubt is an overworked word.[2] Nevertheless, it is a useful one because there is no other term that conveys the concept of a field's self-identity and the changing dynamics of that identity. Paradigmatic questions are of especial significance in public administration. With approximately 90 per cent of all advanced degree graduates in public administration going into government employment,[3] with roughly one-in-six members of the American labor force working for one government or another, and with administrative-profession-technical personnel the major growth factor in public service hiring practices, it follows that the way in which public administration defines itself will determine to a profound degree the manner in which government works. It is with these reasons in mind that we should turn to a reconsideration of the trite yet worthy question of "What is public administration?"

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Public Administration's Eighty Years in a Quandary

Public administration's development as an academic field may be conceived as a succession of four overlapping paradigms. As Robert T. Golembiewski has noted in a perceptive essay on the evolution of the field,[4] each phase may be characterized according to whether it has "locus" or "focus." *Locus* is the institutional "where" of the field. A recurring locus of public administration is the government bureaucracy, but this has not always been the case and often this traditional locus has been blurred. *Focus* is the specialized "what" of the field. One focus of public administration has been the study of certain "principles of administration," but, again, the foci of the discipline have altered with the changing paradigms of public administration. As Golembiewski observes, the paradigms of public administration may be understood in terms of locus or focus; when one has been relatively sharply defined, the other has been relatively ignored in academic circles and vice-versa. We shall use the notion of loci and foci in reviewing the intellectual development of public administration.

Paradigm 1: The Politics/Administration Dichotomy, 1900-1926

Our benchmark dates for the Paradigm 1 period correspond to the publication of books written by Frank J. Goodnow and Leonard D. White; they are, as are the years chosen as marking the later periods of the field, only rough indicators. In *Politics and Administration* (1900), Goodnow contended that there were "two distinct functions of government," which he identified with the title of his book. Politics, said Goodnow, "has to do with policies or expressions of the state will," while administration "has to do with the execution of these policies."[5] Separation of powers provided the basis of the distinction; the legislative branch, aided by the interpretive abilities of the judicial branch, expressed the will of the state and formed policy, while the executive branch administered those policies impartially and apolitically.

The emphasis of Paradigm 1 was on locus—where public administration should be. Clearly, in the view of Goodnow and his fellow public administrationists, public administration should center in the government's bureaucracy. The initial conceptual legitimation of this locus-centered definition of the field, and one that would wax increasingly problematic for academics and practitioners alike, became known as the politics/administration dichotomy.

Public administration received its first serious attention from scholars during this period largely as a result of the "public service movement" that was taking place in American universities in the early part of this century. Political science, as a report issued in 1914 by the Committee on Instruction in Government of the American Political Science Association stated, was concerned with training for citizenship, professional preparations such as law, and training "experts and to prepare specialists for governmental positions."[6] Public administration, therefore, was a clear and significant subfield of political science, and political science departments in universities were perceived as the logical place in which to train public administrators.

Public administration began picking up academic legitimacy in the 1920s; notable in this regard was the publication of Leonard D. White's *Introduction to the Study of Public Administration* in 1926, the first textbook devoted *in toto* to the field. As Dwight Waldo has pointed out,[7] White's text was quintessentially American Progressive in character and, in its quintessence, reflected the general thrust of the field: Politics should not intrude on administration; management lends itself to scientific study; public administration is capable of becoming a "value-free" science in its own right; the mission of administration is economy and efficiency, period.

The net result of Paradigm 1 was to strengthen the notion of a distinct politics/administration dichotomy by relating it to a corresponding value/fact dichotomy. Thus, everything that public administrationists scrutinized in the executive branch was imbued with the colorings and legitimacy of being somehow "factual" and "scientific," while the study of public policy making and related matters was left to the political scientists. The carving up of analytical territory between public administrationists and political scientists during this locus-oriented stage can be seen today in political science departments: it is the public administrationists who teach organization theory, budgeting, and personnel, while political scientists teach virtually everything else.

Paradigm 2: The Principles of Administration, 1927-1937

In 1927 F. W. Willoughby's book, *Principles of Public Administration,* was published as the second fully fledged text in the field. While Willoughby's *Principles* was as fully American Progressive in tone as White's *Introduction,* its title alone indicated the new thrust of public administration: that certain scientific principles of administration were "there," that they could be discovered, and that administrators would be expert in their work if they learned how to apply these principles.

Public administrationists were in high demand during the 1930s and early 1940s for their managerial knowledge, courted by industry and government alike. Thus the focus of the field—its essential expertise in the form of administrative principles—waxed, while no one thought too seriously about its locus. Indeed, the locus of public administration was everywhere, since principles were principles, and administration was administration, at least according to the perceptions of Paradigm 2. Furthermore, because public administrationists had contributed as much if not more to the formulation of "administrative principles" as had researchers in any other field in inquiry, it also followed that public administrationists should lead the academic pack in applying them to "real-world" organizations, public or otherwise.[8]

The "high noon of orthodoxy," as it often has been called, of public administration was marked by the publication in 1937 of Luther H. Gulick and Lyndall Urwick's *Papers on the Science of Administration.* Principles were important to Gulick and Urwick, but where those principles were applied was not; focus was favored over locus, and no bones were made about it. As Urwick said in the *Papers,*

> It is the general thesis of this paper that there are principles which can be arrived at inductively from the study of human organization which should govern arrangements for human association of any kind. These principles can be studied as a technical question, irrespective of the purpose of the enterprise, the personnel comprising it, or any constitutional, political or social theory underlying its creation.[9]

That was public administration in 1937.

The Challenge, 1938-1950

In the following year, mainstream, top-of-the heap public administration received its first real hint of conceptual challenge. In 1938, Chester I. Barnard's *The Functions of the Executive* appeared. Its impact on public administration was not overwhelming at the time, but it later had considerable influence on Herbert A. Simon when he was writing his devastating critique of the field, *Administrative Behavior.*

Dissent from mainstream public administration accelerated in the 1940s and took two mutually reenforcing directions. One was the objection that politics and administration could never be separated in any remotely sensible fashion. The other was that the principles of administration were logically inconsistent.

Although inklings of dissent began in the 1930s, a book of readings in the field, *Elements of Public Administration,* edited in 1946 by Fritz Morstein Marx, was one of the first major volumes which questioned the assumption that politics and administration could be dichotomized. Perhaps the most succinct statement articulating this new awareness was expressed by John Merriman Gaus in 1950: "A theory of public administration means in our time a theory of politics also."[10]

Arising simultaneously with the challenge to the traditional politics/administration dichotomy of the field was an even more basic contention: that there could be no such thing as a "principle" of administration. In 1946 and 1947, a spate of articles and books by Robert A. Dahl, Simon, Waldo, and others appeared that addressed the validity of the principles concept from a variety of perspectives.[11] The most formidable disection of the principles notion appeared in 1947: Simon's *Administrative Behavior.* Simon effectively demonstrated that for every "principle" of administration advocated in the literature there was a counter-principle, thus rendering the very idea of principles moot.

By mid-century, the two defining pillars of public administration—the politics/administration dichotomy and the principles of administration—had been toppled and abandoned by creative intellects in the field. This abandonment left public administration bereft of a distinct epistemological identity. Some would argue that an identity has yet to be found.

The Reaction to the Challenge, 1947-1950

In the same year that Simon razed the traditional foundations of public administration in *Administrative Behavior,* he offered an alternative to the old paradigms in a little-noted essay entitled "A Comment on 'The Science of Public Administration,'" published in the *Public Administration Review.* For Simon, a new paradigm for public administration meant that there ought to be two kinds of public administrationists working in harmony and reciprocal intellectual stimulation: those scholars concerned with developing "a pure science of administration" based on "a thorough grounding in social psychology," and a larger group concerned with "prescribing for public policy," and which would resurrect the then-unstylish field of political economy. Both a "pure science of administration" and "prescribing for public policy" would be mutually reenforcing components: "there does not appear to be any reason why these two developments in the field of public administration should not go on side by side, for they in no way conflict or contradict."[12]

Despite a proposal that was both rigorous and normative in its emphasis, Simon's call for a "pure science" put off many scholars in public administration and political science alike. First, Simon's urging that social psychology provided the basis for understanding administrative behavior struck many public administrationists as foreign and discomfiting; most of them had no training in social psychology. Second, since science was perceived as being "value-free," it followed that a "science of administration" logically would ban public administrationists from what many of them perceived as their richest sources of inquiry: normative political theory, the concept of the public interest, and the entire spectrum of human values. In sum, then, public administrationists faced the worrisome prospect of retooling only to become a technically oriented "pure science" that might lose touch with political and social realities in an effort to cultivate an engineering mentality for public administration.

There was also a more positive rationale for scholars in public administration to retain their linkages with political science; *i.e.*, the logical conceptual connection between public administration and political science: that is, the public policy-making process. Public administration considered the "black box" of that process: the formulation of public policies within public bureaucracies and their delivery to the polity. Political science was perceived as considering the "inputs and outputs" of the process: the pressures in the polity generating political and social change. Hence, there was a carrot as well as a stick inducing public administrationists to stay within the homey confines of the mother discipline.

Political scientists, for their part, had begun to resist the growing independence of public administrationists and to question the field's action orientation as early as the mid-1930s. Political scientists, rather than advocating a public service and executive preparatory program as they had in 1914, began calling for, in the words of Lynton K. Caldwell, "intellectualized understanding" of the executive branch, rather than "knowledgeable action" on the part of public administrators.[13] In 1952 an article appeared in the *American Political Science Review* advocating the "continuing dominion of political science over public administration."[14]

By the post-World War II era, political scientists could ill afford the breakaway of the subfield which still provided their greatest drawing card for student enrollments and government grants. The discipline was in the throes of being shaken conceptually by the "behavioral revolution" that had occurred in other social sciences. Political scientists were aware that not only public administrationists had threatened secession in the past, but now other subfields, such as international relations, were restive. And, in terms of science and social science both, it was increasingly evident that political science was held in low esteem by scholars in other fields. The formation of the National Science Foundation in 1950 brought the message to all who cared to listen that the chief federal science agency considered political science to be the distinctly junior member of the social sciences, and in 1953 David Easton confronted this lack of status directly in his influential book, *The Political System.*[15]

Paradigm 3: Public Administration as Political Science, 1950-1970

In any event, as a result of these concerns public administrationists remained in political science departments. The result was a renewed definition of locus—the governmental bureaucracy—but a corresponding loss of focus. Should the mechanics of budgets and personnel procedures be studied exclusively? Or should public administrationists consider the grand philosophic schemata of the "administrative Platonists," as one political scientist called them, such as Paul Appleby?[16] Or should they explore quite new fields of inquiry, as urged by Simon, as they related to the analysis of organizations and decision making? In brief, this third phase of definition was largely an exercise in reestablishing the linkages between public administration and political science. But the consequences of this exercise was to "define away" the field, at least in terms of its analytical focus, its essential "expertise." Thus, writings on public administration in the 1950s spoke of the field as an "emphasis," an "area of interest," or even as a "synonym" of political science.[17] Public administration, as an identifiable field of study, began a long, downhill spiral.

Things got relatively nasty by the end of the decade and, for that matter, well into the 1960s. In 1962, public administration was not included as a subfield of political science in the report of the Committee on Political Science as a Discipline of the American Political Science Association. In 1964 a major survey of political scientists indicated that the *Public Administration Review* was slipping in prestige among political scientists relative to other journals, and signalled a decline of faculty interest in public administration generally.[18] In 1967, public administration disappeared as an organizing category in the program of the annual meeting of the American Political Science Association. Waldo wrote in 1968 that, "The truth is that the attitude of political scientists . . . is at best one of indifference and is often one of undisguised contempt or hostility. We are now hardly welcome in the house of our youth."[19] A survey conducted in 1972 of the five major political science journals of a non-specialized nature indicated that only four per cent of all the articles published between 1960 and 1970 could be included in the category of "bureaucratic politics," which was the only category of the 15 possible that related directly to public administration.[20]

Paradigm 4: Public Administration as Administrative Science, 1956-1970

Partly because of the "undisguised contempt" being displayed in a number of political science departments, some public administrationists began searching for an alternative. Although Paradigm 4 occurred roughly concurrently with Paradigm 3 in time and never has received the broadly based favor that political science has garnered from public administrationists as a paradigm (although its appeal is growing), the administrative science option (a phrase inclusive of organization theory and management science) nonetheless is a viable alternative for a significant number of scholars in public administration. But in both the political science and administrative science paradigms, the essential thrust was one of public administration losing its identity and its uniqueness within the confines of some "larger" concept. As a paradigm, administrative science provides a focus but not a locus. It offers techniques that require expertise and specialization, but in what institutional setting that expertise should be applied is undefined. As in Paradigm 2, administration is administration wherever it is found; focus is favored over locus.

A number of developments, often stemming from the country's business schools, fostered the alternative paradigm of administrative science. In 1956, the important journal, *Administrative Science Quarterly*, was founded by a public administrationist on the premise that public, business, and institutional administration were false distinctions, that administration was administration. Public Administrationist Keith M. Henderson, among others, argued in the mid-1960s that organization theory was, or should be, the overarching focus of public administration.[21] Also in the 1960s, "organization development" began its rapid rise as a specialty of administrative science. Because of its involvement in social psychology, its concern with the "opening up" of organizations, and the "self-actualization" of their members, organization development was seen by many younger public administrationists as offering a very tempting alternative for conducting research on public bureaucracies but within the framework of administrative science: democratic values could be considered, normative concerns could be broached, and intellectual rigor and scientific methodologies could be employed.[22]

But there was a problem in the administrative science route, and a real one. If it were selected as the sole focus of public administration, could one continue to speak of *public* administration? After all, administrative science, while not advocating universal principles, nevertheless did and does contend that all organizations and managerial methodologies have certain characteristics, patterns, and pathologies in common. If only administrative science defined the field's paradigm, then public administration would exchange, at best, being an "emphasis" in political science departments for being, at best, a subfield in schools of administrative science. This often would mean in practice that schools of business administration would absorb the field of public administration; whether profit-conscious "B-school types" could adequately appreciate the vital value of the public interest as an aspect of administrative science was a question of genuine importance to public administrationists, and one for which the probable answers were less than comforting.

Part of this conceptual dilemma, but only part, lay in the traditional distinction between the "public" and "private" spheres of American society. What is *public* administration, what is everything else (i.e., "private" administration), and what is the dividing line between the two types has been a painful dilemma for a number of years.

As most of us know, "real world" phenomena are making the public/private distinction an increasingly difficult one to define empirically, irrespective of academic disputations. The research and development contract, the "military-industrial complex," the roles of the regulatory agencies and their relations with industry, and the growing expertise of government agencies in originating and developing advanced managerial techniques that were and are influencing the "private sector" in every aspect of American society, all have conspired to make *public* administration an elusive entity in terms of determining its proper paradigm.

This dilemma is not yet fully resolved, and confusion about the *public* variety of the field of administration seems at least understandable; one scholar, in fact, has argued that we should begin talking about "public administration," since all kinds of managerial organizations increasingly find themselves relating to public, governmental, and political concerns due to the growing interrelatedness of technological societies.[23]

The principal dilemma in defining the "public" in public administration appears to have been one of dimension.[24] Traditionally, the basis of definition for the term has been an institutional dimension. For example, the Department of Defense has been perceived by scholars as the legitimate locus of study for public administration, while the Lockheed Corporation was seen as beyond the field's proper locus of concern. These were institutional distinctions. Recently, however, this institutional dimension seems to be waning among scholars as a definitional base, while a growing philosophic and ethical dimension appears to be waxing. Hence, we are witnessing the rise of such concerns for the field as "the public interest" and "public affairs." As concepts, these terms tend implicitly to ignore institutional arrangements and concentrate instead on highly normative issues as they relate to the polity. Thus, rather than analyzing the Department of Defense as its legitimate locus of study, public administration finds itself scrutinizing the Department's relationships with Lockheed and other private contractors as these relationships affect the interests and affairs of the public. The normative dimension supplants the institutional dimension as a defining base for the locus of public administration.

As a paradigm, administrative science cannot comprehend the supravalue of the public interest. Without a sense of the public interest, administrative science can be used for *any* purpose, no matter how antithetical to democratic values that purpose may be. The concept of determining and implementing the public interest constitutes a defining pillar of public administration and a locus of the field that receives little if any attention within the context of administrative science, just as the focus of organization theory/management science garners scant support in political science. It would seem, therefore, that public administration should, and perhaps must, find a new paradigm that encourages both a focus and a locus for the field.

The Emerging Paradigm 5: Public Administration As Public Administration, 1970-?

Despite continuing intellectual turmoil, Simon's 1947 proposal for a duality of scholarship in public administration has been gaining a renewed validity. There is not yet a focus for the field in the form of a "pure science of administration," but at least organization theory primarily has concerned itself in the last two and a half decades with how and why organizations work, how and why people in them behave, and how and why decisions are made. Additionally, considerable progress has been made in refining the applied techniques of management science, as well as developing new techniques, that often reflect what has been learned in the more theoretical realms of organizational analysis.

There has been less progress in delineating a locus for the field, or what public affairs and "prescribing for public policy" should encompass in terms relevant to public administrationists. Nevertheless, the field does appear to be zeroing in on certain fundamental social factors unique to fully developed countries as its proper locus. The choice of these phenomena may be somewhat arbitrary on the part of public administrationists, but they do share commonalities in that they have engendered cross-disciplinary interest in universities, require synthesizing intellectual capacities, and lean toward themes that reflect urban life, administrative relations among organizations, and the interface between technology and human values—in short, public affairs. The traditional and rigid distinction of the field between the "public sphere" and the "private sphere" appears to be waning as public administration's new and flexibly defined locus waxes. Furthermore, public administrationists have been increasingly concerned with the inextricably related areas of policy science, political economy, the public policy-making process and its analysis, and the measurement of policy outputs. These latter aspects can be viewed, in some ways, as a linkage between public administration's evolving focus and locus.

Institutionalizing Paradigm 5: Toward Curricular Autonomy

With a paradigmatic focus of organization theory and management science, and a paradigmatic locus of the public interest as it relates to public affairs, public administration at last is intellectually prepared for the building of an institutionally autonomous educational curriculum that can develop the epistemological uniqueness of the field. What that curriculum will be is open to speculation, but some trends seem to be emerging. One is that the field is burgeoning. Between 1970 and 1971 alone, undergraduate enrollments in public administration increased 36 per cent, and between 1971 and 1972 graduate enrollments went up 50 per cent.[25]

A second trend is institutional. Public administration programs normally still are lodged in political science departments, although this arrangement clearly is declining. In a period of one academic year (1971-72 to 1972-73), graduate public administration programs that were a part of political science departments sank precipitously from 48 to 36 per cent, and those programs connected with business schools (only 13 per cent in 1971) appeared to be declining as well. On the clear upswing were those programs that functioned as autonomous units within the university. During the same period, the percentage of separate schools of public administration or public affairs more than doubled, from 12 per cent in 1971 to 25 per cent in 1972; separate departments of public administration (as opposed to separate schools) accounted for 23 per cent of the 101 graduate programs surveyed in 1972-73.[26]

How public administration is situated in universities determines to a significant extent what public administration is. With a plurality of public administration programs still being conducted in political science departments, we can infer that political science currently dominates the field intellectually as well as institutionally; in brief, the arrangement represents the fulfillment of Gaus' statement on a theory of public administration being simply a theory of politics. Unfortunately, locating public administration programs in political science departments has its costs. As Eugene P. Dvorin and Robert H. Simmons observe, "any desire for extensive experimentation" by public administrationists "may depend upon the assent of departmental colleagues" in political science

> who are unreceptive and insensitive to the administrative phenomenon in the emerging bureaucratic order. Under such conditions their power of decision making exceeds their responsibility for the program.... Under such conditions, the problems of public administration are compounded by the traditional disposition of political science to itself assume an orthodox stance of value-free scholarship. It would be difficult, therefore, to expect one branch of political science to radically depart in its central assumptions from those comprising the body of its host discipline.[27]

Similarly, those public administration programs that are a part of business schools—the administrative science approach—are limited in their potentiality for development. Administrative science is reflective of the earlier paradigm of public administration which was founded upon the notion of certain immutable administrative principles, in that both paradigms represent essentially technical definitions of the field. Politics, values, normative theory, and the role of the public interest are not salient concerns in the administrative science paradigm, yet it is precisely these concerns that must be critical in any intelligent definition of public administration.

Hence, public administration must borrow and redefine in its own terms the concept of the public interest from political science, and synthesize this concept with the methodologies and bureaucratic focus extant in administrative science. For all practical purposes, this unique, synthesizing combination can be accomplished only in institutionally autonomous academic units, free of the intellectual baggage that burdens the field in political science departments and administrative science schools alike.

Fortunately, the institutional trend in public administration appears to be heading in the direction of establishing separate schools of public affairs and separate departments of public administration. The MPA and DPA degrees are gaining in student popularity, and those academic journals concerned with public policy, public affairs, and the public bureaucracy are flourishing and proliferating. A major sign of public administration's growing independence is the dramatic growth of institutes of government, public administration, and urban affairs, and various kinds of public policy centers in universities. In an 18-month period between 1970 and 1972, the number of such units more than doubled to approximately 300.[28]

It is time for public administration to come into its own. Substantial progress has been in this direction intellectually. For perhaps the first time in public administration's 80 years in a quandary, a tentative paradigm has been formulated for the field that defines the discipline's "specialized what" *and* its "institutional where." This intellectual ripening must not be allowed to wither in institutional settings that are unsympathetic—

perhaps antithetical—to public administration's new and vital paradigm. The use of the field to society seems obvious, and, in an age in which higher education generally is suffering from declining enrollments, public administration programs are turning away highly qualified applicants. In short, the social, economic, intellectual, and political reasons for public administration to assert its identity and autonomy are there. It remains to be done.

Notes

1. There are a number of recent writings addressing the old question of "What is public administration?" from a new perspective. Representative published works of quality include: James C. Charlesworth (ed.), *Theory and Practice of Public Administration: Scope, Objectives, and Methods* (Philadelphia: American Academy of Political and Social Science, October 1968); Frank Marini (ed.), *Toward a New Public Administration: The Minnowbrook Perspective* (Scranton: Chandler, 1971); Richard J. Stillman, II, "Woodrow Wilson and the Study of Administration: A New Look at an Old Essay," *American Political Science Review,* Vol. 67 (June 1973), pp. 582-588; Vincent Ostrom, *The Intellectual Crisis in American Public Administration* (University, Ala.: University of Alabama Press, 1973); Dwight Waldo, "Developments in Public Administration," in *The Annals of the American Academy of Political and Social Science,* Vol. 404 (November 1972), pp. 217-245; and Howard E. McCurdy, "The Development of Public Administration: A Map," *Public Administration: A Bibliography,* Howard E. McCurdy (ed.) (Washington, D.C.: College of Public Affairs, American University, 1972), pp. 9-28. I should state here that I am not considering the sub-field of comparative public administration in this article on the grounds that it has developed somewhat independently of its parent field.
2. And I likely am using it inappropriately in this article. Nevertheless, "paradigm" conveys to most people what I want it to convey; to wit: How mainstream public administrationists have perceived their enterprise during the last 80 or so years.
3. National Association of Schools of Public Affairs and Administration (NASPAA), *Public Affairs and Administration Programs: 1971-72 Survey Report* (Washington, D.C.: NASPAA, 1972), p. 1.
4. Robert T. Golembiewski, "Public Administration As A Field: Four Developmental Phases," *Georgia Political Science Association Journal,* Vol. 2 (Spring 1974), pp. 24-25.
5. Frank Goodnow, *Politics and Administration* (New York: Macmillan, 1900), pp. 10-11.
6. "Report of the Committee on Instruction in Government," *Proceedings of the American Political Science Association, 1913-14* (Washington, D.C.: APSA, 1914), p. 264.
7. Dwight Waldo, "Public Administration," *Political Science: Advance of the Discipline,* Marian D. Irish (ed.) (Englewood Cliffs, N.J.: Prentice-Hall, 1968), pp. 153-189.
8. The high status of public administration relative to other kinds of studies in the administrative sciences during this period is reflected in Robert Aaron Gordon and James E. Howell, *Higher Education for Business* (New York: Columbia University Press, 1959), notably pp. 379-393.
9. Lyndall Urwick, "Organization as a Technical Problem," *Papers on the Science of Administration,* Luther Gulick and L. Urwick (eds.) (New York: Institute of Public Administration, 1937), p. 49.
10. John Merriman Gaus, "Trends in the Theory of Public Administration," *Public Administration Review,* Vol. 10 (Summer 1950), p. 168.
11. For example: Robert A. Dahl, "The Science of Public Administration: Three Problems," *Public Administration Review,* Vol. 7 (Winter 1947), pp. 1-11; Herbert A. Simon, "The Proverbs of Administration," *Public Administration Review,* Vol. 6 (Winter 1946), pp. 53-67, and *Administrative Behavior* (New York: Free Press, 1947); and Dwight Waldo, *The Administrative State* (New York: Ronald, 1948).
12. Herbert A. Simon, "A Comment on 'The Science of Public Administration,' " *Public Administration Review,* Vol. 7 (Summer 1947), p. 202.
13. Lynton K. Caldwell, "Public Administration and the Universities: A Half-Century of Development," *Public Administration Review,* Vol. 25 (March 1965), p. 57.
14. Roscoe Martin, "Political Science and Public Administration—A Note on the State of the Union," *American Political Science Review,* Vol. 46 (September 1952), p. 665.
15. David Easton, *The Political System* (New York: Knopf, 1953). Easton pulled no punches in his appraisal of the status of political science. As he noted (pp. 38-40), "with the exception of public administration, formal education in political science has not achieved the recognition in government circles accorded, say, economics or psychology." Or, "However much students of political life may seek to escape the taint, if they were to eavesdrop on the whisperings of their fellow social scientists, they would find that they are almost generally stigmatized as the least advanced."
16. Glendon A. Schubert, Jr., " 'The Public Interest' in Administrative Decision-Making," *American Political Science Review,* Vol. 51 (June 1957), pp. 346-368.
17. Martin Landau reviews this aspect of the field's development cogently in his "The Concept of Decision-Making in the 'Field' of Public Administration," *Concepts and Issues in Administrative Behavior,* Sidney Mailick and Edward H. Van Ness (eds.) (Englewood Cliffs, N.J.: Prentice-Hall, 1962), pp. 1-29. Landau writes (p. 9), "public administration is neither a subfield of political science, nor does it comprehend it; it simply becomes a synonym."
18. Albert Somit and Joseph Tanenhaus, *American Political Science: A Profile of a Discipline* (New York: Atherton, 1964), especially pp. 49-62 and

86-98.

19. Dwight Waldo, "Scope of the Theory of Public Administration," in Charlesworth, *op. cit.*, p. 8.
20. Contrast this figure with the percentage of articles in other categories published during the 1960-1970 period: "political parties," 13 per cent; "public opinion," 12 per cent; "legislatures," 12 per cent; and "elections/voting," 11 per cent. Even those categories dealing peripherally with "bureaucratic politics" and public administration evidently received short shrift among the editors of the major political science journals. "Region/federal government" received four per cent, "chief executives" won three per cent, and "urban/metropolitan government" comprised two per cent. As the author of the study notes, "The conclusion is inescapable that political scientists in recent years have not paid much attention to the vast new public bureaucracies emerging at all levels of the American and other Western political systems. . . . in practice, if not in theory, our discipline still seems to operate as if the bureaucracies . . . were someone else's business." The quotations and percentages are in Jack L. Walker, "Brother, Can You Paradigm?" *PS*, Vol. 5 (Fall 1972), pp. 419-422. The journals surveyed were *American Political Science Review, Journal of Politics, Western Political Quarterly, Midwest Political Science Journal,* and *Polity.*
21. Keith M. Henderson, *Emerging Synthesis in American Public Administration* (New York: Asia Publishing House, 1966).
22. The growing impact of organization development (and the entire administrative science paradigm) on public administration is aptly indicated by the recent symposium on the topic conducted by the *Public Administration Review*. Of the six contributors to the symposium, only two were associated with political science departments, and only one with a public administration unit. The remaining contributors were in administrative science, education, and psychology. See: Larry Kirkhart and Neely Gardner (co-eds.), "Symposium on Organization Development," *Public Administration Review,* Vol. 34 (March/April 1974), pp. 97-140.
23. Lynton K. Caldwell, "Methodology in the Theory of Public Administration," in Charlesworth, *op. cit.*, pp. 211-212.
24. Public administrationists, in an effort to distinguish their field from "private administration," have taken a number of differing directions. Marshall Edward Dimmock and Gladys Ogden Dimmock's *Public Administration* (New York: Holt, Rinehart and Winston, 4th edition, 1969) perhaps come closest to a philosophic dimension in defining the "public" in public administration by their discussion of an "appreciation of the public" and the concept of "the common man" (pp. 585-591). Most textbooks in the field, however, either rely on an institutionally formulated distinction between "public" and "private," or avoid the issue by relating public administration to political science and the public policy-making process. An example of the former is Felix A. Nigro and Lloyd G. Nigro's *Modern Public Administration* (New York: Harper and Row, 3rd edition, 1973). The authors define "public" in terms of their "goldfish bowl" thesis. As they state (p. 15): ". . . no public organization can ever be exactly the same as a private one. . . . As has often been said, the public official operates in a goldfish bowl. . . . Although the officials of a private company also have important public contacts, they are not operating in a goldfish bowl." John M. Pfiffner and Robert Presthus, in their *Public Administration* (New York: Ronald, 5th edition, 1960), also rely on institutionally based thinking when they distinguish "public" from "private" administration on the grounds that public administration "is mainly concerned with the *means* for implementing political values," its unique "highly legal framework," its "susceptibility to public criticism," and its inability to "evaluate its activities in terms of profits." Both texts are operating on variants of Paradigm 1 in that there is a clear locus (or "public") for the field which is perceived in institutional terms. By contrast, John Rehfuss's *Public Administration as Political Process* (New York: Charles Scribner's Sons, 1973); James W. Davis, Jr.'s, *An Introduction to Public Administration: Politics, Policy, and Bureaucracy* (New York: Free Press, 1974); and Ira Sharkansky's *Public Administration: Policy-Making in Government Agencies* (Chicago: Markham, 2nd edition, 1972) all reflect a Paradigm 3 perception in that public administration is seen as political science. Hence, "public" in contrast to "private" is either ignored as a distinction or its legitimacy as a distinction is denied. Davis at least confronts this stance directly (p. 4) by stating that, while the field is broadly interdisciplinary, it nonetheless is "patent that this book represents only the political-science part of public administration, not the part that would be written by the economist or someone from a business school." Similarly, Sharkansky observes (p. 3) that his book "concentrates on those components that appear to be the most relevant to the political process and that have received the most attention from political scientists." Rehfuss tends to toss in the towel by noting (pp. 220-221) that, "Until the relationship between public and private administration is clarified (if, indeed, it ever can be), there is unlikely to be agreement on the type of graduate training."
25. As calculated from figures in NASPAA, *op. cit.* (1971-72), pp. 1-2, and NASPAA, *Graduate School Programs in Public Affairs and Public Administration, 1974* (Washington, D.C.: NASPAA 1974), p. 2.
26. NASPAA, *op. cit.* (1971-72), Table 1, p. 105, and NASPAA, *op. cit.* (1974), p. 2.
27. Eugene P. Dvorin and Robert H. Simmons, *From Amoral to Humane Bureaucracy* (San Francisco: Canfield, 1972), pp. 52-53.
28. Grace M. Taher (ed.), *University Urban Research Centers, 1971-1972* (Washington, D.C.: The Urban Institute, 2nd edition, 1971), p. i.

The New Public Management: Challenging the Boundaries of the Management vs. Administration Debate
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This symposium is intended to promote a constructive and meaningful dialogue between scholars in the public policy and so-called "traditional public administration" communities. Scholars representing both academic provinces were asked to contribute articles that address the broad topic of "leadership, democracy and the new Public Management." While the authors approached their tasks in a variety of different ways, PAR *readers will find the essays engaging and thought provoking. Articles included in the symposium were reviewed by a distinguished panel of scholars including Herbert Kaufman, 1996 Waldo Award winner, David H. Rosenbloom, former* PAR *editor-in-chief, and Gary L. Wamsley, editor-in-chief,* Administration & Society. *We welcome your comments on the symposium.*

Larry D. Terry, symposium editor

The New Public Management: Challenging the Boundaries of the Management vs. Administration Debate

Linda Kaboolian, Harvard University

Reform movements in the public sector, codified as the "New Public Management" by scholars, provide an opportunity for the adherents of public administration and of public management to engage each other. This symposium presents the reactions of well-known scholars with different perspectives on the theoretical and empirical opportunities and challenges presented by the New Public Management. All of the authors have published important and lengthy works elsewhere that more fully elucidate their positions on issues that divide the school of public management from that of public administration.[1] The unique quality of the symposium is that these scholars address one another in a conversation disciplined by focus on a specific topic.

The "New Public Management": New Wine in Old Bottles

The "New Public Management" labels a series of innovations occurring domestically and abroad (Organization for Economic Cooperation and Development, 1995a, 1995b). The contemporaneous appearance of similar public sector reforms in countries as varied in their economic and political systems as the United States, Korea, the United Kingdom, Portugal, France, Brazil, Australia, Sweden, New Zealand, and Canada is a natural topic for scholarly investigation and discussion. Whether the innovations represent a "paradigm shift" in Thomas Kuhn's (1962) sense is an empirical question largely unanswered.[2] That the characteristic elements of the innovations seem founded on a set of shared principles appears more evident (Nagel, 1997).

Common to reform movements in all these countries is the use of the economic market as a model for political and administrative relationships (Nagel, 1997, 349). The institutional reforms of the New Public Management are heavily influenced by the assumptions of the public choice approach, principal-agent theory, and transaction cost economics. Political roles such as voter, bureaucrat, elected representative, and interest groups, as well as the relationships among them, are modeled using market analogies (Self, 1993, 3).

Similarly, policy-making, implementation, and service-delivery systems can be analyzed as a series of transactions with the characteristics of negotiated contracts, complete with concerns about information asymmetries, capture, rent-seeking, moral hazards, and the attendant problems of monitoring to ensure compliance (Lane, 1993, 33).

While the reform movements vary in depth, scope, and success by country, they are remarkably similar in the goals they pursue and the technologies they utilize. Each movement is driven to maximize productive and allocative efficiencies that are hampered by "bureau-pathology" that is, public agencies unresponsive to the demands of citizens, led by bureaucrats with the power and incentives to expand their administrative empires and "policy spaces" (Nagel, 1997, 350).[3] While control of administrative bureaucracies by political leadership is a traditional concern in representative governments and the target of many waves of innovations, the institutional reforms associated with the New Public Management are unprecedented in the formal separation between policy making and service delivery (Light, 1997). These arrangements take different forms, for example, in the United Kingdom and New Zealand; however, their purposes are the same (Thompson, 1997, 10).

Similarly, across the reform movements it is possible to observe the use of administrative technologies such as customer service, performance-based contracting, competition, market incentives, and deregulation. Knit together into a coherent whole, these technologies reinforce each other. An orientation to customer service focuses managers and agencies on what users of the services define as important (Barzelay and Kaboolian, 1990; Osborne and Gaebler, 1992). Well-designed measures for the performance of agencies and managers provide direction on a daily basis and increase accountability to political overseers for performance (Eggers, 1997). Market-like arrangements such as competition within units of government and across government boundaries to the non-profit and for-profit sectors, performance bonuses, and penalties loosen the inefficient monopoly franchise of public agencies and public employees (Jensen, 1995; Donlevy, 1994).

The implementation of the New Public Management comes at the same time that the role of managers in the private sector is changing. In order to achieve the performance measures for which they are accountable, it is argued, managers need to be liberated from routines and regulation by the various administrative systems, e.g., procurement and personnel (Peters, 1987; Thompson, 1997). This advice has been embraced by the public sector. The Gore report on reinventing government describes the U.S. federal government as "filled with good people trapped in bad systems: budget systems, personnel systems, procurement systems, financial management systems, information systems" (National Performance Review, 1993, 2). "Deregulation" that is, relaxing the rules, decentralizing authority, and increasing the discretion of managers, is the recommended course of action. In the public sector, both domestic and abroad, deregulation has taken the form of civil service reforms, notably in New Zealand, and delegation of authority to agency-based managers (Horner, 1994; Kettl, 1997).

In order to achieve the performance measures for which they are accountable, it is argued, managers need to be liberated from routines and regulation by the various administrative systems.

Politics or Administration?

The authors of the papers presented in this symposium consider the consequences of the New Public Management for public managers. This is by no means a parochial interest but an opportunity to revisit long-standing issues about the relationship of public managers to the public interest, political processes, and mechanisms of accountability.

All five authors ask if the market orientation of the New Public Management reforms will limit public managers to an instrumental role in the delivery of politically defined policies or will allow public managers to engage in or design the political processes that shape policies. This question remains relevant despite the fact that the New Public Management has an explicitly normative model of public managers. While the New Public Management encourages public managers to be entrepreneurial and to use incentives to guide and to enhance the performance of people and systems, public managers have been excluded from the political arena (Peters, 1996). Under the assumption that preferences are fixed and best expressed through market mechanisms, public managers are given more discretion in deciding "how" public agencies will achieve their performance goals than in defining "what" the public prefers.[4]

However instrumental this approach may appear, the model of the market-oriented public manager is problematic for democratic governance, Larry Terry argues in this symposium, because it implies that public managers are motivated by self-interest and act opportunistically, a stark contrast to the ideal of the "ethical agents who administer the public's business with the common good in mind." The image of the entrepreneurial public manager will affect managers' legitimacy, which, Terry argues, rests on the public's confidence that they will be faithful to the public interest and can be held accountable for their actions. More importantly, this image may further undermine trust in government, already at an all-time low in the United States (Nye, Zelikow, and King, 1997). Until we know more about how to ensure accountability, Terry rejects the model of public managers presented by the New Public Management.

Cook and Kelly join Terry in centering their concerns about the New Public Management on its consequences for democratic states. Public administration by its nature, Cook argues, is a political institution, formed by the character of the polity, in service to

Public managers under the New Public Management reforms can provide a range of choices from which customers can choose (e.g., vouchers in addition to public schools) or the right to opt out of the service delivery system.

the health and improvement of the regime. Normative models of public management notwithstanding, institutions designed to solve problems and provide goods and services have formative effects on society and are thereby constitutive. The job of public managers is to be vigilant about the effects of various institutional arrangements on the relationships and processes that are necessary for the health of the democracy and to accept that political engagement is inevitable. But this engagement should be circumscribed by the constitutional requirements of the polity.

Kelly agrees that the origins of institutional forms are the political, social, and economic systems of the regime. Moreover, she defines the goal of these forms as the development and sustenance of an "inclusive democratic polity" that provides all its adult...citizens with full rights, duties and responsibilities and a sense of belonging as an equal partner entitled to the benefits and burdens society offers.

Kelly argues that the rational-choice underpinnings of the New Public Management are problematic to the continued legitimacy of democratic institutions in heterogeneous societies attempting to maintain an inclusive polity. In the light of evidence that minority groups may not have assimilated or may have rejected seemingly universal norms about individualism and profit maximization, public agencies may be evaluated as unresponsive, unjust, and illegitimate. Kelly's proposed remedy is any set of institutional arrangements that provide descriptive, symbolic, and therefore substantive representation. She is agnostic on the value of service provision by public rather than private entities, valuing instead the extent to which the decision makers and service providers mirror the composition of the citizenry.

"Customer service" reforms implemented by the New Public Management provide a case in point for the concerns about the constitutive nature of public management. Cook, referencing the formative effects of the New Deal programs, questions the unintended consequences of treating citizens as customers. "Customer," a commercial role, assumes an individualist orientation and fixed preferences in contrast with the "public" assumptions of political life. Politics, Cook argues, is as much about changing people's preferences and developing collective purposes as it is about getting preferences satisfied. Reinforcement of the "customer" role may affect the way citizens see themselves and their obligations, rights in the political regime, and relationships to others.

Kelly admits the value to public managers of the "customer service" strategy in addressing the heterogeneous tastes of diverse citizenry. But, Kelly notes, it is one thing to satisfy individual customers, another to be accountable for broader goals. If political processes do not provide full satisfaction to citizens, public managers under the New Public Management reforms can provide a range of choices from which customers can choose (e.g., vouchers in addition to public schools) or the right to opt out of the service delivery system. Dissatisfied customers can "exit" (e.g., live in gated communities), but the extent to which citizens accept choices made by agents, such as elected officials and public managers, when these choices do not represent their preferences, and remain engaged in civic life is key to the maintenance of a democratic state.

Not all visions of the constitutive public manager in the New Public Management reforms are dire. Behn supports public managers playing a constitutive role but is less concerned about the outcomes of these activities, arguing that public managers not only can improve the performance of public institutions, but also make government more democratic. Behn presents an activist image in stark contrast to Terry's call for the "conservator" public manager. In Behn's view, public managers have an obligation to remediate the "failures of governance" that stem from the structure of decision-making processes, human frailties of leaders, politics, ill-informed citizens, and inattentive elected officials. Behn sees no reason to predict fewer failures under the New Public Management; therefore, governance will require public managers to engage in constitutive activities.

Finally, Lynn too agrees that public managers will be constitutive. Despite attempts of the New Public Management reforms to keep them apart from politics, the nature of performance contracting requires negotiation of outcome goals, output measures, and resources. These are ultimately allocative decisions that will be politically determined. To the extent that the contracts are used, public managers will be engaged in politics and will shape the character of the state.

Uniting these authors is their concern that public managers be accountable. Discussions of accountability too often focus on the characteristics of mechanisms and processes rather than on substance. In contrast, the authors revisit the issues of for what public managers are accountable and to whom. The New Public Management reforms use market forces to hold the public sector accountable and the satisfaction of preferences as the measures of accountability. In order for this system to proceed, certain conditions, such as the existence of competition, must exist and information about choices must be available. Kelly worries about the robustness of both of these conditions in the public sector. Behn joins Kelly in viewing the citizenry as bounded in their rationality, lacking the information, skill, or attention necessary to understand the full range of choices and technologies to solve social problems. Behn calls this "civic failure" and argues that public managers need to help "educate" the citizenry about their options. If public managers do this well, by which Behn means they are explicit about their goals and strategies, their leadership will increase political accountability.

Questions, Not Answers

The value of this symposium is that the discussion among various schools of thought within the fields of public administration and management about the New Public Management will result in a comprehensive research agenda. Lynn is enthusiastic about the possibilities presented by the New Public Management for empirical research and theory building, though he warns us that this set of administrative reforms will fade from the scene, as many others before it have. Nevertheless, insofar as the New Public Management represents the infusion of market principles into the political world, much work is needed that moves the body of empirical knowledge from descriptive case studies to more comparative and systematic analysis.

The authors in this symposium bring their own disciplinary perspectives to the task of analyzing the New Public Management. Lynn argues that to understand operations and effects of new institutional arrangements, empirical work should be guided by both the "logic of markets and the logic of governance." He presents a useful summary of the economic theories of organizations and behavior to apply to this endeavor. Cook and Kelly make contributions from the "logic of governance."

In the call to use the "logic of governance," Lynn, Cook, Kelly, and Terry are challenging researchers to link the political context with institutional arrangements. These authors agree that the role of public managers and systems of public administration are endogenous to specific political systems. Cook asks that we "bring the regime back in" and understand how management reforms reflect or contrast with the image of the state and public administration represented in the foundational documents of nations. These documents define important aspects of the polity but clearly leave latitude for a variety of institutional arrangements. Lynn reminds us that the motivations for the market-oriented reforms of the New Public Management are political as well as economic. It is important for us to understand why particular reforms such as those represented in the New Public Management arise at particular points in the economic and political life of the state.

Bridging economic and political theory, Terry suggests that we add the logic of productive arrangements. Managerial techniques, Terry reminds us, are influenced by prevailing ideologies about productive arrangements. The "neo-managerialist" ideology of the New Public Management reforms exists in the private sector as well as the public. These techniques reflect important interests and values, for example, the rise of information processing. However, techniques are social constructs, and it is important to inquire as to whose interests are best served by the adoption of one set over others. When applied to public administration, the logic of production makes the link to questions of governance by highlighting the privileging of market mechanisms and efficiency over competing values.

Implicit in the attempt to link politics and administration is the need to expand work beyond longitudinal studies of the United States to more comparative work. Lynn's ambitious agenda can only be conducted in this way. The New Zealand case is perhaps the best documented non-U.S. example; however, comparative work demands the development and evaluation of multiple cases (Evans, Grimes, Wilkinson, and Teece, 1996).

Finally, the discussion in this symposium raises the important question of the appropriate unit of analysis. This is an enduring problem in public management research (Kaboolian, 1996). Not surprisingly, the traditional divisions, described as the "figure" of the public manager or the "ground" of politics and institutional arrangements, are represented here (Lynn, 1996). Behn would have us focus on the public manager as a leader. Within this framework, strategy would be important insofar as it was an exercise of leadership. Cook, on the other hand, would focus on the regime and political context primarily, but would join Kelly in examining organizational arrangements in some circumstances. Lynn joins Behn in considering the role of public managers but begins with a set of more critical questions about the centrality of the public manager to the performance of public organizations in the New Public Management reforms. Lynn then moves on to economic, institutional, and organizational arrangements such as rules, incentives, and hierarchies.

Conclusion: Something For and From Everyone

The New Public Management provides scholars of public administration and public management two extraordinary opportunities. The first is to see the unfolding of an international reform movement defined by clearly enunciated principles. A phenomenon of this magnitude is a natural object of empirical inquiry to scholars. The second opportunity is to engage in theoretically grounded empirical work and theory building that crosses the boundaries of the disciplines that have studied the public sector. To the extent that the debates between public administration and public management are constructs of the reform movements of the Progressive Era and the rise of policy analysis in the 1960s, and are framed narrowly by disciplinary considerations, comprehensive understanding of the New Public Management as well as of future and past reform movements and theory building will be limited. The promise of New Public Management and the discussion begun in this symposium is to move beyond these limitations.

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Notes

1. Behn (1991), Cook (1996), Kelly and Duerst-Lahti (1995), Lynn (1996), and Terry (1995).
2. Nevertheless, see Mathiasen (1996) for a vigorous argument that the New Public Management does represent a paradigm shift.
3. For a discussion of these concerns, see Downs (1967), Niskanen (1971), Peters (1987), and Tullock (1965).
4. Compare this view with Reich (1990).

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The New Public Service: Serving Rather Than Steering
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The New Public Service: Serving Rather than Steering

The New Public Management has championed a vision of public managers as the entrepreneurs of a new, leaner, and increasingly privatized government, emulating not only the practices but also the values of business. Proponents of the New Public Management have developed their arguments largely through contrasts with the old public administration. In this comparison, the New Public Management will, of course, always win. We argue here that the better contrast is with what we call the "New Public Service," a movement built on work in democratic citizenship, community and civil society, and organizational humanism and discourse theory. We suggest seven principles of the New Public Service, most notably that the primary role of the public servant is to help citizens articulate and meet their shared interests rather than to attempt to control or steer society.

Public management has undergone a revolution. Rather than focusing on controlling bureaucracies and delivering services, public administrators are responding to admonishments to "steer rather than row," and to be the entrepreneurs of a new, leaner, and increasingly privatized government. As a result, a number of highly positive changes have been implemented in the public sector (Osborne and Gaebler 1992; Osborne and Plastrik 1997; Kettl 1993; Kettl and DiIulio 1995; Kettl and Milward 1996; Lynn 1996). But as the field of public administration has increasingly abandoned the idea of rowing and has accepted responsibility for steering, has it simply traded one "adminicentric" view for another? Osborne and Gaebler write, "those who steer the boat have far more power over its destination than those who row it" (1992, 32). If that is the case, the shift from rowing to steering not only may have left administrators in charge of the boat—choosing its goals and directions and charting a path to achieve them—it may have given them more power to do so.

In our rush to steer, are we forgetting who owns the boat? In their recent book, *Government Is Us* (1998), King and Stivers remind us of the obvious answer: The government belongs to its citizens (see also Box 1998; Cooper 1991; King, Feltey, and O'Neill 1998; Stivers 1994a,b; Thomas 1995). Accordingly, public administrators should focus on their responsibility to *serve and empower citizens* as they manage public organizations and implement public policy. In other words, with citizens at the forefront, the emphasis should not be placed on either steering or rowing the governmental boat, but rather on building public institutions marked by integrity and responsiveness.

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Background

As it is used here, the "New Public Management" refers to a cluster of ideas and practices (including reinvention and neomanagerialism) that seek, at their core, to use private-sector and business approaches in the public sector. While there have long been calls to "run government like a business," the contemporary version of this debate in this country was sparked in the 1990s by President Clinton's and Vice President Gore's initiative to "make government work better and cost less." Modeled after concepts and ideas promoted in Osborne and Gaebler's 1992 book *Reinventing Government* (as well as managerialist efforts in a variety of other countries, especially Great Britain and New Zealand), the Clinton administration championed a variety of reforms and projects under the mantle of the National Performance Review. In part, what has distinguished these reforms and similar efforts at the state and local level, from older versions of the run-government-like-a-business movement is that they involve more than just using the techniques of business. Rather, the New Public Management has become a normative model, one signaling a profound shift in how we think about the role of public administrators, the nature of the profession, and how and why we do what we do.

Yet many scholars and practitioners have continued to express concerns about the New Public Management and the role for public managers this model suggests. For example, in a recent *Public Administration Review* symposium on leadership, democracy, and public management, a number of authors thoughtfully considered the opportunities and challenges presented by the New Public Management. Those challenging the New Public Management in the symposium and elsewhere ask questions about the inherent contradictions in the movement (Fox 1996), the values promoted by it (deLeon and Denhardt 2000; Frederickson 1996; Schachter 1997); the tensions between the emphasis on decentralization promoted in the market model and the need for coordination in the public sector (Peters and Savoie 1996); the implied roles and relationships of the executive and legislative branches (Carroll and Lynn 1996); and the implications of the privatization movement for democratic values and the public interest (McCabe and Vinzant 1999). Others have suggested that public entrepreneurship and what Terry (1993, 1998) has called "neomanagerialism" threaten to undermine democratic and constitutional values such as fairness, justice, representation, and participation.

We would like to suggest that, beyond these separate critiques, what is missing is a set of organizing principles for an alternative to the New Public Management. We reject the notion that the reinvented, market-oriented New Public Management should only be compared to the old public administration, which, despite its many important contributions, has come to be seen as synonymous with bureaucracy, hierarchy, and control. If that is the comparison, the New Public Management will always win. We would like to suggest instead that the New Public Management should be contrasted with what we term the "New Public Service," a set of ideas about the role of public administration in the governance system that places citizens at the center.

While there have been many challenges to the New Public Management and many alternative ideas prominently advanced by scholars and practitioners, there have been no attempts to organize these efforts and underscore their common themes. This article is an effort to do so. First, it briefly summarizes the foundations and major arguments of the new public management as it contrasts with the old public administration. It then describes an alternative normative model we call the "New Public Service." This new model further clarifies the debate by suggesting new ways of thinking about the strengths and weaknesses of all three approaches. We conclude by considering the implications of placing citizens, citizenship, and the public interest at the forefront of a New Public Service.

The New Public Management and the Old Public Administration

Over the past decade and a half, the New Public Management (again, including the reinvention movement and the new managerialism) has literally swept the nation and the world. The common theme in the myriad applications of these ideas has been the use of market mechanisms and terminology, in which the relationship between public agencies and their customers is understood as based on self-interest, involving transactions similar to those occurring in the marketplace. Public managers are urged to "steer, not row" their organizations, and they are challenged to find new and innovative ways to achieve results or to privatize functions previously provided by government.

In the past two decades, many public jurisdictions and agencies have initiated efforts to increase productivity and to find alternative service-delivery mechanisms based on public-choice assumptions and perspectives. Public managers have concentrated on accountability and high performance and have sought to restructure bureaucratic agencies, redefine organizational missions, streamline agency processes, and decentralize decision making. In many cases, governments and government agencies have succeeded in privatizing previously public functions, holding top executives accountable for performance goals, establishing new processes for measuring productivity and effectiveness, and reengineering departmental systems to reflect a strengthened commitment to accountability (Aristigueta 1999; Barzelay 1992; Boston et al. 1996; Kearns 1996). The effectiveness of this reform agenda in the United States, as well as in a number of other countries, has put governments around the world on notice that new standards are being sought and new roles established.

These ideas were crystallized and popularized by Osborne and Gaebler's book, *Reinventing Government* (1992; see also Osborne and Plastrik 1997). Osborne and Gaebler provided a number of now-familiar principles through which "public entrepreneurs" might bring about massive governmental reform—ideas that remain at the core of the New Public Management. Osborne and Gaebler intended these principles to serve as a new conceptual or normative framework for public administration, an analytical checklist to transform the actions of government: "What we are describing is nothing less than a shift in the basic model of governance used in America. This shift is under way all around us, but because we are not looking for it, because we assume that all governments have to be big, centralized, and bureaucratic, we seldom see it. We are blind to the new realities, because they do not fit our preconceptions" (1992, 321).

Other intellectual justifications for the New Public Management evolved as well. These justifications, as Lynn (1996) notes, largely came from the "public policy" schools that developed in the 1970s and from the "managerialist" movement around the world (Pollitt 1990). Kaboolian notes that the New Public Management relies on "market-like arrangements such as competition within units of government and across government boundaries to the non-profit and for-profit sectors, performance bonuses, and penalties (to) loosen the inefficient monopoly franchise of public agencies and public employees" (1998, 190). Elaborating this point, Hood writes that the New Public Management moves away from traditional modes of legitimizing the public bureaucracy, such as procedural safeguards on administrative discretion, in favor of "trust in the market and private business methods ... ideas ... couched in the language of economic rationalism" (1995, 94).

As such, the New Public Management is clearly linked to the public choice perspective in public administration. In its simplest form, public choice views the government from the standpoint of markets and customers. Public choice not only affords an elegant and, to some, compelling model of government, it also serves as a kind of intellectual road map for practical efforts to reduce government and make it less costly. And it does so unabashedly. John Kamensky, one of the architects of the National Performance Review, comments that the New Public Management is clearly related to the public choice movement, the central tenet of which is that "all human behavior is dominated by self-interest" (1996, 251).

The New Public Management is not just the implementation of new *techniques*, it carries with it a new set of *values*, specifically a set of values largely drawn from the private sector. As we have already noted, there is a longstanding tradition in public administration supporting the idea that "government should be run like a business." For the most part, this recommendation has meant that government agencies should adopt practices, ranging from "scientific management" to "total quality management," that have been found useful in the private sector. The New Public Management takes this idea one step further, arguing that government should not only adopt the *techniques* of business administration, but should adopt certain business *values* as well. The New Public Management thus becomes a normative model for public administration and public management.

In making their case, proponents of New Public Management have often used the old public administration as a foil, against which the principles of entrepreneurship can be seen as clearly superior. For example, Osborne and Gaebler contrast their principles with an alternative of formal bureaucracies plagued with excessive rules, bound by rigid budgeting and personnel systems, and preoccupied with control. These traditional bureaucracies are described as ignoring citizens, shunning innovation, and serving their own needs. According to Osborne and Gaebler, "The kind of governments that developed during the industrial era, with their sluggish, centralized bureaucracies, their preoccupation with rules and regulations, and their hierarchical chains of command, no longer work very well" (1992, 11–12). In fact, while they served their earlier purposes, "bureaucratic institutions ... increasingly fail us" (15).

What are the tenets of this bureaucratic old public administration, and is it reasonable to characterize any contemporary thinking which falls outside New Public Management as evidence of the old public administration? Certainly there is not a single set of ideas agreed to by all those who contributed over the decades to the old public administration (just as there is not a single set of ideas that all associated with the New Public Management would agree to). But there are elements of public administration theory and practice that seem to constitute a guiding set of ideas or a normative model that we now generally associate with the old public administration. We suggest this model includes the following tenets:

- Public administration is politically neutral, valuing the idea of neutral competence.
- The focus of government is the direct delivery of services. The best organizational structure is a centralized bureaucracy.
- Programs are implemented through top-down control mechanisms, limiting discretion as much as possible.

- Bureaucracies seek to be closed systems to the extent possible, thus limiting citizen involvement.
- Efficiency and rationality are the most important values in public organizations.
- Public administrators do not play a central role in policy making and governance; rather, they are charged with the efficient implementation of public objectives.
- The job of public administrators is described by Gulick's POSDCORB (1937, 13).

If we compare the principles of New Public Management with these principles, the New Public Management clearly looks like a preferred alternative. But even a cursory examination of the literature of public administration demonstrates that these traditional ideas do not fully embrace contemporary government theory or practice (Box 1998; Bryson and Crosby 1992; Carnavale 1995; Cook 1996; Cooper 1991; deLeon 1997; Denhardt 1993; Farmer 1995; Fox and Miller 1995; Frederickson 1997; Gawthrop 1998; Goodsell 1994; Harmon 1995; Hummel 1994; Ingraham et al. 1994; Light 1997; Luke 1998; McSwite 1997; Miller and Fox 1997; Perry 1996; Rabin, Hildreth, and Miller 1998; Rohr 1998; Stivers 1993; Terry 1995, 1998; Thomas 1995; Vinzant and Crothers 1998; Wamsley et al. 1990; Wamsley and Wolf 1996). The field of public administration, of course, has not been stuck in progressive reform rhetoric for the last 100 years. Instead, there has been a rich and vibrant evolution in thought and practice, with important and substantial developments that cannot be subsumed under the title "the New Public Management." So there are more than two choices. We will now explore a third alternative based on recent intellectual and practical developments in public administration, one that we call the New Public Service.

Roots of the New Public Service

Like the New Public Management and the old public administration, the New Public Service consists of many diverse elements, and many different scholars and practitioners have contributed, often in disagreement with one another. Yet certain general ideas seem to characterize this approach as a normative model and to distinguish it from others. While the New Public Service has emerged both in theory and in the innovative and advanced practices of many exemplary public managers (Denhardt 1993; Denhardt and Denhardt 1999), in this section we will examine the conceptual foundations of the New Public Service. Certainly the New Public Service can lay claim to an impressive intellectual heritage, including, in public administration, the work of Dwight Waldo (1948), and in political theory, the work of Sheldon Wolin (1960). However, here we will focus on more contemporary precursors of the New Public Service, including (1) theories of democratic citizenship; (2) models of community and civil society; and (3) organizational humanism and discourse theory. We will then outline what we see as the main tenets of the New Public Service.

Theories of Democratic Citizenship

Concerns about citizenship and democracy are particularly important and visible in recent political and social theory, both of which call for a reinvigorated and more active and involved citizenship (Barber 1984; Mansbridge 1990; Mansbridge 1992; Pateman 1970; Sandel 1996). Of particular relevance to our discussion is Sandel's suggestion that the prevailing model of the relationship between state and citizens is based on the idea that government exists to ensure citizens can make choices consistent with their self-interest by guaranteeing certain procedures (such as voting) and individual rights. Obviously, this perspective is consistent with public choice economics and the New Public Management (see Kamensky 1996). But Sandel offers an alternative view of democratic citizenship, one in which individuals are much more actively engaged in governance. In this view, citizens look beyond self-interest to the larger public interest, adopting a broader and longer-term perspective that requires a knowledge of public affairs and also a sense of belonging, a concern for the whole, and a moral bond with the community whose fate is at stake (Sandel 1996, 5–6; see also Schubert 1957).

Consistent with this perspective, King and Stivers (1998) assert that administrators should see citizens *as* citizens (rather than merely as voters, clients, or customers); they should share authority and reduce control, and they should trust in the efficacy of collaboration. Moreover, in contrast to managerialist calls for greater efficiency, King and Stivers suggest that public managers seek greater responsiveness and a corresponding increase in citizen trust. This perspective directly undergirds the New Public Service.

Models of Community and Civil Society

Recently, there has been a rebirth of interest in the idea of community and civility in America. Political leaders of both major political parties, scholars of different camps, best-selling writers and popular commentators not only agree that community in America has deteriorated, but acknowledge that we desperately need a renewed sense of community. Despite increasing diversity in America, or perhaps because of it, community is seen as a way of bringing about unity and synthesis (Bellah et al. 1985, 1991; Etzioni 1988, 1995; Gardner 1991; Selznick 1992). In public administration, the quest for community has been reflected in the view that the role of government, especially local government, is indeed to help create and support "community."

In part, this effort depends on building a healthy and active set of "mediating institutions" that simultaneously give focus to the desires and interests of citizens and provide experiences that will better prepare those citizens for action in the larger political system. As Putnam (1995) argues, America's democratic tradition depends on the existence of engaged citizens, active in all sorts of groups, associations, and governmental units. Collectively, these small groups constitute a "civil society" in which people need to work out their personal interests in the context of community concerns. Only here can citizens engage one another in the kind of personal dialogue and deliberation that is the essence of community building and of democracy itself. Again, as King and Stivers (1998) point out, government can play an important and critical role in creating, facilitating, and supporting these connections between citizens and their communities.

Organizational Humanism and Discourse Theory

Over the past 25 years, public administration theorists, including those associated with the radical public administrationists of the late 1960s and early 1970s (Marini 1971), have joined colleagues in other disciplines in suggesting that traditional hierarchical approaches to social organization and positivist approaches to social science are mutually reinforcing. Consequently, they have joined in a critique of bureaucracy and positivism, leading, in turn, to a search for alternative approaches to management and organization and an exploration of new approaches to knowledge acquisition—including interpretive theory (for example, Harmon 1981), critical theory (Denhardt 1981), and postmodernism (Farmer 1995; Fox and Miller 1995; McSwite 1997; Miller and Fox 1997). Collectively, these approaches have sought to fashion public organizations less dominated by issues of authority and control and more attentive to the needs and concerns of employees inside public organizations as well as those outside, especially clients and citizens.

These trends have been central to interpretive and critical analyses of bureaucracy and society, but they have been even further extended in recent efforts to employ the perspectives of postmodern thinking, especially discourse theory, in understanding public organizations. While there are significant differences among the various postmodern theorists, they seem to arrive at a similar conclusion—because we depend on one another in the postmodern world, governance must be based on sincere and open discourse among all parties, including citizens and administrators. And while postmodern public administration theorists are skeptical of traditional approaches to public participation, there seems to be considerable agreement that enhanced public dialogue is required to reinvigorate the public bureaucracy and restore a sense of legitimacy to the field of public administration. In other words, there is a need to reconceptualize the field and, both practically and intellectually, so as to build a New Public Service.

The New Public Service

Theorists of citizenship, community and civil society, organizational humanists, and postmodernist public administrationists have helped to establish a climate in which it makes sense today to talk about a New Public Service. Though we acknowledge that differences exist in these viewpoints, we suggest there are also similarities that distinguish the cluster of ideas we call the New Public Service from those associated with the New Public Management and the old public administration. Moreover, there are a number of practical lessons that the New Public Service suggests for those in public administration. These lessons are not mutually exclusive, rather they are mutually reinforcing. Among these, we find the following most compelling.

***1. Serve, rather than steer.* An increasingly important role of the public servant is to help citizens articulate and meet their shared interests, rather than to attempt to control or steer society in new directions.**

While in the past, government played a central role in what has been called the "steering of society" (Nelissen et al. 1999), the complexity of modern life sometimes makes such a role not only inappropriate, but impossible. Those policies and programs that give structure and direction to social and political life today are the result of the interaction of many different groups and organizations, the mixture of many different opinions and interests. In many areas, it no longer makes sense to think of public policies as the result of governmental decision-making processes. Government is indeed a player—and in most cases a very substantial player. But public policies today, the policies that guide society, are the outcome of a complex set of interactions involving multiple groups and multiple interests ultimately combining in fascinating and unpredictable ways. Government is no longer in charge.

In this new world, the primary role of government is not merely to direct the actions of the public through regulation and decree (though that may sometimes be appropriate), nor is it to simply establish a set of rules and incentives (sticks or carrots) through which people will be guided in the "proper" direction. Rather, government becomes another player, albeit an important player in the process of moving society in one direction or another. Government acts, in concert with private and nonprofit groups and organizations, to seek solutions to the problems that communities face. In this process, the role of government is transformed from one of controlling to one of agenda setting, bringing the proper players to the table and facilitating, negotiating, or brokering solutions to public problems (often through coalitions of public, private, and nonprofit agencies). Where traditionally government has responded to needs by saying "yes, we can provide that

Table 1 Comparing Perspectives: Old Public Administration, New Public Management, and New Public Service

	Old Public Administration	New Public Management	New Public Service
Primary theoretical and epistemological foundations	Political theory, social and political commentary augmented by naive social science	Economic theory, more sophisticated dialogue based on positivist social science	Democratic theory, varied approaches to knowledge including positive, interpretive, critical, and postmodern
Prevailing rationality and associated models of human behavior	Synoptic rationality, "administrative man"	Technical and economic rationality, "economic man," or the self-interested decision maker	Strategic rationality, multiple tests of rationality (political, economic, organizational)
Conception of the public interest	Politically defined and expressed in law	Represents the aggregation of individual interests	Result of a dialogue about shared values
To whom are public servants responsive?	Clients and constituents	Customers	Citizens
Role of government	Rowing (designing and implementing policies focusing on a single, politically defined objective)	Steering (acting as a catalyst to unleash market forces)	Serving (negotiating and brokering interests among citizens and community groups, creating shared values)
Mechanisms for achieving policy objectives	Administering programs through existing government agencies	Creating mechanisms and incentive structures to achieve policy objectives through private and nonprofit agencies	Building coalitions of public, nonprofit, and private agencies to meet mutually agreed upon needs
Approach to accountability	Hierarchical—administrators are responsible to democratically elected political leaders	Market-driven—the accumulation of self-interests will result in outcomes desired by broad groups of citizens (or customers)	Multifaceted—public servants must attend to law, community values, political norms, professional standards, and citizen interests
Administrative discretion	Limited discretion allowed administrative officials	Wide latitude to meet entrepreneurial goals	Discretion needed but constrained and accountable
Assumed organizational structure	Bureaucratic organizations marked by top-down authority within agencies and control or regulation of clients	Decentralized public organizations with primary control remaining within the agency	Collaborative structures with leadership shared internally and externally
Assumed motivational basis of public servants and administrators	Pay and benefits, civil-service protections	Entrepreneurial spirit, ideological desire to reduce size of government	Public service, desire to contribute to society.

service," or "no, we can't," the New Public Service suggests that elected officials and public managers should respond to the requests of citizens not just by saying yes or no, but by saying, "let's work together to figure out what we're going to do, then make it happen." In a world of active citizenship, public officials will increasingly play more than a service delivery role—they will play a conciliating, a mediating, or even an adjudicating role. (Incidentally, these new roles will require new skills—not the old skills of management control, but new skills of brokering, negotiating, and conflict resolution.)

2. *The public interest is the aim, not the by-product.* Public administrators must contribute to building a collective, shared notion of the public interest. The goal is not to find quick solutions driven by individual choices. Rather, it is the creation of shared interests and shared responsibility.

The New Public Service demands that the process of establishing a vision for society is not something merely left to elected political leaders or appointed public administrators. Instead, the activity of establishing a vision or direction is something in which widespread public dialogue and deliberation are central (Bryson and Crosby 1992; Luke 1998; Stone 1988). The role of government will increasingly be to bring people together in settings that allow for unconstrained and authentic discourse concerning the direction society should take. Based on these deliberations, a broad-based vision for the community, the state, or the nation can be established and provide a guiding set of ideas (or ideals) for the future. It is less important for this process to result in a single set of goals than it is for it to engage administrators, politicians, and citizens in a process of thinking about a desired future for their community and their nation.

In addition to its facilitating role, government also has a moral obligation to assure solutions that are generated through such processes are fully consistent with norms of justice and fairness. Government will act to facilitate the solutions to public problems, but it will also be responsible for assuring those solutions are consistent with the public interest—both in substance and in process. In other words, the role of government will become one of assuring that the public interest predominates, that both the solutions themselves and the process by which solutions to public problems are developed are consistent with democratic norms of justice, fairness, and equity (Ingraham and Ban 1988; Ingraham and Rosenbloom 1989).

In short, the public servant will take an active role in creating arenas in which citizens, through discourse, can articulate shared values and develop a collective sense of the public interest. Rather than simply responding to disparate voices by forming a compromise, public administrators will engage citizens with one another so that they come to understand each other's interests and adopt a longer range and broader sense of community and societal interests.

3. Think strategically, act democratically. **Policies and programs meeting public needs can be most effectively and responsibly achieved through collective efforts and collaborative processes.**

To realize a collective vision, the next step is establishing roles and responsibilities and developing specific action steps to move toward the desired goals. Again, the idea is not merely to establish a vision and then leave the implementation to those in government; rather, it is to join all parties together in the process of carrying out programs that will move in the desired direction. Through involvement in programs of civic education and by developing a broad range of civic leaders, government can stimulate a renewed sense of civic pride and civic responsibility. We expect such a sense of pride and responsibility to evolve into a greater willingness to be involved at many levels, as all parties work together to create opportunities for participation, collaboration, and community.

How might this be done? To begin with, there is an obvious and important role for political leadership—to articulate and encourage a strengthening of citizen responsibility and, in turn, to support groups and individuals involved in building the bonds of community. Government can't create community. But government and, more specifically, political leadership, can lay the groundwork for effective and responsible citizen action. People must come to recognize that government is open and accessible—and that won't happen unless government *is* open and accessible. People must come to recognize that government is responsive—and that won't happen unless government *is* responsive. People must come to recognize that government exists to meet their needs—and that won't happen unless it does. The aim, then, is to make sure that government is open and accessible, that it is responsive, and that it operates to serve citizens and create opportunities for citizenship.

4. Serve citizens, not customers. **The public interest results from a dialogue about shared values, rather than the aggregation of individual self-interests. Therefore, public servants do not merely respond to the demands of "customers," but focus on building relationships of trust and collaboration with and among citizens.**

The New Public Service recognizes that the relationship between government and its citizens is not the same as that between a business and its customers. In the public sector, it is problematic to even determine who the customer is, because government serves more than just the immediate client. Government also serves those who may be waiting for service, those who may need the service even though they are not actively seeking it, future generations of service recipients, relatives and friends of the immediate recipient, and on and on. There may even be customers who don't want to be customers—such as those receiving a speeding ticket.

Moreover, some customers of government have greater resources and greater skill in bringing their demands forward than others. Does this justify, as it would in the private sector, that they be treated better? Of course not. In government, considerations of fairness and equity play an important role in service delivery; indeed, in many cases, these are much more important considerations than the desires of the immediate customer.

Despite the obvious importance of constantly improving the quality of public-sector service delivery, the New Public Service suggests that government should not first or exclusively respond to the selfish, short-term interests of "customers." Instead, it suggests that people acting as citizens must demonstrate their concern for the larger community, their commitment to matters that go beyond short-term interests, and their willingness to assume personal responsibility for what happens in their neighborhoods and the community. After all, these are among the defining elements of effective and responsible citizenship. In turn, government must respond to the needs and interests of citizens. Moreover, government must respond to citizens defined broadly rather than simply in a legalistic sense. Individuals who are not legal citizens not only are often served by government programs, they can also be encouraged to participate and engage with their communities. In any case, the New Public Service seeks to encourage more and more people to fulfill their responsibilities as citizens and for government to be especially sensitive to the voices of citizens.

5. Accountability isn't simple. **Public servants should be attentive to more than the market; they should also attend to statutory and constitutional law, community values, political norms, professional standards, and citizen interests.**

The matter of accountability is extremely complex. Yet both the old public administration and the New Public Management tend to oversimplify the issue. For instance, in the classic version of the old public administration, public administrators were simply and directly responsible to political officials. As Wilson wrote, "[P]olicy will have no taint of officialism about it. It will not be the creation of permanent officials, but of statesmen whose responsibility to public opinion will be direct and inevitable" (1887, 22). Beyond this, accountability was not really an issue; politicians were expected to make decisions while bureaucrats carried them out. Obviously, over time, public administrators assumed great capacities for influencing the policy process. So, at the other end of the spectrum, in the vernacular of the New Public Management, the focus is on giving administrators great latitude to act as entrepreneurs. In their entrepreneurial role, the new public managers are called to account primarily in terms of efficiency, cost effectiveness, and responsiveness to market forces.

In our view, such models do not reflect the demands and realities of public service today. Rather, public administrators are and should be influenced by and held accountable to complex constellations of institutions and standards, including the public interest, statutory and constitutional law, other agencies, other levels of government, the media, professional standards, community values and standards, situational factors, democratic norms, and of course, citizens. Further, the institutions and standards which influence public servants and to which they are held accountable interact in complex ways. For example, citizen needs and expectations influence public servants, but the actions of public servants also influence citizen expectations. Laws create the parameters for public administrators' actions, but the manner in which public servants apply the law influences not only its actual implementation, but also may influence lawmakers to modify the law. In other words, public administrators influence and are influenced by all of the competing norms, values, and preferences of our complex governance system. These variables not only influence and are influenced by public administrators, they also represent points of accountability.

The New Public Service recognizes the reality and complexity of these responsibilities. It recognizes that public administrators are involved in complex value conflicts in situations of conflicting and overlapping norms. It accepts these realities and speaks to how public administrators can and should serve citizens and the public interest in this context. First and foremost, the New Public Service demands that public administrators not make these decisions alone. It is through the process of dialogue, brokerage, citizen empowerment, and broad-based citizen engagement that these issues must be resolved. While public servants remain responsible for assuring that solutions to public problems are consistent with laws, democratic norms, and other constraints, it is not a matter of their simply judging the appropriateness of community-generated ideas and proposals after the fact. Rather, it is the role of public administrators to make these conflicts and parameters known to citizens, so that these realities become a part of the process of discourse. Doing so not only makes for realistic solutions, it builds citizenship and accountability.

***6. Value people, not just productivity.* Public organizations and the networks in which they participate are more likely to succeed in the long run if they are operated through processes of collaboration and shared leadership based on respect for all people.**

In its approach to management and organization, the New Public Service emphasizes the importance of "managing through people." Systems of productivity improvement, process reengineering, and performance measurement are seen as important tools in designing management systems. But the New Public Service suggests that such rational attempts to control human behavior are likely to fail in the long term if, at the same time, insufficient attention is paid to the values and interests of individual members of an organization. Moreover, while these approaches may get results, they do not build responsible, engaged, and civic-minded employees or citizens.

If public servants are expected to treat citizens with respect, they must be treated with respect by those who manage public agencies. In the New Public Service, the enormous challenges and complexities of the work of public administrators are recognized. They are viewed not just as employees who crave the security and structure of a bureaucratic job (old public administration), nor as participants in a market (New Public Management); rather, public servants are people whose motivations and rewards are more than simply a matter of pay or security. They want to make a difference in the lives of others (Denhardt 1993; Perry and Wise 1990; Vinzant 1998).

The notion of shared leadership is critical in providing opportunities for employees and citizens to affirm and act on their public service motives and values. In the New Public Service, shared leadership, collaboration, and empowerment become the norm both inside and outside the organization. Shared leadership focuses on the goals, values, and ideals that the organization and community want to advance; it must be characterized by mutual respect, accommodation, and support. As Burns (1978) would say, leadership exercised by working through and with people transforms the participants and shifts their focus to higher level values. In the process, the public service motives of citizens and employees alike can be recognized, supported, and rewarded.

***7. Value citizenship and public service above entrepreneurship.* The public interest is better advanced by public servants and citizens committed to making meaningful contributions to society rather than by entrepreneurial managers acting as if public money were their own.**

The New Public Management encourages public administrators to act and think as entrepreneurs of a business enterprise. This creates a rather narrow view of the objectives to be sought—to maximize productivity and satisfy customers, and to accept risks and to take advantage of opportunities as they arise. In the New Public Service, there is an explicit recognition that public administrators are not the business owners of their agencies and programs. Again, as King and Stivers (1998) remind us, government is owned by the citizens.

Accordingly, in the New Public Service, the mindset of public administrators is that public programs and resources do not belong to them. Rather, public administrators have accepted the responsibility to serve citizens by acting as stewards of public resources (Kass 1990), conservators of public organizations (Terry 1995), facilitators of citizenship and democratic dialogue (Chapin and Denhardt 1995; King and Stivers 1998; Box 1998), catalysts for community engagement (Denhardt and Gray 1998; Lappé and Du Bois 1994), and street-level leaders (Vinzant and Crothers 1998). This is a very different perspective than that of a business owner focused on profit and efficiency. Accordingly, the New Public Service suggests that public administrators must not only share power, work through people, and broker solutions, they must reconceptualize their role in the governance process as responsible participant, not entrepreneur.

This change in the public administrator's role has profound implications for the types of challenges and responsibilities faced by public servants. First, public administrators must know and manage more than the requirements and resources of their programs. This sort of narrow view is not very helpful to a citizen whose world is not conveniently divided up by programmatic departments and offices. The problems that citizens face are often, if not usually, multifaceted, fluid, and dynamic—they do not easily fall within the confines of a particular office or a narrow job description of an individual. To serve citizens, public administrators not only must know and manage their own agency's resources, they must also be aware of and connected to other sources of support and assistance, engaging citizens and the community in the process.

Second, when public administrators take risks, they are not entrepreneurs of their own businesses who can make such decisions knowing the consequences of failure will fall largely on their own shoulders. Risk in the public sector is different. In the New Public Service, risks and opportunities reside within the larger framework of democratic citizenship and shared responsibility. Because the consequences of success and failure are not limited to a single private business, public administrators do not singlehandedly decide what is best for a community. This need not mean that all short-term opportunities are lost. If dialogue and citizen engagement is ongoing, opportunities and potential risks can be explored in a timely manner. The important factor to consider is whether the benefits of a public administrator taking immediate and risky action in response to an opportunity outweighs the costs to trust, collaboration, and the sense of shared responsibility.

Implications and Conclusions

From a theoretical perspective, the New Public Service offers an important and viable alternative to both the traditional and the now-dominant managerialist models. It is an alternative that has been built on the basis of theoretical explorations and practical innovations. The result is a normative model, comparable to other such models. While debates among theorists will continue, and administrative practitioners will test and explore new possibilities, the commitments that emerge will have significant implications for practice. The actions that public administrators take will differ markedly depending on the types of assumptions and principles upon which those actions are based. If we assume the responsibility of government is to facilitate individual self-interest, we will take one set of actions. If, on the other hand, we assume the responsibility of government is to promote citizenship, public discourse, and the public interest, we will take an entirely different set of actions.

Decades ago, Herbert Kaufman (1956) suggested that while administrative institutions are organized and operated in pursuit of different values at different times, during the period in which one idea is dominant, others are never totally neglected. Building on this idea, it makes sense to think of one normative model as prevailing at any point in time, with the other (or others) playing a somewhat lesser role *within* the context of the prevailing view. Currently, the New Public Management and its surrogates have been established as the dominant paradigm in the field of governance and public administration. Certainly a concern for democratic citizenship and the public interest has not been fully lost, but rather has been subordinated.

We argue, however, that in a democratic society, a concern for democratic values should be paramount in the way we think about systems of governance. Values such as efficiency and productivity should not be lost, but should be placed in the larger context of democracy, community, and the public interest. In terms of the normative models we examine here, the New Public Service clearly seems most consistent with the basic foundations of democracy in this country and, therefore, provides a framework *within which* other valuable techniques and values, such as the best ideas of the old public administration or the New Public Management, might be played out. While this debate will surely continue for many years, for the time being, the New Public Service provides a rallying point around which we might envision a public service based on and fully integrated with citizen discourse and the public interest.

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The Big Questions of Public Management

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What are the big questions that scholars of public management should be attempting—through their research—to answer? Robert D. Behn suggests three consciously prescriptive questions: (1) The micromanagement question asks how public managers can break the micromanagement cycle of procedural rules, which prevent public agencies from producing results, which leads to more procedural rules, which.... (2) The motivation question asks how public managers can motivate people to work energetically and intelligently towards achieving public purposes. (3) The measurement question asks how public managers can measure the achievements of their agencies in ways that help to increase those achievements. Moreover, Behn argues, if the study of public management is to become "scientific," it needs to focus on these and other big questions.

Whenever physicists get together, they discuss the big questions of physics. Physicists have big questions about the universe: How did the universe begin (Weinberg, 1993)? When did the universe begin? How big is the universe (which is the same question as how old is the universe) (Flamsteed, 1992)? Will the universe continue to expand forever, or will it eventually stop expanding and then start contracting (Weinberg, 1993; 37; Ferris, 1988; 354)?

Physicists also have big questions about the composition of matter. What are the most basic building blocks or elementary particles from which all physical objects are constructed? How do these building blocks interact? That is, what are the forces that hold these elementary particles together or push them apart (Adair, 1987; 208-229; Ferris, 1988; 285-299; Rohrlich, 1987; 196-201)?

Indeed, in physics, there are numerous big questions. For example, Nobel Prize winner Steven Weinberg (1993; 75) writes, "The theory of the formation of galaxies is one of the great outstanding problems of astrophysics." "The formation of galaxies provides one of the thorniest problems in cosmology," observes Michael Rowan-Robinson (1977; 60). "Despite intensive work, no solution has been produced which does not amount to saying: a galaxy forms because the initial conditions of the universe preordained that it would." Physicists all know what these big questions are, what alternative answers exist, and how different people are attempting to sort out these alternatives, to create new alternatives, and answer the questions.

Get a group of paleontologists together, and they, too, will begin discussing the big questions of their field: Why did the dinosaurs die out? When did humans get to the American continents[1] (Gutin, 1992)? One of the big questions for paleontologists and paleoanthropologists is: How did human life evolve? At the moment, there are two competing theories (Gutin, 1992). There is the regional continuity theory: *Homo erectus* left Africa about a million years ago and evolved independently into three different, modern populations of *homo sapiens* originally based in Europe, Asia, and the Middle East and Africa (Li and Etler, 1992). There is also the out of Africa theory: we are all the direct descendants of a single *homo sapien,* a woman called Eve, who lived in Africa only 200,000 years ago (Cann, Stoneking, and Wilson, 1987).

Stephen Jay Gould, the prolific paleontologist, describes how the revision of the history of evolution forged by the fossils found in the Burgess Shale of British Columbia "poses two great problems about the history of life." First, why did modern, multicell life erupt in the Cambrian explosion of diversity rather than evolve slowly and continuously? Second, why did some of the creatures created by the Cambrian explosion survive and evolve while others disappeared (Gould, 1989; 55-60, 227-233)?

In July 1900, at the International Congress of Mathematicians in Paris, the mathematician David Hilbert (1902) set forth what he thought were the 23 most important unsolved problems in mathematics—the ones that he thought his discipline should address in the next century. Nearly a century later, mathematicians continue to work on some of Hilbert's problems (Browder, 1974).

Get any group of scientists from any branch of science together, and they will start talking about the big questions in their field, the latest research published about those questions, and how they, through their own research, are attempting to tackle those same big questions.[2] Any field of science is defined by the big questions it asks.

The same ought to be true for scholars of public management. We, too, ought to have our own big questions that we discuss and debate when we get together. These are the questions on which we ought to focus our research. These are the questions we ought to seek data and devise clever methodologies to answer. These big questions ought to define the field of public management.

The Big Questions and Science

The big questions about physics are what make it a science. Physics always has a number of big questions it is trying to answer, and it has a sense of how those questions should be answered. For some of the big questions, physicists have satisfied themselves that they have the answers. The big-bang theory of the beginning of the universe is so widely accepted by cosmologists, that it is called "the standard model" (Weinberg, 1993; 4). Although every six months the Berkeley Lawrence Laboratory publishes a list of literally hundreds of subatomic

We, too, ought to have our own big questions that we discuss and debate when we get together.

particles (Weinberg, 1993; 88), physicists generally agree upon a standard model for the structure of truly elementary particles: 24 bosons (including photons), 6 leptons (including the electron and the neutrino), and quarks. Baryons (including protons and neutrons) are each made up of 3 quarks, while mesons consist of 1 quark and 1 anti-quark. There are 18 different kinds of quarks: They come in 6 flavors (up, down, strange, charm, top, and bottom) as well as in 3 different colors (red, green, and blue) (Adair, 1987; 347; Ferris, 1988; 292-298; Rohrlich, 1987; 196-201).

No physicist, however, has seen a quark. Indeed, theoretical physics suggests that free quarks cannot exist (Rohrlich, 1987; 198; Weinberg, 1993; 141, 164-165). Thus, a big question for experimental physics is: Do quarks exist? Weinberg (1993; 142), an elementary-particle physicist, writes: "The puzzle of the nonexistence of isolated free quarks is one of the most important problems facing theoretical physics at the present moment."

Some of us may think that these big questions are not all that important. Would it really have been worth ten billion dollars to build a 54-mile subatomic racetrack in Texas that could crash two beams of protons into each other hoping to smash them apart into their most elementary, component particles, that is, quarks? Theoretical physicists predict what these elementary particles are. Experimental physicists need high-speed accelerators to break down stable particles into these predicted elementary particles so that they can be observed (or so that some phenomena predicted by their existence can be observed) and thus verified. In this time of budget deficits, a lot of us, and particularly those of us in the U.S. House of Representatives, did not think that answering this question warranted building the Superconducting Supercollider. That does not mean that the question is not a big one for physics. It simply means that the nonphysicists of the country would rather spend $10 billion on answering some other question, or perhaps on acting on the basis of some question to which (we think) we already have the answer.

The Scientific Method and the Big Questions

How do scientists answer their big questions? Success involves multiple ingredients: wisdom, hard work, and, sometimes, luck. In science, observe Nathan Spielberg and Bryon D. Anderson (1987; 12), "Often dumb luck, sometimes called serendipity, plays a role either in revealing a key piece of information or in revealing a particularly simple solution." Sometimes, such serendipity helps scientists discover the answer to a question that they did not know they were supposed to be asking. In an effort to answer one big question, they may end up

Scientists *do not start with data or methods.*

Scientists start with questions.

answering another. For example, in 1826, Otto Unverdorben was attempting to produce a synthetic form of indigo but instead discovered aniline, an important molecule in the chemical and pharmaceutical industries (Messadié, 1991; 2, 18).

Serendipity strikes a lot more frequently, however, than scientists recognize it. That is, most of the time the lucky observation of some revealing data produces no increase in knowledge; those who were blessed with the serendipitous data did not recognize its implications. After all, how many people over the millennia were bopped on the head by a falling apple before Isaac Newton discovered gravity? Every ancestor of Newton had watched objects fall; yet he was the first one, building on the ideas of Kepler and Galileo, who discovered the law of gravity. It takes a prepared scientist—someone who knows what the big questions are—to recognize when an answer to an unanswered question fortuitously presents itself. For serendipity to really work in science, the lucky scientist must simultaneously recognize both the answer and the question.

Joseph H. Taylor, Jr., and Russell A. Hulse were awarded the 1993 Nobel Prize for physics for discovering a binary pulsar. Pulsars are collapsed, rotating stars that emit beacons of electromagnetic radiation, much as a lighthouse emits a beacon of light. Moreover, the rotational frequency of the pulsar, and thus the timing between their beacons of radiation is extremely constant. Taylor and Hulse, however, discovered a pulsar whose frequency was modulated. This, obviously, was pure luck. Even discovering a new pulsar is luck; you just happen to point your radiotelescope in its direction.

Recognizing the implications of scientific luck is not luck. Taylor and Hulse recognized: (1) that frequency of the pulsar's beam varied because it was rotating in orbit with another pulsar (whose beam was not pointed towards earth), (2) that this pair of orbiting pulsars should emit, according to Einstein's theory of general relativity, gravity waves, and thus (3) that this pair of pulsars could be used to test the theory of general relativity. Taylor and Hulse won the Nobel Prize not for finding a pulsar with a beacon whose frequency modulated but for recognizing the implications of that modulation and using that implication to test one of the big questions of 20th-century physics: Is the theory of general relativity correct?

As scholars of public management aspire to make their field a science, they, too, need to focus on big questions. Unfortunately, the effort to create a science of administration—to make management look more like physics (or, at least, more like economics)—has led to an emphasis on methodology, on the manipulation of data. After all, real scientists work with real data, that is, numbers (preferably numbers with many significant digits). Too often, the result is methodologically sophisticated research that address small, trivial issues.

A reverence for methodology is not, however, what makes an endeavor scientific. It is an effort to answer major, important questions in a systematic way. What systematic means depends upon the question and upon the type of data and corresponding methodologies that are available to help answer the question. The work is driven by the question, not by the data or the methodology. The scientist does not ask: What question does my data help me answer? Nor does the scientist ask: What question can my methodology help me answer? Rather, the scientist asks: What data and methodology would be most helpful in answering my field's questions? And the leading scientists ask: What data and methodologies would be most helpful in answering my field's *big* questions?

Scientists do not start with data or methods. Scientists start with questions.

Three Big Questions in Public Management

Does the field of public management have 23 big questions for the next century? Some scholars may argue that there are fewer truly big questions; some may think there are more. Here are my nominations for three big questions (concerning the fundamental management dilemmas of micromanagement, motivation, and measurement) that certainly belong in the top ten.

1. Micromanagement: *How* can public managers break the micromanagement cycle—an excess of procedural rules, which prevents public agencies from producing results, which leads to more procedural rules, which leads to...?
2. Motivation: *How* can public managers motivate people (public employees as well as those outside the formal authority of government) to work energetically and intelligently towards achieving public purposes?
3. Measurement: *How* can public managers measure the achievements of their agencies in ways that help to increase those achievements?

All three of these questions are *management* questions—prescriptive questions. Each asks "*How* can public managers...?" Each question asks *how* public managers might accomplish something—*how* they might best deal with a fundamental dilemma that confronts most (if not all) public managers. Each question is based on the assumption that the job of the public manager—and public-management scholars—is not only to understand the behavior of public agencies but also to improve the performance of these agencies. There are other, social-science versions of these questions that are descriptive (e.g., What motivates people?) that may help answer these management questions. Nevertheless, these three big questions are consciously prescriptive. The purpose, for example, is not merely to study motivation but to understand how our existing knowledge about what motivates people combined with new insights can actually be used by public managers to improve government performance.

If public-management scholars could answer these three questions, they would make a significant contribution to the

> How *can the legislative and executive branches learn to trust each other?*

ability of public managers to get their public agencies to produce results. Indeed, they would also make a significant contribution to producing these results.

The Micromanagement Question

Scholars, journalists, public managers, and public commissions have identified micromanagement as a major problem in the public sector. "Congress is commonly criticized for 'micromanaging' government agencies," writes James Q. Wilson (1989; 241); "it does, and always has." "[T]here are factors that lead the government to attempt to micromanage (viz., monitor and control in exacting detail)," write Robert Austin and Patrick Larkey (1992; 4), and this "micromanagement is expensive." The National Commission on the State and Local Public Service (1993; 2)—The Winter Commission—sought to "move us away from an encrusted and outmoded system of command and control and its rule-bound management that emphasizes constraints and process." The National Performance Review (1993; p. iii) sought to eliminate "the structures of overcontrol and micromanagement that now bind the federal government."

The micromanagement tale is old and familiar.

> The legislative branch is, for some reason, unhappy with the way an executive-branch agency is behaving; so the legislators impose some rules on the agency. (This unhappiness often arises out of a scandal or out of some error that is transformed into a scandal.) These new rules prevent, or at least constrain, the agency from doing what the legislature dislikes. Unfortunately, these rules also constrain the agency from producing the results for which it is responsible. The rules may merely impose opportunity costs on the agency, requiring it to devote some of its limited resources to complying with the rules (or at least filling out the paperwork to show that it complied with the rules). Or the rules may actually prevent it from taking an intelligent and useful step to produce the desired results. In any case, the agency's productivity does not match expectations.
>
> This makes the legislature unhappy—again. Clearly the agency is not being managed intelligently. The legislators, however, cannot manage the agency directly. They can only do it indirectly by imposing some additional rules to help the agency better understand what it is supposed to do. The agency's productivity declines still further, which reinforces the legislature's view that the agency is badly managed. So it imposes still more rules. Soon, the agency is devoting a significant portion of its resources to complying with all these rules. Indeed, the agency may conclude that its only real purpose is to follow the rules.
>
> The legislature may conclude the same thing: If all the agency can do is follow rules, we had better write those rules right so that they don't have any opportunity to misinterpret the rules and make an even bigger mess.[3]

All this might be reduced to a succinct question:

The micromanagement question: **How can public managers break the micromanagement cycle of distrust, rules, poor performance, more distrust, more rules, more...?**

This description of the problem suggests that the legislature is the cause of the problem.[4] Indeed, merely calling the problem one of micromanagement implies that the legislature is the bad guy. I suspect many of those who are part of the movement to deregulate government (DiIulio, 1994) may think precisely that.

The Trust Question

Yet, the problem's causal arrow does not just run in one direction. Certainly the legislative branch distrusts the executive branch; that is, in fact, why it imposes so many rules. At the same time, however, the executive also distrusts the legislature (National Academy of Public Administration, 1992). In fact (although it would require some sacrifice of the alliteration advantage), this big question might be better defined as one of trust: How can the legislative and executive branches learn to trust each other? Thus, another statement of this big question might be:

The trust question: **How can public managers reduce the distrust that appears to be inherent in the relationship between the legislative and executive branches of government—and that also inhibits the performance of government agencies?**

Of course, the legislature and the executive are not the only two units of government that fail to trust each other. The political managers of public agencies frequently distrust the career employees of that agency (Heclo, 1977; 181-190; Kaufman, 1981; 192). This is particularly true when the political managers have just taken over their jobs; it is doubly true when they have just taken over their jobs from political managers of the opposite party. Nevertheless, even when political managers have been in the job for a while (although, too often, "a while" never lasts very long), they often do not trust their career employees. Consequently (according to Newton's third law of politics: "To every political action there is always opposed an equal reaction"), the career employees react by not trusting their political managers. Similarly, of course, the staff and oversight agencies do not trust the line agencies (and vice versa). The question about trust, therefore, might be broadened:

The trust question (modified): **How can public managers reduce the distrust that appears to be inherent in the relationship between different units of government—and that consequently inhibits the performance of government agencies?**

Whether you call it the micromanagement question or the trust question, the question is certainly a big one that is clearly worthy of serious thought and research.

Indeed, a variety of recommendations have been offered to deal with this trust problem. The Winter Commission, for example, calls for "a new way of operating" in the public sector, "which is to build trust and lead." The National Performance Review (1993; 14) concluded: "We cannot empower employees to give us their best work unless we eliminate much of the red tape that now prevents it."

The theoretical and empirical support for such recommendations may not, however, be as strong as we, or their advocates, would like. To develop specific policy recommendations that address the big question about trust, we must first answer a number of smaller but still important theoretical and empirical questions about trust:

- What exactly is the source of the distrust between the legislative and executive branches?[5]
- What examples exist of that distrust being significantly reduced?
- How was that distrust reduced? Who took what critical actions? What special circumstances contributed to this reduction in distrust? Can those actions and circumstances be reproduced in other settings? If so, what does it take to do that?
- Are there other ways to reduce distrust?

The Governance Question

In some ways, these big questions about micromanagement and trust are simply a reformulation of the old question about "governance." How should government function? How should we decide what government will do? How should responsibilities be divided between the legislative and executive branches? How should responsibilities be divided between political executives and career civil servants? To what extent should one branch be able to check the other? After all, James Madison did not believe in trust.

In articulating his dichotomy between politics and administration, Woodrow Wilson sought to answer this governance question. As Frank J. Goodnow (1900) summarized it, "Politics has to do with policies or expressions of the state will. Administration has to do with the execution of these policies." The political leaders would make the political decisions about public policy; then the career officials would simply figure out the most efficient way to implement these policies. Woodrow Wilson (1887) wrote: "this discrimination between administration and politics is now, happily, too obvious to need further discussion."

Unhappily, this simple division of labor is much harder to implement than to assert. The legislature's (or executive's) policy statements are rarely so explicit as to leave only the technical details of implementation to be worked out by the administrating agency. Indeed, the task of enacting legislation—of negotiating an agreement among a majority of legislators—often requires that these "expressions of the state will" be indefinite, unclear, ambiguous, confusing, or even contradictory. Consequently, "the execution of these policies" necessarily involves choices among policies. Asked to pursue wondrous policies yet given only limited resources, public managers must choose the policies on which to concentrate those resources. When an agency manager makes such choices, he or she is also choosing with which key legislators (or political executives) to disagree. These policy makers may then react quickly to establish their supremacy. That is when agency managers scream "micromanagement."

> The *clean division of labor between politics and administration is an appealing concept that is, unfortunately, completely unconnected to reality.*

The clean division of labor between politics and administration is an appealing concept that is, unfortunately, completely unconnected to reality. Thus, the governance perspective offers another way to frame this big question:

The governance question: **How can public managers help clarify how legislators, political executives, and career civil servants should share responsibilities for policy-making and implementation?**

The Entrepreneurship Question

In thinking about the tasks of policy making and implementation, Colin S. Diver (1982) has defined two models of public management: the engineering model and the entrepreneurial model. The engineer merely "supervis[es] the execution of a previously defined governmental policy;" the entrepreneur "defines rather than accepts goals." Each model has its own advantages and drawbacks.

The entrepreneurial model offers a good description of reality but creates an ethical problem: It is in "apparent conflict with democratic theory." This, writes Diver, creates a dilemma: "The entrepreneurial model seems, to many at least, the more faithful image of reality, yet it is morally unacceptable. The engineering model is ethically preferable, but unrealistic." To resolve this dilemma, Diver also offers two approaches: "Make the engineering model more realizable or rehabilitate the ethical status of entrepreneurship." Most of the effort has gone into the first strategy, whose success, notes Driver, is "severely limited by some rather intractable realities." Thus, he suggests that it might be better "to elevate the ethical status of the entrepreneurial strategy."

But the task is not merely to improve the reputation of public entrepreneurship. Rather, to resolve the dilemma between engineering and entrepreneurship, we must determine what kind of entrepreneurship is acceptable and desirable. Whom will we permit to be entrepreneurs? Whom do we want to be entrepreneurs? What are the ethical boundaries on entrepreneurship? What is our political philosophy about entrepreneurship by public managers?

The entrepreneurship question: **How can public managers define and develop an entrepreneurial approach to public management that is not only necessary but also legitimate and ethical?**

These are not the only definitions of the big question about micromanagement or trust or governance or entrepreneurship. There are a variety of other ways to frame the same or similar questions,[6] and not much will be gained by debating the exact formulation of the question. Rather, the issue is whether this is a big question—worthy of serious research—and, if so, what approaches might be best for answering the question.[7] Before a major research effort is launched to answer the question, however, we ought to agree that it is indeed, one of the big questions of public management.

The Motivation Question

Public managers frequently complain about their inability to motivate their subordinates: "How can you motivate anyone in the public sector? Everyone is protected by civil-service rules. We can't fire anyone. We can't reward anyone. How can they expect us to get anything done?"

Such a recitation of the motivational impotence of public managers is, implicitly though clearly, based on the carrot-and-stick theory of motivation. This theory is—again implicitly, although again just as clearly—based on the assumption that you motivate a person the same way that you motivate a donkey. Either you hold a carrot in front of the donkey/person to motivate it forward; or you hit the donkey/person with a stick to do the same thing. Frederick Herzberg (1968) divides this "kick-him" approach into the "negative physical KITA," the "negative psychological KITA," and the "positive KITA." Harry Levinson (1973) simply calls it "the Great Jackass Fallacy."

In schools of public policy (perhaps not so much in schools of public administration), this carrot-and-stick theory is widely employed as the primary basis for thinking about motivation. It is called economics.

The thinking about motivation in public policy schools is dominated by the economic perspective, in part, because economists dominate these faculties. Psychologists also worry about motivation and do research on the subject. They even write textbooks titled: *Motivation* (Beck, 1990; Mook, 1987). Yet how many schools of public administration or public policy have a single psychologist on the faculty who does research or teaches a course on motivation in public sector organizations?

Moreover, in recent years, economists have been particularly entrepreneurial—broadening the application of their favorite paradigms from the behavior of markets to the behavior of organizations. Specifically, economists have defined the central problem of behavior within organizations as the relationship between principals and their agents (Moe, 1984). The central problem of this relationship is not one of mere *motivation* but one of *control.*

Indeed, for the public sector, economists have transformed the big question about motivation into a question about control:

> Indeed, *for the public sector, economists have transformed the big question about motivation into a question about control.*

The motivation question (principal-agent version): **How can the legislature control the executive, and how can political managers control civil servants?**

This principal-agent version of the motivational question involves, however, several implicit assumptions. The first is that the principal wants to "control" the behavior of the agent. Behind this assumption of "control" is an even more basic and subtler assumption: The principal knows what he or she wants the agent to do. That is why the problem reduces to one of control. Because the principal knows what should be done, the only remaining task is to get the agent to do it.

In fact, however, the principal often does not know what should be done to pursue a particular goal or what goal should be pursued. That is why legislation is so vague. Congress is not just one, single, unified principal or, in Graham Allison's terms (1971), a single "rational actor." Rather, Congress is multiple principals with differing views (Wilson, 1989; 254-256). How can the question be "how can the legislature force the executive to accomplish its goal?" when the legislature does not know what goal it wants accomplished? Moreover, even if the legislature could, somehow, agree on what it wanted the executive to do, it could hardly think through exactly how it wanted the executive to do it.[8]

Although hierarchical organizations that emphasize control have some obvious advantages, organization theorists have identified alternatives. For example, over three decades ago, Tom Burns and G. M. Stalker (1961) defined (from their studies of Scottish and English firms) two "divergent systems of management practice." For the traditional "mechanistic management system," responsibilities and tasks are narrowly and explicitly defined. In contrast, their "organic" form is characterized by jobs that "have to be redefined continually," by individuals who carry out their responsibilities using "their knowledge of the tasks of the firm as a whole," and by communications that "resemble lateral consultation rather than vertical command" (pp. 5-6, 119-122). Indeed, managers (particularly managers in the private sector about which economists have traditionally been most interested) have long been experimenting with non-hierarchical forms of organization and with styles of leadership and management based on human relationships other than command and control (Womack, Jones, and Roos, 1990).

Ironically, at a time when much of the thinking and exploration by public sector managers is focusing on how to avoid the problems created by command-and-control hierarchies (Osborne and Gaebler, 1992; chap. 9)—to move beyond what Michael Barzelay (1992; chap. 1) calls "the bureaucratic paradigm"—principal-agent models have become the public-policy scholar's favorite (perhaps even dominant) way of think-

> *The measurement question: How can public managers measure the accomplishments of their agencies and of themselves?*

ing about motivation. To contemporary economists, the principal-agent "problem" is how can the principals "control the behavior" of the agents (Moe, 1984; 755).[9] To contemporary managers, the principal-agent problem is how can we avoid the dysfunctional behavior that results when the principals try to control the agents.

One more assumption behind the principal-agent formulation of the motivation question is that people prefer leisure to work. This assumption is supported by numerous bumper stickers that proclaim: "I'd rather be sailing"; "I'd rather be golfing." Most of us would, indeed, prefer to spend the afternoon at the ballpark than in the office. Or, if for some perverse reason you would rather be pounding away on your keyboard than watching Junior Griffey go up against Roger Clemens, I am sure that you can think of some other activity you would prefer to either of those. For most people, the thing we get paid to do is not the number-one item on our list of ways to spend the day.

Still, psychologists (although not economists) tell us that meaningful work can be motivating (Herzberg, 1968; Maslow, 1943; McGregor, 1957). In the public sector, this can be particularly true. People do not enter the field of social service to maximize income; they hope to do meaningful work.[10] If legislators, or political executives, or career executives can find some way to exploit that desire to do meaningful work—to take advantage of the beneficial self-selection[11] that leads people to choose public sector jobs—they may gain help not merely in carrying out standard operating procedures to achieve goals, and not merely in figuring out how best to achieve those goals, but also in determining what goals are both worth pursuing and pursuable.

Thus, the big question about motivation might be defined as:

The motivation question: **How can public managers motivate public employees (and citizens too) to pursue important public purposes with intelligence and energy?**

One assumption behind this phrasing of the question is that public managers do not necessarily know how best to achieve public objectives. A second assumption is that the managers may not even know what objectives should be pursued (particularly given that some objectives will be easier to achieve than others). A third assumption is that a lot of people within (and outside) any public agency have a lot to contribute not only to achieving such objectives but also in choosing among objectives and deciding how best to achieve them.[12]

Principal-agent theory is also based on the assumption of an asymmetry of information, and the assumption that the agent knows more (Moe, 1984; 754-757). Rather than ask how the principal might take advantage of the additional information that the agent might have, principal-agent theorists ask how it might be neutralized. The National Performance Review (1993; 3) described this mentality well: "We assume that we can't trust employees to make decisions, so we spell out in detail how they must do virtually everything, then audit them to ensure that they have obeyed every rule." In contrast to this view is Vice President Gore's assumption that "The people who work closest to the problem know the most about how to solve the problem" (National Performance Review, 1993; 9).

The Measurement Question

How do we know if a public agency is doing a good job?

Much has been written about the technical (Suchman, 1967; Weiss, 1972) and political (Wildavsky, 1972) problems of evaluating public programs, public agencies, and public managers. Indeed, the measurement question can be asked from a number of different perspectives: How can public managers know if they are doing a good job? How can public agencies know if they are doing a good job? How can legislators and citizens know whether their agencies and managers are doing a good job? To answer these questions, we must define and measure what accomplishments might contribute to a good job. Thus, the big question about measurement appears to be relatively straightforward:

The measurement question: **How can public managers measure the accomplishments of their agencies and of themselves?**

The usual answer is to measure outcomes or impacts, not inputs or outputs. Consider a public-health program designed to assist pregnant women and their future children.

- Input measures include the number of public-health clinics providing this service, the number of public-health nurses working in these clinics, and the dollars spent on the program.
- Output measures include the number of women who participated in the program, the number of visits these women made to the clinics, and the prenatal instructions that they followed.
- Outcome measures include the number of healthy (and unhealthy) babies born to women who participated in the program.
- Impact measures include the difference between the number of healthy babies born to women who participated in the program and the number of healthy babies who would have been born to these women had they not participated in the program.

Given that the real objective of this program is not to employ nurses or rent clinic space—nor to have women visit clinics—but to actually improve the health of the infants born to these women, the input and output measures do not reveal what we have really accomplished. The only way to do that is to examine the outcome and impact measures.

Unfortunately, whether a measure is an output or an outcome is not always obvious. Take the example of the birthweight of the new-born babies. Low birthweights are bad; they are associated with all sorts of short-term and long-term health problems. Thus, one outcome measure traditionally employed for prenatal programs is the percentage of babies who weigh more than 2,500 grams (or approximately 5.5 pounds),[13] and one impact measure is how many more babies weighed over 2,500 grams than would have without the program. But is birthweight an outcome or an output measure? After all, how much a baby weighs at birth is not, itself, our real concern. The only reason we want to increase birthweights is because doing so decreases a variety of other problems. Nevertheless, because the correlation between low birthweights and other health problems is so high, the birthweight of babies is traditionally used as an outcome measure for prenatal programs.

This example makes the measurement question look trivial. There is not much political disagreement about wanting to make babies healthy (although there often is disagreement about how much ought to be spent to raise one baby's birthweight by one pound). Moreover, there is no scientific disagreement about the value of increasing birthweights.

Other public-policy efforts, however, are not so straightforward. How do you measure the value of a defense program, of a diplomatic initiative, or of an automobile drivers'-license bureau? Such questions are difficult to answer unless you can define the objectives that these public policies are supposed to accomplish—and unless you can determine how much the policy actually contributed to the objective. For example, the objective of a defense program might be to deter an attack on the United States, and the outcome might be that for the past five years there has, in fact, been no such attack. But what has been the impact? Has this defense policy really made any difference? Or would there have been no attack during the past five years even without the policy? And how would you know?

Further, this defense policy is not the only initiative—public or private—designed to prevent an attack on the United States. This is a blessing to the policy's managers—provided that there is no attack; they can benefit from these additional efforts and take credit for their impact. If an attack occurs, however, the managers of this defense policy will immediately claim: "It wasn't our fault. A lot of other people contributed to this problem. We didn't control all the incompetent diplomatic work of the Department of State. And that speech the president gave at the U.N.—it all but invited an attack."

The we-don't-control-everything excuse is a common response to outcome measurement: "You can hold us accountable for our outputs, but we don't control our outcomes." One of the basic reasons for measuring how well a public agency is doing is to hold the agency and its managers accountable for their work. And people do not like being held accountable for things that they do not control.

The *we-don't-control-everything excuse is a common response to outcome measurement: "You can hold us accountable for our outputs, but we don't control our outcomes."*

If we accept the we-don't-control-everything excuse, however, we will never have any accountability. For no public agency (or private firm) controls all the inputs necessary to produce the desired outcomes. Even such a simple, service-delivery program as prenatal services for pregnant women can offer this excuse. After all, the effectiveness of the program depends both on the willingness of the women to visit the clinics and to follow the advice offered by its nurses. Thus, the measurement question is actually a question about responsibility.

The measurement/responsibility question: **How can public managers help citizens define appropriate and realistic measures of accomplishments that the managers and their agencies should be responsible for achieving?**

Most of the current debate in elementary and secondary education focuses on this question. Traditionally, the questions in education have been: What do we want our children to learn? And what kinds of tests should we use to measure, against these educational objectives, the accomplishments of students, schools, school districts, and states?

Thus, the kinds of tests we use to measure results are important. They need to reflect what we want school children to learn. And often it is not easy to design tests that can, in fact, measure whether children have learned what we were trying to teach.

This creates a further problem. If teachers are going to be evaluated by how well their students do on a test, teachers will teach what their students need to know to pass this test. In fact, when teachers, principals, superintendents, and other educators create tests and assert or imply that they are responsible for how their students perform on these tests, they influence—more powerfully than do any professed educational objectives—what students are taught.

There is, however, one more complication to this measurement question: What level of test results should teachers, principals, and school superintendents be responsible for achieving? After all, teachers, principals, and school superintendents do not control all the factors that go into what a child learns. Indeed, parents are much more important than teachers, and the home is much more important than school. So even if a perfect test could be designed, even if it could measure precisely how much of what we wanted taught the students actually learned, it is still not obvious whether the schools should be held responsible for getting their students to particular levels on those tests. What can a teacher do if the parents do not give a damn about their own children's education? And yet, if the

> Even *if we know exactly what we want to accomplish, do we know any actions by anyone that will help accomplish it?*

validity of the we-don't-control-everything excuse is accepted, both the responsibility of the schools and the efficacy of their work are rejected.

Of course, some teachers, some principals, and some schools have not exploited this knowledge of the importance of parents as an excuse. Instead, they have exploited this knowledge to change their educational strategy: If parents are more important than teachers, then one of the key jobs of teachers is to make sure that parents are involved in their children's education.

In some ways, the educational example is easy too. We know that government action is not the primary contributor to the desired objective. This is not an uncommon condition. Fortunately, in education, we also know what a primary contributor is. Acting on this knowledge does require an imaginative redefinition of what a teacher and principal do. Contrary to what they were taught in their educational training, the most effective thing that teachers may do to improve the learning of their students may not take place in the classroom. Teachers' work with parents may be much more significant than teachers' work with students. Once that insight is accepted, however, it may not be unreasonable to hold teachers responsible for some measurable outcomes.

For other public agencies, however, we may know much less about the linkage between objectives and actions. Even if we know exactly what we want to accomplish, do we know any actions by anyone that will help accomplish it? If we do know something about some linkages, is it reasonable to expect those who work in a public agency to be able to activate those linkages? Can we hold a police chief responsible for the level of violent crime? Can we hold the administrator of the Environmental Protection Agency responsible for the quality of the air we breathe? Can we hold the director of the U.S. Weather Bureau responsible for the weather? What exactly are the measures of accomplishments that we should hold public agencies and their managers responsible for achieving?

Following the example of Hilbert (1902), Howard Wainer (1993) has defined 16 problems in educational measurement, such as "How do we correct for self-selection?" and "How can we combine response time with other measures of quality of response?" The measurement problem in public management, however, concerns more than the accuracy of the measurement or even the utility of the measurements for making good decisions. Rather, our measurement problem concerns the performance of public agencies; accurate data and valid metrics are not enough. Even useful data that facilitates decision making are not enough. We need to understand how to use these measurements to improve performance. Thus, for public managers, the measurement question becomes:

The measurement question: How can public managers use measures of the achievements of public agencies to produce even greater achievements?

Micromanagement, Measurement, and Motivation

My three big questions are, of course, all linked. The micromanagement question is clearly connected to the one about motivation: When legislators, political executives, or staff and oversight agencies do not know how to motivate line-agency employees to achieve particular goals, they resort to micromanagement. Thus, answering the motivation question might help answer the one about micromanagement. Moreover, answering the measurement question may help answer both the micromanagement and motivation questions. As I have argued elsewhere (Behn, 1992), effective measurement of the consequence of a public agency's efforts can motivate the people working in that agency to do a better job and can, at the same time, provide the evidence necessary to build trust in the agency and thus break the micromanagement cycle.

Motivation and Micromanagement

If we could answer the big question about motivation, we might not need to devote as much time to answering the one about micromanagement. There are many reasons behind the proliferation of rules and regulations. One is that we do not know how to motivate people to do something right. So we resort to a second-best approach: constrain them from doing anything wrong. (Unfortunately, constraining people from doing anything wrong often simultaneously constrains them from doing anything right.) But if they knew more about how to motivate people, some legislators, political executives, and staff and oversight agencies might not feel so great a need to engage in micromanagement.

Measurement and Motivation

Being able to answer the measurement question would help to answer the motivation question. After all, if we can somehow measure how well we are doing, we have an important tool for motivating people and organizations to achieve those measures (Behn, 1991b; chap. 4; Locke and Latham, 1984). In fact, the public sector may choose to use artificial, performance evaluations in a futile effort to motivate public employees precisely because they lack the more useful motivational tool of clear, realizable goals.

Measurement and Micromanagement

Being able to answer the measurement question would help answer the micromanagement question as well. If the desired outcomes could be measured, legislatures might be much more willing to trust the executive branch; after all, they would then have the ability to determine whether or not the executive was, in fact, actually achieving whatever objectives the legislature (or individual legislators) had laid out.[14] Legislatures impose so many rules, in part because they cannot measure results, and in part because they do not know what results they want to measure. If they cannot determine whether the executive has produced the right outcome, they can at least determine if the executive has pursued that outcome in the right way.

Thomas Peters and Robert Waterman (1982; chap. 12) have argued that excellent businesses have "simultaneous loose-tight properties." They are tight about what they expect their managers to achieve, but they are loose about how these managers can achieve it. That is, they give their managers firm, clear objectives, but then delegate to these managers a lot of discretion in how to achieve them.

In government, unfortunately, the situation is exactly the reverse. Government has simultaneous tight-loose properties. Legislatures are very loose about what they want their managers to achieve, but they are quite tight about the means that managers can use to achieve those loose objectives. Answering the big questions about micromanagement, motivation, and measurement may help convert government from its traditional reliance on tight-loose properties to a willingness to employ those simultaneous loose-tight properties that can contribute to excellence.

A search for answers to these (or other) big questions of public management will make no one instantaneously rich or famous. But the accumulative work of many scholars may provide some truly worthwhile answers—worthwhile as science and worthwhile as public management.

The Futile Search for *The* Solution

These big questions of public management will not be answered with a shout of "Eureka"—one sudden insight, one clever experiment, one brilliant paper that finally proves Fermat's Last Theorem (Wiles, forthcoming). No single piece of public-management research will offer the kind of breakthrough that wins a Nobel Prize. The big questions of public management do not have a single answer—or even a single answer plus or minus 10 percent. "Scientific management" may have lost much of its intellectual stature, but its legacy lives on; people still search for the "one best way." As Burns and Stalker wrote, however, "The beginning of administrative wisdom is the awareness that there is no one optimum type of management system" (1961; 125).

Indeed, any one of the three questions above can have multiple answers. Finding one solution to the micromanagement question does not preclude finding other solutions. (Nor will it be possible to prove that only one solution exists or that no solution exists.) Further, no single solution is apt to be inherently superior to another (although some solutions, or at least their advocates, may be more elegant than others). Different solutions will be more or less effective in different contexts, or when employed by different managers with different skills. Answering the motivation question for California does not guarantee that you have answered it for Colorado, or Connecticut, or Columbia, or Cameroon, or Cambodia.

Just because the big questions of public management will not have the same kind of answers as physics, or paleontology, does not mean that they are not worth asking. It just means that they will have different kinds of answers and thus must be answered in different ways. It means that the questions will be answered only through an accumulation of evidence.[15] For the answers to these questions are as much political as they are intellectual. An answer to the measurement question that appears elegant to theoreticians but is incomprehensible to public managers makes little progress. An answer to the motivation question that convinces scholars but rankles political executives will accomplish little. An answer to the micromanagement question that satisfies academics but fails to persuade legislators is no answer at all.

At the same time, a partial answer to the question may prove quite helpful. An answer to the measurement question that reveals how to measure how well social-service agencies are doing (and thus can motivate those who work in such social-service agencies) will be quite valuable, even if that answer has absolutely no validity when applied to defense or environmental agencies.

Thus, a search for answers to these (or other) big questions of public management will make no one instantaneously rich or famous. But the accumulative work of many scholars may provide some truly worthwhile answers—worthwhile as science and worthwhile as public management.

The Search for the Big Questions

I am not arguing that these are the only three research questions for public management scholars. I am not even arguing that these are the three most important research questions in public management. I am arguing that these three are among the most important research questions. Each one is significant and worthy of serious attention and study.

Other public-management scholars may find other questions more important. Great! My objective is not to dictate a research agenda for the field. Rather, my purpose is to get the field thinking about what questions ought to be at the very top of its research agenda.

So let the debate begin. What questions are really important? What questions should be the focus of public-management research? I hope that many scholars will develop their own lists of the big questions of public management. We ought to circulate, argue, defend, modify, and reargue these questions.

We ought to think seriously not just about data and methodology but also about questions—big questions. We ought to decide what they are, answer some of them, and revise the list. We ought to always be focusing our attention on these big questions. Then, when public-management scholars get together, we too will be discussing "The Big Questions of Public Management."

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Notes

In preparing this article, I benefited from conversations with Mark Abramson, Alan Altshuler, and Sanford Borins. I also received valuable comments on an early draft from Borins, Hale Champion, Robert Hartman, Marc Zegans, Peter Zimmerman, and two thoughtful referees. They should not, however, be held accountable for my inability, while standing obviously in deep left field, to understand that they were all screaming in unison for me to steal home.

1 To some of these questions, we have the "answer." School children know that humans first came to the North American continent across the land bridge from Asia where the Bering Strait now lies; but we do not know when they came and whether they came in one or a few major waves or in a large number of much smaller migrations (Gutin, 1992). There is a growing belief that the dinosaurs (and approximately two-thirds of the other, existing species) were wiped out by a kind of long "nuclear winter" that enveloped the earth after a large meteor struck the Yucatan peninsula about 65 million years ago (Sharpton *et al.*, 1993). Others, however, have different theories (Kerr, 1993; Morell, 1993).

2. For one compilation of such big questions in various fields of science—from "Is Space Curved?" to "Why Are there Blood Groups?"—see Duncan and Weston-Smith (1977).

3. The National Performance Review (1993, Introduction) offers a similar story. The NPR's version, curiously but predictably, almost never mentions the role of Congress. It is as if somehow all the "red tape" and "the systems of overcontrol and micromanagement" (p. 13) were created without any involvement by real people.

4. Others (Lowi, 1969) argue that the biggest problem created by legislatures comes not from their micromanagement but from their failure to set forth clear goals—not from their failure to give too detailed instructions but rather from their failure to provide instructions that are specific enough. This might, indeed, be a problem for liberal democracy, but it is less of a "management" problem. When confronted with multiple or conflicting goals, the public manager can choose on which of these goals to focus the agency's energies (Behn, 1991b; 203-206). Indeed, when confronted with ambiguous legislative directives, public managers have an obligation to choose goals (Herring, 1936; Behn, 1992). That is called leadership.

5. Actually, I think that some pretty good explanations of the reasons behind the inherent distrust exist (Behn, 1991a). I just do not know of a single, succinct theoretical explanation of the sources. It will not take long, I suspect, before several people will tell me of their favorite explanation. Candidates include Wilson's chapter on "Congress" (1989; 235-253).

6. There are still other ways to describe this question about micromanagement or trust or governance:

   The risk question: How can public executives be encouraged to take risks to achieve policy objectives rather than to play it safe to avoid criticism for making a mistake (Sylvester, 1992)?

   The reform question: How can we balance the conflict between political reform (designed to prevent corruption) and managerial reform (designed to encourage creative actions to achieve policy objectives)?

7. To answer the entrepreneur variant of this question, Diver (1982) suggests: "We must study entrepreneurial public managers—not as engineers who have somehow gone wrong, but as self-conscious entrepreneurs.... [W]e need case studies that illuminate the skills uniquely required for entrepreneurship.... [W]e need studies that explore the social consequences of entrepreneurial behavior—the connection between personal reward and social outcome, the impact of entrepreneurship on governmental performance...." For an example of the first two kinds of studies, see Behn (1991b).

8. For a firm, these underlying assumptions may not be as weak. The stockholders know what they want the firm's managers to do: make money. The stockholders do not care about vision, or empowerment, or wellness programs, or any other nice things that might make an organization productive—except to the extent that these things help achieve their single objective of making money. The relationship between stockholders and managers is not complicated by the subtleties of unknown or ill-formulated objectives. And the stockholders do not really care about means. They invested in the firm for only one reason: to make money.

   And yet, even this assumption is not quite true. Some cranks invest in a firm (buy a few shares of stock) not to make money at all, but to force the firm to pursue a broader set of objectives, or to pursue the single objective of making money in particular (and presumably socially desirable) ways. Some people even make money organizing mutual funds from stocks of firms that pursue explicit social objectives beyond making money.

9. Economists are not the only social scientists who emphasize control. Hugh Heclo (1977; 5, 1), a political scientist, writes about "the problems of political control of the bureaucracy," of "the struggle to control the bureaucracy" by "the President, his appointees, and high-ranking bureaucrats."

10. I know, you can always add another dimension to the social-worker's utility function—the do-good dimension—and then model that individual's behavior using this new utility function with all the proper coefficients. This ability to continually add new dimensions to the utility function is what makes economics so "powerful" and simultaneously so trivial.

11. Economists worry about "adverse [self-]selection" by employees. But there can be "beneficial [self-]selection" too. For an example, see Katzenbach and Smith (1993; 33).

12. Another assumption behind this big question about motivation is that, if people have a role in deciding what goals to pursue and how to pursue them, they will work harder to pursue these goals.

13. Oregon uses as one of its benchmarks for healthy babies and toddlers the percentage of children born with birthweights over 2,500 grams. Oregon's objective is to increase this percentage from 95 percent in 1992 to 97 percent in 2000 and 98 percent in 2010. Oregon also keeps track of the "percentage of babies whose mothers received adequate prenatal care (beginning in the first trimester)" and seeks to increase this output measure from 77 percent in 1992 to 97 percent in 2000 and 98 percent in 2010 (Oregon Progress Board, 1992; 27). As one of the "Minnesota Milestones" that "Minnesotans will be healthy," this state uses the percentage of low birthweight babies (under 2,500 grams). Minnesota seeks to reduce this from 5.1 percent in 1990 to 3.5 percent in 2000 and 2.5 percent in 2020 (Minnesota Planning, 1992; 20).

14. This assumes, of course, that a majority of legislators can agree on what objectives they want the agency to accomplish. If not, they still might be able to agree on *how* the agency should accomplish any objectives, and thus they still might micromanage.

15. Okay, that is how it happens in physics, too (Kuhn, 1970). And it also holds true for paleontology. Gould (1989; 79) writes: "[I]ntellectual transformations often remain under the surface. They ooze and diffuse into scientific consciousness, and people may slowly move from one pole to another, having never heard the call to arms."

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The Manager's Job: Folklore and Fact

The classical view says that the manager organizes, coordinates, plans, and controls; the facts suggest otherwise.

Henry Mintzberg

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If you ask managers what they do, they will most likely tell you that they plan, organize, coordinate, and control. Then watch what they do. Don't be surprised if you can't relate what you see to these words.

When a manager is told that a factory has just burned down and then advises the caller to see whether temporary arrangements can be made to supply customers through a foreign subsidiary, is that manager planning, organizing, coordinating, or controlling? How about when he or she presents a gold watch to a retiring employee? Or attends a conference to meet people in the trade and returns with an interesting new product idea for employees to consider?

What do managers do? Even managers themselves don't always know.

These four words, which have dominated management vocabulary since the French industrialist Henri Fayol first introduced them in 1916, tell us little about what managers actually do. At best, they indicate some vague objectives managers have when they work.

The field of management, so devoted to progress and change, has for more than half a century not seriously addressed *the* basic question: What do managers do? Without a proper answer, how can we teach management? How can we design planning or information systems for managers? How can we improve the practice of management at all?

Our ignorance of the nature of managerial work shows up in various ways in the modern organization—in boasts by successful managers who never spent a single day in a management training program; in the turnover of corporate planners who never quite understood what it was the manager wanted; in the computer consoles gathering dust in the back room because the managers never used the fancy on-line MIS some analyst thought they needed. Perhaps most important, our ignorance shows up in the inability of our large public organizations to come to grips with some of their most serious policy problems.

Somehow, in the rush to automate production, to use management science in the functional areas of marketing and finance, and to apply the skills of the behavioral scientist to the problem of worker motivation, the manager—the person in charge of the organization or one of its subunits—has been forgotten.

I intend to break the reader away from Fayol's words and introduce a more supportable and useful description of managerial work. This description derives from my review and synthesis of research on how various managers have spent their time.

In some studies, managers were observed intensively; in a number of others, they kept detailed diaries; in a few studies, their records were analyzed. All kinds of managers were studied—foreman, factory supervisors, staff managers, field sales managers, hospital administrators, presidents of companies and nations, and even street gang leaders. These "managers" worked in the United States, Canada, Sweden, and Great Britain.

A synthesis of these findings paints an interesting picture, one as different from Fayol's classical view as a cubist abstract is from a Renaissance painting. In a sense, this picture will be obvious to anyone who has ever spent a day in a manager's office, either in front of the desk or behind it. Yet, at the same time, this picture throws into doubt much of the folklore that we have accepted about the manager's work.

Folklore and Facts About Managerial Work

There are four myths about the manager's job that do not bear up under careful scrutiny of the facts.

Folklore: The manager is a reflective, systematic planner. The evidence of this issue is overwhelming, but not a shred of it supports this statement.

Fact: Study after study has shown that managers work at a unrelenting pace, that their activities are characterized by brevity, variety, and discontinuity, and that they are strongly oriented to action and dislike reflective activities. Consider this evidence:

Half the activities engaged in by the five chief executives of my study lasted less than nine minutes, and only 10% exceeded one hour.[1] A study of 56 U.S. foremen found that they averaged 583 activities per eight-hour shift, an average of 1 every 48 seconds.[2] The work pace for both chief executives and foremen was unrelenting. The chief executives met a steady stream of callers and mail from the moment they arrived in the morning until they left in the evening. Coffee breaks and lunches were inevitably work related, and ever-present subordinates seemed to usurp any free moment.

How often can you work for a half an hour without interruption?

A diary study of 160 British middle and top managers found that they worked without interruption for a half hour or more only about once every two days.[3]

Of the verbal contacts the chief executives in my study engaged in, 93% were arranged on an ad hoc basis. Only 1% of the executives' time was spent in open-ended observational tours. Only 1 out of 368 verbal contacts was unrelated to a specific issue and could therefore be called general planning. Another researcher found that "in *not one single case* did a manager report obtaining important external information from a general conversation or other undirected personal communication."[4]

Is this the planner that the classical view describes? Hardly. The manager is simply responding to the pressures of the job. I found that my chief executives terminated many of their own activities, often leaving meetings before the end, and interrupted their desk work to call in subordinates. One president not only placed his desk so that he could look down a long hallway but also left his door open when he was alone—an invitation for subordinates to come in and interrupt him.

Clearly, these managers wanted to encourage the flow of current information. But more significantly, they seemed to be conditioned by their own work loads. They appreciated the opportunity cost of their own time, and they were continually aware of their ever-present obligations—mail to be answered, callers to attend to, and so on. It seems that a manager is always plagued by the possibilities of what might be done and what must be done.

When managers must plan, they seem to do so implicitly in the context of daily actions, not in some abstract process reserved for two weeks in the organization's mountain retreat. The plans of the chief executives I studied seemed to exist only in their heads—as flexible, but often specific, intentions. The traditional literature notwithstanding, the job of managing does not breed reflective planners; managers respond to stimuli, they are conditioned by their jobs to prefer live to delayed action.

Folklore: The effective manager has no regular duties to perform. Managers are constantly being told to spend more time planning and delegating and less time seeing customers and engaging in negotiations. These are not, after all, the true tasks of the manager. To use the popular analogy, the good manager, like the good conductor, carefully orchestrates everything in advance, then sits back, responding occasionally to an unforeseeable exception. But here again the pleasant abstraction just does not seem to hold up.

Fact: Managerial work involves performing a number of regular duties, including ritual and ceremony, negotiations, and processing of soft information that links the organization with its environment. Consider some evidence from the research:

A study of the work of the presidents of small companies found that they engaged in routine activities because their companies could not afford staff specialists and were so thin on operating personnel that a single absence often required the president to substitute.[5]

One study of field sales managers and another of chief executives suggest that it is a natural part of both jobs to see important customers, assuming the managers wish to keep those customers.[6]

Someone, only half in jest, once described the manager as the person who sees visitors so that other people can get their work done. In my study, I found that certain ceremonial duties—meeting visiting dignitaries, giving out gold watches, presiding at Christmas dinners—were an intrinsic part of the chief executive's job.

Studies of managers' information flow suggest that managers play a key role in securing "soft" external information (much of it available only to them because of their status) and in passing it along to their subordinates.

Folklore: The senior manager needs aggregated information, which a formal management information system best provides. Not too long ago, the words *total information system* were everywhere in the management literature. In keeping with the classical view of the manager as that individual perched on the apex of a regulated, hierarchical system, the literature's manager was to receive all important information from a giant, comprehensive MIS.

But lately, these giant MIS systems are not working—managers are simply not using them. The enthusiasm has waned. A look at how managers actually process information makes it clear why.

Fact: Managers strongly favor verbal media, telephone calls and meetings, over documents. Consider the following:

In two British studies, managers spent an average of 66% and 80% of their time in verbal (oral) communication.[7] In my study of five American chief executives, the figure was 78%.

These five chief executives treated mail processing as a burden to be dispensed with. One came in Saturday morning to process 142 pieces of mail in just over three hours, to "get rid of all the stuff." This same manager looked at the first piece of "hard" mail he had received all week, a standard cost report, and put it aside with the comment, "I never look at this."

Today's gossip may be tomorrow's fact—that's why managers cherish hearsay.

These same five chief executives responded immediately to 2 of the 40 routine reports they received during the five weeks of my study and to 4 items in the 104 periodicals. They skimmed most of these periodicals in seconds, almost ritualistically. In all, these chief executives of good-sized organizations initiated on their

Research on Managerial Work

In seeking to describe managerial work, I conducted my own research and also scanned the literature to integrate the findings of studies from many diverse sources with my own. These studies focused on two different aspects of managerial work. Some were concerned with the characteristics of work—how long managers work, where, at what pace, with what interruptions, with whom they work, and through what media they communicate. Other studies were concerned with the content of work—what activities the managers actually carry out, and why. Thus, after a meeting, one researcher might note that the manager spent 45 minutes with three government officials in their Washington office, while another might record that the manager presented the company's stand on some proposed legislation in order to change a regulation.

A few of the studies of managerial work are widely known, but most have remained buried as single journal articles or isolated books. Among the more important ones I cite are:

- Sune Carlson developed the diary method to study the work characteristics of nine Swedish managing directors. Each kept a detailed log of his activities. Carlson's results are reported in his book *Executive Behaviour*. A number of British researchers, notably Rosemary Stewart, have subsequently used Carlson's method. In *Managers and Their Jobs*, she describes the study of 160 top and middle managers of British companies.
- Leonard Sayles's book *Managerial Behavior* is another important reference. Using a method he refers to as "anthropological," Sayles studied the work content of middle and lower level managers in a large U.S. corporation. Sayles moved freely in the company, collecting whatever information struck him as important.
- Perhaps the best-known source is *Presidential Power*, in which Richard Neustadt analyzes the power and managerial behavior of Presidents Roosevelt, Truman, and Eisenhower. Neustadt used secondary sources—documents and interviews with other parties.
- Robert H. Guest, in *Personnel*, reports on a study of the foreman's working day. Fifty-six U.S. foremen were observed and each of their activities recorded during one eight-hour shift.
- Richard C. Hodgson, Daniel J. Levinson, and Abraham Zaleznik studied a team of three top executives of a U.S. hospital. From that study they wrote *The Executive Role Constellation*. They addressed the way in which work and socioemotional roles were divided among the three managers.
- William F. Whyte, from his study of a street gang during the Depression, wrote *Street Corner Society*. His findings about the gang's workings and leadership, which George C. Homans analyzed in *The Human Group*, suggest interesting similarities of job content between street gang leaders and corporate managers.

My own study involved five American CEOs of middle- to large-sized organizations—a consulting firm, a technology company, a hospital, a consumer goods company, and a school system. Using a method called "structural observation," during one intensive week of observation for each executive, I recorded various aspects of every piece of mail and every verbal contact. In all, I analyzed 890 pieces of incoming and outgoing mail and 368 verbal contacts.

own—that is, not in response to something else—a grand total of 25 pieces of mail during the 25 days I observed them.

An analysis of the mail the executives received reveals an interesting picture—only 13% was of specific and immediate use. So now we have another piece in the puzzle: not much of the mail provides live, current information—the action of a competitor, the mood of a government legislator, or the rating of last night's television show. Yet this is the information that drove the managers, interrupting their meetings and rescheduling their workdays.

Consider another interesting finding. Managers seem to cherish "soft" information, especially gossip, hearsay, and speculation. Why? The reason is its timeliness; today's gossip may be tomorrow's fact. The manager who misses the telephone call revealing that the company's biggest customer was seen golfing with a main competitor may read about a dramatic drop in sales in the next quarterly report. But then it's too late.

To assess the value of historical, aggregated, "hard" MIS information, consider two of the managers's prime uses for information—to identify problems and opportunities[8] and to build mental models (e.g., how the organization's budget system works, how customers buy products, how changes in the economy affect the organization). The evidence suggests that the manager identifies decision situations and builds models not with the aggregated abstractions an MIS provides but with specific tidbits of data.

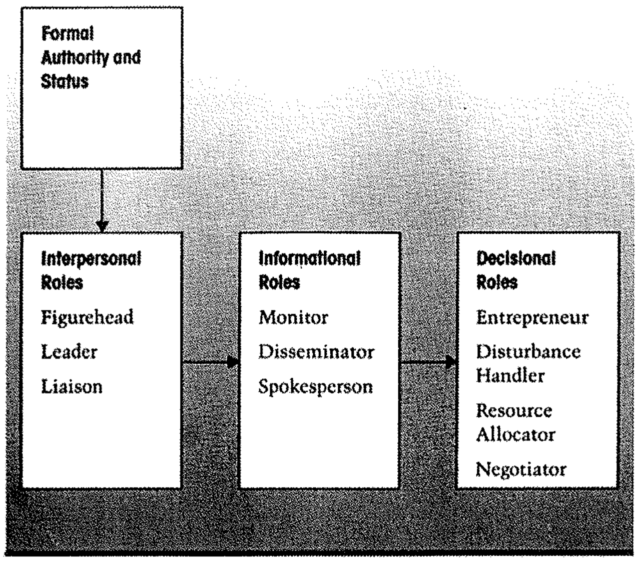
Consider the words of Richard Neustadt, who studied the information-collecting habits of Presidents Roosevelt, Truman, and Eisenhower: "It is not information of a general sort that helps a President see personal stakes; not summaries, not surveys, not the *bland amalgams*. Rather... it is the odds and ends of *tangible detail* that pieced together in his mind illuminate the underside of issues put before him. To help himself he must reach out as widely as he can for every scrap of fact, opinion, gossip, bearing on his interests and relationships as President. He must become his own director of his own central intelligence."[9]

The manager's emphasis on this verbal media raises two important points. First, verbal information is stored in the brains of people. Only when people write this information down can it be stored in the files of the organization—whether in metal cabinets or on magnetic tape—and managers apparently do not write down much of what they hear. Thus the strategic data bank of the organization is not in the memory of its computers but in the minds of its managers.

Second, managers' extensive use of verbal media helps to explain why they are reluctant to delegate tasks. It is not as if they can hand a dossier over to subordinates; they must take the time to "dump memory"—to tell subordinates all about the subject. But this could take so long that managers may find it easier to do the task themselves. Thus they are damned by their own information system to a "dilemma of delegation"—to do too much or to delegate to subordinates with inadequate briefing.

Folklore: Management is, or at least is quickly becoming, a science and a profession. By almost any definition of *science* and *profession*, this statement is false. Brief observation of any manager will quickly lay to rest the notion that managers practice a science. A science involves the enaction of systematic, analytically determined procedures or programs. If we do not even know what procedures managers use, how can we prescribe them by scientific analysis? And how can we call management a profession if we cannot specify what managers are to learn? For after all, a profession involves "knowledge of some department of learning or science" (*Random House Dictionary*).[10]

The Manager's Roles



Fact: The managers' programs—to schedule time, process information, make decisions, and so on—remain locked deep inside their brains. Thus, to describe these programs, we rely on words like *judgment* and *intuition*, seldom stopping to realize that they are merely labels for our ignorance.

I was struck during my study by the fact that the executives I was observing—all very competent—are fundamentally indistinguishable from their counterparts of a hundred years ago (or a thousand years ago). The information they need differs, but they seek it in the same way—by word of mouth. Their decisions concern modern technology, but the procedures they use to make those decisions are the same as the procedures used by nineteenth century managers. Even the computer, so important for the specialized work of the organization, has apparently had no influence on the work procedures of general managers. In fact, the manager is in a kind of loop, with increasingly heavy work pressures but no aid forthcoming from management science.

Considering the facts about managerial work, we can see that the manager's job is enormously complicated and difficult. Managers are overburdened with obligations yet cannot easily delegate their tasks. As a result, they are driven to overwork and forced to do many tasks superficially. Brevity, fragmentation, and verbal communication characterize their work. Yet these are the very characteristics of managerial work that have impeded scientific attempts to improve it. As a result, management scientists have concentrated on the specialized functions of the organization, where it is easier to analyze the procedures and quantify the relevant information.[11]

But the pressures of a manager's job are becoming worse. Where before managers needed to respond only to owners and directors, now they find that subordinates with democratic norms continually reduce their freedom to issue unexplained orders, and a growing number of outside influences (consumer groups, government agencies, and so on) demand attention. Managers have had nowhere to turn for help. The first step in providing such help is to find out what the manager's job really is.

Back to a Basic Description of Managerial Work

Earlier, I defined the manager as that person in charge of an organization or subunit. Besides CEOs, this definition would include vice presidents, bishops, foremen, hockey coaches, and prime ministers. All these "managers" are vested with formal authority over an organizational unit. From formal authority comes status, which leads to various interpersonal relations, and from these comes access to information. Information, in turn, enables the manager to make decisions and strategies for the unit.

The manager's job can be described in terms of various "roles," or organized sets of behaviors identified with a position. My description, shown in "The Manager's Roles," comprises ten roles. As we shall see, formal authority gives rise to the three interpersonal roles, which in turn give rise to the three informational roles; these two sets of roles enable the manager to play the four decisional roles.

Interpersonal Roles

Three of the manager's roles arise directly from formal authority and involve basic interpersonal relationships. First is the *figurehead* role. As the head of an organizational unit, every manager must perform some ceremonial duties. The president greets the touring dignitaries. The foreman attends the wedding of a lathe operator. The sales manager takes an important customer to lunch.

The chief executives of my study spent 12% of their contact time on ceremonial duties; 17% of their incoming mail dealt with acknowledgments and requests related to their status. For example, a letter to a company president requested free merchandise for a crippled schoolchild; diplomas that needed to be signed were put on the desk of the school superintendent.

Duties that involve interpersonal roles may sometimes be routine, involving little serious communication and no important decision making. Nevertheless, they are important to the smooth functioning of an organization and cannot be ignored.

Managers are responsible for the work of the people of their unit. Their actions in this regard constitute the *leader* role. Some of these actions involve leadership directly—for example, in most organizations the managers are normally responsible for hiring and training their own staff.

In addition, there is the indirect exercise of the leader role. For example, every manager must motivate and encourage employees, somehow reconciling their individual needs with the goals of the organization. In virtually every contact with the manager, subordinates seeking leadership clues ask: "Does she approve?" "How would she like the report to turn out?" "Is she more interested in market share than high profits?"

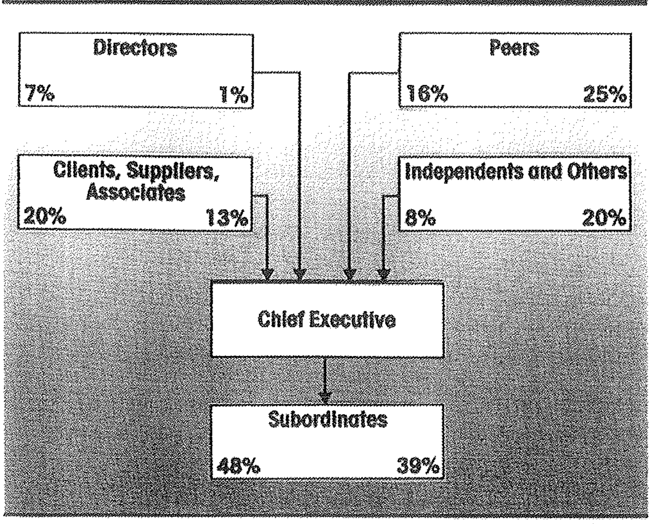
The influence of managers is most clearly seen in the leader role. Formal authority vests them with great potential power; leadership determines in large part how much of it they will realize.

The literature of management has always recognized the leader role, particularly those aspects of it related to motivation. In comparison, until recently it has hardly mentioned the *liaison* role, in which the manager makes contacts outside the vertical chain of command. This is remarkable in light of the finding of virtually every study of managerial work that managers spend as much time with peers and other people outside their units as they do with their own subordinates—and, surprisingly, very little time with their own superiors.

In Rosemary Stewart's diary study, the 160 British middle and top managers spent 47% of their time with peers, 41% of their time with people inside their unit, and only 12% of their time with their superiors. For Robert H. Guest's study of U.S. foremen, the figures were 44%, 46%, and 10%. The chief executives of my study averaged 44% of their contact time with people outside their organizations, 48% with subordinates, and 7% with directors and trustees.

The contacts the five CEOs made were with an incredibly wide range of people: subordinates; clients, business associates, and

The Chief Executive's Contacts



Note: The first figure indicates the proportion of total contact time spent with each group and the second figure, the proportion of mail from each group.

suppliers; and peers—managers of similar organizations, government and trade organization officials, fellow directors on outside boards, and independents with no relevant organizational affiliations. The chief executives' time with and mail from these groups is shown in "The Chief Executive's Contacts." Guest's study of foremen shows, likewise, that their contacts were numerous and wide-ranging, seldom involving fewer than 25 individuals, and often more than 50.

Informational Roles

By virtue of interpersonal contacts, both with subordinates and with a network of contacts, the manager emerges as the nerve center of the organizational unit. The manager may not know everything but typically knows more than subordinates do.

Studies have shown this relationship to hold for all managers, from street gang leaders to U.S. presidents. In *The Human Group*, George C. Homans explains how, because they were at the center of the information flow in their own gangs and were also in close touch with other gang leaders, street gang leaders were better informed than any of their followers.[12] As for presidents, Richard Neustadt observes: "The essence of [Franklin] Roosevelt's technique for information-gathering was competition. 'He would call you in,' one of his aides once told me, 'and he'd ask you to get the story on some complicated business, and you'd come back after a couple of days of hard labor and present the juicy morsel you'd uncovered under a stone somewhere, and *then* you'd find out he knew all about it, along with something else you *didn't* know. Where he got this information from he wouldn't mention, usually, but after he had done this to you once or twice you got damn careful about *your* information.'"[13]

We can see where Roosevelt "got this information" when we consider the relationship between the interpersonal and informational roles. As leader, the manager has formal and easy access to every staff member. In addition, liaison contacts expose the manager to external information to which subordinates often lack access. Many of these contacts are with other managers of equal status, who are themselves nerve centers in their own organization. In this way, the manager develops a powerful database of information.

Processing information is a key part of the manager's job. In my study, the CEOs spent 40% of their contact time on activities devoted exclusively to the transmission of information; 70% of their incoming mail was purely informational (as opposed to requests for action). Managers don't leave meetings or hang up the telephone to get back to work. In large part, communication *is* their work. Three roles describe these informational aspects of managerial work.

As *monitor*, the manager is perpetually scanning the environment for information, interrogating liaison contacts and subordinates, and receiving unsolicited information, much of it as a result of the network of personal contacts. Remember that a good part of the information the manager collects in the monitor role arrives in verbal form, often as gossip, hearsay, and speculation.

In the *disseminator* role, the manager passes some privileged information directly to subordinates, who would otherwise have no access to it. When subordinates lack easy contact with one another, the manager may pass information from one to another.

In the *spokesperson* role, the manager sends some information to people outside the unit—a president makes a speech to lobby for an organization cause, or a foreman suggests a product modification to a supplier. In addition, as a spokesperson, every manager must inform and satisfy the influential people who control the organizational unit. For the foreman, this may simply involve keeping the plant manager informed about the flow of work through the shop.

The president of a large corporation, however, may spend a great amount of time dealing with a host of influences. Directors and shareholders must be advised about finances; consumer groups must be assured that the organization is fulfilling its social responsibilities; and government officials must be satisfied that the organization is abiding by the law.

Decisional Roles

Information is not, of course, an end in itself; it is the basic input to decision making. One thing is clear in the study of managerial work: the manager plays the major role in the unit's decision-making system. As its formal authority, only the manager can commit the unit to important new courses of action; and as its nerve center, only the manager has full and current information to make the set of decisions that determines the unit's strategy. Four roles describe the manager as decision maker.

As *entrepreneur*, the manager seeks to improve the unit, to adapt it to changing conditions in the environment. In the monitor role, a president is constantly on the lookout for new ideas. When a good one appears, he initiates a development project that he may supervise himself or delegate to an employee (perhaps with the stipulation that he must approve the final proposal).

The scarcest resource managers have to allocate is their own time.

There are two interesting features about these development projects at the CEO level. First, these projects do not involve single decisions or even unified clusters of decisions. Rather, they emerge as a series of small decisions and actions sequenced over time. Apparently, chief executives prolong each project both to fit

Retrospective Commentary

Henry Mintzberg

Over the years, one reaction has dominated the comments I have received from managers who read "The Manager's Job: Folklore and Fact": "You make me feel so good. I thought all those other managers were planning, organizing, coordinating, and controlling, while I was busy being interrupted, jumping from one issue to another, and trying to keep the lid on the chaos." Yet everything in this article must have been patently obvious to these people. Why such a reaction to reading what they already knew?

Conversely, how to explain the very different reaction of two media people who called to line up interviews after an article based on this one appeared in the *New York Times*. "Are we glad someone finally let managers have it," both said in passing, a comment that still takes me aback. True, they had read only the account in the *Times*, but that no more let managers have it than did this article. Why that reaction?

One explanation grows out of the way I now see this article—as proposing not so much another view of management as another face of it. I like to call it the insightful face, in contrast to the long-dominant professional or cerebral face. One stresses commitment, the other calculation; one sees the world with integrated perspective, the other figures it as the components of a portfolio. The cerebral face operates with the words and numbers of rationality; the insightful face is rooted in the images and feel of a manager's integrity.

Each of these faces implies a different kind of "knowing," and that, I believe, explains many managers' reaction to this article. Rationally, they "knew" what managers did—planned, organized, coordinated, and controlled. But deep down that did not feel quite right. The description in this article may have come closer to what they really "knew." As for those media people, they weren't railing against management as such but against the cerebral form of management, so pervasive, that they saw impersonalizing the world around them.

In practice, management has to be two-faced—there has to be a balance between the cerebral and the insightful. So, for example, I realized originally that managerial communication was largely oral and that the advent of the computer had not changed anything fundamental in the executive suite—a conclusion I continue to hold. (The greatest threat the personal computer poses is that managers will take it seriously and come to believe that they can manage by remaining in their offices and looking at displays of digital characters.) But I also thought that the dilemma of delegating could be dealt with by periodic debriefings—disseminating words. Now, however, I believe that managers need more ways to convey the images and impressions they carry inside of them. This explains the renewed interest in strategic vision, in culture, and in the roles of intuition and insight in management.

The ten roles I used to describe the manager's job also reflect management's cerebral face, in that they decompose the job more than capture the integration. Indeed, my effort to show a sequence among these roles now seems more consistent with the traditional face of management work than an insightful one. Might we not just as well say that people throughout the organization take actions that inform managers who, by making sense of those actions, develop images and visions that inspire people to subsequent efforts?

Perhaps my greatest disappointment about the research reported here is that it did not stimulate new efforts. In a world so concerned with management, much of the popular literature is superficial and the academic research pedestrian. Certainly, many studies have been carried out over the last 15 years, but the vast majority sought to replicate earlier research. In particular, we remain grossly ignorant about the fundamental content of the manager's job and have barely addressed the major issues and dilemmas in its practice.

But superficiality is not only a problem of the literature. It is also an occupational hazard of the manager's job. Originally, I believed this problem could be dealt with; now I see it as inherent in the job. This is because managing insightfully depends on the direct experience and personal knowledge that come from intimate contact. But in organizations grown larger and more diversified, that becomes difficult to achieve. And so managers turn increasingly to the cerebral face, and the delicate balance between the two faces is lost.

Certainly, some organizations manage to sustain their humanity despite their large size—as Tom Peters and Robert Waterman show in their book *In Search of Excellence*. But that book attained its outstanding success precisely because it is about the exceptions, about the organizations so many of us long to be a part of—not the organization in which we actually work.

Fifteen years ago, I stated that "No job is more vital to our society than that of the manager. It is the manager who determines whether our social institutions serve us well or whether they squander our talents and resources." Now, more than ever, we must strip away the folklore of the manager's job and begin to face its difficult facts.

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it into a busy, disjointed schedule, and so that they can comprehend complex issues gradually.

Second, the chief executives I studied supervised as many as 50 of these projects at the same time. Some projects entailed new products or processes; others involved public relations campaigns, improvement of the cash position, reorganization of a weak department, resolution of a morale problem in a foreign division, integration of computer operations, various acquisitions at different stages of development, and so on.

Chief executives appear to maintain a kind of inventory of the development projects in various stages of development. Like jugglers, they keep a number of projects in the air; periodically, one comes down, is given a new burst of energy, and sent back into orbit. At various intervals, they put new projects on-stream and discard old ones.

While the entrepreneur role describes the manager as the voluntary initiator of change, the *disturbance handler* role depicts the manager involuntarily responding to pressures. Here change is beyond the manager's control. The pressures of a situation are too severe to be ignored—a strike looms, a major customer has gone bankrupt, or a supplier reneges on a contract—so the manager must act.

Leonard R. Sayles, who has carried out appropriate research on the manager's job, likens the manager to a symphony orchestra conductor who must "maintain a melodious performance,"[14] while handling musicians' problems and other external distur-

Self-Study Questions for Managers

1. Where do I get my information, and how? Can I make greater use of my contacts? Can other people do some of my scanning? In what areas is my knowledge weakest, and how can I get others to provide me with the information I need? Do I have sufficiently powerful mental models of those things I must understand within the organization and in its environment?

2. What information do I disseminate? How important is that information to my subordinates? Do I keep too much information to myself because disseminating it is time consuming or inconvenient? How can I get more information to others so they can make better decisions?

3. Do I tend to act before information is in? Or do I wait so long for all the information that opportunities pass me by?

4. What pace of change am I asking my organization to tolerate? Is this change balanced so that our operations are neither excessively static nor overly disrupted? Have we sufficiently analyzed the impact of this change on the future of our organization?

5. Am I sufficiently well-informed to pass judgment on subordinates' proposals? Can I leave final authorization for more of the proposals with subordinates? Do we have problems of coordination because subordinates already make too many decisions independently?

6. What is my vision for this organization? Are these plans primarily in my own mind in loose form? Should I make them explicit to guide the decisions of others better? Or do I need flexibility to change them at will?

7. How do my subordinates react to my managerial style? Am I sufficiently sensitive to the powerful influence of my actions? Do I fully understand their reactions to my actions? Do I find an appropriate balance between encouragement and pressure? Do I stifle their initiative?

8. What kind of external relationships do I maintain, and how? Do I spend too much of my time maintaining them? Are there certain people whom I should get to know better?

9. Is there any system to my time scheduling, or am I just reacting to the pressures of the moment? Do I find the appropriate mix of activities or concentrate on one particular function or problem just because I find it interesting? Am I more efficient with particular kinds of work, at special times of the day or week? Does my schedule reflect this? Can someone else schedule my time (besides my secretary)?

10. Do I overwork? What effect does my work load have on my efficiency? Should I force myself to take breaks or to reduce the pace of my activity?

11. Am I too superficial in what I do? Can I really shift moods as quickly and frequently as my work requires? Should I decrease the amount of fragmentation and interruption in my work?

12. Do I spend too much time on current, tangible activities? Am I a slave to the action and excitement of my work, so that I am no longer able to concentrate on issues? Do key problems receive the attention they deserve? Should I spend more time reading and probing deeply into certain issues? Could I be more reflective? Should I be?

13. Do I use the different media appropriately? Do I know how to make the most of written communication? Do I rely excessively on face-to-face communication, thereby putting all but a few of my subordinates at an informational disadvantage? Do I schedule enough of my meetings on a regular basis? Do I spend enough time observing activities first-hand, or am I detached from the heart of my organization's activities?

14. How do I blend my personal rights and duties? Do my obligations consume all my time? How can I free myself from obligations to ensure that I am taking this organization where I want it to go? How can I turn my obligations to my advantage?

bances. Indeed, every manager must spend a considerable amount of time responding to high-pressure disturbances. No organization can be so well run, so standardized, that it has considered every contingency in the uncertain environment in advance. Disturbances arise not only because poor managers ignore situations until they reach crisis proportions but also because good managers cannot possibly anticipate all the consequences of the actions they take.

The third decisional role is that of *resource allocator*. The manager is responsible for deciding who will get what. Perhaps the most important resource the manager allocates is his or her own time. Access to the manager constitutes exposure to the unit's nerve center and decision maker. The manager is also charged with designing the unit's structure, that pattern of formal relationships that determines how work is to be divided and coordinated.

Also, as resource allocator, the manager authorizes the important decisions of the unit before they are implemented. By retaining this power, the manager can ensure that decisions are interrelated. To fragment this power encourages discontinuous decision making and a disjointed strategy.

There are a number of interesting features about the manager's authorization of others' decisions. First, despite the widespread use of capital budgeting procedures—a means of authorizing various capital expenditures at one time—executives in my study made a great many authorization decisions on an ad hoc basis. Apparently, many projects cannot wait or simply do not have the quantifiable costs and benefits that capital budgeting requires.

Second, I found that the chief executives faced incredibly complex choices. They had to consider the impact of each decision on other decisions and on the organization's strategy. They had to ensure that the decision would be acceptable to those who influence the organization, as well as ensure that resources would not be overextended. They had to understand the various costs and benefits as well as the feasibility of the proposal. They also had to consider questions of timing. All this was necessary for the simple approval of someone else's proposal. At the same time, however, the delay could lose time, while quick approval could be ill-considered and quick rejection might discourage the subordinate who had spent months developing a pet project.

One common solution to approving projects is to pick the person instead of the proposal. That is, the manager authorizes those projects presented by people whose judgment he or she trusts. But the manager cannot always use this simple dodge.

The final decisional role is that of *negotiator*. Managers spend considerable time in negotiations: the president of the football team works out a contract with the holdout superstar; the corporation president leads the company's contingent to negotiate a new strike issue; the foreman argues a grievance problem to its conclusion with the shop steward.

These negotiations are an integral part of the manager's job, for only he or she has the authority to commit organizational resources in "real time" and the nerve-center information that important negotiations require.

The Integrated Job

It should be clear by now that these ten roles are not easily separable. In the terminology of the psychologist, they form a gestalt, an integrated whole. No role can be pulled out of the framework and the job be left intact. For example, a manager without liaison contacts lacks external information. As a result, that manager can neither disseminate the information that employees need nor make decisions that adequately reflect external conditions. (This is a problem for the new person in a managerial position, since he or she has to build up a network of contacts before making effective decisions.)

Here lies a clue to the problems of team management.[15] Two or three people cannot share a single managerial position unless they can act as one entity. This means that they cannot divide up the ten roles unless they can very carefully reintegrate them. The real difficulty lies with the informational roles. Unless there can be full sharing of managerial information—and, as I pointed out earlier, it is primarily verbal—team management breaks down. A single managerial job cannot be arbitrarily split, for example, into internal and external roles, for information from both sources must be brought to bear on the same decisions.

To say that the ten roles form a gestalt is not to say that all managers give equal attention to each role. In fact, I found in my review of the various research studies that sales managers seem to spend relatively more of their time in the interpersonal roles, presumably a reflection of the extrovert nature of the marketing activity. Production managers, on the other hand, give relatively more attention to the decisional roles, presumably a reflection of their concern with efficient work flow. And staff managers spend the most time in the informational roles, since they are experts who manage departments that advise other parts of the organization. Nevertheless, in all cases, the interpersonal, informational, and decisional roles remain inseparable.

Toward More Effective Management

This description of managerial work should prove more important to managers than any prescription they might derive from it. That is to say, *the managers' effectiveness is significantly influenced by their insight into their own work*. Performance depends on how well a manager understands and responds to the pressures and dilemmas of the job. Thus managers who can be introspective about their work are likely to be effective at their jobs. The questions in "Self-Study Questions for Managers" may sound rhetorical; none is meant to be. Even though the questions cannot be answered simply, the manager should address them.

Let us take a look at three specific areas of concern. For the most part, the managerial logjams—the dilemma of delegation, the database centralized in one brain, the problems of working with the management scientist—revolve around the verbal nature of the manager's information. There are great dangers in centralizing the organization's data bank in the minds of its managers. When they leave, they take their memory with them. And when subordinates are out of convenient verbal reach of the manager, they are at an informational disadvantage.

The manager is challenged to find systematic ways to share privileged information. A regular debriefing session with key subordinates, a weekly memory dump on the dictating machine, maintaining a diary for limited circulation, or other similar methods may ease the logjam of work considerably. The time spent disseminating this information will be more than regained when decisions must be made. Of course, some will undoubtedly raise the question of confidentiality. But managers would be well advised to weigh the risks of exposing privileged information against having subordinates who can make effective decisions.

If there is a single theme that runs through this article, it is that the pressures of the job drive the manager to take on too much work, encourage interruption, respond quickly to every stimulus, seek the tangible and avoid the abstract, make decisions in small increments, and do everything abruptly.

Here again, the manager is challenged to deal consciously with the pressures of superficiality by giving serious attention to the issues that require it, by stepping back in order to see a broad picture, and by making use of analytical inputs. Although effective managers have to be adept at responding quickly to numerous and varying problems, the danger in managerial work is that they will respond to every issue equally (and that means abruptly) and that they will never work the tangible bits and pieces of information into a comprehensive picture of their world.

To create this comprehensive picture, managers can supplement their own models with those of specialists. Economists describe the functioning of markets, operations researchers simulate financial flow processes, and behavioral scientists explain the needs and goals of people. The best of these models can be searched out and learned.

In dealing with complex issues, the senior manager has much to gain from a close relationship with the organization's own management scientists. They have something important that the manager lacks—time to probe complex issues. An effective working relationship hinges on the resolution of what a colleague and I have called "the planning dilemma."[16] Managers have the information and the authority; analysts have the time and the technology. A successful working relationship between the two will be effected when the manager learns to share information and the analyst learns to adapt to the manager's needs. For the analyst, adaptation means worrying less about the elegance of the method and more about its speed and flexibility.

Analysts can help the top manager schedule time, feed in analytical information, monitor projects, develop models to aid in making choices, design contingency plans for disturbances that can be anticipated, and conduct "quick and dirty" analyses for those that cannot. But there can be no cooperation if the analysts are out of the mainstream of the manager's information flow.

The manager is challenged to gain control of his or her own time by turning obligations into advantages and by turning those things he or she wishes to do into obligations. The chief executives of my study initiated only 32% of their own contacts (and another 5% by mutual agreement). And yet to a considerable extent they seemed to control their time. There were two key factors that enabled them to do so.

First, managers have to spend so much time discharging obligations that if they were to view them as just that, they would leave no mark on the organization. Unsuccessful managers blame failure on the obligations. Effective managers turn obligations to advantages. A speech is a chance to lobby for a cause; a meeting is a chance to reorganize a weak department; a visit to an important customer is a chance to extract trade information.

Second, the manager frees some time to do the things that he or she—perhaps no one else—thinks important by turning them into obligations. Free time is made, not found. Hoping to leave some time open for contemplation or general planning is tantamount to hoping that the pressures of the job will go away. Managers who want to innovate initiate projects and obligate others to report back to them. Managers who need certain environmental information establish channels that will automatically keep them informed. Managers who have to tour facilities commit themselves publicly.

The Educator's Job

Finally, a word about the training of managers. Our management schools have done an admirable job of training the organization's specialists—management scientists, marketing researchers, accountants, and organizational development specialists. But for the most part, they have not trained managers.[17]

Management schools will begin the serious training of managers when skill training takes a serious place next to cognitive learning. Cognitive learning is detached and informational, like reading a book or listening to a lecture. No doubt much important cognitive material must be assimilated by the manager-to-be. But cognitive learning no more makes a manager than it does a swimmer. The latter will drown the first time she jumps into the water if her coach never takes her out of the lecture hall, gets her wet, and gives her feedback on her performance.

In other words, we are taught a skill through practice plus feedback, whether in a real or a simulated situation. Our management schools need to identify the skills managers use, select students who show potential in these skills, put the students into situations where these skills can be practiced and developed, and then give them systematic feedback on their performance.

My description of managerial work suggests a number of important managerial skills—developing peer relationships, carrying out negotiations, motivating subordinates, resolving conflicts, establishing information networks and subsequently disseminating information, making decisions in conditions of extreme ambiguity, and allocating resources. Above all, the manager needs to be introspective in order to continue to learn on the job.

No job is more vital to our society than that of the manager. The manager determines whether our social institutions will serve us well or whether they will squander our talents and resources. It is time to strip away the folklore about managerial work and study it realistically so that we can begin the difficult task of making significant improvements in its performance.

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What Makes an Effective Executive

by Peter F. Drucker

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What Makes an Effective Executive

The Idea in Brief

Worried that you're not a born leader? That you lack charisma, the right talents, or some other secret ingredient? No need: leadership isn't about personality or talent. In fact, the best leaders exhibit wildly different personalities, attitudes, values, and strengths—they're extroverted or reclusive, easygoing or controlling, generous or parsimonious, numbers or vision oriented.

So what do effective leaders have in common? They get the right things done, in the right ways—by following eight simple rules:

- Ask what needs to be done.
- Ask what's right for the enterprise.
- Develop action plans.
- Take responsibility for decisions.
- Take responsibility for communicating.
- Focus on opportunities, not problems.
- Run productive meetings.
- Think and say "We," not "I."

Using discipline to apply these rules, you gain the knowledge you need to make smart decisions, convert that knowledge into effective action, and ensure accountability throughout your organization.

The Idea in Practice

GET THE KNOWLEDGE YOU NEED

Ask what needs to be done.
When Jack Welch asked this question while taking over as CEO at General Electric, he realized that dropping GE businesses that couldn't be first or second in their industries was essential—not the overseas expansion he had wanted to launch. Once you know what must be done, identify tasks you're best at, concentrating on one at a time. After completing a task, reset priorities based on new realities.

Ask what's right for the enterprise.
Don't agonize over what's best for owners, investors, employees, or customers. Decisions that are right for your *enterprise* are ultimately right for all stakeholders.

CONVERT YOUR KNOWLEDGE INTO ACTION

Develop action plans.
Devise plans that specify *desired results* and *constraints* (is the course of action legal and compatible with the company's mission, values, and policies?). Include *check-in points* and *implications for how you'll spend your time*. And *revise* plans to reflect new opportunities.

Take responsibility for decisions.
Ensure that each decision specifies who's accountable for carrying it out, when it must be implemented, who'll be affected by it, and who must be informed. Regularly review decisions, especially hires and promotions. This enables you to correct poor decisions before doing real damage.

Take responsibility for communicating.
Get input from superiors, subordinates, and peers on your action plans. Let each know what information you need to get the job done. Pay equal attention to peers' and superiors' information needs.

Focus on opportunities, not problems.
You get results by exploiting opportunities, not solving problems. Identify changes inside and outside your organization (new technologies, product innovations, new market structures), asking "How can we exploit this change to benefit our enterprise?" Then match your best people with the best opportunities.

ENSURE COMPANYWIDE ACCOUNTABILITY

Run productive meetings.
Articulate each meeting's purpose (Making an announcement? Delivering a report?). Terminate the meeting once the purpose is accomplished. Follow up with short communications summarizing the discussion, spelling out new work assignments and deadlines for completing them. General Motors CEO Alfred Sloan's legendary mastery of meeting follow-up helped secure GM's industry dominance in the mid-twentieth century.

Think and say "We," not "I."
Your authority comes from your organization's trust in you. To get the best results, always consider your organization's needs and opportunities before your own.

Great managers may be charismatic or dull, generous or tightfisted, visionary or numbers oriented. But every effective executive follows eight simple practices.

What Makes an Effective Executive

by Peter F. Drucker

An effective executive does not need to be a leader in the sense that the term is now most commonly used. Harry Truman did not have one ounce of charisma, for example, yet he was among the most effective chief executives in U.S. history. Similarly, some of the best business and nonprofit CEOs I've worked with over a 65-year consulting career were not stereotypical leaders. They were all over the map in terms of their personalities, attitudes, values, strengths, and weaknesses. They ranged from extroverted to nearly reclusive, from easygoing to controlling, from generous to parsimonious.

What made them all effective is that they followed the same eight practices:

- They asked, "What needs to be done?"
- They asked, "What is right for the enterprise?"
- They developed action plans.
- They took responsibility for decisions.
- They took responsibility for communicating.
- They were focused on opportunities rather than problems.
- They ran productive meetings.
- They thought and said "we" rather than "I."

The first two practices gave them the knowledge they needed. The next four helped them convert this knowledge into effective action. The last two ensured that the whole organization felt responsible and accountable.

Get the Knowledge You Need

The first practice is to ask what needs to be done. Note that the question is not "What do I want to do?" Asking what has to be done, and taking the question seriously, is crucial for managerial success. Failure to ask this question will render even the ablest executive ineffectual.

When Truman became president in 1945, he knew exactly what he wanted to do: complete the economic and social reforms of Roosevelt's New Deal, which had been deferred by World War II. As soon as he asked what needed to be done, though, Truman realized that foreign affairs had absolute priority. He organized his working day so that it began with tutorials on foreign policy by the secretaries of state and defense. As a result, he became the most effective president in foreign affairs the United States has ever known. He contained Communism in both Europe and Asia and, with the Marshall Plan, triggered 50 years of worldwide economic growth.

Similarly, Jack Welch realized that what needed to be done at General Electric when he took over as chief executive was not the overseas expansion he wanted to launch. It was getting rid of GE businesses that, no matter how profitable, could not be number one or number two in their industries.

The answer to the question "What needs to be done?" almost always contains more than one urgent task. But effective executives do not splinter themselves. They concentrate on one task if at all possible. If they are among those people—a sizable minority—who work best with a change of pace in their working day, they pick two tasks. I have never encountered an executive who remains effective while tackling more than two tasks at a time. Hence, after asking what needs to be done, the effective executive sets priorities and sticks to them. For a CEO, the priority task might be redefining the company's mission. For a unit head, it might be redefining the unit's relationship with headquarters. Other tasks, no matter how important or appealing, are postponed. However, after completing the original top-priority task, the executive resets priorities rather than moving on to number two from the original list. He asks, "What must be done now?" This generally results in new and different priorities.

To refer again to America's best-known CEO: Every five years, according to his autobiography, Jack Welch asked himself, "What needs to be done *now?*" And every time, he came up with a new and different priority.

But Welch also thought through another issue before deciding where to concentrate his efforts for the next five years. He asked himself which of the two or three tasks at the top of the list he himself was best suited to undertake. Then he concentrated on that task; the others he delegated. Effective executives try to focus on jobs they'll do especially well. They know that enterprises perform if top management performs—and don't if it doesn't.

Effective executives' second practice—fully as important as the first—is to ask, "Is this the right thing for the enterprise?" They do not ask if it's right for the owners, the stock price, the employees, or the executives. Of course they know that shareholders, employees, and executives are important constituencies who have to support a decision, or at least acquiesce in it, if the choice is to be effective. They know that the share price is important not only for the shareholders but also for the enterprise, since the price/earnings ratio sets the cost of capital. But they also know that a decision that isn't right for the enterprise will ultimately not be right for any of the stakeholders.

This second practice is especially important for executives at family owned or family run businesses—the majority of businesses in every country—particularly when they're making decisions about people. In the successful family company, a relative is promoted only if he or she is measurably superior to all nonrelatives on the same level. At DuPont, for instance, all top managers (except the controller and lawyer) were family members in the early years when the firm was run as a family business. All male descendants of the founders were entitled to entry-level jobs at the company. Beyond the entrance level, a family member got a promotion only if a panel composed primarily of nonfamily managers judged the person to be superior in ability and performance to all other employees at the same level. The same rule was observed for a century in the highly successful British family business J. Lyons & Company (now part of a major conglomerate) when it dominated the British food-service and hotel industries.

Asking "What is right for the enterprise?" does not guarantee that the right decision will be made. Even the most brilliant executive is human and thus prone to mistakes and prejudices. But failure to ask the question virtually guarantees the *wrong* decision.

Write an Action Plan

Executives are doers; they execute. Knowledge is useless to executives until it has been translated into deeds. But before springing into action, the executive needs to plan his course. He needs to think about desired results, probable restraints, future revisions, check-in points, and implications for how he'll spend his time.

First, the executive defines desired results by asking: "What contributions should the enterprise expect from me over the next 18 months

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to two years? What results will I commit to? With what deadlines?" Then he considers the restraints on action: "Is this course of action ethical? Is it acceptable within the organization? Is it legal? Is it compatible with the mission, values, and policies of the organization?" Affirmative answers don't guarantee that the action will be effective. But violating these restraints is certain to make it both wrong and ineffectual.

The action plan is a statement of intentions rather than a commitment. It must not become a straitjacket. It should be revised often, because every success creates new opportunities. So does every failure. The same is true for changes in the business environment, in the market, and especially in people within the enterprise—all these changes demand that the plan be revised. A written plan should anticipate the need for flexibility.

In addition, the action plan needs to create a system for checking the results against the expectations. Effective executives usually build two such checks into their action plans. The first check comes halfway through the plan's time period; for example, at nine months. The second occurs at the end, before the next action plan is drawn up.

Asking what has to be done, and taking the question seriously, is crucial for managerial success.

Finally, the action plan has to become the basis for the executive's time management. Time is an executive's scarcest and most precious resource. And organizations—whether government agencies, businesses, or nonprofits—are inherently time wasters. The action plan will prove useless unless it's allowed to determine how the executive spends his or her time.

Napoleon allegedly said that no successful battle ever followed its plan. Yet Napoleon also planned every one of his battles, far more meticulously than any earlier general had done. Without an action plan, the executive becomes a prisoner of events. And without check-ins to reexamine the plan as events unfold, the executive has no way of knowing which events really matter and which are only noise.

Act

When they translate plans into action, executives need to pay particular attention to decision making, communication, opportunities (as opposed to problems), and meetings. I'll consider these one at a time.

Take responsibility for decisions. A decision has not been made until people know:

- the name of the person accountable for carrying it out;
- the deadline;
- the names of the people who will be affected by the decision and therefore have to know about, understand, and approve it—or at least not be strongly opposed to it—and
- the names of the people who have to be informed of the decision, even if they are not directly affected by it.

An extraordinary number of organizational decisions run into trouble because these bases aren't covered. One of my clients, 30 years ago, lost its leadership position in the fast-growing Japanese market because the company, after deciding to enter into a joint venture with a new Japanese partner, never made clear who was to inform the purchasing agents that the partner defined its specifications in meters and kilograms rather than feet and pounds—and nobody ever did relay that information.

It's just as important to review decisions periodically—at a time that's been agreed on in advance—as it is to make them carefully in the first place. That way, a poor decision can be corrected before it does real damage. These reviews can cover anything from the results to the assumptions underlying the decision.

Such a review is especially important for the most crucial and most difficult of all decisions, the ones about hiring or promoting people. Studies of decisions about people show that only one-third of such choices turn out to be truly successful. One-third are likely to be draws—neither successes nor outright failures. And one-third are failures, pure and simple. Effective executives know this and check up (six to nine months later) on the results of their people decisions. If they find that a decision has not had the desired results, they don't conclude that the person has not performed. They conclude, instead, that they themselves made a mistake. In a well-managed enterprise, it is understood that people who fail in a new job, especially after a promotion, may not be the ones to blame.

Executives also owe it to the organization and to their fellow workers not to tolerate nonperforming individuals in important jobs. It may not be the employees' fault that they are underperforming, but even so, they have to be removed. People who have failed in a new job should be given the choice to go back to a job at their former level and salary. This option is rarely exercised; such people, as a rule, leave voluntarily, at least when their employers are U.S. firms. But the very existence of the option can have a powerful effect, encouraging people to leave safe, comfortable jobs and take risky new assignments. The organization's performance depends on employees' willingness to take such chances.

A systematic decision review can be a powerful tool for self-development, too. Checking the results of a decision against its expectations shows executives what their strengths are, where they need to improve, and where they lack knowledge or information. It shows them their biases. Very often it shows them that their decisions didn't produce results because they didn't put the right people on the job. Allocating the best people to the right positions is a crucial, tough job that many executives slight, in part because the best people are already too busy. Systematic decision review also shows executives their own weaknesses, particularly the areas in which they are simply incompetent. In these areas, smart executives don't make decisions or take actions. They delegate. Everyone has such areas; there's no such thing as a universal executive genius.

Executives owe it to the organization and their fellow workers not to tolerate nonperforming people in important jobs.

Most discussions of decision making assume that only senior executives make decisions or that only senior executives' decisions matter. This is a dangerous mistake. Decisions are made at every level of the organization, beginning with individual professional contributors and frontline supervisors. These apparently low-level decisions are extremely important in a knowledge-based organization. Knowledge workers are supposed to know more about their areas of specialization—for example, tax accounting—than anybody else, so their decisions are likely to have an impact throughout the company. Making good decisions is a crucial skill at every level. It needs to be taught explicitly to everyone in organizations that are based on knowledge.

Take responsibility for communicating. Effective executives make sure that both their action plans and their information needs are understood. Specifically, this means that they share their plans with and ask for comments from all their colleagues—superiors, subordinates, and peers. At the same time, they let each person know what information they'll need to get the job done. The information flow from subordinate to boss is usually what gets the most attention. But executives need to pay equal attention to peers' and superiors' information needs.

We all know, thanks to Chester Barnard's 1938 classic *The Functions of the Executive*, that organizations are held together by information rather than by ownership or command. Still, far too many executives behave as if information and its flow were the job of the information specialist—for example, the accountant. As a result, they get an enormous amount of data they do not need and cannot use, but little of the information they do need. The best way around this problem is for each executive to identify the information he needs, ask for it, and keep pushing until he gets it.

Focus on opportunities. Good executives focus on opportunities rather than problems. Problems have to be taken care of, of course; they must not be swept under the rug. But problem solving, however necessary, does not produce results. It prevents damage. Exploiting opportunities produces results.

Above all, effective executives treat change as an opportunity rather than a threat. They systematically look at changes, inside and outside the corporation, and ask, "How can we exploit this change as an opportunity for our enterprise?" Specifically, executives scan these seven situations for opportunities:

- an unexpected success or failure in their own enterprise, in a competing enterprise, or in the industry;
- a gap between what is and what could be in a market, process, product, or service (for example, in the nineteenth century, the paper industry concentrated on the 10% of each tree that became wood pulp and totally neglected the possibilities in the remaining 90%, which became waste);
- innovation in a process, product, or service, whether inside or outside the enterprise or its industry;
- changes in industry structure and market structure;
- demographics;
- changes in mind-set, values, perception, mood, or meaning; and
- new knowledge or a new technology.

Effective executives also make sure that problems do not overwhelm opportunities. In most companies, the first page of the monthly management report lists key problems. It's far wiser to list opportunities on the first page and leave problems for the second page. Unless there is a true catastrophe, problems are not discussed in management meetings until opportunities have been analyzed and properly dealt with.

Staffing is another important aspect of being opportunity focused. Effective executives put their best people on opportunities rather than on problems. One way to staff for opportunities is to ask each member of the management group to prepare two lists every six months—a list of opportunities for the entire enterprise and a list of the best-performing people throughout the enterprise. These are discussed, then melded into two master lists, and the best people are matched with the best opportunities. In Japan, by the way, this matchup is considered a major HR task in a big corporation or government department; that practice is one of the key strengths of Japanese business.

In areas where they are simply incompetent, smart executives don't make decisions or take actions. They delegate. Everyone has such areas.

Make meetings productive. The most visible, powerful, and, arguably, effective nongovernmental executive in the America of World War II and the years thereafter was not a businessman. It was Francis Cardinal Spellman, the head of the Roman Catholic Archdiocese of New York and adviser to several U.S. presidents. When Spellman took over, the diocese was bankrupt and totally demoralized. His successor inherited the leadership position in the American Catholic church. Spellman often said that during his waking hours he was alone only twice each day, for 25 minutes each time: when he said Mass in his private chapel after getting up in the morning and when he said his evening prayers before going to bed. Otherwise he was always with people in a meeting, starting at breakfast with one Catholic organization and ending at dinner with another.

Top executives aren't quite as imprisoned as the archbishop of a major Catholic diocese. But every study of the executive workday has found that even junior executives and professionals are with other people—that is, in a meeting of some sort—more than half of every business day. The only exceptions are a few senior researchers. Even a conversation with only one other person is a meeting. Hence, if they are to be effective, executives must make meetings productive. They must make sure that meetings are work sessions rather than bull sessions.

The key to running an effective meeting is to decide in advance what kind of meeting it will be. Different kinds of meetings require different forms of preparation and different results:

A meeting to prepare a statement, an announcement, or a press release. For this to be productive, one member has to prepare a draft beforehand. At the meeting's end, a preappointed member has to take responsibility for disseminating the final text.

A meeting to make an announcement—for example, an organizational change. This meeting should be confined to the announcement and a discussion about it.

A meeting in which one member reports. Nothing but the report should be discussed.

A meeting in which several or all members report. Either there should be no discussion at all or the discussion should be limited to questions for clarification. Alternatively, for each report there could be a short discussion in which all participants may ask questions. If this is the format, the reports should be distributed to all participants well before the meeting. At this kind of meeting, each report should be limited to a preset time—for example, 15 minutes.

A meeting to inform the convening executive. The executive should listen and ask questions. He or she should sum up but not make a presentation.

A meeting whose only function is to allow the participants to be in the executive's presence. Cardinal Spellman's breakfast and dinner meetings were of that kind. There is no way to make these meetings productive. They are the penalties of rank. Senior executives are effective to the extent to which they can prevent such meetings from encroaching on their workdays. Spellman, for instance, was effective in large part because he confined such meetings to breakfast and dinner and kept the rest of his working day free of them.

Making a meeting productive takes a good deal of self-discipline. It requires that executives determine what kind of meeting is appropriate and then stick to that format. It's also necessary to terminate the meeting as soon as its specific purpose has been accomplished. Good executives don't raise another matter for discussion. They sum up and adjourn.

Good follow-up is just as important as the meeting itself. The great master of follow-up was Alfred Sloan, the most effective business executive I have ever known. Sloan, who headed General Motors from the 1920s until the 1950s, spent most of his six working days a week in meetings—three days a week in formal committee meetings with a set membership, the other three days in ad hoc meetings with individual GM executives or with a small group of executives. At the beginning of a formal meeting, Sloan announced the meeting's purpose. He then listened. He never took notes and he rarely spoke except to clarify a confusing point. At the end he summed up, thanked the participants, and left. Then he immediately wrote a short memo addressed to one attendee of the meeting. In that note, he summarized the discussion and its conclusions and spelled out any work assignment decided upon in the meeting (including a decision to hold another meeting on the subject or to study an issue). He specified the deadline and the executive who was to be accountable for the assignment. He sent a copy of the memo to everyone who'd been present at the meeting. It was through these memos—each a small masterpiece—that Sloan made himself into an outstandingly effective executive.

Effective executives know that any given meeting is either productive or a total waste of time.

Think and Say "We"

The final practice is this: Don't think or say "I." Think and say "we." Effective executives know that they have ultimate responsibility, which can be neither shared nor delegated. But they have authority only because they have the trust of the organization. This means that they think of the needs and the opportunities of the organization before they think of their own needs and opportunities. This one may sound simple; it isn't, but it needs to be strictly observed.

We've just reviewed eight practices of effective executives. I'm going to throw in one final, bonus practice. This one's so important that I'll elevate it to the level of a rule: *Listen first, speak last.*

Effective executives differ widely in their personalities, strengths, weaknesses, values, and beliefs. All they have in common is that they get the right things done. Some are born effective. But the demand is much too great to be satisfied by extraordinary talent. Effectiveness is a discipline. And, like every discipline, effectiveness *can* be learned and *must* be earned.

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What Makes an Effective Executive

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Organization Design: Fashion or Fit?

by Henry Mintzberg

Harvard Business Review

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Organization Design: Fashion or Fit?

by Henry Mintzberg

- A conglomerate takes over a small manufacturer and tries to impose budgets, plans, organizational charts, and untold systems on it. The result: declining sales and product innovation—and near bankruptcy—until the division managers buy back the company and promptly turn it around.
- Consultants make constant offers to introduce the latest management techniques. Years ago LRP and OD were in style, later, QWL and ZBB.
- A government sends in its analysts to rationalize, standardize, and formalize citywide school systems, hospitals, and welfare agencies. The results are devastating.

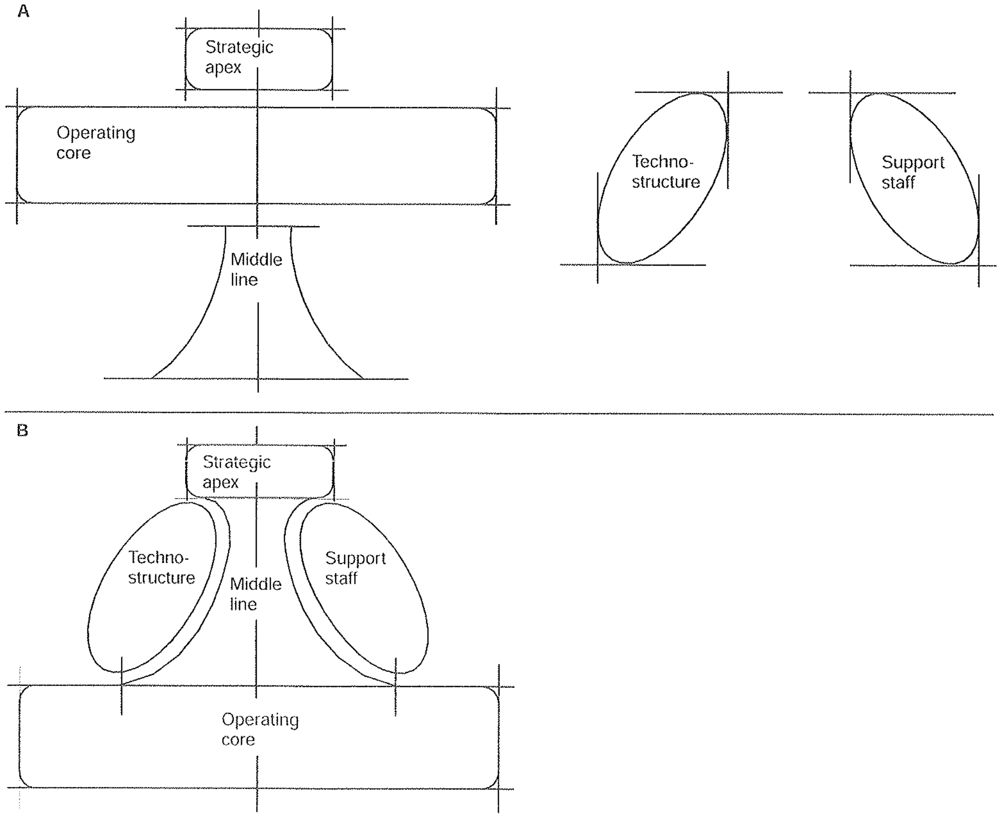
These incidents suggest that a great many problems in organizational design stem from the assumption that organizations are all alike: mere collections of component parts to which elements of structure can be added and deleted at will, a sort of organizational bazaar.

The opposite assumption is that effective organizations achieve a coherence among their component parts, that they do not change one element without considering the consequences to all of the others. Spans of control, degrees of job enlargement, forms of decentralization, planning systems, and matrix structure should not be picked and chosen at random. Rather, they should be selected according to internally consistent groupings. And these groupings should be consistent with the situation of the organization—its age and size, the conditions of the industry in which it operates, and its production technology. In essence, like all phenomena from atoms to stars, the characteristics of organizations fall into natural clusters, or *configurations*. When these char-

Why has it taken the automobile industry so long to adapt to the cry for smaller cars? Why does a film production group leave its conglomerate company to start on its own? Why do so many public hospitals and universities wither under government controls? These questions can be answered in many ways, with lots of reasons. But one reason common to them all, the author of this article would say, is that some element in the organization's design was ill suited to the task. Large machine bureaucracies are perfect for efficient mass production but not for adapting quickly to new situations. Film production divisions rely on flexible structures in order to innovate, which is difficult to achieve in a conglomerate that controls operations with the bottom line. Finally, public hospitals and universities require a form of professional control incompatible with the technocratic standards governments tend to impose. The author of this article has found that many organizations fall close to one of five natural "configurations," each a combinaton of certain elements of structure and situation. When managers and organizational designers try to mix and match the elements of different ones, they may emerge with a misfit that, like an ill-cut piece of clothing, won't wear very well. The key to organizational design, then, is consistency and coherence.

Mr. Mintzberg is professor in the faculty of management at McGill University. This is third HBR article; his first, "The Manager's Job: Folklore and Fact," won the McKinsey Award in 1975. The current article is adapted from his most recent book, The Structuring of Organizations *(Prentice-Hall, 1979).*

EXHIBIT 1
The Five Basic Parts of the Organization



acteristics are mismatched—when the wrong ones are put together—the organization does not function effectively, does not achieve a natural harmony. If managers are to design effective organizations, they need to pay attention to the fit.

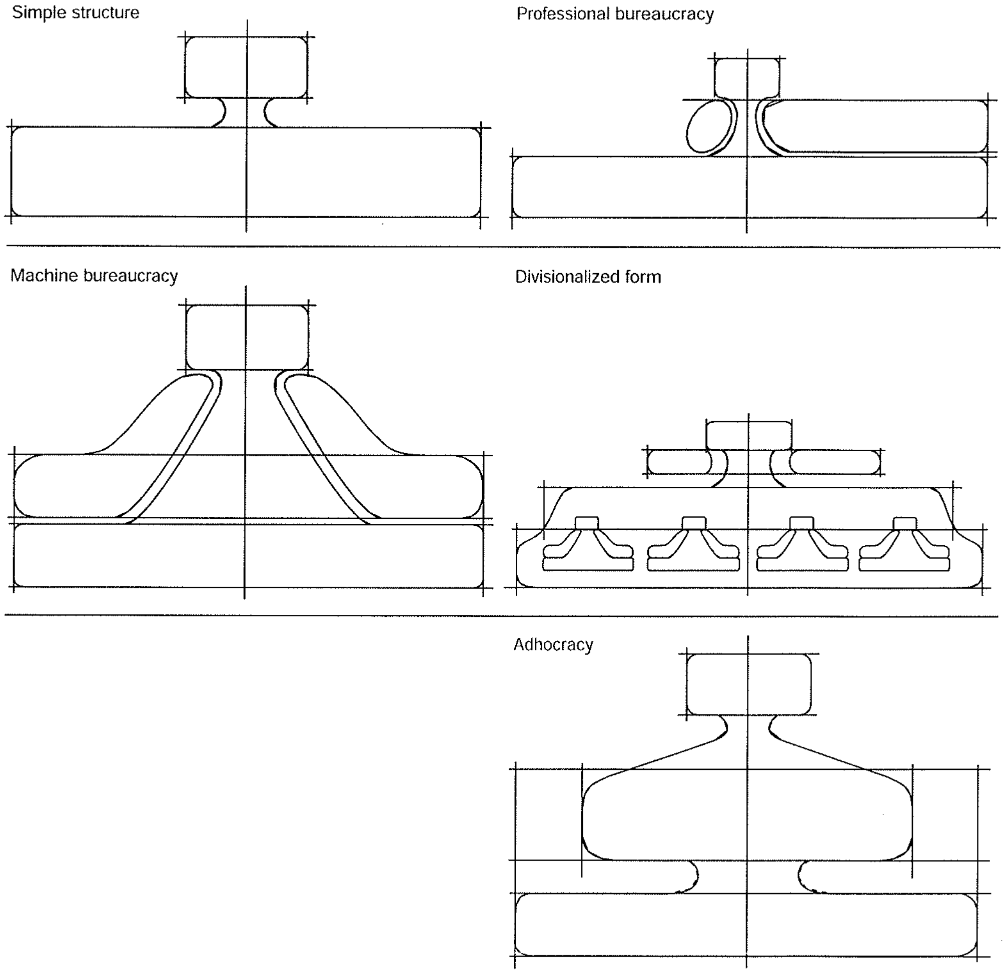
If we look at the enormous amount of research on organizational structuring in light of this idea, a lot of the confusion falls away and a striking convergence is revealed. Specifically, five clear configurations emerge that are distinct in their structures, in the situations in which they are found, and even in the periods of history in which they first developed. They are the simple structure, machine bureaucracy, professional bureaucracy, divisionalized form, and adhocracy. In this article I describe these configurations and consider the messages they contain for managers.

DERIVING THE CONFIGURATIONS

In order to describe and distinguish the five configurations, I designed an adaptable picture of five component parts (see part A, *Exhibit 1*). An organization begins with a person who has an idea. This person forms the *strategic apex*, or top management. He or she hires people to do the basic work of the organization, in what can be called the *operating core*. As the organization grows, it acquires intermediate managers between the chief executive and the workers. These managers form the *middle line*. The organization may also find that it needs two kinds of staff personnel. First are the analysts who design systems concerned with the formal planning and control of the work; they form the *technostructure*. Second is the *support staff*, providing indirect services to the rest of the organization—everything from the cafeteria and the mail room to the public relations department and the legal counsel.

These five parts together make the whole organization (see part B, *Exhibit 1*). Not all organizations need all of these parts. Some use few and are simple, others combine all in rather complex ways. The central purpose of structure is to coordinate the work divided in a variety of ways; how that coordination is

EXHIBIT 2
The Five Configurations



achieved—by whom and with what—dictates what the organization will look like (see *Exhibit 2*):

- In the simplest case, coordination is achieved at the strategic apex by *direct supervision*—the chief executive officer gives the orders. The configuration called *simple structure* emerges, with a minimum of staff and middle line.
- When coordination depends on the *standardization of work*, an organization's entire administrative structure—especially its technostructure, which designs the standards—needs to be elaborated. This gives rise to the configuration called *machine bureaucracy*.
- When, instead, coordination is through the *standardization of skills* of its employees, the organization needs highly trained professionals in its operating core and considerable support staff to back them up. Neither its technostructure nor its middle line is very elaborate. The resulting configuration is called *professional bureaucracy*.
- Organizations will sometimes be divided into parallel operating units, allowing autonomy to the middle-line managers of each, with coordination achieved through the *standardization of outputs* (including performance) of these units. The configuration called the *divisionalized form* emerges.
- Finally, the most complex organizations engage sophisticated specialists, especially in their support staffs, and require them to combine their

efforts in project teams coordinated by *mutual adjustment*. This results in the *adhocracy* configuration, in which line and staff as well as a number of other distinctions tend to break down.

I shall describe each of these five configurations in terms of structure and situation. But first let me list the elements of structure, which are described in more detail in the Appendix. These include the following:

- Specialization of tasks
- Formalization of procedures (job descriptions, rules, and so forth)
- Formal training and indoctrination required for the job
- Grouping of units (notably by function performed or market served)
- Size of each of the units (that is, the span of control of its manager)
- Action planning and performance control systems
- Liaison devices, such as task forces, integrating managers, and matrix structure
- Delegation of power down the chain of authority (called *vertical decentralization*).
- Delegation of power out from that chain of authority to non-managers (called *horizontal decentralization*).

Also included in the *Appendix*, together with their impact on these elements of structure, are the situational factors—namely, the age and size of the organization, its technical system of production, and various characteristics of its environment (e.g., how stable or complex it is) and of its power system (e.g., how tightly it is controlled externally.)

Our job now is to see how all of these elements cluster into the five configurations. I describe each in the sections that follow and summarize these descriptions in *Exhibit 3*, where all the elements are displayed in relation to the configurations. In the discussions of each configuration, it should become more evident how all of its elements of structure and situation form themselves into a tightly knit, highly cohesive package. No one element determines the others; rather, all are locked together to form an integrated system.

Simple Structure

The name tells all, and *Exhibit 2* shows all. The structure is simple—not much more than one large unit consisting of one or a few top managers and a group of operators who do the basic work. The most common simple structure is, of course, the classic entrepreneurial company.

What characterizes this configuration above all is what is missing. Little of its behavior is standardized or formalized, and minimal use is made of planning, training, or the liaison devices. The absence of standardization means that the organization has little need for staff analysts. Few middle-line managers are hired because so much of the coordination is achieved at the strategic apex by direct supervision. That is where the real power in this configuration lies. Even the support staff is minimized to keep the structure lean and flexible— simple structures would rather buy than make.

The organization must be flexible because it operates in a dynamic environment, often by choice because that is the one place it can outmaneuver the bureaucracies. And that environment must be simple, as must the organization's system of production, so that the chief executive can retain highly centralized control. In turn, centralized control makes the simple structure ideal for rapid, flexible innovation, at least of the simple kind. With the right chief executive, the organization can turn on a dime and run circles around the slower-moving bureaucracies. That is why so much innovation comes not from the giant mass producers but from small entrepreneurial companies. But where complex forms of innovation are required, the simple structure falters because of its centralization. As we shall see, that kind of innovation requires another configuration, one that engages highly trained specialists and gives them considerable power.

Simple structures are often young and small, in part because aging and growth encourage them to bureaucratize but also because their vulnerability causes many of them to fail. They never get a chance to grow old and large. One heart attack can wipe them out—as can a chief executive so obsessed with innovation that he or she forgets about the operations, or vice versa. The corporate landscape is littered with the wrecks of entrepreneurial companies whose leaders encouraged growth and mass production yet could never accept the transition to bureaucratic forms of structure that these changes required.

Yet some simple structures have managed to grow very large under the tight control of clever, autocratic leaders, the most famous example being the Ford Motor Co. in the later years of its founder.

Almost all organizations begin their lives as simple structures, granting their founding chief executives considerable latitude to set them up. And most revert to simple structure—no matter how large or what other configuration normally fits their needs—when they face extreme pressure or hostility in their environment. In other words, systems and procedures are suspended as power reverts to the chief executive to give him or her a chance to set things right.

EXHIBIT 3
Dimensions of the Five Configurations

	SIMPLE STRUCTURE	MACHINE BUREAUCRACY	PROFESSIONAL BUREAUCRACY	DIVISIONAL-IZED FORM	ADHOCRACY
Key Means of Coordination	Direct supervision	Standardization of work	Standardization of skills	Standardization of outputs	Mutual adjustment
Key Part of Organization	Strategic apex	Technostructure	Operating core	Middle line	Support staff (with operating core in operating adhocracy)
STRUCTURAL ELEMENTS					
Specialization of Jobs	Little specialization	*Much horizontal and vertical specialization*	*Much horizontal specialization*	Some horizontal and vertical specialization (between divisions and headquarters)	*Much horizontal specialization*
Training and Indoctrination	Little training and indoctrination	Little training and indoctrination	*Much training and indoctrination*	Some training and indoctrination (of division managers)	Much training
Formalization of Behavior—Bureaucratic/ Organic	*Little formalization—organic*	*Much formalization—bureaucratic*	*Little formalization—bureaucratic*	Much formalization (within divisions)—bureaucratic	*Little formalization—organic*
Grouping	Usually functional	*Usually functional*	Functional and market	*Market*	Functional and market
Unit Size	Wide	Wide at bottom, narrow elsewhere	Wide at bottom, narrow elsewhere	Wide at top	Narrow throughout
Planning and Control Systems	Little planning and control	Action planning	Little planning and control	*Much performance control*	Limited action planning (esp. in administrative adhocracy)
Liaison Devices	Few liaison devices	Few liaison devices	Liaison devices in administration	Few liaison devices	*Many liaison devices throughout*
Decentralization	*Centralization*	*Limited horizontal decentralization*	*Horizontal and vertical decentralization*	Limited vertical decentralization	*Selective decentralization*
SITUATIONAL ELEMENTS					
Age and Size	Typically young and small	Typically old and large	Varies	Typically old and very large	Typically young (operating adhocracy
Technical System	Simple, not regulating	Regulating but not automated, not very complex	Not regulating or complex	Divisible, otherwise like machine bureaucracy	Very complex, often automated (in administrative adhocracy), not regulating or complex (in operating adhocracy)

EXHIBIT 3
Dimensions of the Five Configurations (Continued)

	SIMPLE STRUCTURE	MACHINE BUREAUCRACY	PROFESSIONAL BUREAUCRACY	DIVISIONAL-IZED FORM	ADHOCRACY
Environment	Simple and dynamic; sometimes hostile	Simple and stable	Complex and stable	Relatively simple and stable; diversified markets (esp. products and services)	Complex and dynamic; sometimes disparate (in administrative adhocracy)
Power	Chief executive control; often owner managed; not fashionable	Technocratic and external control; not fashionable	Professional operator control; fashionable	Middle-line control; fashionable (esp. in industry)	Expert control; very fashionable

Note: Italic type in columns 2–6 indicates key design parameters.

The heyday of the simple structure probably occurred during the period of the great American trusts, late in the nineteenth century. Although today less in fashion and to many a relic of more autocratic times, the simple structure remains a widespread and necessary configuration—for building up most new organizations and for operating those in simple, dynamic environments and those facing extreme, hostile pressures.

Machine Bureaucracy

Just as the simple structure is prevalent in pre-Industrial Revolution industries such as agriculture, the machine bureaucracy is the offspring of industrialization, with its emphasis on the standardization of work for coordination and its resulting low-skilled, highly specialized jobs. *Exhibit 2* shows that, in contrast to simple structure, the machine bureaucracy elaborates its administration. First, it requires many analysts to design and maintain its systems of standardization— notably those that formalize its behaviors and plan its actions. And by virtue of the organization's dependence on these systems, these analysts gain a degree of informal power, which results in a certain amount of horizontal decentralization.

A large hierarchy emerges in the middle line to oversee the specialized work of the operating core and to keep the lid on conflicts that inevitably result from the rigid departmentalization, as well as from the alienation that often goes with routine, circumscribed jobs. That middle-line hierarchy is usually structured on a functional basis all the way up to the top, where the real power of coordination lies. In other words, machine bureaucracy tends to be centralized in the vertical sense—formal power is concentrated at the top.

And why the large support staff shown in *Exhibit 2*? Because machine bureaucracies depend on stability to function (change interrupts the smooth functioning of the system), they tend not only to seek out stable environments in which to function but also to stabilize the environments they find themselves in. One way they do this is to envelop within their structures all of the support services possible, ones that simple structures prefer to buy. For the same reason they also tend to integrate vertically—to become their own suppliers and customers. And that of course causes many machine bureaucracies to grow very large. So we see the two-sided effect of size here: size drives the organization to bureaucratize ("We do that every day; let's standardize it!"), but bureaucracy also encourages the organization to grow larger. Aging also encourages this configuration; the organization standardizes its work because "we've done that before."

To enable the top managers to maintain centralized control, both the environment and the production system of the machine bureaucracy must be fairly simple. In fact, machine bureaucracies fit most naturally with mass production, where the products, processes, and distribution systems are usually rationalized and thus easy to comprehend. And so machine bureaucracy is most common among large, mature mass-production companies, such as automobile manufacturers, as well as the largest of the established providers of mass services, such as insurance companies and railroads. Thus McDonald's is a classic example of this configuration—achieving enormous success in its simple industry through meticulous standardization.

Because external controls encourage bureaucratization and centralization, this configuration is often assumed by organizations that are tightly controlled from the outside. That is why government agencies, which are subject to many such controls, tend to be driven toward the machine bureaucracy structure regardless of their other conditions.

The problems of the machine bureaucracy are legendary—dull and repetitive work, alienated employees, obsession with control (of markets as well as workers), massive size, and inadaptability. These are machines suited to specific purposes, not to adapting to new ones. For all of these reasons, the machine bureaucracy is no longer fashionable. Bureaucracy has become a dirty word. Yet this is the configuration that gets the products out cheaply and efficiently. And here too there can be a sense of harmony, as in the Swiss railroad system whose trains depart as the second hand sweeps past the twelve.

In a society consumed by its appetite for mass-produced goods, dependent on consistency in so many spheres (how else to deliver millions of pieces of mail every day?) and unable to automate a great many of its routine jobs, machine bureaucracy remains indispensable—and probably the most prevalent of the five configurations today.

Professional Bureaucracy

This bureaucratic configuration relies on the standardization of skills rather than work processes or outputs for its coordination and so emerges as dramatically different from the machine bureaucracy. It is the structure hospitals, universities, and accounting firms tend most often to favor. Most important, because it relies for its operating tasks on trained professionals—skilled people who must be given considerable control over their own work—the organization surrenders a good deal of its power not only to the professionals themselves but also to the associations and institutions that select and train them in the first place. As a result, the structure emerges as very decentralized; power over many decisions, both operating and strategic, flows all the way down the hierarchy to the professionals of the operating core. For them this is the most democratic structure of all.

Because the operating procedures, although complex, are rather standardized— taking out appendixes in a hospital, teaching the American Motors case in a business school, doing an audit in an accounting firm—each professional can work independently of his or her colleagues, with the assurance that much of the necessary coordination will be effected automatically through standardization of skills. Thus a colleague of mine observed a five-hour open heart operation in which the surgeon and anesthesiologist never exchanged a single word!

As can be seen in *Exhibit 2*, above the operating core we find a unique structure. Since the main standardization occurs as a result of training that takes place outside the professional bureaucracy, a technostructure is hardly needed. And because the professionals work independently, the size of operating units can be very large, and so few first-line managers are needed. (I work in a business school where 55 professors report directly to one dean.) Yet even those few managers, and those above them, do little direct supervision; much of their time is spent linking their units to the broader environment, notably to ensure adequate financing. Thus to become a top manager in a consulting firm is to become a salesperson.

On the other hand, the support staff is typically very large in order to back up the high-priced professionals. But that staff does a very different kind of work—much of it the simple and routine jobs that the professionals shed. As a result, parallel hierarchies emerge in the professional bureaucracy—one democratic with bottom-up power for the professionals, a second autocratic with top-down control for the support staff.

Professional bureaucracy is most effective for organizations that find themselves in stable yet complex environments. Complexity requires that decision-making power be decentralized to highly trained individuals, and stability enables these individuals to apply standardized skills and so to work with a good deal of autonomy. To further ensure that autonomy, the production system must be neither highly regulating, complex, nor automated. Surgeons use their scalpels and editors their pencils; both must be sharp but are otherwise simple instruments that allow their users considerable freedom in performing their complex work.

Standardization is the great strength as well as the great weakness of professional bureaucracy. That is what enables the professionals to perfect their skills and so achieve great efficiency and effectiveness. But that same standardization raises problems of adaptability. This is not a structure to innovate but one to perfect what is already known. Thus, so long as the environment is stable, the professional bureaucracy does its job well. It identifies the needs of its clients and offers a set of standardized programs to serve them. In other words, pigeonholing is its great forte; change messes up the pigeonholes. New needs arise that fall between or across the slots, and the standard programs no longer apply. Another configuration is required.

Professional bureaucracy, a product of the middle years of this century, is a highly fashionable structure today for two reasons. First, it is very democratic, at least for its professional workers. And second, it offers them considerable autonomy, freeing the professionals even from the need to coordinate closely with each other. To release themselves from the close control of administrators and analysts, not to mention their own colleagues, many people today seek to have themselves declared "professional"—and thereby turn their organizations into professional bureaucracies.

Divisionalized Form

Like the professional bureaucracy, the divisionalized form is not so much an integrated organization as a set of rather independent entities joined together by a loose administrative overlay. But whereas those entities of the professional bureaucracy are individuals—professionals in the operating core—in the divisionalized form they are units in the middle line, called divisions.

The divisionalized form differs from the other four configurations in one central respect: it is not a complete but a partial structure, superimposed on others. Those others are in the divisions, each of which is driven toward machine bureaucracy.

An organization divisionalizes for one reason above all—because its product lines are diversified. (And that tends to happen most often in the largest and most mature organizations, those that have run out of opportunities or become stalled in their traditional markets.) Such diversification encourages the organization to create a market-based unit, or division, for each distinct product line (as indicated in *Exhibit 2*) and to grant considerable autonomy to each division to run its own business.

That autonomy notwithstanding, divisionalization does *not* amount to decentralization, although the terms are often equated with each other. Decentralization is an expression of the dispersal of decision-making power in an organization. Divisionalization refers to a structure of semiautonomous market-based units. A divisionalized structure in which the managers at the heads of these units retain the lion's share of the power is far more centralized than many functional structures where large numbers of specialists get involved in the making of important decisions.

In fact, the most famous example of divisionalization involved centralization. Alfred Sloan adopted the divisionalized form at General Motors to reduce the power of the different units, to integrate the holding company William Durant had put together. That kind of centralization appears to have continued to the point where the automotive units in some ways seem closer to functional marketing departments than true divisions.[1]

But how does top management maintain a semblance of control over the divisions? Some direct supervision is used—headquarters managers visit the divisions periodically and authorize some of their more important decisions. But too much of that interferes with the necessary autonomy of the divisions. So headquarters relies on performance control systems or, in other words, on the standardization of outputs. It leaves the operating details to the divisions and exercises control by measuring their performance periodically. And to design these control systems, headquarters creates a small technostructure. It also establishes a small central support staff to provide certain services common to the divisions (such as legal counsel and external relations).

This performance control system has an interesting effect on the internal structure of the division. First, the division is treated as a single integrated entity with one consistent, standardized, and quantifiable set of goals. Those goals tend to get translated down the line into more and more specific subgoals and, eventually, work standards. In other words, they encourage the bureaucratization of structure. And second, headquarters tends to impose its standards through the managers of the divisions, whom it holds responsible for divisional performance. That tends to result in centralization within the divisions. And centralization coupled with bureaucratization gives machine bureaucracy. That is the structure that works best in the divisions.

Simple structures and adhocracies make poor divisions because they abhor standards—they operate in dynamic environments where standards of any kind are difficult to establish. (This might partly explain why Alan Ladd, Jr. felt he had to leave the film division of Twentieth-Century Fox.[2]) And professional bureaucracies are not logically treated as integrated entities, nor can their goals be easily quantified. (How does one measure cure in a psychiatric ward or knowledge generated in a university?)

This conclusion is, of course, consistent with the earlier argument that external control (in this case, from headquarters) pushes an organization toward machine bureaucracy. The point is invariably illustrated when a conglomerate takes over an entrepreneurial company and imposes a lot of bureaucratic systems and standards on its simple structure.

The divisionalized form was created to solve the problem of adaptability in machine bureaucracy. By overlaying another level of administration that could add and subtract divisions, the organization found a way to adapt itself to new conditions and to spread its risk. But there is another side to these arguments. Some evidence suggests that the control systems of these structures discourage risk taking and innovation, that the division head who must justify his or her performance every month is not free to experiment the way the independent entrepreneur is.[3]

Moreover, to spread risk is to spread the consequences of that risk; a disaster in one division can pull down the entire organization. Indeed, the fear of this is what elicits the direct control of major new investments, which is what often discourages ambitious innovation. Finally, the divisionalized form does not solve the problem of adaptability of machine bureaucracy, it merely deflects it. When a division goes sour, all that headquarters seems able to do is change the management (as an independent board of directors would do) or divest it. From society's point of view, the problem remains.

Finally, from a social perspective, the divisionalized form raises a number of serious issues. By enabling organizations to grow very large, it leads to the concentration of a great deal of economic power in a few hands. And there is some evidence that it sometimes encourages that power to be used irresponsibly. By emphasizing the measurement of performance as its means of control, a bias arises in favor of those divisional goals that can be operationalized, which usually means the economic ones, not the social ones. That the division is driven by such measures to be socially unresponsive would not seem inappropriate—for the business of the corporation is, after all, economic.

The problem is that in big businesses (where the divisionalized form is prevalent) every strategic decision has social as well as economic consequences. When the screws of the performance control system are turned tight, the division managers, in order to achieve the results expected of them, are driven to ignore the social consequences of their decisions. At that point, *un*responsive behavior becomes *ir*responsible.[4]

The divisionalized structure has become very fashionable in the past few decades, having spread in pure or modified form through most of the *Fortune* "500" in a series of waves and then into European companies.[5] It has also become fashionable in the nonbusiness sector in the guise of "multiversities," large hospital systems, unions, and government itself. And yet it seems fundamentally ill suited to these sectors for two reasons.

First, the success of the divisionalized form depends on goals that can be measured. But outside the business sector, goals are often social in nature and nonquantifiable. The result of performance control, then, is an inappropriate displacement of social goals by economic ones.

Second, the divisions often require structures other than machine bureaucracy. The professionals in the multiversities, for example, often balk at the technocratic controls and the top-down decision making that tends to accompany external control of their campuses. In other words, the divisionalized form can be a misfit just as can any of the other configurations.

Adhocracy

None of the structures discussed so far suits the industries of our age—industries such as aerospace, petrochemicals, think-tank consulting, and filmmaking. These organizations need above all to innovate in complex ways. The bureaucratic structures are too inflexible, and the simple structure is too centralized. These industries require "project structures" that fuse experts drawn from different specialties into smoothly functioning creative teams. Hence they tend to favor our fifth configuration, adhocracy, a structure of interacting project teams.

Adhocracy is the most difficult of the five configurations to describe because it is both complex and nonstandardized. Indeed, adhocracy contradicts much of what we accept on faith in organizations—consistency in output, control by administrators, unity of command, strategy emanating from the top. It is a tremendously fluid structure, in which power is constantly shifting and coordination and control are by mutual adjustment through the informal communication and interaction of competent experts. Moreover, adhocracy is the newest of the five configurations, the one researchers have had the least chance to study. Yet it is emerging as a key structural configuration, one that deserves a good deal of consideration.

These comments notwithstanding, adhocracy is a no less coherent configuration than any of the others. Like the professional bureaucracy, adhocracy relies on trained and specialized experts to get the bulk of its work done. But in its case, the experts must work together to create new things instead of working apart to perfect established skills. Hence, for coordination adhocracy must rely extensively on mutual adjustment, which it encourages by the use of the liaison devices—integrating managers, task forces, and matrix structure.

In professional bureaucracy, the experts are concentrated in the operating core, where much of the power lies. But in adhocracy, they tend to be dispersed throughout the structure according to the decisions they make—in the operating core, middle line, technostructure, strategic apex, and especially support staff. Thus, whereas in each of the other configurations power is more or less concentrated, in adhocracy it is distributed unevenly. It flows, not according to authority or status but to wherever the experts needed for a particular decision happen to be found.

Managers abound in the adhocracy—functional managers, project managers, integrating managers.

This results in narrow "spans of control" by conventional measures. That is not a reflection of control but of the small size of the project teams. The managers of adhocracy do not control in the conventional sense of direct supervision; typically they are experts too who take their place alongside the others in the teams, concerned especially with linking the different teams together.

As can be seen in *Exhibit 2*, many of the distinctions of conventional structure disappear in the adhocracy. With power based on expertise instead of authority, the line/staff distinction evaporates. And with power distributed throughout the structure, the distinction between the strategic apex and the rest of the structure also blurs. In a project structure, strategy is not formulated from above and then implemented lower down; rather, it evolves by virtue of the multitude of decisions made for the projects themselves. In other words, the adhocracy is continually developing its strategy as it accepts and works out new projects, the creative results of which can never be predicted. And so everyone who gets involved in the project work—and in the adhocracy that can mean virtually everyone—becomes a strategy maker.

There are two basic types of adhocracy, operating and administrative. The *operating* adhocracy carries out innovative projects directly on behalf of its clients, usually under contract, as in a creative advertising agency, a think-tank consulting firm, a manufacturer of engineering prototypes. Professional bureaucracies work in some of these industries too, but with a different orientation. The operating adhocracy treats each client problem as a unique one to be solved in creative fashion; the professional bureaucracy pigeonholes it so that it can provide a standard skill.

For example, there are some consulting firms that tailor their solutions to the client's order and others that sell standard packages off the rack. When the latter fits, it proves much cheaper. When it does not, the money is wasted. In one case, the experts must cooperate with each other in organic structures to innovate; in the other, they can apply their standard skills autonomously in bureaucratic structures.

In the operating adhocracy, the operating and administrative work blend into a single effort. That is, the organization cannot easily separate the planning and design of the operating work—in other words, the project—from its actual execution. So another classic distinction disappears. As shown above the dotted lines in *Exhibit 2*, the organization emerges as an organic mass in which line managers, staff, and operating experts all work together on project teams in ever-shifting relationships.

The *administrative* adhocracy undertakes projects on its own behalf, as in a space agency or a producer of electronic components. NASA, for example, as described during the Apollo era by Margaret K. Chandler and Leonard R. Sayles, seems to be a perfect example of administrative adhocracy.[6] In this type of adhocracy, in contrast to the other, we find a sharp separation of the administrative from the operating work—the latter shown by the dotted lines in *Exhibit 2*. This results in a two-part structure. The administrative component carries out the innovative design work, combining line managers and staff experts in project teams. And the operating component, which puts the results into production, is separated or "truncated" so that its need for standardization will not interfere with the project work.

Sometimes the operations are contracted out altogether. Other times, they are set up in independent structures, as in the printing function in newspapers. And when the operations of an organization are highly automated, the same effect takes place naturally. The operations essentially run themselves, while the administrative component tends to adopt a project orientation concerned with change and innovation, with bringing new facilities on line. Note also the effects of automation— a reduction in the need for rules, since these are built right into the machinery, and a blurring of the line/staff distinction, since control becomes a question more of expertise than authority. What does it mean to supervise a machine? Thus the effect of automation is to reduce the degree of machine bureaucracy in the administration and to drive it toward administrative adhocracy.

Both kinds of adhocracy are commonly found in environments that are complex as well as dynamic. These are the two conditions that call for sophisticated innovation, which requires the cooperative efforts of many different kinds of experts. In the case of administrative adhocracy, the production system is also typically complex and, as noted, often automated. These production systems create the need for highly skilled support staffers, who must be given a good deal of power over technical decisions.

For its part, the operating adhocracy is often associated with young organizations. For one thing, with no standard products or services, organizations that use it tend to be highly vulnerable, and many of them disappear at an early age. For another, age drives these organizations toward bureaucracy, as the employees themselves age and tend to seek an escape from the instability of the structure and its environment. The innovative consulting firm converges on a few of its most successful projects, packages them into standard skills, and settles down to life as a professional bureaucracy; the manufacturer of prototypes hits on a hot product and becomes a machine bureaucracy to mass-produce it.

But not all adhocracies make such a transition.

Some endure as they are, continuing to innovate over long periods of time. We see this, for example, in studies of the National Film Board of Canada, famous since the 1940s for its creativity in both films and the techniques of filmmaking.

Finally, fashion is a factor associated with adhocracy. This is clearly the structure of our age, prevalent in almost every industry that has grown up since World War II (and none I can think of established before that time). Every characteristic of adhocracy is very much in vogue today—expertise, organic structure, project teams and task forces, diffused power, matrix structure, sophisticated and often automated production systems, youth, and dynamic, complex environments. Adhocracy is the only one of the five configurations that combines some sense of democracy with an absence of bureaucracy.

Yet, like all the others, this configuration too has its limitations. Adhocracy in some sense achieves its effectiveness through inefficiency. It is inundated with managers and costly liaison devices for communication; nothing ever seems to get done without everyone talking to everyone else. Ambiguity abounds, giving rise to all sorts of conflicts and political pressures. Adhocracy can do no ordinary thing well. But it is extraordinary at innovation.

CONFIGURATIONS AS A DIAGNOSTIC TOOL

What in fact are these configurations? Are they (1) abstract ideals, (2) real-life structures, one of which an organization had better use if it is to survive, or (3) building blocks for more complex structures? In some sense, the answer is a qualified yes in all three cases. These are certainly abstract ideals, simplifications of the complex world of structure. Yet the abstract ideal can come to life too. Every organization experiences the five pulls that underlie these configurations: the pull to centralize by the top management, the pull to formalize by the technostructure, the pull to professionalize by the operators, the pull to balkanize by the managers of the middle line, and the pull to collaborate by the support staff.

Where one pull dominates—where the conditions favor it above all—then the organization will tend to organize itself close to one of the configurations. I have cited examples of this throughout my discussion—the entrepreneurial company, the hamburger chain, the university, the conglomerate, the space agency.

But one pull does not always dominate; two may have to exist in balance. Symphony orchestras engage highly trained specialists who perfect their skills, as do the operators in professional bureaucracy. But their efforts must be tightly coordinated hence, the reliance on the direct supervision of a leader—a conductor—as in simple structure. Thus a hybrid of the two configurations emerges that is eminently sensible for the symphony orchestra (even if it does generate a good deal of conflict between leader and operators).

Likewise, we have companies that are diversified around a central theme that creates linkages among their different product lines. As a result, they continually experience the pull to separate, as in the divisionalized form, and also integrate, as in machine bureaucracy or perhaps adhocracy. And what configuration should we impute to an IBM? Clearly, there is too much going on in many giant organizations to describe them as one configuration or another. But the framework of the five configurations can still help us to understand how their different parts are organized and fit together—or refuse to.

The point is that managers can improve their organizational designs by considering the different pulls their organizations experience and the configurations toward which they are drawn. In other words, this set of five configurations can serve as an effective tool in diagnosing the problems of organizational design, especially those of the *fit* among component parts. Let us consider four basic forms of misfit to show how managers can use the set of configurations as a diagnostic tool.

Are the Internal Elements Consistent?

Management that grabs at every structural innovation that comes along may be doing its organization great harm. It risks going off in all directions: yesterday long-range planning to pin managers down, today Outward Bound to open them up. Quality of working life programs as well as all those fashionable features of adhocracy—integrating managers, matrix structure, and the like—have exemplary aims: to create more satisfying work conditions and to increase the flexibility of the organization. But are they appropriate for a machine bureaucracy? Do enlarged jobs really fit with the requirements of the mass production of automobiles? Can the jobs ever be made large enough to really satisfy the workers—and the cost-conscious customers?

I believe that in the fashionable world of organizational design, fit remains an important characteristic. The *hautes structurières* of New York—the consulting firms that seek to bring the latest in structural fashion to their clients—would do well to pay a great deal more attention to that fit. Machine bureaucracy functions best when its reporting relationships are sharply defined and its operating core staffed with workers who prefer routine and stability. The nature of the work in this configuration—managerial as well as operating—is rooted in the reality of mass production, in the costs of manual labor compared with those of automated machines, and in the size and age of the organization.

Until we are prepared to change our whole way of living—for example, to pay more for handcrafted instead of mass-produced products and so to consume less—we would do better to spend our time trying not to convert our machine bureaucracies into something else but to ensure that they work effectively as the bureaucracies they are meant to be. Organizations, like individuals, can avoid identity crises by deciding what it is they wish to be and then pursuing it with a healthy obsession.

Are the External Controls Functional?

An organization may achieve its own internal consistency and then have it destroyed by the imposition of external controls. The typical effect of those controls is to drive the organization toward machine bureaucracy. In other words, it is the simple structures, professional bureaucracies, and adhocracies that suffer most from such controls. Two cases of this seem rampant in our society: one is the takeover of small, private companies by larger divisionalized ones, making bureaucracies of entrepreneurial ventures; the other is the tendency for governments to assume increasingly direct control of what used to be more independent organizations—public school systems, hospitals, universities, and social welfare agencies.

As organizations are taken over in these ways—brought into the hierarchies of other organizations—two things happen. They become centralized and formalized.[7] In other words, they are driven toward machine bureaucracy. Government administrators assume that just a little more formal control will bring this callous hospital or that weak school in line. Yet the cure—even when the symptoms are understood—is worse than the disease. The worst way to correct deficiencies in professional work is through control by technocratic standards. Professional bureaucracies cannot be managed like machines.

In the school system, such standards imposed from outside the classroom serve only to discourage the competent teachers, not to improve the weak ones. The performance of teachers—as that of all other professionals—depends primarily on their skills and training. Retraining or, more likely, replacing them is the basic means to improvement.

For almost a century now, the management literature—from time study through operations research to long-range planning—has promoted machine bureaucracy as the "one best way." That assumption is false; it is one way among a number suited to only certain conditions.

Is There a Part That Does Not Fit?

Sometimes an organization's management, recognizing the need for internal consistency, hives off a part in need of special treatment—establishes it in a pocket off in a corner to be left alone. But the problem all too often is that it is not left alone. The research laboratory may be built out in the country, far from the managers and analysts who run the machine bureaucracy back home. But the distance is only physical.

Standards have a long administrative reach: it is difficult to corner off a small component and pretend that it will not be influenced by the rest. Each organization, not to mention each configuration, develops its own norms, traditions, beliefs—in other words, its own ideology. And that permeates every part of it. Unless there is a rough balance among opposing forces—as in the symphony orchestra—the prevailing ideology will tend to dominate. That is why adhocracies need especially tolerant controllers, just as machine bureaucracies must usually scale down their expectations for their research laboratories.

Is the Right Structure in the Wrong Situation?

Some organizations do indeed achieve and maintain an internal consistency. But then they find that it is designed for an environment the organization is no longer in. To have a nice, neat machine bureaucracy in a dynamic industry calling for constant innovation or, alternately, a flexible adhocracy in a stable industry calling for minimum cost makes no sense. Remember that these are configurations of situation as well as structure. Indeed, the very notion of configuration is that all the elements interact in a system. One element does not cause another; instead, all influence each other interactively. Structure is no more designed to fit the situation than situation is selected to fit the structure.

The way to deal with the right structure in the wrong environment may be to change the environment, not the structure. Often, in fact, it is far easier to shift industries or retreat to a suitable niche in an industry than to undo a cohesive structure. Thus the entrepreneur goes after a new, dynamic environment when the old one stabilizes and the bureaucracies begin to move in. When a situation changes suddenly—as it did for oil companies some years ago—a rapid change in situation or structure would seem to be mandatory. But what of a gradual change in situation? How should the organization adapt, for example, when its long-stable markets slowly become dynamic?

Essentially, the organization has two choices. It can adapt continuously to the environment at the expense of internal consistency—that is steadily redesign its structure to maintain external fit. Or it can maintain internal consistency at the expense of a gradually worsening fit with its environment, at least until the fit becomes so bad that it must undergo sudden structural redesign to achieve a new internally consistent configuration. In other words, the choice is between evolution and revolution, between perpetual mild adaptation, which favors external fit over time, and infrequent major realignment, which favors internal consistency over time.

In his research on configuration, Danny Miller found that effective companies usually opt for revolution. Forced to decide whether to spend most of their time with a good external fit or with an established internal consistency, they choose consistency and put up with brief periods of severe disruption to realign the fit occasionally. It is better, apparently, to maintain at least partial configuration than none at all. Miller called this process, appropriately enough, a "quantum" theory of structural change.[8]

FIT OVER FASHION

To conclude, consistency, coherence, and fit—harmony—are critical factors in organization design, but they come at a price. An organization cannot be all things to all people. It should do what it does well and suffer the consequences. Be an efficient machine bureaucracy where that is appropriate and do not pretend to be highly adaptive. Or be an adaptive adhocracy and do not pretend to be highly efficient. Or create some new configuration to suit internal needs. The point is not really *which* configuration you have; it is *that* you achieve configuration.

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1. *See* Leonard Wrigley, "Diversification and Divisional Autonomy," DBA thesis, Harvard Business School, 1970.
2. See "When Friends Run the Business," HBR July-August 1980, p. 87.
3. *See* Wrigley, "Diversification and Divisional Autonomy."
4. For a full discussion of the problems of implementing social goals in the divisionalized form, *see* Robert W. Ackerman, *The Social Challenge to Business* (Cambridge: Harvard University Press, 1975).
5. For a review of this trend, see Bruce R. Scott, "The Industrial State: Old Myths and New Realities," HBR March-April 1973, p. 133.
6. Margaret K. Chandler and Leonard Sayles, Managing Large Systems (New York: Harper & Row, 1971).
7. There is a good deal of evidence for this conclusion. See, for example, Yitzhak Samuel and Bilha F. Mannheim, "A Multidimensional Approach Toward a Typology of Bureaucracy," *Administrative Science Quarterly,* June 1970, p. 216; Edward A. Holdaway, John F. Newberry, David J. Hickson, and Peter Heron, "Dimensions of Organizations in Complex Societies: The Educational Sector," *Administrative Science Quarterly,* March 1975, p. 37; D. S. Pugh, D. J. Hickson, C. R. Hinnings, and C. Turner, "The Context of Organization Structures," *Administrative Science Quarterly,* March 1969, P. 91; Bernard C. Reimann, "On Dimensions of Bureaucratic Structure: An Empirical Reappraisal," *Administrative Science Quarterly,* December 1973, p. 462.
8. Danny Miller, *Revolution and Evolution: A Quantum View of Organizational Adaptation,* working paper, McGill University, 1980.

Appendix: Elements of the configurations

Elements of structure

Job specialization refers to the number of tasks in a given job and the worker's control over these tasks. A job is horizontally specialized to the extent that it encompasses few narrowly defined tasks, vertically specialized to the extent that the worker lacks control of the tasks he or she performs. Unskilled jobs are typically highly specialized in both dimensions, while skilled or professional jobs are typically specialized horizontally but not vertically. Job enrichment refers to the enlargement of jobs in both the vertical and horizontal dimensions.

Behavior formalization refers to the standardization of work processes by imposition of operating instructions, job descriptions, rules, regulations, and the like. Structures that rely on standardization for coordination are generally referred to as bureaucratic, those that do not as organic.

Training and indoctrination refer to the use of formal instructional programs to establish and standardize in people the requisite skills, knowledge, and norms to do particular jobs. Training is a key design parameter in all work we call professional. Training and formalization are basically substitutes for achieving the standardization (in effect the bureaucratization) of behavior. In the one, the standards are internalized in formal training as skills or norms; in the other, they are imposed on the job as rules.

Unit grouping refers to the optional bases by which positions are grouped together into units and these units into higher-order units. Grouping encourages coordination by putting different jobs under common supervision, by requiring them to share common resources and achieve common measures of performance, and by facilitating mutual adjustment among them. The various bases for grouping - by work process, product, client, area, etc—can be reduced to two fundamentals: the function performed or the market served.

Unit size refers to the number of positions (or units) contained in a single unit. The equivalent term "span of control" is not used here because sometimes units are kept small despite an absence of close supervisory control. For example, when experts coordinate extensively by mutual adjustment, as in an engineering team in a space agency, they will form into small teams. In this case, unit size is small and span of control is low despite a relative absence of direct supervision. In contrast when work is highly standardized (because of either formalization or training), unit size can be very large because there is little need for direct supervision One foreman can supervise dozens of assemblers because they work according to very tight instructions.

Planning and control systems are used to standardize outputs. They may be divided into two types—action planning systems, which specify the results of specific action before they are taken (for example, that holes should be drilled with diameters of three centimeters), and, performance control systems, which specify the results of whole ranges of actions after the fact (for example, that sales of a division should grow by 10% in a given year).

Liaison devices refer to a whole set of mechanisms used to encourage mutual adjustment within and among units. They range from liaison positions (such as the purchasing engineer who stands between purchasing and engineering); through task forces, standing committees that bring together members of many departments, and integrating managers (such as brand managers); and finally to fully developed matrix structures.

Vertical decentralization describes the extent to which decision making is delegated to managers down the middle line, while **horizontal decentralization** describes the extent to which non-managers (that is, people in the operating core, technostructure, and support staff) control decision processes. Moreover, decentralization may be selective, concerning only specific kinds of decisions, or parallel, concerning many kinds of decisions altogether. Five types of decentralization may be found: vertical and horizontal centralization, where all power rests at the strategic apex; limited horizontal decentralization (selective), where the strategic apex shares some power with the technostructure that standardizes everybody else's work; limited vertical decentralization (parallel); where managers of market-based units are delegated the power to control most of the decisions concerning their line units; vertical and horizontal decentralization, where most of the power rests in the operating core at the bottom of the structure; and selective vertical and horizontal decentralization, where the power over different decisions is dispersed widely in the organization - among managers, staff experts, and operators who work in groups at various levels in the hierarchy.

Elements of situation

The age and size of the organization affect particularly the extent to which its behavior is formalized and its administrative structure (technostructure and middle line) elaborated. As they age and grow, organizations appear to go through distinct structural transitions, much as insects metamorphose—for example, from simple organic to elaborated bureaucratic structure, from functional grouping to market-based grouping.

The **technical system** of the organization influences especially the operating core and those staff units most clearly associated with it. When the technical system of the organization regulates the work of the operating core - as it typically does in mass production - it has the effect of bureaucratizing the organization by virtue of the standards it imposes on lower-level workers. Alternately, when the technical system succeeds in automating the operating work (as in much process production) it reduces the need for external rules and regulations: the necessary rules are automatically incorporated into the machines enabling the structure to be organic. And when the technical system is complex as is often the case in process production, the organization must create a significant professional support staff to deal with it and then must decentralize selectively to that staff many of the decisions concerned with the technical system.

The **environment** of the organization can vary in its degree of complexity, in how static or dynamic it is, in the diversity of its markets and in the hostility it contains for the organization. The more complex the environment, the more difficulty central management has in comprehending it and the greater the need for decentralization. The more dynamic the environment, the greater the difficulty in standardizing work, outputs, or skills and so the less bureaucratic the structure. These relationships suggest four kinds of structures: two in stable environments (one simple, the other complex) leading, respectively, to a centralized and a decentralized bureaucracy; and two in dynamic environments(again, one simple the other complex) leading, respectively, to a centralized and a decentralized organic structure. Market diversity, as noted earlier, encourages the organization to set up market-based divisions (instead of functional departments) to deal with each, while extreme hostility in the environment drives the organization to centralize power temporarily - no matter what its normal structure to fight off the threat,

The **power** factors of the organization include external control, personal power needs, and fashion. The more an organization is controlled externally, the more centralized and bureaucratic it tends to become. This can be explained by the fact that the two most effective means to control an organization from the outside are to hold its most powerful decision maker, the chief executive officer, responsible for its actions and to impose clearly defined standards on it (performance targets or rules and regulations).

Moreover, because the externally controlled organization must be especially careful about its actions—often having to justify these to outsiders—it tends to formalize much of its behavior and insist that its chief executive authorize key decisions. A second factor, individual power needs (especially by the chief executive) tend to generate excessively centralized structures. And fashion has been shown to be a factor in organization design, the structure of the day often being favored even by organizations for which it is inappropriate.

MANAGEMENT CONTROL SYSTEMS:
A CONCEPTUAL FRAMEWORK

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Introduction

This paper has two purposes, the first is to synthesize the current state-of-the-art with respect to Management Control Systems, pulling together what we perceive to be some of the existing concepts into a framework which we suggest is useful in identifying gaps in our current understanding. The second is to use the framework to suggest directions in which control systems might be modified to increase their effectiveness. The process of control and the application of control system concepts to Management Control has been talked about and discussed at great length in the literature over the previous twenty years. In its practical form control in organizations today is synonymous with financial control and in particular budgets and the budgeting process. This will continue to be extremely important for all organizations. However, it is apparent from the recent increase in pressure from outside the organization that ones view of control systems will have to be modified if organizations are to continue to run effectively. There is already ample evidence of this shift in the control practices of many organizations and we think we discern three major areas in which these changes are taking place.

- The need for control systems to be modified to reflect the increasing complexity of the organization's structure because of the evolution of more traditional organizational patterns, such as divisionalized organizations, into say multidimensional structures.

- The use of non-dollar variables as a regular part of the formal control system.
- The linkage between planning and control, and between control and operations.

Our discussion will be normative. Although our article does not base itself on a specific research project, we shall be drawing on pertinent research findings by others, as well as our recent general field experience with planning and control systems in actual organizations. Thus, all statements to be given are hypotheses and require testing.

I. Management Control: Purposes and Steps in Process

A number of reasonable definitions of management control systems have been suggested over the years.[1] Admittedly, some of these tend to be so general that they yield less than desirable guidance for the researcher, or the practitioner. Other definitions tend to be too partial by essentially focusing on narrower aspects of what seems to be a broader management control process. Nevertheless, a number of useful definitions of management control exist. We shall propose that the fundamental purpose for management control

[1] See, for instance, Anthony, Robert N., Planning and Control Systems: A Framework for Analysis, Division of Research, Harvard Business School, 1965; Jerome, William Travers III, Executive Control -- The Catalyst, Wiley, 1961; Anthony, Robert N., John Dearden, and Richard F. Vancil, Management Control Systems, Irwin, 1972; Horngren, Charles, Accounting for Management Control, Prentice-Hall, 1974; Horngren, Charles, Cost Accounting: A Managerial Emphasis, Prentice-Hall, 1972; Welsch, Glen, Budgeting: Profit Planning and Control, Prentice-Hall, 1971; Emery, James C., Organizational Planning and Control Systems, MacMillan, 1969; Dearden, John, Cost Accounting and Financial Control Systems, Addison-Wesley, 1973, and others.

systems will be to help management accomplish an organization's objectives by providing a formalized framework for the identification of pertinent control variables, the development of good short-term plans, the recording of the degree of actual fulfillment of short-term plans along the set of control variables and the diagnosis of such deviations. We shall adopt this as our working definition of management control systems.

An overall illustration of the management control process model is given in Exhibit I. The exhibit indicates the interrelationship between management control and the long-range planning process as well.

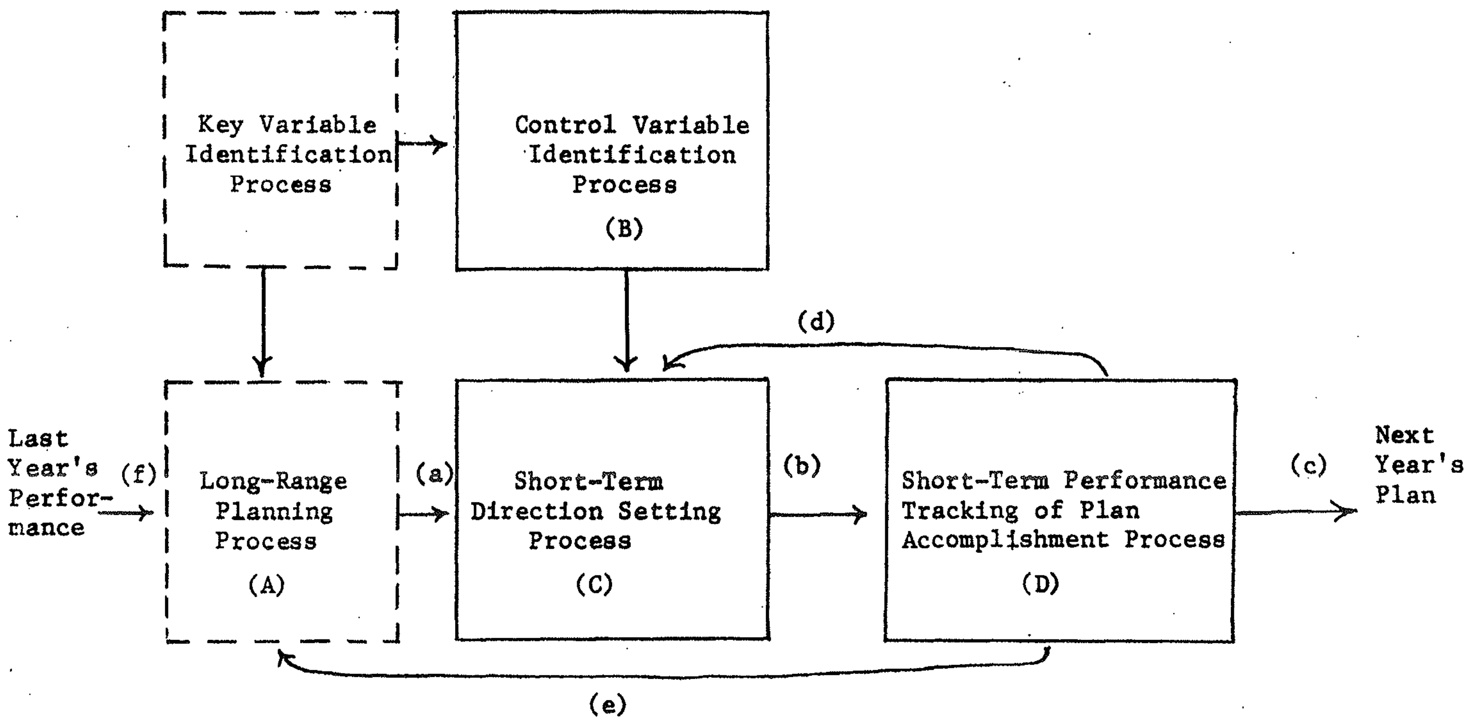
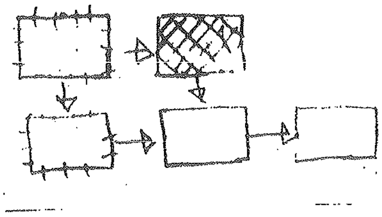


EXHIBIT I

Interrelationship Between the Components of the Long-Range Planning and Management Control Processes

The long-range planning process is illustrated by box (A). The management control process is split into the control variable identification process (B), the short-term direction setting process (C), and the short-term plan accomplishment tracking process (D). The linkage between planning and control is illustrated by arrow (a). The relationship between the two control subprocesses is illustrated by arrows (b) and (d). The tracking of deviations between actual performance and budget may lead to a number of actions, arrows (c), (d), and (e).



A. Identification of Control Variables

Control variables form the content of the short-term plan -- they are the items that represent the goals of the organization and they determine what is to be tracked. One of the central activities of management control is to identify what these control variables should be. In the discussion to follow we shall show these to come from two major sources:

(1) The goals and objectives.

(2) The situational setting, particularly:

(a) the organization structure

(b) the people in the organization

(c) the technology available

(d) the external environment

The choice of control variables is partially dependent on the choice of key variables in the long-range plans as indicated on Exhibit I with the arrow linking the key variable identification and the control variable identification processes. Key variables are operational measures that reflect the goals of the organization. For example change in market share might be a key variable used to reflect the organization's goal of growth. Some key variables cannot be used as control variables because they are virtually uninfluenced by the organization. For example new product innovations by competitors could be a key variable but not a control variable. Nevertheless, the goals and objectives of the corporation, as represented by the key variables, is a major source for the control variables determination.

The actual choice of control variables will also, of course, depend critically on each given corporate setting. We shall indicate aspects of a situational setting that seem relevant to consider in order to come up with a situationally "tailored" set of control variables, by drawing on Leavitt's work where he discusses managers and their various tasks in an organizational context. [2] When looking at a particular task, in our case the management control process, he argues that task interacts strongly with three other sets of variables. The first of these is the organizational structure in which the task is taking place, the second is the people that are in the organization and the third is the technology that is available to support the task in question. Leavitt argues cogently that these four sets of factors have to be in a state of dynamic equilibrium if an organization is to remain healthy. For our purposes here we will add the external environment as a fourth major independent variable. We shall expand on each of these forces to get some flavor for the impact they have on the choice

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Leavitt, Harold, <u>Managerial Psychology</u>, University of Chicago Press, 3rd edition, Chicago, 1972.

of control variables:

(1) Organization Structure

The type of control system to be used is partially dependent on the kind of organization structure that exists in the company. The now generally accepted contingency theory of organizational design depends on the company's situational setting, and that since virtually all companies differ in their situational settings, there will be no one best way of designing the organization.[3] Thus the choice of organizational structure is dependent on many other variables.

The most important of these is the basic organizational archtype that is involved. Every corporation consists of a number of more or less autonomous decision-making units. Such responsibility centers, or the "building blocks" of the organization, may have labels such as cost centers, investment centers, departments, divisions, areas, as well as others. Although there are many different types of responsibility center units we shall claim that there will be several common features of the management control process of any such center. However, the control variables to be

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[3] For a review of empirical studies on contingency theory, see Galbraith, Jay, "Organizational Design: An Information Processing Point of View", Sloan School Working Paper No. 425-69, M.I.T., Cambridge, Massachusetts, 1969, pp. 2-5; see also Lorsch, Jay W. and Stephen A. Allen III, Managing Diversity and Interdependence: An Organizational Study of Multidivisional Firms, Division of Research, Harvard Business School, Cambridge, Massachusetts, 1973; for some viewpoints critical to the contingency theory school of thought, see Christenson, Charles, "The Contingency Theory of Organization: A Methodological Analysis", Harvard Business School Working Paper, Harvard University, Cambridge, Massachusetts, 1973.

tracked through plans and budgets will differ, depending on what type of responsibility center we are dealing with. Further, an analysis of the common elements of management control with the responsibility center helps the exploration of management control for various combinations of centers, such as functional, divisional or matrix organizations. We are thus encountering a management control problem at two levels, for a responsibility center and for combinations of centers.

(2) People

We would argue that the type of control variables and the nature of the control process will be significantly affected by several sets of variables that characterize people in organizations. The first of these might be labelled "style". The style of the managers and the style of the organization with respect to conflict resolution, their attitudes toward risk, and the way they tend to make decisions, often vary between organizations. Some organizations have a more bureaucratic approach with a well documented and careful trail of paper behind each decision. Others tend to be more informal with largely verbal conversations and little or no documentation. The control system will obviously be different in these two organizations. The control system is also affected by the educational levels and the degree of professionalism of the managers and by the history built up over time. These factors of style, education, and history are augmented by that of the "political science" of the organization. The importance of the informal power structure and the informal communication network of organizations have been well-documented elsewhere.[4] Although the control systems design cannot take all these factors into account explicitly, it is crucial for the designer to recognize that the people in the organization will determine in large measure what kind of control system is possible.

There is a particularly important reverse effect of the control system on the people in the organization. In other words, not only do the people affect the kind of control systems possible, there is often a strong effect of the control system on the individuals in the organization. Questions of the motivational impact of tight versus loose budgets is merely one example of this effect. The early work by Stedry and others attempted to show some of the impact that the behavioral implications of the budgeting process can cause.[5] Although this research had tended to focus largely on dollar budgets, or single dimensional budgets, the fact that it had an impact is quite clear.

(3) Technology

There are at least three important aspects of technology with respect to control systems. The first and most prevalent of these is

[4] See for instance, Lorange, Peter, Behavioral Factors in Capital Budgeting, Universitetsforlaget, Bergen, Norway, 1972, and Bower, Joseph, The Resource Allocation Process, Division of Research, Harvard Business School, Harvard University, Cambridge, Massachusetts, 1970.

[5] See Stedry, Andrew C., Budget Control and Cost Behavior, Prentice-Hall, 1960, Becker, Selwyn and David Green, Jr., "Budgeting and Employee Behavior", Journal of Business, October 1962, pp. 392-402, as well as the discussion between the above authors, Journal of Business, April 1964, pp. 195-205.

the Management Information System necessary to support the control system. A simple example of this is obviously the computer-based information system which allows a very much more elaborate and detailed budgeting system to be maintained than would be possible manually.

A second kind of impact of "technology" is the measurement question. There is a real technology of measurement, the developments in cost measurement systems being an example. In addition, there is also the technology involved in tracking non-dollar key variables such as employee morale, market share, productivity, product quality and the like. If the measurement technology is not adequate to track these kinds of variables it clearly becomes impossible to have them form a robust part of the control system.

The third component of technology is the mathematical techniques that allow us to make trade-offs between different objectives, based on multiattribute preference theory.[6] If, for instance, the control system calls for tracking a series of control variables and each of these variables are measured on a different scale then it becomes necessary to find some way of assessing the status with respect to the combination of these objectives. An example is how one assesses the status of a division that is ahead on market share, behind in quality, and above inventory target levels. Further, a given course of action may have differing effects on the various attributes and it may become hard, or even impossible, to assess which action strategy would give "the best" results.

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[6]See, for instance, Keeney, Ralph L., "An Illustrated Procedure for Assessing Multiattributed Utility Functions", Sloan Management Review, Fall 1972, or Keeney, Ralph L., "A Decision Analysis with Multiple Objectives: The Mexico City Airport", Bell Journal of Economics and Management Science, Spring 1973.

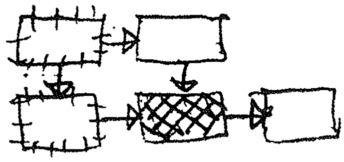
The reverse effect of the impact of the control system on technology may have its biggest significance in the Information Systems area. The information systems in many instances ought to be designed to support the control system, and not be built as ends in themselves. This view of subordinating information systems to the purposes of the control system is not one that seems to be widely shared by information systems professionals in actual practice in many organizations.[7]

(4) Environmental Forces

The fourth set of forces that help determine the control system are those external to the organization. It might be more accurate to show a planning function between the environment and the control system since it is the purpose of the planning activity to assess the environment and its implications for the organization. As we argued at the beginning of the paper, it is primarily the change in the external environment of the organization that makes us suggest that a shift in emphasis in the control system may well be appropriate. For example, the environment is exerting pressure for product quality or product safety, it is sharply raising some of the costs of production due to energy shortages, it causes shifts in raw material supplies and their costs; it is placing requirements on the organization from governmental authorities; and there are a host of competitive pressures due to shifting technology. It seems reasonable in light of these pressures that

[7] See Gorry, Anthony, and Michael Scott Morton, "A Framework for MIS", Sloan Management Review, Fall 1971.

the control system should change to include an expanded set of control variables that can be used to manage the organization in response to these pressures.



B. Setting Short-Term Direction

From Exhibit I it follows that the next step in the control process is that of setting short-term goals. A major objective of management control is to provide a vehicle for systematically narrowing down the wide number of business opportunities immediately facing the corporation into one set of attempted business actions. Initially, top management will be primarily involved, but, as the control process proceeds, a larger and larger share of the organization's managers do get involved. Consequently, the control system provides a logical sequence of steps for gradually narrowing down the near-term business opportunities, during which agreement will be reached on a given direction setting among a gradually increasing set of managers, thus culminating with the agreement on a near-term plan for all responsibility centers that the entire management should be committed to. Thus, we claim that one purpose of management control is to arrive at a "smart" set of short-term goals. These short-term goals may be specified in dollar numbers, as most typically exemplified by the budget, or they may, increasingly, be specified in non-monetary terms. Each responsibility center will attempt to develop their "good" short-term goals. At the outset there will be a number of inputs from the preceding planning, such as the responsibility center's charter, objectives, goals, and strategy. Also, a relatively broad and tentative resource allocation to the unit's overall progress will typically exist. Thus the span of immediate opportunities will have been narrowed down considerably through preceding planning. The task to be achieved through the short-term planning process will be to complete this narrowing down so that a good short-term plan will result. In case of little or no preceding long-range planning or in case of loose linkage between the long-range and short-term planning parts of the process, much less narrowing down of strategic options will have taken place. Thus, at the short-term planning stage, one will have to undertake a much more dramatic narrowing down in order to arrive at the near term plan. In practice, this may jeopardize the quality of the short-term plan, as typically there is a shortage of time in which to do the same systematic narrowing down as before.

For a functionally organized combination of responsibility centers the steps in the short-range strategic goal-setting process may be that the corporate president's office states the overall corporate goals, based on a summary of the inputs from the preceding planning cycle, for then to call on each department for short-term plans. The departments then develop and submit for corporate approval their short-range plans, which then will be coordinated, reviewed and approved by the corporate headquarters. Approval implies the allocation of funds to the short-range plans.

For a divisionalized organizational structure each division will proceed in a way essentially analogous to the steps of the functionalized corporation. The most significant difference seems to be related to corporate headquarters role. The corporate headquarters requests each division to initiate the developments of their short-term goals, operationalized by their short-term plans. Based on planning at earlier stages (involving all three hierarchical levels in the divisionalized organization; corporate, divisional, and departmental), corporate headquarters has reached an agreement within the division level responsibility centers on long-range goals, both corporate and divisional. Corporate headquarters has then tentatively allocated the resources available to the program "packages" of each division, i.e., indicated how much is to be allocated to each business element in the company's "portfolio" of businesses so that overall profits, growth and risk properties of the entire corporate portfolio balance become as desired.[8] Within the constraints imposed by this specification of linkage to long-range plans, the divisions are asked to come up with their short-term plans.

A number of characteristics of this process should be pointed out. First, close coordination will most often be required between the functional departments; they are not developing their short-term plans in isolation. Secondly, the process is interactive. Typically, the short-term planning cycle will go through a number of "spins" before the budget gets finalized. Finally, the budgeting process is hierarchical. This implies that the higher organizational level will review the plans of the level underneath as a portfolio. Thus, each responsibility center plan at the lower level will be reviewed in terms of its effect on the totality of all the other responsibility center plans at that level.

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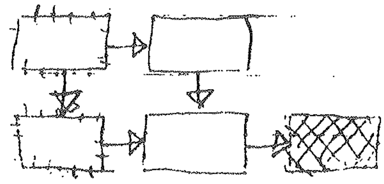
[8] See Vancil, Richard F. and Peter Lorange, "Steps in the Long-Range Planning Process", Sloan School Working Paper, Cambridge, Massachusetts, 1974, and Carter, E. Eugene and Cohen, Kalman J. "Portfolio Aspects of Strategic Planning", Journal of Business Policy, Summer, 1972.



C. The Performance Tracking and Diagnosis Steps

A distinctive benefit from formal planning and control is as a vehicle for systematically learning about how to adjust better to one's business environment, by attempting <u>post facto</u> to understand why one's plans and budgets did not get fulfilled. By making use of plans and budgets as benchmarks for reference in systematic follow-up analyses of why the company did not get where it planned, important understanding about future direction-setting can be gained. This third purpose of management control, consequently, deals with the measurement of the extent to which the short-term goals are being achieved and the diagnosis to find reasons why these goals are not being reached. It thus serves as a "tracking function" for measuring performance as well as a basis for diagnosis of performance deviations. Consequently, it provides a vehicle for learning from experience how to make better adjustments to business opportunities in the future. In fact, since most of the monitoring of both long-range as well as short-range plans takes place as part of the management control process, an effective extension of the tracking part of the management control process will be essential both for effective long-range and short-range planning.

The ability of one organizational unit to fulfill short-term plans does not depend on its own abilities alone, but also on other organizational units' performance. For instance, a division's ability to fulfill its short-term plan depends considerably on how well its departments are proceeding in attaining their planned short-term goals. Consequently, the tracking function must provide for the signaling of performance deviations to those other organizational units for which such information is relevant. At the outset, however, let us discuss the tracking process where we have one responsibility center only. The tracking functions (C) in Exhibit I may be divided into two parts, the recording of deviations from short-term plans for the set of control variables identified during the short-term plan determination stage, and the diagnosis of deviations hopefully leading to a determination of the causes of deviation.[9]

The first of the two subfunctions of the tracking task, the recording function, can in turn be separated into three components, the measurement of each control variable, the identification of what extent the source of deviation was due to a controllable factor, as well as whose responsibility it is,[10] and the identification of what extent the source of deviation was due to uncontrollable events for then to initiate the adjusting accordingly.

The control variable measurement function consists of measuring the progress over time of the short-term goal attainment. Given that not all

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[9] Zannetos, Zenon S., "On the Theory of Divisional Structures: Some Aspects of Centralization and Decentralization of Control and Decision-Making", Management Science, Vol. 12, No. 4, 1965.

[10] See Kaplan, Robert S., "Optimal Investigation Strategies with Imperfect Information", Journal of Accounting Research, 1969; Dyckman, Thomas R., "The Investigation of Cost Variances", Journal of Accounting Research, 1969; and Demski, Joel, "Optimal Performance Measurement", Journal of Accounting Research, 1971.

the goals may be quantified in dollars, we must be able to measure control variables expressed in non-dollar terms as well as in qualitative terms, too. A number of criteria have been proposed for judging the goodness of control measures, many of them originating from financial accounting.[11] The measures may have to satisfy criteria such as objectivity, reliability, verificability, although most important for our purpose is the criterion of usefulness in decision-making, i.e., that the data being monitored are useful for management control.

Let us now turn to the second subtask of the tracking function, namely, the diagnosis of deviations. The diagnosis consists of applying analytical tools to understand the cause-effects of the phenomenon that resulted in the deviation. Given that we may be analyzing variations of various kinds and for a variety of control variables, we may, of course, have to resort to a wide variety of analytical tools.

The diagnosis of a variance may lead to three different actions:

(1) The performance deviation may trigger some sort of <u>corrective action</u>, which, in turn, implies that the resource allocation exemplified by the short-term goals will have to be altered to some extent. This is illustrated by arrow (d) in Exhibit I.

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[11] See in particular, American Accounting Association, <u>A Statement of Basic Accounting Theory</u>, Chapter 4, 1966, and American Institute of Certified Public Accountants, Objectives of Financial Statements (Trueblood Committee Report), 1973.

(2) In cases of serious deviations, corrective measures may be taken regarding the overall resource allocation pattern, which will be evidenced by the revision of the long-range planning process, followed by revision of the short-term goals. This relatively rare effect is illustrated by arrow (e).

(3) In some cases no immediate corrective actions are being taken, but the "learning process" of deviating from plans will lead the deviation to have an impact on next year's plan, as evidenced by arrow (c). (Of course, deviations in last year's performance similarly led to impacts on this year's plan, as illustrated by arrow (f).)

Let us indicate some of the complicating issues of tracking when we have hierarchical combinations of responsibility centers. In the case of a functionally organized company we will typically be dealing with performance measurements for cost centers and/or discretionary expense centers. Diagnosis will also focus heavily around costs and expenses. We shall not explore these problems in detail, but refer to a relatively well developed body of literature.[12] For the divisionalized corporation the performance tracking will not only be focused around cost and expense centers, but also around profit and investment center performance. Many difficult measurements problems arise, not only when attempting to determine

[12] See, for instance, Horngren, Charles, Cost Accounting: A Managerial Emphasis, Prentice-Hall, 1972; Gordon, Myron S. and Gordon Shillinglaw, Accounting: A Managerial Approach, Irwin, 1964; or Dearden, John, Cost Accounting and Financial Control Systems, Addison-Wesley, 1973.

profits but even more so when attempting to estimate an asset base. Once more, we shall not repeat the various arguments within this relatively heavily researched field, but again refer to the literature.[13]

There is a possible danger that the performance tracking process might lead to decision-making behavior within an organization which violates the overall organizational goal consequence requirement. Partly this is due to the "technical" measurement problems just referred to, which often stem from a desire to attempt to capture complex and multi-faceted underlying phenomena by means of a few variables, usually expressed in dollar terms. Oversimplification, leading to impossible measurement tasks, will easily be the result. Partly, however, lack of goal consequence may arise due to lack of consistency between the time span used for control purposes for a unit at a given organizational level and the time span that seems to be appropriate for the given type of business undertaken by the unit. For instance, a research laboratory organization would experience severe problems with a one-year time horizon for its control system -- five years might for instance be more appropriate.

The preceding discussion has attempted to synthesize the current view of management control systems. The literature contains a variety of views but most if not all of these can be summarized by Exhibit I. The literature,

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[13] See, for instance, Solomons, David, Divisional Performance, Financial Executives Institute, 1965; and Dearden, John, "The Case Against ROI Control", Harvard Business Review, September-October, 1966.

however, does not provide an emphasis on three emerging areas of control--it is in these, namely linkage to planning, use of non-dollar control variables, and the added complexity of multidimensional organizational structures that we now turn.

II. Emerging Issues

A. Multidimensional Organizational Structures - Control Implications

One of the results of the increasing complexity of much of today's technology is a higher degree of interdependency between many intermediate production processes, which may lead to a considerable penalty in terms of diseconomics of scales on corporations that are divisionalized. A lot of duplication of effort may be taking place. Similarly, a company expanding multinationally may be too small to set up separate production facilities in each geographical area. In both instances, a matrix-type organizational structure may be adopted to achieve both production economics as well as business/area effectiveness. Given the trends towards increased complexity of technical processes as well as towards increased internationalization, multidimensional organizational structures will probably become more common.

For a company with a matrix structure key decision-making activities will be carried out in committees by managers representing diverse task backgrounds. Consequently, within parts of such organizations, unidimensional hierarchical responsibility center patterns no longer exist. The managers on the matrix boards will represent one of the following three task types:[14]

- Business Units: These will have performance responsibility for a business family, analogously to divisional organization along business areas, and will typically be profit centers.

- Geographical Units: These will have performance responsibility for a geographical area, say a country, and will also typically be profit centers.

- Functional Units, such as manufacturing, marketing, R & D, etc.: These will have responsibility for the functional services they render to each business and/or area unit, and will typically be cost centers.

Not all matrix organizations will be three-dimensional, i.e., have all the above three task types represented on the group decision-making matrix boards. For instance, a company operating only on the domestic market may be matrix-organized along the business and functional dimensions only. Or a company which is essentially manufacturing one class of products world-wide may adopt a two-dimensional matrix with geographical and functional elements. Thus, only multinational, multiproduct corporations will typically adopt the

[14] See Galbraith, Jay R., "Organization Design: An Information Processing View", Sloan School of Management Working Paper N. 425-69, M.I.T., Cambridge, Massachusetts, pp. 27-32; Galbraith, Jay R., "Matrix Organization Design", Business Horizons, February, 1971; and Goggin, William C., "How the Multi-dimensional Structure Works at Dow Corning", Harvard Business Review, January-February, 1974.

more complex three dimensional structure.

It should be stressed that only a relatively small part of any company's decision-makers will directly be part of committee decision-making. The functional organizational hierarchies such as marketing or production, will, of course, still be in existence. Unidimensional responsibility patterns will exist within these hierarchies, although at one level fairly high up in the organization each function as well as the business or/and the area dimensions. A given corporation may consist of from only a few to a fairly large number of matrix units.

Three distinctive types of control tasks emerge from such a matrix structure:

- Control within each of the three task dimensions (i.e., the business, geographical and functional tasks). Particularly for the functional responsibility centers elaborate control similar to what we find in unidimensional structures will typically be instituted.
- Control of each matrix committee effort, the multidimensional responsibility and reporting patterns being a distinctive feature.
- Control of the overall corporation, the major task being to control the overall portfolio of matrix team efforts.

For a matrix structure the steps in the short-term planning process will be much more complicated. It will be necessary with a high interaction among a large number of executives and substantial interrelationships between sub-plans, sub-tasks, etc. The need for a formal system for management control becomes higher than ever in such a setting, ensuring proper timing, formats and coordination of many diverse control activities.

One might speculate that in order to get the planning and control process going one of the three task dimensions might be given a more dominating role than the others. For instance, when developing the long-term plans, the business and/or geographic task units may be more heavily involved than the functional dimensions. On the other hand, when options have been narrowed down considerably and short-term budgeting is to take place, the functional units might be playing a more dominant part.

As a further illustration of complexity due to cubic structure one can look at the measurement and diagnostic step. For the multidimensional organization this can become complicated by the added dimensions of multiple responsibility among decision-makers for tasks. One implication is that costs and incomes must be tracked in such a way that they will be assignable to matrix responsibility units as well as to functional and/or area and/or business responsibility centers. A given income figure may at the same time also be credited to one of the functional responsibility centers and another part may be credited to other functional and/or area entities. Hence, income and cost figures will normally have to be split and accounted for at more than one entity of the organization. To measure costs and incomes in such ways that they lend themselves reasonably well to other arbitrary subsequent splitting becomes a major task in performance tracking in matrix organizations.

A second implication is the substantial increase in the actual volume of internal reporting needed and the increased minimum time requirement that follows. This is not only due to the increased number of plans, reports, etc.

needed in a matrix. Because of more complex patterns of interdependencies in a matrix the plan updating and revision task however also becomes tremendous. A computer-based Management Information System seems potentially very cost-benefit advantageous for organizations of this type.

A third implication is the necessity to ensure consistency of formats for short-term plans, for procedures of calculating and reporting deviations for definitions employed to spell out underlying terms, cost allocation, formulas, etc. Given the types of interdependencies that are evident in a matrix organization much higher consistency requirements on common format for the management control process will result.

In total the internal information handling tasks become significantly more complex in a matrix organization. The choice of formal structure for the management control system consequently becomes even more crucial and the potentials for utilization of advanced information-handling techniques increase.

B. Non-Dollar Variables

An emerging issue from our discussion of the identification of control variables was that many of these will be of types not measured in the traditional dollar terms. The addition of these control variables directly reflects the added importance of environmental pressures and suggests a fundamental shift from the kind of control systems that we have been used to in the past. The first implication from this is that the control systems design process should be adapted to reflect the need to do an environmental diagnosis and arrive at what the control variables should be in the first place. The shifting environment does not suggest that the fundamental nature of the control process should change. What it does suggest is that the kind of variables that are in the control system, the way these are derived, and the people, structure and technology that are employed may have to change. In particular if the external environment is shifting as we have suggested, then the control system will have to have new kinds of control variables.

There are many examples of these, for instance the move by a furnace manufacturer to track dealer inventory levels to cut down on the amount of hoarding by the dealers as they tried to protect themselves from stockouts. These were occurring because of severe parts shortages at the factory, which in turn were caused by the energy shortage. Similar examples are easy to find. There does not exist, however, a good statement of what such control variables should be, or a well understood methodology by which they can be derived.

We are suggesting that analysis of the five forces reflected in the list at the outset of our discussion of the identification of control variables is an effective first step which can be done readily by any organization. There then remains the time consuming, but straightforward task of setting up an information system to track these on a regular basis.

C. Linkage of Control System

Our discussion laying out the steps in the management control process placed considerable emphasis on the linkage to planning. In addition, there are linkages between control and the action programs designed to correct the operations of the organization as a result of the diagnosis stage. A third linkage is caused by the need to connect control across the hierarchical levels of an organization. We shall discuss each linkage phenomenon, and indicate why they should deserve increased attention.

(1) The Linkage Between Management Control and Planning

We have indicated that the linkage between the long-range planning phase and the control phase is critical for the characterization of the control process because the way and extent to which business opportunities have been narrowed down before the control phase will largely dictate the activities of the latter. We shall explore two aspects of this linkage, with respect to content, and timing.[15] It has been suggested that content linkage between the long-range plan and the budget can be judged by comparing the two in terms of comparability of the level of financial detail, equality of numbers in plan and budget at time t, equality of numbers for this year's budget with plans for this year developed last year, the year before last, etc., and the extent to which difference at time t and over time are being reconciled. Given the different purposes of planning and control, we shall suggest an

[15] See Shank, John K., Edward G. Niblock and William T. Sandalls, Jr. "Formal Planning Systems: Getting Creativity and an Action Orientation", Harvard Business Review, November-December, 1972, and Camillus, John C., "Formal Planning Systems: The Control Considerations in Design", Unpublished D.B.A. Thesis, Harvard Business School, Harvard University, Cambridge, Massachusetts, 1972.

alternative way of looking at these linkages, namely to what extent the key variables of the long-range plan and of the budget are reconcilable. Although the key variables may be entirely compatible, this does not mean that the number of the plan and budget need to coincide. Thus, we may have situations with tight content linkage despite this.

In cases with loose content linkage, little "narrowing down" of options will have been undertaken at the planning stage. This implies that most of the narrowing down of options will have to be done at the short-term planning/ budgeting stage. Consequently, heavier requirements will be placed on this process stage in order to arrive at a "smart" plan. It is important to realize that loose content linkage implies a shifting of the narrowing down commitment from planning to control.

There may be several reasons for a rational choice of a specific degree of tightness/looseness of content linkage. During some stages of an organization's evolution, however, the linkage may be loose by default rather than by design. Typically, most companies have had much longer experience with budgeting than with long-range planning. When planning is initiated, it will often be difficult to integrate it with the mature control process. In effect, this means loose linkage, with the accompanying implications just pointed out.

The time schedule for the completion of the planning and budgeting task also becomes important. If relatively little time elapses between the execution of the long-range planning tasks and the short-range planning (budgeting) tasks, this is an indication of tighter <u>de facto</u> substance linking. This, however, also probably implies that the outputs of this year's control process will have a looser impact on next year's plan, due to the longer elapsed time between the completion of the budget preparation and the beginning of next year's planning. The timing linkage question may be less significant than perceived by many, however, due to the continuous nature of the processes and the necessity to perform these more or less on an on-going basis year round.

(2) Linkage to Action Plans

The signals from the control system generate a diagnostic activity as part of the management control process. This diagnosis is used by the responsibility center manager as part of his process in creating an action plan to solve, or mitigate, the variances that exist. Such action plans may be more or less successful in curing the fundamental cause. An important input to the redesign of the control is the effectiveness of the existing control signals in helping the manager arrive at good solutions to his problems. This linkage between action and control has severe implementation problems and, judging from the existing literature, seems almost nonexistent. Measurement of cause and effect in such situations is hard to do. Despite the practical difficulties such as linkage is most desirable in the control system is to be usefully modified over time.

(3) Organizational Linkage

We are dealing with up to three types of organizational levels in the organization. At the corporate level we face a linkage problem between the c rporate long-range plan and the corporate short-term plan; at the division level we face a linkage problem between the division's business plan and its business budget, while at the departmental level we deal with the linkage between the functional plan program and the functional budget. Further, we are faced with the linking of each level's plans and budgets with the plans and budgets of the levels above and underneath. The fact that we thus are dealing with a three-level interdependent linkage phenomenon raises a number of issues:

(a) Should the degree of content linkage be the same or different at the three levels?

(b) If corrective actions are taken as a consequence of diagnosis of budget deviations at one organizational level, how does that affect the long-range plans and/or the short-range plans/budgets at the other levels? Under a pattern of tight linkage? Under a pattern of loose linkage?

This suggests that the model of the planning/budgeting process, portrayed in Exhibit I needs to be expanded into a multi-level model in order to cope with the organizational linkage problems just raised.

III. Implications

This view of control systems has been designed to emphasize the implic tion of three emerging evolutionary trends for management control.

These are:

(a) The increasingly unstable external environment which results in a need for a tighter linkage of the management control system to the formal planning system.

(b) The lack of stability in the external environment which causes a need for a more robust set of control variables than exists with the current dollar based budget.

(c) The increasing diversification of large corporations which often will be creating more complex organizational forms (at the extreme, the matrix structure) operating in widely differing environments (the multi-dimensional corporation) and in very different businesses (the conglomerate).

Even for small or medium-sized organizations these three factors are changing, and much the same kind of changes can be identified for public sector organizations.

As a result there is a need to have a clear view of what a control system and its basic purpose is -- without such a view it is hard to build or run one effectively in an organization.

The framework suggested here is a first step in trying to build a structure which is useful for diagnosing existing control systems. Is there a match between this normative view and the descriptive model of the organization's existing control system? In particular, we would argue that the framework presented here is useful for making changes in the management control system to reflect the continuing changes in the external environment, changes which exert considerable pressure on the corporation.

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What Makes a Leader?

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What distinguishes great leaders from merely good ones? It isn't IQ or technical skills, says Daniel Goleman. It's **emotional intelligence:** a group of five skills that enable the best leaders to maximize their own *and* their followers' performance. When senior managers at one company had a critical mass of EI capabilities, their divisions outperformed yearly earnings goals by 20%.

The EI skills are:

- *Self-awareness*—knowing one's strengths, weaknesses, drives, values, and impact on others
- *Self-regulation*—controlling or redirecting disruptive impulses and moods
- *Motivation*—relishing achievement for its own sake
- *Empathy*—understanding other people's emotional makeup
- *Social skill*—building rapport with others to move them in desired directions

We're each born with certain levels of EI skills. But we can strengthen these abilities through persistence, practice, and feedback from colleagues or coaches.

The Idea in Practice

UNDERSTANDING EI'S COMPONENTS

EI Component	Definition	Hallmarks	Example
Self-awareness	Knowing one's emotions, strengths, weaknesses, drives, values, and goals—and their impact on others	• Self-confidence • Realistic self-assessment • Self-deprecating sense of humor • Thirst for constructive criticism	A manager knows tight deadlines bring out the worst in him. So he plans his time to get work done well in advance.
Self-regulation	Controlling or redirecting disruptive emotions and impulses	• Trustworthiness • Integrity • Comfort with ambiguity and change	When a team botches a presentation, its leader resists the urge to scream. Instead, she considers possible reasons for the failure, explains the consequences to her team, and explores solutions with them.
Motivation	Being driven to achieve for the sake of achievement	• A passion for the work itself and for new challenges • Unflagging energy to improve • Optimism in the face of failure	A portfolio manager at an investment company sees his fund tumble for three consecutive quarters. Major clients defect. Instead of blaming external circumstances, she decides to learn from the experience—and engineers a turnaround.
Empathy	Considering others' feelings, especially when making decisions	• Expertise in attracting and retaining talent • Ability to develop others • Sensitivity to cross-cultural differences	An American consultant and her team pitch a project to a potential client in Japan. Her team interprets the client's silence as disapproval, and prepares to leave. The consultant reads the client's body language and senses interest. She continues the meeting, and her team gets the job.
Social Skill	Managing relationships to move people in desired directions	• Effectiveness in leading change • Persuasiveness • Extensive networking • Expertise in building and leading teams	A manager wants his company to adopt a better Internet strategy. He finds kindred spirits and assembles a de facto team to create a prototype Web site. He persuades allies in other divisions to fund the company's participation in a relevant convention. His company forms an Internet division—and puts him in charge of it.

STRENGTHENING YOUR EI

Use practice and feedback from others to strengthen specific EI skills.

▶ Example:
An executive learned from others that she lacked empathy, especially the ability to listen. She wanted to fix the problem, so she asked a coach to tell her when she exhibited poor listening skills. She then role-played incidents to practice giving better responses; for example, not interrupting. She also began observing executives skilled at listening-and imitated their behavior.

IQ and technical skills are important, but emotional intelligence is the sine qua non of leadership.

BEST OF HBR 1998

What Makes a Leader?

by Daniel Goleman

It was Daniel Goleman who first brought the term "emotional intelligence" to a wide audience with his 1995 book of that name, and it was Goleman who first applied the concept to business with his 1998 HBR article, reprinted here. In his research at nearly 200 large, global companies, Goleman found that while the qualities traditionally associated with leadership—such as intelligence, toughness, determination, and vision—are required for success, they are insufficient. Truly effective leaders are also distinguished by a high degree of emotional intelligence, which includes self-awareness, self-regulation, motivation, empathy, and social skill.

These qualities may sound "soft" and unbusinesslike, but Goleman found direct ties between emotional intelligence and measurable business results. While emotional intelligence's relevance to business has continued to spark debate over the past six years, Goleman's article remains the definitive reference on the subject, with a description of each component of emotional intelligence and a detailed discussion of how to recognize it in potential leaders, how and why it connects to performance, and how it can be learned.

Every businessperson knows a story about a highly intelligent, highly skilled executive who was promoted into a leadership position only to fail at the job. And they also know a story about someone with solid—but not extraordinary—intellectual abilities and technical skills who was promoted into a similar position and then soared.

Such anecdotes support the widespread belief that identifying individuals with the "right stuff" to be leaders is more art than science. After all, the personal styles of superb leaders vary: Some leaders are subdued and analytical; others shout their manifestos from the mountaintops. And just as important, different situations call for different types of leadership. Most mergers need a sensitive negotiator at the helm, whereas many turnarounds require a more forceful authority.

I have found, however, that the most effective leaders are alike in one crucial way: They all have a high degree of what has come to be known as *emotional intelligence*. It's not that IQ and technical skills are irrelevant. They do matter, but mainly as "threshold capabilities"; that is, they are the entry-level requirements for executive positions. But my research, along with other recent studies, clearly shows that emotional intelligence is the sine qua non of leadership. Without it, a person can have the best training in the world, an incisive, analytical mind, and an endless supply of smart ideas, but he still won't make a great leader.

In the course of the past year, my colleagues and I have focused on how emotional intelligence operates at work. We have examined the relationship between emotional intelligence and effective performance, especially in leaders. And we have observed how emotional intelligence shows itself on the job. How can you tell if someone has high emotional intelligence, for example, and how can you recognize it in yourself? In the following pages, we'll explore these questions, taking each of the components of emotional intelligence—self-awareness, self-regulation, motivation, empathy, and social skill—in turn.

Evaluating Emotional Intelligence

Most large companies today have employed trained psychologists to develop what are known as "competency models" to aid them in identifying, training, and promoting likely stars in the leadership firmament. The psychologists have also developed such models for lower-level positions. And in recent years, I have analyzed competency models from 188 companies, most of which were large and global and included the likes of Lucent Technologies, British Airways, and Credit Suisse.

In carrying out this work, my objective was to determine which personal capabilities drove outstanding performance within these organizations, and to what degree they did so. I grouped capabilities into three categories: purely technical skills like accounting and business planning; cognitive abilities like analytical reasoning; and competencies demonstrating emotional intelligence, such as the ability to work with others and effectiveness in leading change.

To create some of the competency models, psychologists asked senior managers at the companies to identify the capabilities that typified the organization's most outstanding leaders. To create other models, the psychologists used objective criteria, such as a division's profitability, to differentiate the star performers at senior levels within their organizations from the average ones. Those individuals were then extensively interviewed and tested, and their capabilities were compared. This process resulted in the creation of lists of ingredients for highly effective leaders. The lists ranged in length from seven to 15 items and included such ingredients as initiative and strategic vision.

When I analyzed all this data, I found dramatic results. To be sure, intellect was a driver of outstanding performance. Cognitive skills such as big-picture thinking and long-term vision were particularly important. But when I calculated the ratio of technical skills, IQ, and emotional intelligence as ingredients of excellent performance, emotional intelligence proved to be twice as important as the others for jobs at all levels.

Moreover, my analysis showed that emotional intelligence played an increasingly important role at the highest levels of the company, where differences in technical skills are of negligible importance. In other words, the higher the rank of a person considered to be a star performer, the more emotional intelligence capabilities showed up as the reason for his or her effectiveness. When I compared star performers with average ones in senior leadership positions, nearly 90% of the difference in their profiles was attributable to emotional intelligence factors rather than cognitive abilities.

Other researchers have confirmed that emotional intelligence not only distinguishes outstanding leaders but can also be linked to strong performance. The findings of the late David McClelland, the renowned researcher in human and organizational behavior, are a good example. In a 1996 study of a global food and beverage company, McClelland found that when senior managers had a critical mass of emotional intelligence capabilities, their divisions outperformed yearly earnings goals by 20%. Meanwhile, division leaders without that critical mass underperformed by almost the same amount. McClelland's findings, interestingly, held as true in the company's U.S. divisions as in its divisions in Asia and Europe.

In short, the numbers are beginning to tell us a persuasive story about the link between a company's success and the emotional intelligence of its leaders. And just as important, research is also demonstrating that people can, if

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they take the right approach, develop their emotional intelligence. (See the sidebar "Can Emotional Intelligence Be Learned?")

Self-Awareness

Self-awareness is the first component of emotional intelligence—which makes sense when one considers that the Delphic oracle gave the advice to "know thyself" thousands of years ago. Self-awareness means having a deep understanding of one's emotions, strengths, weaknesses, needs, and drives. People with strong self-awareness are neither overly critical nor unrealistically hopeful. Rather, they are honest—with themselves and with others.

People who have a high degree of self-awareness recognize how their feelings affect them, other people, and their job performance. Thus, a self-aware person who knows that tight deadlines bring out the worst in him plans his time carefully and gets his work done well in advance. Another person with high self-awareness will be able to work with a demanding client. She will understand the client's impact on her moods and the deeper reasons for her frustration. "Their trivial demands take us away from the real work that needs to be done," she might explain. And she will go one step further and turn her anger into something constructive.

Self-awareness extends to a person's understanding of his or her values and goals. Someone who is highly self-aware knows where he is headed and why; so, for example, he will be able to be firm in turning down a job offer that is tempting financially but does not fit with his principles or long-term goals. A person who lacks self-awareness is apt to make decisions that bring on inner turmoil by treading on buried values. "The money looked good so I signed on," someone might say two years into a job, "but the work means so little to me that I'm constantly bored." The decisions of self-aware people mesh with their values; consequently, they often find work to be energizing.

How can one recognize self-awareness? First and foremost, it shows itself as candor and an ability to assess oneself realistically. People with high self-awareness are able to speak accurately and openly—although not necessarily effusively or confessionally—about their emo-

The Five Components of Emotional Intelligence at Work

	Definition	Hallmarks
Self-Awareness	the ability to recognize and understand your moods, emotions, and drives, as well as their effect on others	self-confidence realistic self-assessment self-deprecating sense of humor
Self-Regulation	the ability to control or redirect disruptive impulses and moods the propensity to suspend judgment–to think before acting	trustworthiness and integrity comfort with ambiguity openness to change
Motivation	a passion to work for reasons that go beyond money or status a propensity to pursue goals with energy and persistence	strong drive to achieve optimism, even in the face of failure organizational commitment
Empathy	the ability to understand the emotional makeup of other people skill in treating people according to their emotional reactions	expertise in building and retaining talent cross-cultural sensitivity service to clients and customers
Social Skill	proficiency in managing relationships and building networks an ability to find common ground and build rapport	effectiveness in leading change persuasiveness expertise in building and leading teams

tions and the impact they have on their work. For instance, one manager I know of was skeptical about a new personal-shopper service that her company, a major department-store chain, was about to introduce. Without prompting from her team or her boss, she offered them an explanation: "It's hard for me to get behind the rollout of this service," she admitted, "because I really wanted to run the project, but I wasn't selected. Bear with me while I deal with that." The manager did indeed examine her feelings; a week later, she was supporting the project fully.

Such self-knowledge often shows itself in the hiring process. Ask a candidate to describe a time he got carried away by his feelings and did something he later regretted. Self-aware candidates will be frank in admitting to failure—and will often tell their tales with a smile. One of the hallmarks of self-awareness is a self-deprecating sense of humor.

Self-awareness can also be identified during performance reviews. Self-aware people know—

Can Emotional Intelligence Be Learned?

For ages, people have debated if leaders are born or made. So too goes the debate about emotional intelligence. Are people born with certain levels of empathy, for example, or do they acquire empathy as a result of life's experiences? The answer is both. Scientific inquiry strongly suggests that there is a genetic component to emotional intelligence. Psychological and developmental research indicates that nurture plays a role as well. How much of each perhaps will never be known, but research and practice clearly demonstrate that emotional intelligence can be learned.

One thing is certain: Emotional intelligence increases with age. There is an old-fashioned word for the phenomenon: maturity. Yet even with maturity, some people still need training to enhance their emotional intelligence. Unfortunately, far too many training programs that intend to build leadership skills—including emotional intelligence—are a waste of time and money. The problem is simple: They focus on the wrong part of the brain.

Emotional intelligence is born largely in the neurotransmitters of the brain's limbic system, which governs feelings, impulses, and drives. Research indicates that the limbic system learns best through motivation, extended practice, and feedback. Compare this with the kind of learning that goes on in the neocortex, which governs analytical and technical ability. The neocortex grasps concepts and logic. It is the part of the brain that figures out how to use a computer or make a sales call by reading a book. Not surprisingly—but mistakenly—it is also the part of the brain targeted by most training programs aimed at enhancing emotional intelligence. When such programs take, in effect, a neocortical approach, my research with the Consortium for Research on Emotional Intelligence in Organizations has shown they can even have a *negative* impact on people's job performance.

To enhance emotional intelligence, organizations must refocus their training to include the limbic system. They must help people break old behavioral habits and establish new ones. That not only takes much more time than conventional training programs, it also requires an individualized approach.

Imagine an executive who is thought to be low on empathy by her colleagues. Part of that deficit shows itself as an inability to listen; she interrupts people and doesn't pay close attention to what they're saying. To fix the problem, the executive needs to be motivated to change, and then she needs practice and feedback from others in the company. A colleague or coach could be tapped to let the executive know when she has been observed failing to listen. She would then have to replay the incident and give a better response; that is, demonstrate her ability to absorb what others are saying. And the executive could be directed to observe certain executives who listen well and to mimic their behavior.

With persistence and practice, such a process can lead to lasting results. I know one Wall Street executive who sought to improve his empathy—specifically his ability to read people's reactions and see their perspectives. Before beginning his quest, the executive's subordinates were terrified of working with him. People even went so far as to hide bad news from him. Naturally, he was shocked when finally confronted with these facts. He went home and told his family—but they only confirmed what he had heard at work. When their opinions on any given subject did not mesh with his, they, too, were frightened of him.

Enlisting the help of a coach, the executive went to work to heighten his empathy through practice and feedback. His first step was to take a vacation to a foreign country where he did not speak the language. While there, he monitored his reactions to the unfamiliar and his openness to people who were different from him. When he returned home, humbled by his week abroad, the executive asked his coach to shadow him for parts of the day, several times a week, to critique how he treated people with new or different perspectives. At the same time, he consciously used on-the-job interactions as opportunities to practice "hearing" ideas that differed from his. Finally, the executive had himself videotaped in meetings and asked those who worked for and with him to critique his ability to acknowledge and understand the feelings of others. It took several months, but the executive's emotional intelligence did ultimately rise, and the improvement was reflected in his overall performance on the job.

It's important to emphasize that building one's emotional intelligence cannot—will not—happen without sincere desire and concerted effort. A brief seminar won't help; nor can one buy a how-to manual. It is much harder to learn to empathize—to internalize empathy as a natural response to people—than it is to become adept at regression analysis. But it can be done. "Nothing great was ever achieved without enthusiasm," wrote Ralph Waldo Emerson. If your goal is to become a real leader, these words can serve as a guidepost in your efforts to develop high emotional intelligence.

and are comfortable talking about—their limitations and strengths, and they often demonstrate a thirst for constructive criticism. By contrast, people with low self-awareness interpret the message that they need to improve as a threat or a sign of failure.

Self-aware people can also be recognized by their self-confidence. They have a firm grasp of their capabilities and are less likely to set themselves up to fail by, for example, overstretching on assignments. They know, too, when to ask for help. And the risks they take on the job are calculated. They won't ask for a challenge that they know they can't handle alone. They'll play to their strengths.

Consider the actions of a midlevel employee who was invited to sit in on a strategy meeting with her company's top executives. Although she was the most junior person in the room, she did not sit there quietly, listening in awestruck or fearful silence. She knew she had a head for clear logic and the skill to present ideas persuasively, and she offered cogent suggestions about the company's strategy. At the same time, her self-awareness stopped her from wandering into territory where she knew she was weak.

Despite the value of having self-aware people in the workplace, my research indicates that senior executives don't often give self-awareness the credit it deserves when they look for potential leaders. Many executives mistake candor about feelings for "wimpiness" and fail to give due respect to employees who openly acknowledge their shortcomings. Such people are too readily dismissed as "not tough enough" to lead others.

In fact, the opposite is true. In the first place, people generally admire and respect candor. Furthermore, leaders are constantly required to make judgment calls that require a candid assessment of capabilities—their own and those of others. Do we have the management expertise to acquire a competitor? Can we launch a new product within six months? People who assess themselves honestly—that is, self-aware people—are well suited to do the same for the organizations they run.

Self-Regulation

Biological impulses drive our emotions. We cannot do away with them—but we can do much to manage them. Self-regulation, which is like an ongoing inner conversation, is the component of emotional intelligence that frees us from being prisoners of our feelings. People engaged in such a conversation feel bad moods and emotional impulses just as everyone else does, but they find ways to control them and even to channel them in useful ways.

Imagine an executive who has just watched a team of his employees present a botched analysis to the company's board of directors. In the gloom that follows, the executive might find himself tempted to pound on the table in anger or kick over a chair. He could leap up and scream at the group. Or he might maintain a grim silence, glaring at everyone before stalking off.

But if he had a gift for self-regulation, he would choose a different approach. He would pick his words carefully, acknowledging the team's poor performance without rushing to any hasty judgment. He would then step back to consider the reasons for the failure. Are they personal—a lack of effort? Are there any mitigating factors? What was his role in the debacle? After considering these questions, he would call the team together, lay out the incident's consequences, and offer his feelings about it. He would then present his analysis of the problem and a well-considered solution.

Why does self-regulation matter so much for leaders? First of all, people who are in control of their feelings and impulses—that is, people who are reasonable—are able to create an environment of trust and fairness. In such an environment, politics and infighting are sharply reduced and productivity is high. Talented people flock to the organization and aren't tempted to leave. And self-regulation has a trickle-down effect. No one wants to be known as a hothead when the boss is known for her calm approach. Fewer bad moods at the top mean fewer throughout the organization.

Second, self-regulation is important for competitive reasons. Everyone knows that business today is rife with ambiguity and change. Companies merge and break apart regularly. Technology transforms work at a dizzying pace. People who have mastered their emotions are able to roll with the changes. When a new program is announced, they don't panic; instead, they are able to suspend judgment, seek out information, and listen to the executives as they explain the new program. As the initiative moves forward, these people are able to move with it.

Sometimes they even lead the way. Consider the case of a manager at a large manufacturing company. Like her colleagues, she had used a certain software program for five years. The program drove how she collected and reported data and how she thought about the company's strategy. One day, senior executives announced that a new program was to be installed that would radically change how information was gathered and assessed within the organization. While many people in the company complained bitterly about how disruptive the change would be, the manager mulled over the reasons for the new program and was convinced of its potential to improve performance. She eagerly attended training sessions—some of her colleagues refused to do so—and was eventually promoted to run several divisions, in part because she used the new technology so effectively.

I want to push the importance of self-regulation to leadership even further and make the case that it enhances integrity, which is not only a personal virtue but also an organizational strength. Many of the bad things that happen in companies are a function of impulsive behavior. People rarely plan to exaggerate profits, pad expense accounts, dip into the till, or abuse power for selfish ends. Instead, an opportunity presents itself, and people with low impulse control just say yes.

By contrast, consider the behavior of the senior executive at a large food company. The executive was scrupulously honest in his negotiations with local distributors. He would routinely lay out his cost structure in detail, thereby giving the distributors a realistic understanding of the company's pricing. This approach meant the executive couldn't always drive a hard bargain. Now, on occasion, he felt the urge to increase profits by withholding information about the company's costs. But he challenged that impulse—he saw that it made more sense in the long run to counteract it. His emotional self-regulation paid off in strong, lasting relationships with distributors that benefited the company more than any short-term financial gains would have.

The signs of emotional self-regulation, therefore, are easy to see: a propensity for reflection and thoughtfulness; comfort with ambiguity and change; and integrity—an ability to say no to impulsive urges.

Like self-awareness, self-regulation often does not get its due. People who can master their emotions are sometimes seen as cold fish—their considered responses are taken as a lack of passion. People with fiery temperaments are frequently thought of as "classic" leaders—their outbursts are considered hallmarks of charisma and power. But when such people make it to the top, their impulsiveness often works against them. In my research, extreme displays of negative emotion have never emerged as a driver of good leadership.

Motivation

If there is one trait that virtually all effective leaders have, it is motivation. They are driven to achieve beyond expectations—their own and everyone else's. The key word here is *achieve*. Plenty of people are motivated by external factors, such as a big salary or the status that comes from having an impressive title or being part of a prestigious company. By contrast, those with leadership potential are motivated by a deeply embedded desire to achieve for the sake of achievement.

If you are looking for leaders, how can you identify people who are motivated by the drive to achieve rather than by external rewards? The first sign is a passion for the work itself—such people seek out creative challenges, love to learn, and take great pride in a job well done. They also display an unflagging energy to do things better. People with such energy often seem restless with the status quo. They are persistent with their questions about why things are done one way rather than another; they are eager to explore new approaches to their work.

A cosmetics company manager, for example, was frustrated that he had to wait two weeks to get sales results from people in the field. He finally tracked down an automated phone system that would beep each of his salespeople at 5 pm every day. An automated message then prompted them to punch in their numbers—how many calls and sales they had made that day. The system shortened the feedback time on sales results from weeks to hours.

That story illustrates two other common traits of people who are driven to achieve. They are forever raising the performance bar, and they like to keep score. Take the performance bar first. During performance reviews, people with high levels of motivation might ask to be "stretched" by their superiors. Of course, an employee who combines self-awareness with internal motivation will recognize her limits—but she won't settle for objectives that seem too easy to fulfill.

And it follows naturally that people who are driven to do better also want a way of tracking progress—their own, their team's, and their company's. Whereas people with low achievement motivation are often fuzzy about results, those with high achievement motivation often keep score by tracking such hard measures as profitability or market share. I know of a money manager who starts and ends his day on the Internet, gauging the performance of his stock fund against four industry-set benchmarks.

Interestingly, people with high motivation remain optimistic even when the score is against them. In such cases, self-regulation combines with achievement motivation to overcome the frustration and depression that come after a setback or failure. Take the case of an another portfolio manager at a large investment company. After several successful years, her fund tumbled for three consecutive quarters, leading three large institutional clients to shift their business elsewhere.

Some executives would have blamed the nosedive on circumstances outside their control; others might have seen the setback as evidence of personal failure. This portfolio manager, however, saw an opportunity to prove she could lead a turnaround. Two years later, when she was promoted to a very senior level in the company, she described the experience as "the best thing that ever happened to me; I learned so much from it."

Executives trying to recognize high levels of achievement motivation in their people can look for one last piece of evidence: commitment to the organization. When people love their jobs for the work itself, they often feel committed to the organizations that make that work possible. Committed employees are likely to stay with an organization even when they are pursued by headhunters waving money.

It's not difficult to understand how and why a motivation to achieve translates into strong leadership. If you set the performance bar high for yourself, you will do the same for the organization when you are in a position to do so. Likewise, a drive to surpass goals and an interest in keeping score can be contagious. Leaders with these traits can often build a team of managers around them with the same traits. And of course, optimism and organizational commitment are fundamental to leadership—just try to imagine running a company without them.

Empathy

Of all the dimensions of emotional intelligence, empathy is the most easily recognized. We have all felt the empathy of a sensitive teacher or friend; we have all been struck by its absence in an unfeeling coach or boss. But when it comes to business, we rarely hear people praised, let alone rewarded, for their empathy. The very word seems unbusinesslike, out of place amid the tough realities of the marketplace.

But empathy doesn't mean a kind of "I'm OK, you're OK" mushiness. For a leader, that is, it doesn't mean adopting other people's emotions as one's own and trying to please everybody. That would be a nightmare—it would make action impossible. Rather, empathy means thoughtfully considering employees' feelings—along with other factors—in the process of making intelligent decisions.

For an example of empathy in action, consider what happened when two giant brokerage companies merged, creating redundant jobs in all their divisions. One division manager called his people together and gave a gloomy speech that emphasized the number of people who would soon be fired. The manager of another division gave his people a different kind of speech. He was up-front about his own worry and confusion, and he promised to keep people informed and to treat everyone fairly.

The difference between these two managers was empathy. The first manager was too worried about his own fate to consider the feelings of his anxiety-stricken colleagues. The second knew intuitively what his people were feeling, and he acknowledged their fears with his words. Is it any surprise that the first manager saw his division sink as many demoralized people, especially the most talented, departed? By contrast, the second manager continued to be a strong leader, his best people stayed, and his division remained as productive as ever.

Empathy is particularly important today as a component of leadership for at least three reasons: the increasing use of teams; the rapid pace of globalization; and the growing need to retain talent.

Consider the challenge of leading a team. As anyone who has ever been a part of one can attest, teams are cauldrons of bubbling emotions. They are often charged with reaching a consensus—which is hard enough with two people and much more difficult as the numbers increase. Even in groups with as few as four or five members, alliances form and clashing agendas get set. A team's leader must be able to sense and understand the viewpoints of everyone around the table.

That's exactly what a marketing manager at a large information technology company was able to do when she was appointed to lead a troubled team. The group was in turmoil, overloaded by work and missing deadlines. Tensions were high among the members. Tinkering with procedures was not enough to bring the group together and make it an effective part of the company.

So the manager took several steps. In a series of one-on-one sessions, she took the time to listen to everyone in the group—what was frustrating them, how they rated their colleagues, whether they felt they had been ignored. And then she directed the team in a way that brought it together: She encouraged people to speak more openly about their frustrations, and she helped people raise constructive complaints during meetings. In short, her empathy allowed her to understand her team's emotional makeup. The result was not just heightened collaboration among members but also added business, as the team was called on for help by a wider range of internal clients.

Globalization is another reason for the rising importance of empathy for business leaders. Cross-cultural dialogue can easily lead to miscues and misunderstandings. Empathy is an antidote. People who have it are attuned to subtleties in body language; they can hear the message beneath the words being spoken. Beyond that, they have a deep understanding of both the existence and the importance of cultural and ethnic differences.

Consider the case of an American consultant whose team had just pitched a project to a potential Japanese client. In its dealings with Americans, the team was accustomed to being bombarded with questions after such a proposal, but this time it was greeted with a long silence. Other members of the team, taking the silence as disapproval, were ready to pack and leave. The lead consultant gestured them to stop. Although he was not particularly familiar with Japanese culture, he read the client's face and posture and sensed not rejection but interest—even deep consideration. He was right: When the client finally spoke, it was to give the consulting firm the job.

Finally, empathy plays a key role in the retention of talent, particularly in today's information economy. Leaders have always needed empathy to develop and keep good people, but today the stakes are higher. When good people leave, they take the company's knowledge with them.

That's where coaching and mentoring come in. It has repeatedly been shown that coaching and mentoring pay off not just in better performance but also in increased job satisfaction and decreased turnover. But what makes coaching and mentoring work best is the nature of the relationship. Outstanding coaches and mentors get inside the heads of the people they are helping. They sense how to give effective feedback. They know when to push for better performance and when to hold back. In the way they motivate their protégés, they demonstrate empathy in action.

In what is probably sounding like a refrain, let me repeat that empathy doesn't get much respect in business. People wonder how leaders can make hard decisions if they are "feeling" for all the people who will be affected. But leaders with empathy do more than sympathize with people around them: They use their knowledge to improve their companies in subtle but important ways.

Social Skill

The first three components of emotional intelligence are self-management skills. The last two, empathy and social skill, concern a person's ability to manage relationships with others. As a component of emotional intelligence, social skill is not as simple as it sounds. It's not just a matter of friendliness, although people with high levels of social skill are rarely mean-spirited. Social skill, rather, is friendliness with a purpose: moving people in the direction you desire, whether that's agreement on a new marketing strategy or enthusiasm about a new product.

Socially skilled people tend to have a wide circle of acquaintances, and they have a knack for finding common ground with people of all kinds—a knack for building rapport. That doesn't mean they socialize continually; it means they work according to the assumption that nothing important gets done alone. Such people have a network in place when the time for action comes.

Social skill is the culmination of the other dimensions of emotional intelligence. People tend to be very effective at managing relationships when they can understand and control their own emotions and can empathize with the feelings of others. Even motivation contributes to social skill. Remember that people who are driven to achieve tend to be optimistic, even in the face of setbacks or failure. When people are upbeat, their "glow" is cast upon conversations and other social encounters. They are popular, and for good reason.

Because it is the outcome of the other dimensions of emotional intelligence, social skill is recognizable on the job in many ways that will by now sound familiar. Socially skilled people, for instance, are adept at managing teams—that's their empathy at work. Likewise, they are expert persuaders—a manifestation of self-awareness, self-regulation, and empathy combined. Given those skills, good persuaders know when to make an emotional plea, for instance, and when an appeal to reason will work better. And motivation, when publicly visible, makes such people excellent collaborators; their passion for the work spreads to others, and they are driven to find solutions.

But sometimes social skill shows itself in ways the other emotional intelligence components do not. For instance, socially skilled people may at times appear not to be working while at work. They seem to be idly schmoozing—chatting in the hallways with colleagues or joking around with people who are not even connected to their "real" jobs. Socially skilled people, however, don't think it makes sense to arbitrarily limit the scope of their relationships. They build bonds widely because they know that in these fluid times, they may need help someday from people they are just getting to know today.

For example, consider the case of an executive in the strategy department of a global computer manufacturer. By 1993, he was convinced that the company's future lay with the Internet. Over the course of the next year, he found kindred spirits and used his social skill to stitch together a virtual community that cut across levels, divisions, and nations. He then used this de facto team to put up a corporate Web site, among the first by a major company. And, on his own initiative, with no budget or formal status, he signed up the company to participate in an annual Internet industry convention. Calling on his allies and persuading various divisions to donate funds, he recruited more than 50 people from a dozen different units to represent the company at the convention.

Management took notice: Within a year of the conference, the executive's team formed the basis for the company's first Internet division, and he was formally put in charge of it. To get there, the executive had ignored conventional boundaries, forging and maintaining connections with people in every corner of the organization.

Is social skill considered a key leadership capability in most companies? The answer is yes, especially when compared with the other components of emotional intelligence. People seem to know intuitively that leaders need to manage relationships effectively; no leader is an island. After all, the leader's task is to get work done through other people, and social skill makes that possible. A leader who cannot express her empathy may as well not have it at all. And a leader's motivation will be useless if he cannot communicate his passion to the organization. Social skill allows leaders to put their emotional intelligence to work.

It would be foolish to assert that good-old-fashioned IQ and technical ability are not important ingredients in strong leadership. But the recipe would not be complete without emotional intelligence. It was once thought that the components of emotional intelligence were "nice to have" in business leaders. But now we know that, for the sake of performance, these are ingredients that leaders "need to have."

It is fortunate, then, that emotional intelligence can be learned. The process is not easy. It takes time and, most of all, commitment. But the benefits that come from having a well-developed emotional intelligence, both for the individual and for the organization, make it worth the effort.

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What Makes a Leader?

Further Reading

ARTICLES

The Manager's Job: Folklore and Fact
by Henry Mintzberg
Harvard Business Review
March–April 1990
Product no. 90210

Whereas Goleman emphasizes emotional intelligence, Mintzberg focuses on specific skills. In this HBR Classic, Mintzberg uses his and other research to debunk myths about the manager's role. Managerial work involves interpersonal roles, informational roles, and decisional roles, he notes. These in turn require the ability to develop peer relationships, carry out negotiations, motivate subordinates, resolve conflicts, establish information networks and disseminate information, make decisions with little or ambiguous information, and allocate resources. Good self-management skills are characteristic of most leaders; outstanding leaders also have the ability to empathize with others and to use social skills to advance an agenda.

The Work of Leadership
by Ronald A. Heifetz and Donald L. Laurie
Harvard Business Review
January–February 1997
Product no. 97106

Successfully leading an organization through an adaptive challenge calls for leaders with a high degree of emotional intelligence. But Heifetz and Laurie focus on the requirements of adaptive work, not on emotional maturity. The principles for leading adaptive work include: "getting on the balcony," forming a picture of the entire pattern of activity; identifying the key challenge; regulating distress; maintaining disciplined attention; giving the work back to the people; and protecting voices of leadership from below.

The Ways Chief Executive Officers Lead
by Charles M. Farkas and Suzy Wetlaufer
Harvard Business Review
May–June 1996
Product no. 96303

CEOs inspire a variety of sentiments ranging from awe to wrath, but there's little debate over CEOs' importance in the business world. The authors conducted 160 interviews with executives around the world. Instead of finding 160 different approaches, they found five, each with a singular focus: strategy, people, expertise, controls, or change. The five components of emotional intelligence, singly or in combination, have a great effect on how each focus is expressed in an organization.

BOOK

John P. Kotter on What Leaders Really Do
by John P. Kotter
Harvard Business School Press
1999
Product no. 8974

In this collection of six articles, Kotter shares his observations on the nature of leadership gained over the past 30 years. Without leadership that can deal successfully with today's increasingly fast-moving and competitive business environment, he warns, organizations will slow down, stagnate, and lose their way. He presents his views on the current state of leadership through ten observations and revisits his now famous eight-step process for organizational transformation. In contrast to Goleman's article on emotional intelligence, which is about leadership qualities, Kotter's work focuses on action: What does a leader do to lead? And how will leadership need to be different in the future?

Harvard Business Review

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BEST OF HBR

They don't make plans; they don't solve problems; they don't even organize people. What leaders really do is prepare organizations for change and help them cope as they struggle through it.

What Leaders Really Do

by John P. Kotter

Included with this full-text *Harvard Business Review* article:

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What Leaders Really Do

The Idea in Brief

The most pernicious half-truth about leadership is that it's just a matter of charisma and vision—you either have it or you don't. The fact of the matter is that leadership skills are not innate. They can be acquired, and honed. But first you have to appreciate how they differ from management skills.

Management is about coping with *complexity*; it brings order and predictability to a situation. But that's no longer enough—to succeed, companies must be able to adapt to change. Leadership, then, is about learning how to cope with rapid *change*.

How does this distinction play out?

- Management involves planning and budgeting. Leadership involves setting direction.
- Management involves organizing and staffing. Leadership involves aligning people.
- Management provides control and solves problems. Leadership provides motivation.

The Idea in Practice

Management and leadership both involve deciding what needs to be done, creating networks of people to accomplish the agenda, and ensuring that the work actually gets done. Their work is complementary, but each system of action goes about the tasks in different ways.

1. Planning and budgeting versus setting direction. The aim of management is predictability—orderly results. Leadership's function is to produce change. Setting the direction of that change, therefore, is essential work. There's nothing mystical about this work, but it is more inductive than planning and budgeting. It involves the search for patterns and relationships. And it doesn't produce detailed plans; instead, direction-setting results in visions and the overarching strategies for realizing them.

▶ Example:
In mature industries, increased competition usually dampens growth. But at American Express, Lou Gerstner bucked this trend, successfully crafting a vision of a dynamic enterprise.

The new direction he set wasn't a mere attention-grabbing scheme—it was the result of asking fundamental questions about market and competitive forces.

2. Organizing and staffing versus aligning people. Managers look for the right fit between people and jobs. This is essentially a design problem: setting up systems to ensure that plans are implemented precisely and efficiently. Leaders, however, look for the right fit between people and the vision. This is more of a communication problem. It involves getting a large number of people, inside and outside the company, first to believe in an alternative future—and then to take initiative based on that shared vision.

3. Controlling activities and solving problems versus motivating and inspiring. Management strives to make it easy for people to complete routine jobs day after day. But since high energy is essential to overcoming the barriers to change, leaders attempt to touch people at their deepest levels—by stirring in them a sense of belonging, idealism, and self-esteem.

▶ Example:
At Procter & Gamble's paper products division, Richard Nicolosi underscored the message that "each of us is a leader" by pushing responsibility down to newly formed teams. An entrepreneurial attitude took root, and profits rebounded.

They don't make plans; they don't solve problems; they don't even organize people. What leaders really do is prepare organizations for change and help them cope as they struggle through it.

BEST OF HBR

What Leaders Really Do

by John P. Kotter

The article reprinted here stands on its own, of course, but it can also be seen as a crucial contribution to a debate that began in 1977, when Harvard Business School professor Abraham Zaleznik published an HBR article with the deceptively mild title "Managers and Leaders: Are They Different?" The piece caused an uproar in business schools. It argued that the theoreticians of scientific management, with their organizational diagrams and time-and-motion studies, were missing half the picture—the half filled with inspiration, vision, and the full spectrum of human drives and desires. The study of leadership hasn't been the same since.

"What Leaders Really Do," first published in 1990, deepens and extends the insights of the 1977 article. Introducing one of those brand-new ideas that seems obvious once it's expressed, retired Harvard Business School professor John Kotter proposes that management and leadership are different but complementary, and that in a changing world, one cannot function without the other. He then enumerates and contrasts the primary tasks of the manager and the leader. His key point bears repeating: Managers promote stability while leaders press for change, and only organizations that embrace both sides of that contradiction can thrive in turbulent times.

Leadership is different from management, but not for the reasons most people think. Leadership isn't mystical and mysterious. It has nothing to do with having "charisma" or other exotic personality traits. It is not the province of a chosen few. Nor is leadership necessarily better than management or a replacement for it.

Rather, leadership and management are two distinctive and complementary systems of action. Each has its own function and characteristic activities. Both are necessary for success in an increasingly complex and volatile business environment.

Most U.S. corporations today are overmanaged and underled. They need to develop their capacity to exercise leadership. Successful corporations don't wait for leaders to come along. They actively seek out people with leadership potential and expose them to career experiences designed to develop that potential. Indeed, with careful selection, nurturing, and encouragement, dozens of people can play important leadership roles in a business organization.

But while improving their ability to lead, companies should remember that strong leadership with weak management is no better, and is sometimes actually worse, than the reverse. The real challenge is to combine strong leadership and strong management and use each to balance the other.

Of course, not everyone can be good at both leading and managing. Some people have the capacity to become excellent managers but not strong leaders. Others have great leadership potential but, for a variety of reasons, have great difficulty becoming strong managers. Smart companies value both kinds of people and work hard to make them a part of the team.

But when it comes to preparing people for executive jobs, such companies rightly ignore the recent literature that says people cannot manage *and* lead. They try to develop leader-managers. Once companies understand the fundamental difference between leadership and management, they can begin to groom their top people to provide both.

The Difference Between Management and Leadership

Management is about coping with complexity. Its practices and procedures are largely a response to one of the most significant developments of the twentieth century: the emergence of large organizations. Without good management, complex enterprises tend to become chaotic in ways that threaten their very existence. Good management brings a degree of order and consistency to key dimensions like the quality and profitability of products.

Leadership, by contrast, is about coping with change. Part of the reason it has become so important in recent years is that the business world has become more competitive and more volatile. Faster technological change, greater international competition, the deregulation of markets, overcapacity in capital-intensive industries, an unstable oil cartel, raiders with junk bonds, and the changing demographics of the work-force are among the many factors that have contributed to this shift. The net result is that doing what was done yesterday, or doing it 5% better, is no longer a formula for success. Major changes are more and more necessary to survive and compete effectively in this new environment. More change always demands more leadership.

Consider a simple military analogy: A peacetime army can usually survive with good administration and management up and down the hierarchy, coupled with good leadership concentrated at the very top. A wartime army, however, needs competent leadership at all levels. No one yet has figured out how to manage people effectively into battle; they must be led.

These two different functions—coping with complexity and coping with change—shape the characteristic activities of management and leadership. Each system of action involves deciding what needs to be done, creating networks of people and relationships that can accomplish an agenda, and then trying to ensure that those people actually do the job. But each accomplishes these three tasks in different ways.

Companies manage complexity first by *planning and budgeting*—setting targets or goals for the future (typically for the next month or year), establishing detailed steps for achieving those targets, and then allocating resources to accomplish those plans. By contrast, leading an organization to constructive change begins by *setting a direction*—developing a vision of the future (often the distant future) along with strategies for producing the changes needed to achieve that vision.

Management develops the capacity to achieve its plan by *organizing and staffing*—creating an organizational structure and set of jobs for accomplishing plan requirements, staffing the jobs with qualified individuals, communicating the plan to those people, delegating responsibility for carrying out the plan, and devising systems to monitor implementation. The equivalent leadership activity, however, is *aligning people*. This means communicating the new direction to those who can create coalitions that understand the vision and are committed to its achievement.

Finally, management ensures plan accomplishment by *controlling and problem solving*—monitoring results versus the plan in some detail, both formally and informally, by means of reports, meetings, and other tools;

Now retired, **John P. Kotter** was a professor of organizational behavior at Harvard Business School in Boston. He is the author of such books as *The General Managers* (Free Press, 1986), *The Leadership Factor* (Free Press, 1988), and *A Force for Change: How Leadership Differs from Management* (Free Press, 1990).

identifying deviations; and then planning and organizing to solve the problems. But for leadership, achieving a vision requires *motivating and inspiring*—keeping people moving in the right direction, despite major obstacles to change, by appealing to basic but often untapped human needs, values, and emotions.

A closer examination of each of these activities will help clarify the skills leaders need.

Setting a Direction Versus Planning and Budgeting

Since the function of leadership is to produce change, setting the direction of that change is fundamental to leadership. Setting direction is never the same as planning or even long-term planning, although people often confuse the two. Planning is a management process, deductive in nature and designed to produce orderly results, not change. Setting a direction is more inductive. Leaders gather a broad range of data and look for patterns, relationships, and linkages that help explain things. What's more, the direction-setting aspect of leadership does not produce plans; it creates vision and strategies. These describe a business, technology, or corporate culture in terms of what it should become over the long term and articulate a feasible way of achieving this goal.

Most discussions of vision have a tendency to degenerate into the mystical. The implication is that a vision is something mysterious that mere mortals, even talented ones, could never hope to have. But developing good business direction isn't magic. It is a tough, sometimes exhausting process of gathering and analyzing information. People who articulate such visions aren't magicians but broad-based strategic thinkers who are willing to take risks.

Nor do visions and strategies have to be brilliantly innovative; in fact, some of the best

Aligning People: Chuck Trowbridge and Bob Crandall at Eastman Kodak

Eastman Kodak entered the copy business in the early 1970s, concentrating on technically sophisticated machines that sold, on average, for about $60,000 each. Over the next decade, this business grew to nearly $1 billion in revenues. But costs were high, profits were hard to find, and problems were nearly everywhere. In 1984, Kodak had to write off $40 million in inventory. Most people at the company knew there were problems, but they couldn't agree on how to solve them. So in his first two months as general manager of the new copy products group, established in 1984, Chuck Trowbridge met with nearly every key person inside his group, as well as with people elsewhere at Kodak who could be important to the copier business. An especially crucial area was the engineering and manufacturing organization, headed by Bob Crandall.

Trowbridge and Crandall's vision for engineering and manufacturing was simple: to become a world-class manufacturing operation and to create a less bureaucratic and more decentralized organization. Still, this message was difficult to convey because it was such a radical departure from previous communications, not only in the copy products group but throughout most of Kodak. So Crandall set up dozens of vehicles to emphasize the new direction and align people to it: weekly meetings with his own 12 direct reports; monthly "copy product forums" in which a different employee from each of his departments would meet with him as a group; discussions of recent improvements and new projects to achieve still better results; and quarterly "State of the Department" meetings, where his managers met with everybody in their own departments.

Once a month, Crandall and all those who reported to him would also meet with 80 to 100 people from some area of his organization to discuss anything they wanted. To align his biggest supplier—the Kodak Apparatus Division, which supplied one-third of the parts used in design and manufacturing—he and his managers met with the top management of that group over lunch every Thursday. Later, he created a format called "business meetings," where his managers meet with 12 to 20 people on a specific topic, such as inventory or master scheduling. The goal: to get all of his 1,500 employees in at least one of these focused business meetings each year.

Trowbridge and Crandall also enlisted written communication in their cause. A four- to eight-page "Copy Products Journal" was sent to employees once a month. A program called "Dialog Letters" gave employees the opportunity to anonymously ask questions of Crandall and his top managers and be guaranteed a reply. But the most visible and powerful written communications were the charts. In a main hallway near the cafeteria, these huge charts vividly reported the quality, cost, and delivery results for each product, measured against difficult targets. A hundred smaller versions of these charts were scattered throughout the manufacturing area, reporting quality levels and costs for specific work groups.

Results of this intensive alignment process began to appear within six months, and still more surfaced after a year. These successes made the message more credible and helped get more people on board. Between 1984 and 1988, quality on one of the main product lines increased nearly 100-fold. Defects per unit went from 30 to 0.3. Over a three-year period, costs on another product line went down nearly 24%. Deliveries on schedule increased from 82% in 1985 to 95% in 1987. Inventory levels dropped by over 50% between 1984 and 1988, even though the volume of products was increasing. And productivity, measured in units per manufacturing employee, more than doubled between 1985 and 1988.

are not. Effective business visions regularly have an almost mundane quality, usually consisting of ideas that are already well known. The particular combination or patterning of the ideas may be new, but sometimes even that is not the case.

For example, when CEO Jan Carlzon articulated his vision to make Scandinavian Airlines System (SAS) the best airline in the world for the frequent business traveler, he was not saying anything that everyone in the airline industry didn't already know. Business travelers fly more consistently than other market segments and are generally willing to pay higher fares. Thus, focusing on business customers offers an airline the possibility of high margins, steady business, and considerable growth. But in an industry known more for bureaucracy than vision, no company had ever put these simple ideas together and dedicated itself to implementing them. SAS did, and it worked.

What's crucial about a vision is not its originality but how well it serves the interests of important constituencies—customers, stockholders, employees—and how easily it can be translated into a realistic competitive strategy. Bad visions tend to ignore the legitimate needs and rights of important constituencies—favoring, say, employees over customers or stockholders. Or they are strategically unsound. When a company that has never been better than a weak competitor in an industry suddenly starts talking about

Setting a Direction: Lou Gerstner at American Express

When Lou Gerstner became president of the Travel Related Services (TRS) arm at American Express in 1979, the unit was facing one of its biggest challenges in AmEx's 130-year history. Hundreds of banks offering or planning to introduce credit cards through Visa and MasterCard that would compete with the American Express card. And more than two dozen financial service firms were coming into the traveler's checks business. In a mature marketplace, this increase in competition usually reduces margins and prohibits growth.

But that was not how Gerstner saw the business. Before joining American Express, he had spent five years as a consultant to TRS, analyzing the money-losing travel division and the increasingly competitive card operation. Gerstner and his team asked fundamental questions about the economics, market, and competition and developed a deep understanding of the business. In the process, he began to craft a vision of TRS that looked nothing like a 130-year-old company in a mature industry.

Gerstner thought TRS had the potential to become a dynamic and growing enterprise, despite the onslaught of Visa and MasterCard competition from thousands of banks. The key was to focus on the global marketplace and, specifically, on the relatively affluent customer American Express had been traditionally serving with top-of-the-line products. By further segmenting this market, aggressively developing a broad range of new products and services, and investing to increase productivity and to lower costs, TRS could provide the best service possible to customers who had enough discretionary income to buy many more services from TRS than they had in the past.

Within a week of his appointment, Gerstner brought together the people running the card organization and questioned all the principles by which they conducted their business. In particular, he challenged two widely shared beliefs—that the division should have only one product, the green card, and that this product was limited in potential for growth and innovation.

Gerstner also moved quickly to develop a more entrepreneurial culture, to hire and train people who would thrive in it, and to clearly communicate to them the overall direction. He and other top managers rewarded intelligent risk taking. To make entrepreneurship easier, they discouraged unnecessary bureaucracy. They also upgraded hiring standards and created the TRS Graduate Management Program, which offered high-potential young people special training, an enriched set of experiences, and an unusual degree of exposure to people in top management. To encourage risk taking among all TRS employees, Gerstner also established something called the Great Performers program to recognize and reward truly exceptional customer service, a central tenet in the organization's vision.

These incentives led quickly to new markets, products, and services. TRS expanded its overseas presence dramatically. By 1988, AmEx cards were issued in 29 currencies (as opposed to only 11 a decade earlier). The unit also focused aggressively on two market segments that had historically received little attention: college students and women. In 1981, TRS combined its card and travel-service capabilities to offer corporate clients a unified system to monitor and control travel expenses. And by 1988, AmEx had grown to become the fifth largest direct-mail merchant in the United States.

Other new products and services included 90-day insurance on all purchases made with the AmEx card, a Platinum American Express card, and a revolving credit card known as Optima. In 1988, the company also switched to image-processing technology for billing, producing a more convenient monthly statement for customers and reducing billing costs by 25%.

As a result of these innovations, TRS's net income increased a phenomenal 500% between 1978 and 1987—a compounded annual rate of about 18%. The business outperformed many so-called high-tech/high-growth companies. With a 1988 return on equity of 28%, it also outperformed most low-growth but high-profit businesses.

The idea of getting people moving in the same direction appears to be an organizational problem. But what executives need to do is not organize people but align them.

becoming number one, that is a pipe dream, not a vision.

One of the most frequent mistakes that overmanaged and underled corporations make is to embrace long-term planning as a panacea for their lack of direction and inability to adapt to an increasingly competitive and dynamic business environment. But such an approach misinterprets the nature of direction setting and can never work.

Long-term planning is always time consuming. Whenever something unexpected happens, plans have to be redone. In a dynamic business environment, the unexpected often becomes the norm, and long-term planning can become an extraordinarily burdensome activity. That is why most successful corporations limit the time frame of their planning activities. Indeed, some even consider "long-term planning" a contradiction in terms.

In a company without direction, even short-term planning can become a black hole capable of absorbing an infinite amount of time and energy. With no vision and strategy to provide constraints around the planning process or to guide it, every eventuality deserves a plan. Under these circumstances, contingency planning can go on forever, draining time and attention from far more essential activities, yet without ever providing the clear sense of direction that a company desperately needs. After awhile, managers inevitably become cynical, and the planning process can degenerate into a highly politicized game.

Planning works best not as a substitute for direction setting but as a complement to it. A competent planning process serves as a useful reality check on direction-setting activities. Likewise, a competent direction-setting process provides a focus in which planning can then be realistically carried out. It helps clarify what kind of planning is essential and what kind is irrelevant.

Aligning People Versus Organizing and Staffing

A central feature of modern organizations is interdependence, where no one has complete autonomy, where most employees are tied to many others by their work, technology, management systems, and hierarchy. These linkages present a special challenge when organizations attempt to change. Unless many individuals line up and move together in the same direction, people will tend to fall all over one another. To executives who are overeducated in management and undereducated in leadership, the idea of getting people moving in the same direction appears to be an organizational problem. What executives need to do, however, is not organize people but align them.

Managers "organize" to create human systems that can implement plans as precisely and efficiently as possible. Typically, this requires a number of potentially complex decisions. A company must choose a structure of jobs and reporting relationships, staff it with individuals suited to the jobs, provide training for those who need it, communicate plans to the workforce, and decide how much authority to delegate and to whom. Economic incentives also need to be constructed to accomplish the plan, as well as systems to monitor its implementation. These organizational judgments are much like architectural decisions. It's a question of fit within a particular context.

Aligning is different. It is more of a communications challenge than a design problem. Aligning invariably involves talking to many more individuals than organizing does. The target population can involve not only a manager's subordinates but also bosses, peers, staff in other parts of the organization, as well as suppliers, government officials, and even customers. Anyone who can help implement the vision and strategies or who can block implementation is relevant.

Trying to get people to comprehend a vision of an alternative future is also a communications challenge of a completely different magnitude from organizing them to fulfill a short-term plan. It's much like the difference between a football quarterback attempting to describe to his team the next two or three plays versus his trying to explain to them a totally new approach to the game to be used in the second half of the season.

Whether delivered with many words or a few carefully chosen symbols, such messages are not necessarily accepted just because they are understood. An-other big challenge in leadership efforts is credibility—getting people to believe the message. Many things contribute to credibility: the track record of the person delivering the message, the content of the message itself, the communicator's repu-

Management is about coping with complexity. Leadership, by contrast, is about coping with change.

tation for integrity and trustworthiness, and the consistency between words and deeds.

Finally, aligning leads to empowerment in a way that organizing rarely does. One of the reasons some organizations have difficulty adjusting to rapid changes in markets or technology is that so many people in those companies feel relatively powerless. They have learned from experience that even if they correctly perceive important external changes and then initiate appropriate actions, they are vulnerable to someone higher up who does not like what they have done. Reprimands can take many different forms: "That's against policy," or "We can't afford it," or "Shut up and do as you're told."

Alignment helps overcome this problem by empowering people in at least two ways. First, when a clear sense of direction has been communicated throughout an organization, lower-level employees can initiate actions without the same degree of vulnerability. As long as their behavior is consistent with the vision, superiors will have more difficulty reprimanding them. Second, because everyone is aiming at the same target, the probability is less that one person's initiative will be stalled when it comes into conflict with someone else's.

Motivating People Versus Controlling and Problem Solving

Since change is the function of leadership, being able to generate highly energized behavior is important for coping with the inevitable barriers to change. Just as direction setting identifies an appropriate path for movement and just as effective alignment gets people moving down that path, successful motivation ensures that they will have the energy to overcome obstacles.

According to the logic of management, control mechanisms compare system behavior with the plan and take action when a deviation is detected. In a well-managed factory, for example, this means the planning process establishes sensible quality targets, the organizing process builds an organization that can achieve those targets, and a control process makes sure that quality lapses are spotted immediately, not in 30 or 60 days, and corrected.

For some of the same reasons that control is so central to management, highly motivated or inspired behavior is almost irrelevant. Managerial processes must be as close as possible to fail-safe and risk free. That means they cannot be dependent on the unusual or hard to obtain. The whole purpose of systems and structures is to help normal people who behave in normal ways to complete routine jobs successfully, day after day. It's not exciting or glamorous. But that's management.

Leadership is different. Achieving grand visions always requires a burst of energy. Motivation and inspiration energize people, not by pushing them in the right direction as control mechanisms do but by satisfying basic human needs for achievement, a sense of belonging, recognition, self-esteem, a feeling of control over one's life, and the ability to live up to one's ideals. Such feelings touch us deeply and elicit a powerful response.

Good leaders motivate people in a variety of ways. First, they always articulate the organization's vision in a manner that stresses the values of the audience they are addressing. This makes the work important to those individuals. Leaders also regularly involve people in deciding how to achieve the organization's vision (or the part most relevant to a particular individual). This gives people a sense of control. Another important motivational technique is to support employee efforts to realize the vision by providing coaching, feedback, and role modeling, thereby helping people grow professionally and enhancing their self-esteem. Finally, good leaders recognize and reward success, which not only gives people a sense of accomplishment but also makes them feel like they belong to an organization that cares about them. When all this is done, the work itself becomes intrinsically motivating.

The more that change characterizes the business environment, the more that leaders must motivate people to provide leadership as well. When this works, it tends to reproduce leadership across the entire organization, with people occupying multiple leadership roles throughout the hierarchy. This is highly valuable, because coping with change in any complex business demands initiatives from a multitude of people. Nothing less will work.

Of course, leadership from many sources does not necessarily converge. To the contrary, it can easily conflict. For multiple leadership roles to work together, people's actions must be carefully coordinated by mechanisms that differ from those coordinating traditional management roles.

Motivating People: Richard Nicolosi at Procter and Gamble

For about 20 years after its founding in 1956, Procter & Gamble's paper products division had experienced little competition for its high-quality, reasonably priced, and well-marketed consumer goods. By the late 1970s, however, the market position of the division had changed. New competitive thrusts hurt P&G badly. For example, industry analysts estimate that the company's market share for disposable diapers fell from 75% in the mid-1970s to 52% in 1984.

That year, Richard Nicolosi came to paper products as the associate general manager, after three years in P&G's smaller and faster moving soft-drink business. He found a heavily bureaucratic and centralized organization that was overly preoccupied with internal functional goals and projects. Almost all information about customers came through highly quantitative market research. The technical people were rewarded for cost savings, the commercial people focused on volume and share, and the two groups were nearly at war with each other.

During the late summer of 1984, top management announced that Nicolosi would become the head of paper products in October, and by August he was unofficially running the division. Immediately he began to stress the need for the division to become more creative and market driven, instead of just trying to be a low-cost producer. "I had to make it very clear," Nicolosi later reported, "that the rules of the game had changed."

The new direction included a much greater stress on teamwork and multiple leadership roles. Nicolosi pushed a strategy of using groups to manage the division and its specific products. In October, he and his team designated themselves as the paper division "board" and began meeting first monthly and then weekly. In November, they established "category teams" to manage their major brand groups (like diapers, tissues, towels) and started pushing responsibility down to these teams. "Shun the incremental," Nicolosi stressed, "and go for the leap."

In December, Nicolosi selectively involved himself in more detail in certain activities. He met with the advertising agency and got to know key creative people. He asked the marketing manager of diapers to report directly to him, eliminating a layer in the hierarchy. He talked more to the people who were working on new product development projects.

In January 1985, the board announced a new organizational structure that included not only category teams but also new-brand business teams. By the spring, the board was ready to plan an important motivational event to communicate the new paper products vision to as many people as possible. On June 4, 1985, all the Cincinnati-based personnel in paper plus sales district managers and paper plant managers—several thousand people in all—met in the local Masonic Temple. Nicolosi and other board members described their vision of an organization where "each of us is a leader." The event was videotaped, and an edited version was sent to all sales offices and plants for everyone to see.

All these activities helped create an entrepreneurial environment where large numbers of people were motivated to realize the new vision. Most innovations came from people dealing with new products. Ultra Pampers, first introduced in February 1985, took the market share of the entire Pampers product line from 40% to 58% and profitability from break-even to positive. And within only a few months of the introduction of Luvs Delux in May 1987, market share for the overall brand grew by 150%.

Other employee initiatives were oriented more toward a functional area, and some came from the bottom of the hierarchy. In the spring of 1986, a few of the division's secretaries, feeling empowered by the new culture, developed a secretaries network. This association established subcommittees on training, on rewards and recognition, and on the "secretary of the future." Echoing the sentiments of many of her peers, one paper products secretary said: "I don't see why we, too, can't contribute to the division's new direction."

By the end of 1988, revenues at the paper products division were up 40% over a four-year period. Profits were up 68%. And this happened despite the fact that the competition continued to get tougher.

Strong networks of informal relationships—the kind found in companies with healthy cultures—help coordinate leadership activities in much the same way that formal structure coordinates managerial activities. The key difference is that informal networks can deal with the greater demands for coordination associated with nonroutine activities and change. The multitude of communication channels and the trust among the individuals connected by those channels allow for an ongoing process of accommodation and adaptation. When conflicts arise among roles, those same relationships help resolve the conflicts. Perhaps most important, this process of dialogue and accommodation can produce visions that are linked and compatible instead of remote and competitive. All this requires a great deal more communication than is needed to coordinate managerial roles, but unlike formal structure, strong informal networks can handle it.

Informal relations of some sort exist in all corporations. But too often these networks are either very weak—some people are well connected but most are not—or they are highly fragmented—a strong network exists inside the marketing group and inside R&D but not across the two departments. Such networks do not support multiple leadership initiatives well. In fact, extensive informal networks are so important that if they do not exist, creating them has to be the focus of activity early in a major leadership initiative.

Creating a Culture of Leadership

Despite the increasing importance of leadership to business success, the on-the-job experiences of most people actually seem to undermine the development of the attributes needed for leadership. Nevertheless, some companies have consistently demonstrated an ability to develop people into outstanding leader-managers. Recruiting people with leadership potential is only the first step. Equally important is managing their career patterns. Individuals who are effective in large leadership roles often share a number of career experiences.

Perhaps the most typical and most important is significant challenge early in a career. Leaders almost always have had opportunities during their twenties and thirties to actually try to lead, to take a risk, and to learn from both triumphs and failures. Such learning seems essential in developing a wide range of leadership skills and perspectives. These opportunities also teach people something about both the difficulty of leadership and its potential for producing change.

Later in their careers, something equally important happens that has to do with broadening. People who provide effective leadership in important jobs always have a chance, before they get into those jobs, to grow beyond the narrow base that characterizes most managerial careers. This is usually the result of lateral career moves or of early promotions to unusually broad job assignments. Sometimes other vehicles help, like special task-force assignments or a lengthy general management course. Whatever the case, the breadth of knowledge developed in this way seems to be helpful in all aspects of leadership. So does the network of relationships that is often acquired both inside and outside the company. When enough people get opportunities like this, the relationships that are built also help create the strong informal networks needed to support multiple leadership initiatives.

Corporations that do a better-than-average job of developing leaders put an emphasis on creating challenging opportunities for relatively young employees. In many businesses, decentralization is the key. By definition, it pushes responsibility lower in an organization and in the process creates more challenging jobs at lower levels. Johnson & Johnson, 3M, Hewlett-Packard, General Electric, and many other well-known companies have used that approach quite successfully. Some of those same companies also create as many small units as possible so there are a lot of challenging lower-level general management jobs available.

Sometimes these businesses develop additional challenging opportunities by stressing growth through new products or services. Over the years, 3M has had a policy that at least 25% of its revenue should come from products introduced within the last five years. That encourages small new ventures, which in turn offer hundreds of opportunities to test and stretch young people with leadership potential.

Such practices can, almost by themselves, prepare people for small- and medium-sized leadership jobs. But developing people for important leadership positions requires more

Well-led businesses tend to recognize and reward people who successfully develop leaders.

work on the part of senior executives, often over a long period of time. That work begins with efforts to spot people with great leadership potential early in their careers and to identify what will be needed to stretch and develop them.

Again, there is nothing magic about this process. The methods successful companies use are surprisingly straightforward. They go out of their way to make young employees and people at lower levels in their organizations visible to senior management. Senior managers then judge for themselves who has potential and what the development needs of those people are. Executives also discuss their tentative conclusions among themselves to draw more accurate judgments.

Armed with a clear sense of who has considerable leadership potential and what skills they need to develop, executives in these companies then spend time planning for that development. Sometimes that is done as part of a formal succession planning or high-potential development process; often it is more informal. In either case, the key ingredient appears to be an intelligent assessment of what feasible development opportunities fit each candidate's needs.

To encourage managers to participate in these activities, well-led businesses tend to recognize and reward people who successfully develop leaders. This is rarely done as part of a formal compensation or bonus formula, simply because it is so difficult to measure such achievements with precision. But it does become a factor in decisions about promotion, especially to the most senior levels, and that seems to make a big difference. When told that future promotions will depend to some degree on their ability to nurture leaders, even people who say that leadership cannot be developed somehow find ways to do it.

Such strategies help create a corporate culture where people value strong leadership and strive to create it. Just as we need more people to provide leadership in the complex organizations that dominate our world today, we also need more people to develop the cultures that will create that leadership. Institutionalizing a leadership-centered culture is the ultimate act of leadership.

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What Leaders Really Do

Further Reading

ARTICLES

The Manager's Job: Folklore and Fact
by Henry Mintzberg
Harvard Business Review
March–April 1990
Product no. 90210

In this HBR Classic, Mintzberg uses his and other research to debunk myths of the manager's role. Managerial work involves interpersonal roles, informational roles, and decisional roles, he notes. These in turn require specific skills—for example, developing peer relationships, carrying out negotiations, motivating subordinates, resolving conflicts, establishing information networks and disseminating information, making decisions with little or ambiguous information, and allocating resources. These skills are different from, but complementary to, the more concrete ones required of leaders.

The Work of Leadership
by Ronald A. Heifetz and Donald L. Laurie
Harvard Business Review
January–February 1997
Product no. 4150

Like Kotter, Heifetz and Laurie see leadership as a unique set of tasks rather than a set of character traits. Many efforts to transform an organization through mergers and acquisitions, restructuring, reengineering, and strategy fail because leaders don't understand the requirements of adaptive work. The principles for leading adaptive work include: "getting on the balcony" so that the entire organization is visible; identifying the key challenge; regulating distress; maintaining disciplined attention; giving the work back to the people; and protecting voices of leadership from below.

The Ways Chief Executive Officers Lead
by Charles M. Farkas and Suzy Wetlaufer
Harvard Business Review
May–June 1996
Product no. 96303

CEOs inspire a variety of sentiments ranging from awe to wrath, but there's little debate over their importance in the business world. The authors conducted 160 interviews with executives around the world. Instead of finding 160 different approaches, they found five, each with a singular focus: strategy, people, expertise, controls, or change. Although approaches may vary, all leaders have three major functions to fulfill in an organization: setting direction, alignment, and motivation.

BOOK

Leading Change
by John P. Kotter
Harvard Business School Press
1996
Product no. 7471

Leadership is primarily about coping with change, and this book describes what a change initiative looks like. Kotter identifies eight errors common to transformation efforts and offers an eight-step process for overcoming them and successfully completing the transformation: establishing a greater sense of urgency; creating the guiding coalition; developing a vision and strategy; communicating the change vision; empowering others to act; creating short-term wins; consolidating gains and producing even more change; and institutionalizing new approaches in the future.

Harvard Business Review
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BEST OF HBR

The Work of Leadership

Followers want comfort, stability, and solutions from their leaders. But that's babysitting. Real leaders ask hard questions and knock people out of their comfort zones. Then they manage the resulting distress.

by Ronald A. Heifetz and Donald L. Laurie

Included with this full-text *Harvard Business Review* article:

Reprint R0111K

The Work of Leadership

The Idea in Brief

What presents your company with its toughest challenges? Shifting markets? Stiffening competition? Emerging technologies? When such challenges intensify, you may need to reclarify corporate values, redesign strategies, merge or dissolve businesses, or manage cross-functional strife.

These **adaptive challenges** are murky, systemic problems with no easy answers. Perhaps even more vexing, the solutions to adaptive challenges *don't* reside in the executive suite. Solving them requires the involvement of people *throughout* your organization.

Adaptive work is tough on everyone. For *leaders*, it's counterintuitive. Rather than providing solutions, you must ask tough questions and leverage employees' collective intelligence. Instead of maintaining norms, you must challenge the "way we do business." And rather than quelling conflict, you need to draw issues out and let people feel the sting of reality.

For your *employees*, adaptive work is painful—requiring unfamiliar roles, responsibilities, values, and ways of working. No wonder employees often try to lob adaptive work back to their leaders.

How to ensure that you *and* your employees embrace the challenges of adaptive work? Applying the following six principles will help.

The Idea in Practice

1. Get on the balcony. Don't get swept up in the field of play. Instead, move back and forth between the "action" and the "balcony." You'll spot emerging patterns, such as power struggles or work avoidance. This high-level perspective helps you mobilize people to do adaptive work.

2. Identify your adaptive challenge.

▶ Example:
When British Airways' passengers nicknamed it "Bloody Awful," CEO Colin Marshall knew he had to infuse the company with a dedication to customers. He identified the adaptive challenge as "creating trust throughout British Airways." To diagnose the challenge further, Marshall's team mingled with employees and customers in baggage areas, reservation centers, and planes, asking which beliefs, values, and behaviors needed overhauling. They exposed value-based conflicts underlying surface-level disputes, and resolved the team's own dysfunctional conflicts which impaired companywide collaboration. By understanding themselves, their people, and the company's conflicts, the team strengthened British Airways' bid to become "the World's Favourite Airline."

3. Regulate distress. To inspire change—without disabling people—pace adaptive work:

- First, let employees debate issues and clarify assumptions behind competing views—safely.
- Then provide direction. Define *key* issues and values. Control the rate of change: Don't start too many initiatives simultaneously without stopping others.
- Maintain just enough tension, resisting pressure to restore the status quo. Raise tough questions without succumbing to anxiety yourself. Communicate presence and poise.

4. Maintain disciplined attention. Encourage managers to grapple with divisive issues, rather than indulging in scapegoating or denial. Deepen the debate to unlock polarized, superficial conflict. Demonstrate collaboration to solve problems.

5. Give the work back to employees. To instill collective self-confidence—versus dependence on you—support rather than control people. Encourage risk-taking and responsibility—then back people up if they err. Help them recognize they contain the solutions.

6. Protect leadership voices from below. Don't silence whistle-blowers, creative deviants, and others exposing contradictions within your company. Their perspectives can provoke fresh thinking. Ask, "What is this guy *really* talking about? Have we missed something?"

Followers want comfort, stability, and solutions from their leaders. But that's babysitting. Real leaders ask hard questions and knock people out of their comfort zones. Then they manage the resulting distress.

BEST OF HBR

The Work of Leadership

by Ronald A. Heifetz and Donald L. Laurie

Sometimes an article comes along and turns the conventional thinking on a subject not upside down but inside out. So it is with this landmark piece by Ronald Heifetz and Donald Laurie, published in January 1997. Not only do the authors introduce the breakthrough concept of adaptive change—the sort of change that occurs when people and organizations are forced to adjust to a radically altered environment—they challenge the traditional understanding of the leader-follower relationship.

Leaders are shepherds, goes the conventional thinking, protecting their flock from harsh surroundings. Not so, say the authors. Leaders who truly care for their followers expose them to the painful reality of their condition and demand that they fashion a response. Instead of giving people false assurance that their best is good enough, leaders insist that people surpass themselves. And rather than smoothing over conflicts, leaders force disputes to the surface.

Modeling the candor they encourage leaders to display, the authors don't disguise adaptive change's emotional costs. Few people are likely to thank the leader for stirring anxiety and uncovering conflict. But leaders who cultivate emotional fortitude soon learn what they can achieve when they maximize their followers' well-being instead of their comfort.

To stay alive, Jack Pritchard had to change his life. Triple bypass surgery and medication could help, the heart surgeon told him, but no technical fix could release Pritchard from his own responsibility for changing the habits of a lifetime. He had to stop smoking, improve his diet, get some exercise, and take time to relax, remembering to breathe more deeply each day. Pritchard's doctor could provide sustaining technical expertise and take supportive action, but only Pritchard could adapt his ingrained habits to improve his long-term health. The doctor faced the leadership task of mobilizing the patient to make critical behavioral changes; Jack Pritchard faced the adaptive work of figuring out which specific changes to make and how to incorporate them into his daily life.

Companies today face challenges similar to the ones that confronted Pritchard and his doctor. They face adaptive challenges. Changes in societies, markets, customers, competition, and technology around the globe are forcing organizations to clarify their values, develop new strategies, and learn new ways of operating. Often the toughest task for leaders in effecting change is mobilizing people throughout the organization to do adaptive work.

Adaptive work is required when our deeply held beliefs are challenged, when the values that made us successful become less relevant, and when legitimate yet competing perspectives emerge. We see adaptive challenges every day at every level of the workplace—when companies restructure or reengineer, develop or implement strategy, or merge businesses. We see adaptive challenges when marketing has difficulty working with operations, when cross-functional teams don't work well, or when senior executives complain, "We don't seem to be able to execute effectively." Adaptive problems are often systemic problems with no ready answers.

Mobilizing an organization to adapt its behaviors in order to thrive in new business environments is critical. Without such change, any company today would falter. Indeed, getting people to do adaptive work is the mark of leadership in a competitive world. Yet for most senior executives, providing leadership and not just authoritative expertise is extremely difficult. Why? We see two reasons. First, in order to make change happen, executives have to break a longstanding behavior pattern of their own: providing leadership in the form of solutions. This tendency is quite natural because many executives reach their positions of authority by virtue of their competence in taking responsibility and solving problems. But the locus of responsibility for problem solving when a company faces an adaptive challenge must shift to its people. Solutions to adaptive challenges reside not in the executive suite but in the collective intelligence of employees at all levels, who need to use one another as resources, often across boundaries, and learn their way to those solutions.

Second, adaptive change is distressing for the people going through it. They need to take on new roles, new relationships, new values, new behaviors, and new approaches to work. Many employees are ambivalent about the efforts and sacrifices required of them. They often look to the senior executive to take problems off their shoulders. But those expectations have to be unlearned. Rather than fulfilling the expectation that they will provide answers, leaders have to ask tough questions. Rather than protecting people from outside threats, leaders should allow them to feel the pinch of reality in order to stimulate them to adapt. Instead of orienting people to their current roles, leaders must disorient them so that new relationships can develop. Instead of quelling conflict, leaders have to draw the issues out. Instead of maintaining norms, leaders have to challenge "the way we do business" and help others distinguish immutable values from historical practices that must go.

Drawing on our experience with managers from around the world, we offer six principles for leading adaptive work: "getting on the balcony," identifying the adaptive challenge, regulating distress, maintaining disciplined attention, giving the work back to people, and protecting voices of leadership from below. We illustrate those principles with an example of adaptive change at KPMG Netherlands, a professional-services firm.

Get on the Balcony

Earvin "Magic" Johnson's greatness in leading his basketball team came in part from his ability to play hard while keeping the whole game situation in mind, as if he stood in a press box or on a balcony above the field of play. Bobby Orr played hockey in the same way. Other players might fail to recognize the larger patterns of play that performers like Johnson and Orr quickly understand, because they are so engaged in the game that they get carried away by it. Their attention is captured by the rapid motion, the physical contact, the roar of the crowd, and the pressure to execute. In sports, most players simply may not see who is open for a pass, who is missing a block, or how the offense and defense work together. Players like Johnson and Orr watch these things and allow their observations to guide their actions.

Business leaders have to be able to view patterns as if they were on a balcony. It does them no good to be swept up in the field of action. Leaders have to see a context for change or create one. They should give employees a strong sense of the history of the enterprise and what's good about its past, as well as an idea of

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the market forces at work today and the responsibility people must take in shaping the future. Leaders must be able to identify struggles over values and power, recognize patterns of work avoidance, and watch for the many other functional and dysfunctional reactions to change.

Without the capacity to move back and forth between the field of action and the balcony, to reflect day to day, moment to moment, on the many ways in which an organization's habits can sabotage adaptive work, a leader easily and unwittingly becomes a prisoner of the system. The dynamics of adaptive change are far too complex to keep track of, let alone influence, if leaders stay only on the field of play.

We have encountered several leaders, some of whom we discuss in this article, who manage to spend much of their precious time on the balcony as they guide their organizations through change. Without that perspective, they probably would have been unable to mobilize people to do adaptive work. Getting on the balcony is thus a prerequisite for following the next five principles.

Solutions to adaptive challenges reside not in the executive suite but in the collective intelligence of employees at all levels.

Identify the Adaptive Challenge

When a leopard threatens a band of chimpanzees, the leopard rarely succeeds in picking off a stray. Chimps know how to respond to this kind of threat. But when a man with an automatic rifle comes near, the routine responses fail. Chimps risk extinction in a world of poachers unless they figure out how to disarm the new threat. Similarly, when businesses cannot learn quickly to adapt to new challenges, they are likely to face their own form of extinction.

Consider the well-known case of British Airways. Having observed the revolutionary changes in the airline industry during the 1980s, then chief executive Colin Marshall clearly recognized the need to transform an airline nicknamed Bloody Awful by its own passengers into an exemplar of customer service. He also understood that this ambition would require more than anything else changes in values, practices, and relationships throughout the company. An organization whose people clung to functional silos and valued pleasing their bosses more than pleasing customers could not become "the world's favorite airline." Marshall needed an organization dedicated to serving people, acting on trust, respecting the individual, and making teamwork happen across boundaries. Values had to change throughout British Airways. People had to learn to collaborate and to develop a collective sense of responsibility for the direction and performance of the airline. Marshall identified the essential adaptive challenge: creating trust throughout the organization. He is one of the first executives we have known to make "creating trust" a priority.

To lead British Airways, Marshall had to get his executive team to understand the nature of the threat created by dissatisfied customers: Did it represent a technical challenge or an adaptive challenge? Would expert advice and technical adjustments within basic routines suffice, or would people throughout the company have to learn different ways of doing business, develop new competencies, and begin to work collectively?

Marshall and his team set out to diagnose in more detail the organization's challenges. They looked in three places. First, they listened to the ideas and concerns of people inside and outside the organization—meeting with crews on flights, showing up in the 350-person reservations center in New York, wandering around the baggage-handling area in Tokyo, or visiting the passenger lounge in whatever airport they happened to be in. Their primary questions were, Whose values, beliefs, attitudes, or behaviors would have to change in order for progress to take place? What shifts in priorities, resources, and power were necessary? What sacrifices would have to be made and by whom?

Second, Marshall and his team saw conflicts as clues—symptoms of adaptive challenges. The way conflicts across functions were being expressed were mere surface phenomena; the underlying conflicts had to be diagnosed. Disputes over seemingly technical issues such as procedures, schedules, and lines of authority were in fact proxies for underlying conflicts about values and norms.

Third, Marshall and his team held a mirror up to themselves, recognizing that they embodied the adaptive challenges facing the organization. Early in the transformation of British Airways, competing values and norms were played out on the executive team in dysfunctional ways that impaired the capacity of the rest of the company to collaborate across func-

A leader must sequence and pace the work. Too often, senior managers convey that everything is important. They overwhelm and disorient the very people who need to take responsibility for the work.

tions and units and make the necessary trade-offs. No executive can hide from the fact that his or her team reflects the best and the worst of the company's values and norms, and therefore provides a case in point for insight into the nature of the adaptive work ahead.

Thus, identifying its adaptive challenge was crucial in British Airways' bid to become the world's favorite airline. For the strategy to succeed, the company's leaders needed to understand themselves, their people, and the potential sources of conflict. Marshall recognized that strategy development itself requires adaptive work.

Regulate Distress

Adaptive work generates distress. Before putting people to work on challenges for which there are no ready solutions, a leader must realize that people can learn only so much so fast. At the same time, they must feel the need to change as reality brings new challenges. They cannot learn new ways when they are overwhelmed, but eliminating stress altogether removes the impetus for doing adaptive work. Because a leader must strike a delicate balance between having people feel the need to change and having them feel overwhelmed by change, leadership is a razor's edge.

A leader must attend to three fundamental tasks in order to help maintain a productive level of tension. Adhering to these tasks will allow him or her to motivate people without disabling them. First, a leader must create what can be called a *holding environment.* To use the analogy of a pressure cooker, a leader needs to regulate the pressure by turning up the heat while also allowing some steam to escape. If the pressure exceeds the cooker's capacity, the cooker can blow up. However, nothing cooks without some heat.

In the early stages of a corporate change, the holding environment can be a temporary "place" in which a leader creates the conditions for diverse groups to talk to one another about the challenges facing them, to frame and debate issues, and to clarify the assumptions behind competing perspectives and values. Over time, more issues can be phased in as they become ripe. At British Airways, for example, the shift from an internal focus to a customer focus took place over four or five years and dealt with important issues in succession: building a credible executive team, communicating with a highly fragmented organization, defining new measures of performance and compensation, and developing sophisticated information systems. During that time, employees at all levels learned to identify what and how they needed to change.

Thus, a leader must sequence and pace the work. Too often, senior managers convey that everything is important. They start new initiatives without stopping other activities, or they start too many initiatives at the same time. They overwhelm and disorient the very people who need to take responsibility for the work.

Second, a leader is responsible for direction, protection, orientation, managing conflict, and shaping norms. (See the exhibit "Adaptive Work Calls for Leadership.") Fulfilling these responsibilities is also important for a manager in technical or routine situations. But a leader engaged in adaptive work uses his authority to fulfill them differently. A leader provides direction by identifying the organization's adaptive challenge and framing the key questions and issues. A leader protects people by managing the rate of change. A leader orients people to new roles and responsibilities by clarifying business realities and key values. A leader helps expose conflict, viewing it as the engine of creativity and learning. Finally, a leader helps the organization maintain those norms that must endure and challenge those that need to change.

Third, a leader must have presence and poise; regulating distress is perhaps a leader's most difficult job. The pressures to restore equilibrium are enormous. Just as molecules bang hard against the walls of a pressure cooker, people bang up against leaders who are trying to sustain the pressures of tough, conflict-filled work. Although leadership demands a deep understanding of the pain of change—the fears and sacrifices associated with major readjustment—it also requires the ability to hold steady and maintain the tension. Otherwise, the pressure escapes and the stimulus for learning and change is lost.

A leader has to have the emotional capacity to tolerate uncertainty, frustration, and pain. He has to be able to raise tough questions without getting too anxious himself. Employees as well as colleagues and customers will carefully observe verbal and nonverbal cues to a leader's ability to hold steady. He needs to communicate confidence that he and they can tackle the tasks ahead.

Maintain Disciplined Attention

Different people within the same organization bring different experiences, assumptions, values, beliefs, and habits to their work. This diversity is valuable because innovation and learning are the products of differences. No one learns anything without being open to contrasting points of view. Yet managers at all levels are often unwilling—or unable—to address their competing perspectives collectively. They frequently avoid paying attention to issues that disturb them. They restore equilibrium quickly, often with work avoidance maneuvers. A leader must get employees to confront tough trade-offs in values, procedures, operating styles, and power.

That is as true at the top of the organization as it is in the middle or on the front line. Indeed, if the executive team cannot model adaptive work, the organization will languish. If senior managers can't draw out and deal with divisive issues, how will people elsewhere in the organization change their behaviors and rework their relationships? As Jan Carlzon, the legendary CEO of Scandinavian Airlines System (SAS), told us, "One of the most interesting missions of leadership is getting people on the executive team to listen to and learn from one another. Held in debate, people can learn their way to collective solutions when they understand one another's assumptions. The work of the leader is to get conflict out into the open and use it as a source of creativity."

Because work avoidance is rampant in organizations, a leader has to counteract distractions that prevent people from dealing with adaptive issues. Scapegoating, denial, focusing only on today's technical issues, or attacking individuals rather than the perspectives they represent—all forms of work avoidance—are to be expected when an organization undertakes adaptive work. Distractions have to be

Adaptive Work Calls for Leadership

Leader's Responsibilities	*Type of Situation*	
	Technical or Routine	*Adaptive*
Direction	Define problems and provide solutions	Identify the adaptive challenge and frame key questions and issues
Protection	Shield the organization from external threats	Let the organization feel external pressures within a range it can stand
Orientation	Clarify roles and responsibilities	Challenge current roles and resist pressure to define new roles quickly
Managing Conflict	Restore order	Expose conflict or let it emerge
Shaping Norms	Maintain norms	Challenge unproductive norms

In the course of regulating people's distress, a leader faces several key responsibilities and may have to use his or her authority differently depending on the type of work situation.

identified when they occur so that people will regain focus.

When sterile conflict takes the place of dialogue, a leader has to step in and put the team to work on reframing the issues. She has to deepen the debate with questions, unbundling the issues into their parts rather than letting conflict remain polarized and superficial. When people preoccupy themselves with blaming external forces, higher management, or a heavy workload, a leader has to sharpen the team's sense of responsibility for carving out the time to press forward. When the team fragments and individuals resort to protecting their own turf, leaders have to demonstrate the need for collaboration. People have to discover the value of consulting with one another and using one another as resources in the problem-solving process. For example, one CEO we know uses executive meetings, even those that focus on operational and technical issues, as opportunities to teach the team how to work collectively on adaptive problems.

Management needs to learn to support rather than control. Workers, for their part, need to learn to take responsibility.

Of course, only the rare manager intends to avoid adaptive work. In general, people feel ambivalent about it. Although they want to make progress on hard problems or live up to their renewed and clarified values, people also want to avoid the associated distress. Just as millions of U.S. citizens want to reduce the federal budget deficit, but not by giving up their tax dollars or benefits or jobs, so, too, managers may consider adaptive work a priority but have difficulty sacrificing their familiar ways of doing business. People need leadership to help them maintain their focus on the tough questions. Disciplined attention is the currency of leadership.

Give the Work Back to People

Everyone in the organization has special access to information that comes from his or her particular vantage point. Everyone may see different needs and opportunities. People who sense early changes in the marketplace are often at the periphery, but the organization will thrive if it can bring that information to bear on tactical and strategic decisions. When people do not act on their special knowledge, businesses fail to adapt.

All too often, people look up the chain of command, expecting senior management to meet market challenges for which they themselves are responsible. Indeed, the greater and more persistent distresses that accompany adaptive work make such dependence worse. People tend to become passive, and senior managers who pride themselves on being problem solvers take decisive action. That behavior restores equilibrium in the short term but ultimately leads to complacency and habits of work avoidance that shield people from responsibility, pain, and the need to change.

Getting people to assume greater responsibility is not easy. Not only are many lower-level employees comfortable being told what to do, but many managers are accustomed to treating subordinates like machinery that requires control. Letting people take the initiative in defining and solving problems means that management needs to learn to support rather than control. Workers, for their part, need to learn to take responsibility.

Jan Carlzon encouraged responsibility taking at SAS by trusting others and decentralizing authority. A leader has to let people bear the weight of responsibility. "The key is to let them discover the problem," he said. "You won't be successful if people aren't carrying the recognition of the problem and the solution within themselves." To that end, Carlzon sought widespread engagement.

For example, in his first two years at SAS, Carlzon spent up to 50% of his time communicating directly in large meetings and indirectly in a host of innovative ways: through workshops, brainstorming sessions, learning exercises, newsletters, brochures, and exposure in the public media. He demonstrated through a variety of symbolic acts—for example, by eliminating the pretentious executive dining room and burning thousands of pages of manuals and handbooks—the extent to which rules had come to dominate the company. He made himself a pervasive presence, meeting with and listening to people both inside and outside the organization. He even wrote a book, *Moments of Truth* (HarperCollins, 1989), to explain his values, philosophy, and strategy. As Carlzon noted, "If no one else read it, at least my people would."

A leader also must develop collective self-confidence. Again, Carlzon said it well: "People aren't born with self-confidence. Even the most self-confident people can be broken. Self-confidence comes from success, experience, and the organization's environment. The leader's most important role is to instill confidence in people. They must dare to take risks and responsibility. You must back them up if they make mistakes."

Protect Voices of Leadership from Below

Giving a voice to all people is the foundation of an organization that is willing to experiment and learn. But, in fact, whistle-blowers, creative deviants, and other such original voices routinely get smashed and silenced in organizational life. They generate disequilibrium, and the easiest way for an organization to restore equilibrium is to neutralize those voices, sometimes in the name of teamwork and "alignment."

The voices from below are usually not as articulate as one would wish. People speaking beyond their authority usually feel self-conscious and sometimes have to generate "too much" passion to get themselves geared up for speaking out. Of course, that often makes it harder for them to communicate effectively. They pick the wrong time and place, and often bypass proper channels of communication and lines of authority. But buried inside a poorly packaged interjection may lie an important intuition that needs to be teased out and considered. To toss it out for its bad timing, lack of clarity, or seeming unreasonableness is to lose potentially valuable information and discourage a potential leader in the organization.

That is what happened to David, a manager in a large manufacturing company. He had listened when his superiors encouraged people to look for problems, speak openly, and take responsibility. So he raised an issue about one of the CEO's pet projects—an issue that was deemed "too hot to handle" and had been swept under the carpet for years. Everyone understood that it was not open to discussion, but David knew that proceeding with the project could damage or derail key elements of the company's overall strategy. He raised the issue directly in a meeting with his boss and the CEO. He provided a clear description of the problem, a rundown of competing perspectives, and a summary of the consequences of continuing to pursue the project.

The CEO angrily squelched the discussion and reinforced the positive aspects of his pet project. When David and his boss left the room, his boss exploded: "Who do you think you are, with your holier-than-thou attitude?" He insinuated that David had never liked the CEO's pet project because David hadn't come up with the idea himself. The subject was closed.

David had greater expertise in the area of the project than either his boss or the CEO. But his two superiors demonstrated no curiosity, no effort to investigate David's reasoning, no awareness that he was behaving responsibly with the interests of the company at heart. It rapidly became clear to David that it was more important to understand what mattered to the boss than to focus on real issues. The CEO and David's boss together squashed the viewpoint of a leader from below and thereby killed his potential for leadership in the organization. He would either leave the company or never go against the grain again.

Leaders must rely on others within the business to raise questions that may indicate an impending adaptive challenge. They have to provide cover to people who point to the internal contradictions of the enterprise. Those individuals often have the perspective to provoke rethinking that people in authority do not. Thus, as a rule of thumb, when authority figures feel the reflexive urge to glare at or otherwise silence someone, they should resist. The urge to restore social equilibrium is quite powerful, and it comes on fast. One has to get accustomed to getting on the balcony, delaying the impulse, and asking, What is this guy really talking about? Is there something we're missing?

Doing Adaptive Work at KPMG Netherlands

The highly successful KPMG Netherlands provides a good example of how a company can engage in adaptive work. In 1994, Ruud Koedijk, the firm's chairman, recognized a strategic challenge. Although the auditing, consulting, and tax-preparation partnership was the industry leader in the Netherlands and was highly profitable, growth opportunities in the segments it served were limited. Margins in the auditing business were being squeezed as the market became more saturated, and competition in the consulting business was increasing as well. Koedijk knew that the firm needed to move into more profitable growth areas, but he didn't know what they were or how KPMG might identify them.

Koedijk and his board were confident that they had the tools to do the analytical strategy work: analyze trends and discontinuities, understand core competencies, assess their competitive position, and map potential opportunities. They were considerably less certain that they could commit to implementing the strategy that would emerge from their work. Historically, the partnership had resisted attempts to change, basically because the partners were content with the way things were. They had been successful for a long time, so they saw no reason to learn new ways of doing business, either from their fellow partners or from anyone lower down in the organization. Overturning the partners' attitude and its deep impact on the organization's culture posed an enormous adaptive challenge for KPMG.

Koedijk could see from the balcony that the very structure of KPMG inhibited change. In truth, KPMG was less a partnership than a collection of small fiefdoms in which each partner was a lord. The firm's success was the cumulative accomplishment of each of the individual partners, not the unified result of 300 colleagues pulling together toward a shared ambition. Success was measured solely in terms of the profitability of individual units. As one partner described it, "If the bottom line was correct, you were a 'good fellow.'" As a result, one partner would not trespass on another's turf, and learning from others was a rare event. Because independence was so highly valued, confrontations were rare and conflict was camouflaged. If partners wanted to resist firmwide change, they did not kill the issue directly. "Say yes, do no" was the operative phrase.

Koedijk also knew that this sense of autonomy got in the way of developing new talent at KPMG. Directors rewarded their subordinates for two things: not making mistakes and delivering a high number of billable hours per week. The emphasis was not on creativity or innovation. Partners were looking for errors when they reviewed their subordinates' work, not for new understanding or fresh insight. Although Koedijk could see the broad outlines of the adaptive challenges facing his organization, he knew that he could not mandate behavioral change. What he could do was create the conditions for people to discover for themselves how they needed to change. He set a process in motion to make that happen.

To start, Koedijk held a meeting of all 300 partners and focused their attention on the history of KPMG, the current business reality, and the business issues they could expect to face. He then raised the question of how they would go about changing as a firm and asked for their perspectives on the issues. By launching the strategic initiative through dialogue rather than edict, he built trust within the partner ranks. Based on this emerging trust and his own credibility, Koedijk persuaded the partners to release 100 partners and nonpartners from their day-to-day responsibilities to work on the strategic challenges. They would devote 60% of their time for nearly four months to that work.

Koedijk and his colleagues established a strategic integration team of 12 senior partners to work with the 100 professionals (called "the 100") from different levels and disciplines. Engaging people below the rank of partner in a major strategic initiative was unheard of and signaled a new approach from the start: Many of these people's opinions had never before been valued or sought by authority figures in the firm. Divided into 14 task forces, the 100 were to work in three areas: gauging future trends and discontinuities, defining core competencies, and grappling with the adaptive challenges facing the organization. They were housed on a separate floor with their own support staff, and they were unfettered by traditional rules and regulations. Hennie Both, KPMG's director of marketing and communications, signed on as project manager.

As the strategy work got under way, the task forces had to confront the existing KPMG culture. Why? Because they literally could not do their new work within the old rules. They could not work when strong respect for the individual came at the expense of effective teamwork, when deeply held individual beliefs got in the way of genuine discussion, and when unit loyalties formed a barrier to cross-functional problem solving. Worst of all, task force members found themselves avoiding conflict and unable to discuss those problems. A number of the task forces became dysfunctional and unable to do their strategy work.

To focus their attention on what needed to change, Both helped the task forces map the culture they desired against the current culture. They discovered very little overlap. The top descriptors of the current culture were: develop opposing views, demand perfection, and avoid conflict. The top characteristics of the desired culture were: create the opportunity for self-fulfillment, develop a caring environment, and maintain trusting relations with colleagues. Articulating this gap made tangible for the group the adaptive challenge that Koedijk saw facing KPMG. In other words, the people who needed to do the changing had finally framed the adaptive challenge for themselves: How could KPMG succeed at a competence-based strategy that depended on cooperation across multiple units and layers if its people couldn't succeed in these task forces? Armed with that understanding, the task force members could become emissaries to the rest of the firm.

On a more personal level, each member was asked to identify his or her individual adaptive challenge. What attitudes, behaviors, or habits did each one need to change, and what specific actions would he or she take? Who else needed to be involved for individual change to take root? Acting as coaches and consultants, the task force members gave one another supportive feedback and suggestions. They had learned to confide, to listen, and to advise with genuine care.

Progress on these issues raised the level of trust dramatically, and task force members began to understand what adapting their behavior meant in everyday terms. They understood how to identify an adaptive issue and developed a language with which to discuss what they needed to do to improve their collective ability to solve problems. They talked about dialogue, work avoidance, and using the collective intelligence of the group. They knew how to call one another on dysfunctional behavior. They had begun to develop the culture required to implement the new business strategy.

Despite the critical breakthroughs toward developing a collective understanding of the adaptive challenge, regulating the level of distress was a constant preoccupation for Koedijk, the board, and Both. The nature of the work was distressing. Strategy work means broad assignments with limited instructions; at KPMG, people were accustomed to highly structured assignments. Strategy work also means being creative. At one breakfast meeting, a board member stood on a table to challenge the group to be more creative and toss aside old rules. This radical and unexpected behavior further raised the distress level: No one had ever seen a partner behave this way before. People realized that their work experience had prepared them only for performing routine tasks with people "like them" from their own units.

The process allowed for conflict and focused people's attention on the hot issues in order to help them learn how to work with conflict in a constructive manner. But the heat was kept within a tolerable range in some of the following ways:

- On one occasion when tensions were unusually high, the 100 were brought together to voice their concerns to the board in an Oprah Winfrey–style meeting. The board sat in the center of an auditorium and took pointed questions from the surrounding group.
- The group devised sanctions to discourage unwanted behavior. In the soccer-crazy Netherlands, all participants in the process were issued the yellow cards that soccer referees use to indicate "foul" to offending players. They used the cards to stop the action when someone started arguing his or her point without listening to or understanding the assumptions and competing perspectives of other participants.
- The group created symbols. They compared the old KPMG to a hippopotamus that was large and cumbersome, liked to sleep a lot, and became aggressive when its normal habits were disturbed. They aspired to be dolphins, which they characterized as playful, eager to learn, and happily willing to go the extra mile for the team. They even paid attention to the statement that clothes make: It surprised some clients to see managers wandering through the KPMG offices that summer in Bermuda shorts and T-shirts.
- The group made a deliberate point of having fun. "Playtime" could mean long bicycle rides or laser-gun games at a local amusement center. In one spontaneous moment at the KPMG offices, a discussion of the power of people mobilized toward a common goal led the group to go outside and use their collective leverage to move a seemingly immovable concrete block.
- The group attended frequent two- and three-day off-site meetings to help bring closure to parts of the work.

These actions, taken as a whole, altered attitudes and behaviors. Curiosity became more valued than obedience to rules. People no longer deferred to the senior authority figure in the room; genuine dialogue neutralized hi-

As a result of confronting strategic and adaptive challenges, KPMG task forces identified $50 million to $60 million worth of new business opportunities.

erarchical power in the battle over ideas. The tendency for each individual to promote his or her pet solution gave way to understanding other perspectives. A confidence in the ability of people in different units to work together and work things out emerged. The people with the most curious minds and interesting questions soon became the most respected.

As a result of confronting strategic and adaptive challenges, KPMG as a whole will move from auditing to assurance, from operations consulting to shaping corporate vision, from business-process reengineering to developing organizational capabilities, and from teaching traditional skills to its own clients to creating learning organizations. The task forces identified $50 million to $60 million worth of new business opportunities.

Many senior partners who had believed that a firm dominated by the auditing mentality could not contain creative people were surprised when the process unlocked creativity, passion, imagination, and a willingness to take risks. Two stories illustrate the fundamental changes that took place in the firm's mind-set.

We saw one middle manager develop the confidence to create a new business. He spotted the opportunity to provide KPMG services to virtual organizations and strategic alliances. He traveled the world, visiting the leaders of 65 virtual organizations. The results of his innovative research served as a resource to KPMG in entering this growing market. Moreover, he represented the new KPMG by giving a keynote address discussing his findings at a world forum. We also saw a 28-year-old female auditor skillfully guide a group of older, male senior partners through a complex day of looking at opportunities associated with implementing the firm's new strategies. That could not have occurred the year before. The senior partners never would have listened to such a voice from below.

Leadership as Learning

Many efforts to transform organizations through mergers and acquisitions, restructuring, reengineering, and strategy work falter because managers fail to grasp the requirements of adaptive work. They make the classic error of treating adaptive challenges like technical problems that can be solved by tough-minded senior executives.

The implications of that error go to the heart of the work of leaders in organizations today. Leaders crafting strategy have access to the technical expertise and the tools they need to calculate the benefits of a merger or restructuring, understand future trends and discontinuities, identify opportunities, map existing competencies, and identify the steering mechanisms to support their strategic direction. These tools and techniques are readily available both within organizations and from a variety of consulting firms, and they are very useful. In many cases, however, seemingly good strategies fail to be implemented. And often the failure is misdiagnosed: "We had a good strategy, but we couldn't execute it effectively."

In fact, the strategy itself is often deficient because too many perspectives were ignored during its formulation. The failure to do the necessary adaptive work during the strategy development process is a symptom of senior managers' technical orientation. Managers frequently derive their solution to a problem and then try to sell it to some colleagues and bypass or sandbag others in the commitment-building process. Too often, leaders, their team, and consultants fail to identify and tackle the adaptive dimensions of the challenge and to ask themselves, Who needs to learn what in order to develop, understand, commit to, and implement the strategy?

The same technical orientation entraps business-process-reengineering and restructuring initiatives, in which consultants and managers have the know-how to do the technical work of framing the objectives, designing a new work flow, documenting and communicating results, and identifying the activities to be performed by people in the organization. In many instances, reengineering falls short of the mark because it treats process redesign as a technical problem: Managers neglect to identify the adaptive work and involve the people who have to do the changing. Senior executives fail to invest their time and their souls in understanding these issues and guiding people through the transition. Indeed, engineering is itself the wrong metaphor.

In short, the prevailing notion that leadership consists of having a vision and aligning people with that vision is bankrupt because it continues to treat adaptive situations as if they were technical: The authority figure is supposed to divine where the company is going, and people are supposed to follow.

Leadership is reduced to a combination of grand knowing and salesmanship. Such a perspective reveals a basic misconception about the way businesses succeed in addressing adaptive challenges. Adaptive situations are hard to define and resolve precisely because they demand the work and responsibility of managers and people throughout the organization. They are not amenable to solutions provided by leaders; adaptive solutions require members of the organization to take responsibility for the problematic situations that face them.

Leadership has to take place every day. It cannot be the responsibility of the few, a rare event, or a once-in-a-lifetime opportunity. In our world, in our businesses, we face adaptive challenges all the time. When an executive is asked to square conflicting aspirations, he and his people face an adaptive challenge. When a manager sees a solution to a problem—technical in many respects except that it requires a change in the attitudes and habits of subordinates—he faces an adaptive challenge. When an employee close to the front line sees a gap between the organization's purpose and the objectives he is asked to achieve, he faces both an adaptive challenge and the risks and opportunity of leading from below.

Leadership, as seen in this light, requires a learning strategy. A leader, from above or below, with or without authority, has to engage people in confronting the challenge, adjusting their values, changing perspectives, and learning new habits. To an authoritative person who prides himself on his ability to tackle hard problems, this shift may come as a rude awakening. But it also should ease the burden of having to know all the answers and bear all the load. To the person who waits to receive either the coach's call or "the vision" to lead, this change may also seem a mixture of good news and bad news. The adaptive demands of our time require leaders who take responsibility without waiting for revelation or request. One can lead with no more than a question in hand.

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The Work of Leadership

Further Reading

ARTICLE

Whatever Happened to the Take-Charge Manager?
by Nitin Nohria and James D. Berkley
Harvard Business Review
January–February 1994
Product no. 94109

This article shares with Heifetz and Laurie the conviction that the fundamental responsibility of leadership cannot be outsourced. In the 1980s, U.S. business experienced an explosion of new managerial concepts unparalleled in previous decades—all claiming to have unlocked the secret to staying competitive in increasingly challenging marketplaces. Many managers felt that the emergence of these new managerial ideas signaled a rejuvenation of U.S. business. By readily adopting innovations such as total quality programs and self-managed teams, managers believed that they were demonstrating the kind of decisive leadership that would keep their companies competitive. But their thinking didn't correspond to the facts. American managers didn't take charge in the 1980s; they abdicated their responsibility to a burgeoning industry of management consultants. If business leaders want to reverse this trend, they must reclaim managerial responsibility—and pragmatism is the place to start. Pragmatic managers, like leaders of adaptive work, are sensitive to their company's context and open to uncertainty.

BOOK

The Will to Lead: Running a Business with a Network of Leaders
by Marvin Bower
Harvard Business School Press
1997
Product no. 7587

This book provides another perspective on the negative aspects of command-and-control leadership, and the positive aspects of a "network of leaders." Such networks effectively respond to adaptive challenges that require the involvement of people throughout an organization. Bower, longtime leader of McKinsey & Company, emphasizes that while command-and-control leadership once contributed to building America's might, it is no longer the best system for today's intensely competitive global market. Command-and-control management breeds rigidity and excessive reliance on authority. In contrast, Bower sets forth his vision of a leadership model that replaces hierarchy with a network of leaders and leadership groups placed strategically throughout a company. The goal? Helping individual workers learn to lead, work more efficiently, have more ideas, and exercise more creativity and initiative.

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We all know that leaders need vision and energy. But to be inspirational, leaders need four other qualities. Probably not what you'd expect, these qualities can be honed by almost anyone willing to dig deeply into their true selves.

Why Should Anyone Be Led by You?

by Robert Goffee and Gareth Jones

Included with this full-text *Harvard Business Review* article:

Reprint R00506

Why Should Anyone Be Led by You?

The Idea in Brief

The question "Why should anyone be led by you?" strikes fear in the hearts of most executives. With good reason. You can't get anything done without followers, and in these "empowered" times, followers are hard to find—*except* by leaders who excel at capturing people's hearts, minds, and spirits.

How do you do that? Of course, you need vision, energy, authority, and strategic direction—*and* these four additional qualities:

- Show you're human, selectively revealing weaknesses.
- Be a "sensor," collecting soft people data that lets you rely on intuition.
- Manage employees with "tough empathy." Care passionately about them and their work, while giving them only what they *need* to achieve their best.
- Dare to be different, capitalizing on your uniqueness.

Mix and match these qualities to find the right style for the right moment.

Without all four qualities, you might climb to the top. But few people will want to follow you, and your company won't achieve its best results.

The Idea in Practice

REVEAL YOUR WEAKNESSES

Nobody wants to work with a perfect leader—he doesn't appear to need help. So show you're human—warts and all. You'll build collaboration and solidarity between you and your followers, and underscore your approachability.

Tips:

- Don't expose a weakness that others see as fatal. (A new finance director shouldn't reveal his ignorance of discounted cash flow!) Choose a tangential weakness instead.
- Pick a flaw that others consider a strength, e.g., workaholism.

BECOME A SENSOR

Hone your ability to collect and interpret subtle interpersonal cues, detecting what's going on without others' spelling it out.

▶ Example:
Franz Humer, highly successful CEO of Roche, a health-care research company, senses underlying currents of opinion, gauges unexpressed feelings, and accurately judges relationships' quality.

Tip:

- Test your perceptions: Validate them with a trusted advisor or inner-team member.

PRACTICE TOUGH EMPATHY

Real leaders empathize fiercely with their followers and care intensely about their people's work. They're also empathetically "tough." This means giving people not necessarily what they *want*, but what they *need* to achieve their best.

▶ Example:
BBC CEO Greg Dyke knew that to survive in a digital world, the company had to spend more on programs and less on people. He restructured the organization, but only after explaining this openly and directly to the staff. Though many employees lost jobs, Dyke kept people's commitment.

DARE TO BE DIFFERENT

Capitalizing on what's unique about yourself lets you signal your separateness as a leader, and motivates others to perform better. Followers push themselves more if their leader is just a little aloof.

Tips:

- Don't *over*differentiate yourself—you could lose contact with followers. Robert Horton, former CEO of British Petroleum, conspicuously displayed his formidable intelligence. Followers saw him as arrogant, and detached themselves from him. He was dismissed after three years.
- Distinguish yourself through qualities like imagination, expertise, and adventuresomeness.

We all know that leaders need vision and energy. But to be inspirational, leaders need four other qualities. Probably not what you'd expect, these qualities can be honed by almost anyone willing to dig deeply into their true selves.

Why Should Anyone Be Led by You?

by Robert Goffee and Gareth Jones

If you want to silence a room of executives, try this small trick. Ask them, "Why would anyone want to be led by you?" We've asked just that question for the past ten years while consulting for dozens of companies in Europe and the United States. Without fail, the response is a sudden, stunned hush. All you can hear are knees knocking.

Executives have good reason to be scared. You can't do anything in business without followers, and followers in these "empowered" times are hard to find. So executives had better know what it takes to lead effectively—they must find ways to engage people and rouse their commitment to company goals. But most don't know how, and who can blame them? There's simply too much advice out there. Last year alone, more than 2,000 books on leadership were published, some of them even repackaging Moses and Shakespeare as leadership gurus.

We've yet to hear advice that tells the whole truth about leadership. Yes, everyone agrees that leaders need vision, energy, authority, and strategic direction. That goes without saying. But we've discovered that inspirational leaders also share four unexpected qualities:

- **They selectively show their weaknesses.** By exposing some vulnerability, they reveal their approachability and humanity.
- **They rely heavily on intuition to gauge the appropriate timing and course of their actions.** Their ability to collect and interpret soft data helps them know just when and how to act.
- **They manage employees with something we call tough empathy.** Inspirational leaders empathize passionately—and realistically—with people, and they care intensely about the work employees do.
- **They reveal their differences.** They capitalize on what's unique about themselves.

You may find yourself in a top position without these qualities, but few people will want to be led by you.

Our theory about the four essential qualities of leadership, it should be noted, is not about results per se. While many of the leaders we have studied and use as examples do in fact post superior financial returns, the focus of our research has been on leaders who excel at inspiring people—in capturing hearts, minds, and souls. This ability is not everything in business, but any experienced leader will tell you it is worth quite a lot. Indeed, great results may be impossible without it.

Our research into leadership began some 25 years ago and has followed three streams since then. First, as academics, we ransacked the prominent leadership theories of the past century to develop our own working model of effective leadership. (For more on the history of leadership thinking, see the sidebar "Leadership: A Small History of a Big Topic.") Second, as consultants, we have tested our theory with thousands of executives in workshops worldwide and through observations with dozens of clients. And third, as executives ourselves, we have vetted our theories in our own organizations.

Reveal Your Weaknesses

When leaders reveal their weaknesses, they show us who they are—warts and all. This may mean admitting that they're irritable on Monday mornings, that they are somewhat disorganized, or even rather shy. Such admissions work because people need to see leaders own up to some flaw before they participate willingly in an endeavor. Exposing a weakness establishes trust and thus helps get folks on board. Indeed, if executives try to communicate that they're perfect at everything, there will be no need for anyone to help them with anything. They won't need followers. They'll signal that they can do it all themselves.

Beyond creating trust and a collaborative atmosphere, communicating a weakness also builds solidarity between followers and leaders. Consider a senior executive we know at a global management consultancy. He agreed to give a major presentation despite being badly afflicted by physical shaking caused by a medical condition. The otherwise highly critical audience greeted this courageous display of weakness with a standing ovation. By giving the talk, he had dared to say, "I am just like you—imperfect." Sharing an imperfection is so effective because it underscores a human being's authenticity. Richard Branson, the founder of Virgin, is a brilliant businessman and a hero in the United Kingdom. (Indeed, the Virgin brand is so linked to him personally that succession is a significant issue.) Branson is particularly effective at communicating his vulnerability. He is ill at ease and fumbles incessantly when interviewed in public. It's a weakness, but it's Richard Branson. That's what revealing a weakness is all about: showing your followers that you are genuine and approachable—human and humane.

Another advantage to exposing a weakness is that it offers a leader valuable protection. Human nature being what it is, if you don't show some weakness, then observers may invent one for you. Celebrities and politicians have always known this. Often, they deliberately give the public something to talk about, knowing full well that if they don't, the newspapers will invent something even worse. Princess Diana may have aired her eating disorder in public, but she died with her reputation intact, indeed even enhanced.

That said, the most effective leaders know that exposing a weakness must be done carefully. They own up to *selective* weaknesses. Knowing which weakness to disclose is a highly honed art. The golden rule is never to expose a weakness that will be seen as a fatal flaw—by which we mean a flaw that jeopardizes central aspects of your professional role. Consider the new finance director of a major corporation. He can't suddenly confess that he's never understood discounted cash flow. A leader should reveal only a tangential flaw—and perhaps even several of them. Paradoxically, this admission will help divert attention away from major weaknesses.

Another well-known strategy is to pick a weakness that can in some ways be considered a strength, such as being a workaholic. When leaders expose these limited flaws, people won't see much of anything and little harm will come to them. There is an important caveat, however: if the leader's vulnerability is not perceived to be genuine, he won't gain anyone's support. Instead he will open himself up to derision and scorn. One scenario we saw repeatedly in our research was one in which a CEO feigns absentmindedness to conceal his inconsistency or even dishonesty. This is a sure way to alienate followers who will remember accurately what happened or what was said.

Become a Sensor

Inspirational leaders rely heavily on their in-

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Leadership: A Small History of a Big Topic

People have been talking about leadership since the time of Plato. But in organizations all over the world—in dinosaur conglomerates and new-economy startups alike—the same complaint emerges: we don't have enough leadership. We have to ask ourselves, Why are we so obsessed with leadership?

One answer is that there is a crisis of belief in the modern world that has its roots in the rationalist revolution of the eighteenth century. During the Enlightenment, philosophers such as Voltaire claimed that through the application of reason alone, people could control their destiny. This marked an incredibly optimistic turn in world history. In the nineteenth century, two beliefs stemmed from this rationalist notion: a belief in progress and a belief in the perfectibility of man. This produced an even rosier world view than before. It wasn't until the end of the nineteenth century, with the writings first of Sigmund Freud and later of Max Weber, that the chinks in the armor appeared. These two thinkers destroyed Western man's belief in rationality and progress. The current quest for leadership is a direct consequence of their work.

The founder of psychoanalysis, Freud theorized that beneath the surface of the rational mind was the unconscious. He supposed that the unconscious was responsible for a fair proportion of human behavior. Weber, the leading critic of Marx and a brilliant sociologist, also explored the limits of reason. Indeed, for him, the most destructive force operating in institutions was something he called technical rationality—that is, rationality without morality.

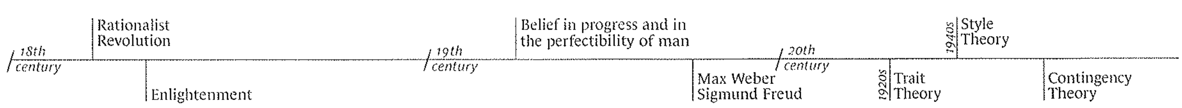
For Weber, technical rationality was embodied in one particular organizational form—the bureaucracy. Bureaucracies, he said, were frightening not for their inefficiencies but for their efficiencies and their capacity to dehumanize people. The tragic novels of Franz Kafka bear stark testimony to the debilitating effects of bureaucracy. Even more chilling was the testimony of Hitler's lieutenant Adolf Eichmann that "I was just a good bureaucrat." Weber believed that the only power that could resist bureaucratization was charismatic leadership. But even this has a very mixed record in the twentieth century. Although there have been inspirational and transformational wartime leaders, there have also been charismatic leaders like Hitler, Stalin, and Mao Tse-tung who committed horrendous atrocities.

By the twentieth century, there was much skepticism about the power of reason and man's ability to progress continuously. Thus, for both pragmatic and philosophic reasons, an intense interest in the concept of leadership began to develop. And indeed, in the 1920s, the first serious research started. The first leadership theory—trait theory—attempted to identify the common characteristics of effective leaders. To that end, leaders were weighed and measured and subjected to a battery of psychological tests. But no one could identify what effective leaders had in common. Trait theory fell into disfavor soon after expensive studies concluded that effective leaders were either above-average height or below.

Trait theory was replaced by style theory in the 1940s, primarily in the United States. One particular style of leadership was singled out as having the most potential. It was a hail-fellow-well-met democratic style of leadership, and thousands of American executives were sent to training courses to learn how to behave this way. There was only one drawback. The theory was essentially capturing the spirit of FDR's America—open, democratic, and meritocratic. And so when McCarthyism and the Cold War surpassed the New Deal, a completely new style was required. Suddenly, everyone was encouraged to behave like a Cold War warrior! The poor executive was completely confused.

Recent leadership thinking is dominated by contingency theory, which says that leadership is dependent on a particular situation. That's fundamentally true, but given that there are endless contingencies in life, there are endless varieties of leadership. Once again, the beleaguered executive looking for a model to help him is hopelessly lost.

For this article, we ransacked all the leadership theories to come up with the four essential leadership qualities. Like Weber, we look at leadership that is primarily antibureaucratic and charismatic. From trait theory, we derived the qualities of weaknesses and differences. Unlike the original trait theorists, however, we do not believe that all leaders have the same weaknesses; our research only showed that all leaders expose some flaws. Tough empathy grew out of style theory, which looked at different kinds of relationships between leaders and their followers. Finally, context theory set the stage for needing to know what skills to use in various circumstances.



Sensing can create problems. In making fine judgments about how far they can go, leaders risk losing their followers.

stincts to know when to reveal a weakness or a difference. We call them good situation sensors, and by that we mean that they can collect and interpret soft data. They can sniff out the signals in the environment and sense what's going on without having anything spelled out for them.

Franz Humer, the CEO of Roche, is a classic sensor. He is highly accomplished in detecting shifts in climate and ambience; he can read subtle cues and sense underlying currents of opinion that elude less perceptive people. Humer says he developed this skill as a tour guide in his mid-twenties when he was responsible for groups of 100 or more. "There was no salary, only tips," he explains. "Pretty soon, I knew how to hone in on particular groups. Eventually, I could predict within 10% how much I could earn from any particular group." Indeed, great sensors can easily gauge unexpressed feelings; they can very accurately judge whether relationships are working or not. The process is complex, and as anyone who has ever encountered it knows, the results are impressive.

Consider a human resources executive we worked with in a multinational entertainment company. One day he got news of a distribution problem in Italy that had the potential to affect the company's worldwide operations. As he was thinking about how to hide the information temporarily from the Paris-based CEO while he worked on a solution, the phone rang. It was the CEO saying, "Tell me, Roberto, what the hell's going on in Milan?" The CEO was already aware that something was wrong. How? He had his networks, of course. But in large part, he was gifted at detecting information that wasn't aimed at him. He could read the silences and pick up on nonverbal cues in the organization.

Not surprisingly, the most impressive business leaders we have worked with are all very refined sensors. Ray van Schaik, the chairman of Heineken in the early 1990s, is a good example. Conservative and urbane, van Schaik's genius lay in his ability to read signals he received from colleagues and from Freddie Heineken, the third-generation family member who was "always there without being there." While some senior managers spent a lot of time second-guessing the major shareholder, van Schaik developed an ability to "just know" what Heineken wanted. This ability was based on many years of working with him on the Heineken board, but it was more than that—van Schaik could read Heineken even though they had very different personalities and didn't work together directly.

Success stories like van Schaik's come with a word of warning. While leaders must be great sensors, sensing can create problems. That's because in making fine judgments about how far they can go, leaders risk losing their followers. The political situation in Northern Ireland is a powerful example. Over the past two years, several leaders—David Trimble, Gerry Adams, and Tony Blair, together with George Mitchell—have taken unprecedented initiatives toward peace. At every step of the way, these leaders had to sense how far they could go without losing their electorates. In business, think of mergers and acquisitions. Unless organizational leaders and negotiators can convince their followers in a timely way that the move is positive, value and goodwill quickly erode. This is the situation recently faced by Vodafone and France Telecom in the sale and purchase of Orange.

There is another danger associated with sensing skills. By definition, sensing a situation involves projection—that state of mind whereby you attribute your own ideas to other people and things. When a person "projects," his thoughts may interfere with the truth. Imagine a radio that picks up any number of signals, many of which are weak and distorted. Situation sensing is like that; you can't always be sure what you're hearing because of all the static. The employee who sees her boss distracted and leaps to the conclusion that she is going to be fired is a classic example. Most skills become heightened under threat, but particularly during situation sensing. Such oversensitivity in a leader can be a recipe for disaster. For this reason, sensing capability must always be framed by reality testing. Even the most gifted sensor may need to validate his perceptions with a trusted adviser or a member of his inner team.

Practice Tough Empathy

Unfortunately, there's altogether too much hype nowadays about the idea that leaders *must* show concern for their teams. There's nothing worse than seeing a manager return from the latest interpersonal-skills training program with "concern" for others. Real leaders don't need a training program to convince their employees that they care. Real leaders empathize fiercely with the people they lead. They also care intensely about the work their employees do.

Consider Alain Levy, the former CEO of Polygram. Although he often comes across as a rather aloof intellectual, Levy is well able to close the distance between himself and his followers. On one occasion, he helped some junior record executives in Australia choose singles off albums. Picking singles is a critical task in the music business: the selection of a song can make or break the album. Levy sat down with the young people and took on the work with passion. "You bloody idiots," he added his voice to the melee, "you don't know what the hell you're talking about; we always have a dance track first!" Within 24 hours, the story spread throughout the company; it was the best PR Levy ever got. "Levy really knows how to pick singles," people said. In fact, he knew how to identify with the work, and he knew how to enter his followers' world—one where strong, colorful language is the norm—to show them that he cared.

Clearly, as the above example illustrates, we do not believe that the empathy of inspirational leaders is the soft kind described in so much of the management literature. On the contrary, we feel that real leaders manage through a unique approach we call tough empathy. Tough empathy means giving people what they need, not what they want. Organizations like the Marine Corps and consulting firms specialize in tough empathy. Recruits are pushed to be the best that they can be; "grow or go" is the motto. Chris Satterwaite, the CEO of Bell Pottinger Communications and a former chief executive of several ad agencies, understands what tough empathy is all about. He adeptly handles the challenges of managing creative people while making tough decisions. "If I have to, I can be ruthless," he says. "But while they're with me, I promise my people that they'll learn."

At its best, tough empathy balances respect for the individual and for the task at hand. Attending to both, however, isn't easy, especially when the business is in survival mode. At such times, caring leaders have to give selflessly to the people around them and know when to pull back. Consider a situation at Unilever at a time when it was developing Persil Power, a detergent that eventually had to be removed from the market because it destroyed clothes

Four Popular Myths About Leadership

In both our research and consulting work, we have seen executives who profoundly misunderstand what makes an inspirational leader. Here are four of the most common myths:

Everyone can be a leader.

Not true. Many executives don't have the self-knowledge or the authenticity necessary for leadership. And self-knowledge and authenticity are only part of the equation. Individuals must also want to be leaders, and many talented employees are not interested in shouldering that responsibility. Others prefer to devote more time to their private lives than to their work. After all, there is more to life than work, and more to work than being the boss.

Leaders deliver business results.

Not always. If results were always a matter of good leadership, picking leaders would be easy. In every case, the best strategy would be to go after people in companies with the best results. But clearly, things are not that simple. Businesses in quasi-monopolistic industries can often do very well with competent management rather than great leadership. Equally, some well-led businesses do not necessarily produce results, particularly in the short term.

People who get to the top are leaders.

Not necessarily. One of the most persistent misperceptions is that people in leadership positions are leaders. But people who make it to the top may have done so because of political acumen, not necessarily because of true leadership quality. What's more, real leaders are found all over the organization, from the executive suite to the shop floor. By definition, leaders are simply people who have followers, and rank doesn't have much to do with that. Effective military organizations like the U.S. Navy have long realized the importance of developing leaders throughout the organization.

Leaders are great coaches.

Rarely. A whole cottage industry has grown up around the teaching that good leaders ought to be good coaches. But that thinking assumes that a single person can both inspire the troops and impart technical skills. Of course, it's possible that great leaders may also be great coaches, but we see that only occasionally. More typical are leaders like Steve Jobs whose distinctive strengths lie in their ability to excite others through their vision rather than through their coaching talents.

that were laundered in it. Even though the product was showing early signs of trouble, CEO Niall FitzGerald stood by his troops. "That was the popular place to be, but I should not have been there," he says now. "I should have stood back, cool and detached, looked at the whole field, watched out for the customer." But caring with detachment is not easy, especially since, when done right, tough empathy is harder on you than on your employees. "Some theories of leadership make caring look effortless. It isn't," says Paulanne Mancuso, president and CEO of Calvin Klein Cosmetics. "You have to do things you don't want to do, and that's hard." It's tough to be tough.

Tough empathy also has the benefit of impelling leaders to take risks. When Greg Dyke took over at the BBC, his commercial competitors were able to spend substantially more on programs than the BBC could. Dyke quickly realized that in order to thrive in a digital world, the BBC needed to increase its expenditures. He explained this openly and directly to the staff. Once he had secured their buy-in, he began thoroughly restructuring the organization. Although many employees were let go, he was able to maintain people's commitment. Dyke attributed his success to his tough empathy with employees: "Once you have the people with you, you can make the difficult decisions that need to be made."

One final point about tough empathy: those more apt to use it are people who really care about something. And when people care deeply about something—anything—they're more likely to show their true selves. They will not only communicate authenticity, which is the precondition for leadership, but they will show that they are doing more than just playing a role. People do not commit to executives who merely live up to the obligations of their jobs. They want more. They want someone who cares passionately about the people and the work—just as they do.

Dare to Be Different

Another quality of inspirational leaders is that they capitalize on what's unique about themselves. In fact, using these differences to great advantage is the most important quality of the four we've mentioned. The most effective leaders deliberately use differences to keep a social distance. Even as they are drawing their followers close to them, inspirational leaders signal their separateness.

Often, a leader will show his differences by having a distinctly different dress style or physical appearance, but typically he will move on to distinguish himself through qualities like imagination, loyalty, expertise, or even a handshake. Anything can be a difference, but it is important to communicate it. Most people, however, are hesitant to communicate what's unique about themselves, and it can take years for them to be fully aware of what sets them apart. This is a serious disadvantage in a world where networking is so critical and where teams need to be formed overnight.

Some leaders know exactly how to take advantage of their differences. Take Sir John Harvey-Jones, the former CEO of ICI—what was once the largest manufacturing company in the United Kingdom. When he wrote his autobiography a few years ago, a British newspaper advertised the book with a sketch of Harvey-Jones. The profile had a moustache, long hair, and a loud tie. The drawing was in black and white, but everyone knew who it was. Of

Can Female Leaders Be True to Themselves?

Gender differences can be used to either positive or negative effect. Women, in particular, are prone to being stereotyped according to differences—albeit usually not the ones that they would choose. Partly this is because there are fewer women than men in management positions. According to research in social psychology, if a group's representation falls below 20% in a given society, then it's going to be subjected to stereotyping whether it likes it or not. For women, this may mean being typecast as a "helper," "nurturer," or "seductress"—labels that may prevent them from defining their own differences.

In earlier research, we discovered that many women—particularly women in their fifties—try to avoid this dynamic by disappearing. They try to make themselves invisible. They wear clothes that disguise their bodies; they try to blend in with men by talking tough. That's certainly one way to avoid negative stereotyping, but the problem is that it reduces a woman's chances of being seen as a potential leader. She's not promoting her real self and differences.

Another response to negative stereotyping is to collectively resist it—for example, by mounting a campaign that promotes the rights, opportunities, and even the number of women in the workplace. But on a day-to-day basis, survival is often all women have time for, therefore making it impossible for them to organize themselves formally.

A third response that emerged in our research was that women play into stereotyping to personal advantage. Some women, for example, knowingly play the role of "nurturer" at work, but they do it with such wit and skill that they are able to benefit from it. The cost of such a strategy?

It furthers harmful stereotypes and continues to limit opportunities for other women to communicate their genuine personal differences.

course, John Harvey-Jones didn't get to the top of ICI because of eye-catching ties and long hair. But he was very clever in developing differences that he exploited to show that he was adventurous, entrepreneurial, and unique—he was John Harvey-Jones.

There are other people who aren't as aware of their differences but still use them to great effect. For instance, Richard Surface, former managing director of the UK-based Pearl Insurance, always walked the floor and overtook people, using his own pace as a means of communicating urgency. Still other leaders are fortunate enough to have colleagues point out their differences for them. As the BBC's Greg Dyke puts it, "My partner tells me, 'You do things instinctively that you don't understand. What I worry about is that in the process of understanding them you could lose them!'" Indeed, what emerged in our interviews is that most leaders start off not knowing what their differences are but eventually come to know—and use—them more effectively over time. Franz Humer at Roche, for instance, now realizes that he uses his emotions to evoke reactions in others.

Executives can overdifferentiate themselves in their determination to express their separateness.

Most of the differences we've described are those that tend to be apparent, either to the leader himself or to the colleagues around him. But there are differences that are more subtle but still have very powerful effects. For instance, David Prosser, the CEO of Legal and General, one of Europe's largest and most successful insurance companies, is an outsider. He is not a smooth city type; in fact, he comes from industrial South Wales. And though generally approachable, Prosser has a hard edge, which he uses in an understated but highly effective way. At a recent cocktail party, a rather excitable sales manager had been claiming how good the company was at cross-selling products. In a low voice, Prosser intervened: "We may be good, but we're not good enough." A chill swept through the room. What was Prosser's point? Don't feel so close you can relax! I'm the leader, and I make that call. Don't you forget it. He even uses this edge to good effect with the top team—it keeps everyone on their toes.

Inspirational leaders use separateness to motivate others to perform better. It is not that they are being Machiavellian but that they recognize instinctively that followers will push themselves if their leader is just a little aloof. Leadership, after all, is not a popularity contest.

One danger, of course, is that executives can overdifferentiate themselves in their determination to express their separateness. Indeed, some leaders lose contact with their followers, and doing so is fatal. Once they create too much distance, they stop being good sensors, and they lose the ability to identify and care. That's what appeared to happen during Robert Horton's tenure as chairman and CEO of BP during the early 1990s. Horton's conspicuous display of his considerable—indeed, daunting—intelligence sometimes led others to see him as arrogant and self-aggrandizing. That resulted in overdifferentiation, and it eventually contributed to Horton's dismissal just three years after he was appointed to the position.

Leadership in Action

All four of the qualities described here are necessary for inspirational leadership, but they cannot be used mechanically. They must become or must already be part of an executive's personality. That's why the "recipe" business books—those that prescribe to the Lee Iaccoca or Bill Gates way—often fail. No one can just ape another leader. So the challenge facing prospective leaders is for them to be themselves, but with more skill. That can be done by making yourself increasingly aware of the four leadership qualities we describe and by manipulating these qualities to come up with a personal style that works for you. Remember, there is no universal formula, and what's needed will vary from context to context. What's more, the results are often subtle, as the following story about Sir Richard Sykes, the highly successful chairman and CEO of Glaxo Wellcome, one of the world's leading pharmaceutical companies, illustrates.

When he was running the R&D division at Glaxo, Sykes gave a year-end review to the company's top scientists. At the end of the presentation, a researcher asked him about one of the company's new compounds, and the two men engaged in a short heated debate. The question-answer session continued for another 20 minutes, at the end of which the researcher broached the subject again. "Dr. Sykes," he began in a loud voice, "you have still failed to understand the structure of the new compound." You could feel Sykes's temper rise through the soles of his feet. He marched to the back of the room and displayed his anger before the intellectual brainpower of the entire company. "All right, lad," he yelled, "let us have a look at your notes!"

The Sykes story provides the ideal framework for discussing the four leadership qualities. To some people, Sykes's irritability could have seemed like inappropriate weakness. But in this context, his show of temper demonstrated Sykes's deep belief in the discussion about basic science—a company value. Therefore, his willingness to get angry actually cemented his credibility as a leader. He also showed that he was a very good sensor. If Sykes had exploded earlier in the meeting, he would have quashed the debate. Instead, his anger was perceived as defending the faith. The story also reveals Sykes's ability to identify with his colleagues and their work. By talking to the researcher as a fellow scientist, he was able to create an empathic bond with his audience. He really cared, though his caring was clearly tough empathy. Finally, the story indicates Sykes's own willingness to show his differences. Despite being one of the United Kingdom's most successful businessmen, he has not conformed to "standard" English. On the contrary, Sykes proudly retains his distinctive northern accent. He also doesn't show the typical British reserve and decorum; he radiates passion. Like other real leaders, he acts and communicates naturally. Indeed, if we were to sum up the entire year-end review at Glaxo Wellcome, we'd say that Sykes was being himself—with great skill.

Unraveling the Mystery

As long as business is around, we will continue to pick apart the underlying ingredients of true leadership. And there will always be as many theories as there are questions. But of all the facets of leadership that one might investigate, there are few so difficult as understanding what it takes to develop leaders. The four leadership qualities are a necessary first step. Taken together, they tell executives to be authentic. As we counsel the executives we coach: "Be yourselves—more—with skill." There can be no advice more difficult to follow than that.

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Further Reading

ARTICLES

Choosing the Right Leadership Style: No Single Approach Fits All Situations
Harvard Business Review Article Collection
August 2000
Product no. 4479

Followers want leaders who can not only capture their hearts, minds, and spirits, but who also can change the way things get done—for the better. This *Harvard Business Review* Article Collection explores the connections between leadership and performance improvement. Like Goffee and Jones, these authors avoid a "one-size-fits-all" prescription. Instead, they offer guidelines to adapt to particular situations. In "Demand Better Results—And Get Them," Robert H. Schaffer advises leaders to carve a problem into manageable, clearly articulated tasks, and then relentlessly focus on implementation. In "What Makes a Leader?" Daniel Goleman identifies emotional intelligence (EI) as the bedrock of successful leadership. EI, he explains, comprises five core competencies: self-awareness, self-regulation, motivation, empathy, and social skill. The best leaders, he writes, mix and match these competencies, applying styles that best suit particular challenges. In "Leadership That Gets Results," Goleman builds on his EI theory by identifying six basic leadership styles: coercive, authoritative, affiliative, democratic, pacesetting, and coaching—all of which entail combinations of the five EI competencies. The best leaders, he maintains, don't use just one style of leadership—they're skilled at several, and they switch easily among styles as circumstances dictate.

The Ways Chief Executive Officers Lead
by Charles M. Farkas and Suzy Wetlaufer
Harvard Business Review
May–June 1996
Product no. R0101G

Goffee and Jones highlight the importance of executives' demonstrating their humanity and imperfections. Farkas and Wetlaufer add more features to the human face of leadership. They interviewed 160 chief executives from around the world and in a diverse array of industries. Their goal? To discover the attitudes, activities, and behaviors that characterized how these leaders managed their organizations. The authors hypothesized that they would see 160 different approaches to leadership. Instead, they discovered only five, each of which had a singular focus: strategy, people, expertise, controls, and change. This research also supports Goffee and Jones's claim that the best leadership rests on much more than just personality, further dispelling the myth that "You're either born to lead, or you're not."

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HBR AT LARGE

Everyone is tested by life, but only a few extract strength and wisdom from their most trying experiences. They're the ones we call leaders.

Crucibles of Leadership

by Warren G. Bennis and Robert J. Thomas

Included with this full-text *Harvard Business Review* article:

Reprint R0209B

Crucibles of Leadership

The Idea in Brief

What enables one leader to inspire confidence, loyalty, and hard work, while others—with equal vision and intelligence—stumble? How individuals deal with adversity provides a clue.

Extraordinary leaders find meaning in—and learn from—the most negative events. Like phoenixes rising from the ashes, they emerge from adversity stronger, more confident in themselves and their purpose, and more committed to their work.

Such transformative events are called **crucibles**—a severe test or trial. Crucibles are intense, often traumatic—and always unplanned.

The Idea in Practice

THE CRUCIBLE EXPERIENCE

Crucibles force leaders into deep self-reflection, where they examine their values, question their assumptions, and hone their judgment.

▶ Example:
Sidney Harman—co-founder of audio components company Harman Kardon and president of an experimental college encouraging student-driven education—encountered his crucible when "all hell broke loose" in one of his factories. After managers postponed a scheduled break because the buzzer didn't sound, workers rebelled. "I don't work for no buzzer," one proclaimed.

To Harman, this refusal to bow to management's senseless rule suggested a surprising link between student-driven education and business. Pioneering participative management, Harman transformed his plant into a kind of campus, offering classes and encouraging dissent. He considers the rebellion the formative event in his career—the moment he became a true leader.

THE MANY SHAPES OF CRUCIBLES

Some crucibles are violent and life-threatening (encounters with prejudice, illness); others are more positive, yet profoundly challenging (such as demanding bosses or mentors). Whatever the shape, leaders create a narrative telling how they met the challenge and became better for it.

▶ Example:
While working for former Atlanta mayor Robert F. Maddox, Vernon Jordan endured repeated racial heckling from Maddox. Rather than letting Maddox's sadism destroy him, Jordan interpreted the behavior as a desperate lashing out by someone who knew the era of the Old South was ending. Jordan's response empowered him to become an esteemed lawyer and presidential advisor.

ESSENTIAL LEADERSHIP SKILLS

Four skills enable leaders to learn from adversity:

1. Engage others in shared meaning. For example, Sidney Harman mobilized employees around a radical new management approach—amid a factory crisis.

2. A distinctive, compelling voice. With words alone, college president Jack Coleman preempted a violent clash between the football team and anti-Vietnam War demonstrators threatening to burn the American flag. Coleman's suggestion to the protestors? Lower the flag, wash it, then put it back up.

3. Integrity. Coleman's values prevailed during the emotionally charged face-off between antiwar demonstrators and irate football players.

4. Adaptive capacity. This most critical skill includes the *ability to grasp context*, and *hardiness*. Grasping context requires weighing many factors (e.g., how different people will interpret a gesture). Without this quality, leaders can't connect with constituents.

Hardiness provides the perseverance and toughness needed to remain hopeful despite disaster. For instance, Michael Klein made millions in real estate during his teens, lost it all by age 20—then built several more businesses, including transforming a tiny software company into a Hewlett-Packard acquisition.

Everyone is tested by life, but only a few extract strength and wisdom from their most trying experiences. They're the ones we call leaders.

HBR At Large

Crucibles of Leadership

by Warren G. Bennis and Robert J. Thomas

As lifelong students of leadership, we are fascinated with the notion of what makes a leader. Why is it that certain people seem to naturally inspire confidence, loyalty, and hard work, while others (who may have just as much vision and smarts) stumble, again and again? It's a timeless question, and there's no simple answer. But we have come to believe it has something to do with the different ways that people deal with adversity. Indeed, our recent research has led us to conclude that one of the most reliable indicators and predictors of true leadership is an individual's ability to find meaning in negative events and to learn from even the most trying circumstances. Put another way, the skills required to conquer adversity and emerge stronger and more committed than ever are the same ones that make for extraordinary leaders.

Take Sidney Harman. Thirty-four years ago, the then-48-year-old businessman was holding down two executive positions. He was the chief executive of Harman Kardon (now Harman International), the audio components company he had cofounded, and he was serving as president of Friends World College, now Friends World Program, an experimental Quaker school on Long Island whose essential philosophy is that students, not their teachers, are responsible for their education. Juggling the two jobs, Harman was living what he calls a "bifurcated life," changing clothes in his car and eating lunch as he drove between Harman Kardon offices and plants and the Friends World campus. One day while at the college, he was told his company's factory in Bolivar, Tennessee, was having a crisis.

He immediately rushed to the Bolivar factory, a facility that was, as Harman now recalls, "raw, ugly, and, in many ways, demeaning." The problem, he found, had erupted in the polish and buff department, where a crew of a dozen workers, mostly African-Americans, did the dull, hard work of polishing mirrors and other parts, often under unhealthy conditions. The men on the night shift were supposed to get a coffee break at 10 PM. When the buzzer that announced the workers' break went on the fritz, management arbitrarily decided to postpone the break for ten minutes, when another buzzer was scheduled to sound. But one worker, "an old black man with an almost biblical name, Noah B. Cross," had "an epiphany," as Harman describes it. "He said, literally, to his fellow workers, 'I don't work for no buzzer. The buzzer works for me. It's my job to tell me when it's ten o'clock. I got me a watch. I'm not waiting another ten minutes. I'm going on my coffee break.' And all 12 guys took their coffee break, and, of course, all hell broke loose."

The worker's principled rebellion—his refusal to be cowed by management's senseless rule—was, in turn, a revelation to Harman: "The technology is there to serve the men, not the reverse," he remembers realizing. "I suddenly had this awakening that everything I was doing at the college had appropriate applications in business." In the ensuing years, Harman revamped the factory and its workings, turning it into a kind of campus—offering classes on the premises, including piano lessons, and encouraging the workers to take most of the responsibility for running their workplace. Further, he created an environment where dissent was not only tolerated but also encouraged. The plant's lively independent newspaper, the *Bolivar Mirror,* gave workers a creative and emotional outlet—and they enthusiastically skewered Harman in its pages.

Harman had, unexpectedly, become a pioneer of participative management, a movement that continues to influence the shape of workplaces around the world. The concept wasn't a grand idea conceived in the CEO's office and imposed on the plant, Harman says. It grew organically out of his going down to Bolivar to, in his words, "put out this fire." Harman's transformation was, above all, a creative one. He had connected two seemingly unrelated ideas and created a radically different approach to management that recognized both the economic and humane benefits of a more collegial workplace. Harman went on to accomplish far more during his career. In addition to founding Harman International, he served as the deputy secretary of commerce under Jimmy Carter. But he always looked back on the incident in Bolivar as the formative event in his professional life, the moment he came into his own as a leader.

The details of Harman's story are unique, but their significance is not. In interviewing more than 40 top leaders in business and the public sector over the past three years, we were surprised to find that all of them—young and old—were able to point to intense, often traumatic, always unplanned experiences that had transformed them and had become the sources of their distinctive leadership abilities.

We came to call the experiences that shape leaders "crucibles," after the vessels medieval alchemists used in their attempts to turn base metals into gold. For the leaders we interviewed, the crucible experience was a trial and a test, a point of deep self-reflection that forced them to question who they were and what mattered to them. It required them to examine their values, question their assumptions, hone their judgment. And, invariably, they emerged from the crucible stronger and more sure of themselves and their purpose—changed in some fundamental way.

Leadership crucibles can take many forms. Some are violent, life-threatening events. Others are more prosaic episodes of self-doubt. But whatever the crucible's nature, the people we spoke with were able, like Harman, to create a narrative around it, a story of how they were challenged, met the challenge, and became better leaders. As we studied these stories, we found that they not only told us how individual leaders are shaped but also pointed to some characteristics that seem common to all leaders—characteristics that were formed, or at least exposed, in the crucible.

Learning From Difference

A crucible is, by definition, a transformative experience through which an individual comes to a new or an altered sense of identity. It is perhaps not surprising then that one of the most common types of crucibles we documented involves the experience of prejudice. Being a victim of prejudice is particularly traumatic because it forces an individual to confront a distorted picture of him- or herself, and it often unleashes profound feelings of anger, bewilderment, and even withdrawal. For all its trauma, however, the experience of prejudice is for some a clarifying event. Through it, they gain a clearer vision of who they are, the role they play, and their place in the world.

Consider, for example, Liz Altman, now a Motorola vice president, who was transformed by the year she spent at a Sony camcorder factory in rural Japan, where she faced both es-

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The skills required to conquer adversity and emerge stronger and more committed than ever are the same ones that make for extraordinary leaders.

trangement and sexism. It was, says Altman, "by far, the hardest thing I've ever done." The foreign culture—particularly its emphasis on groups over individuals—was both a shock and a challenge to a young American woman. It wasn't just that she felt lonely in an alien world. She had to face the daunting prospect of carving out a place for herself as the only woman engineer in a plant, and nation, where women usually serve as low-level assistants and clerks known as "office ladies."

Another woman who had come to Japan under similar circumstances had warned Altman that the only way to win the men's respect was to avoid becoming allied with the office ladies. But on her very first morning, when the bell rang for a coffee break, the men headed in one direction and the women in another—and the women saved her a place at their table, while the men ignored her. Instinct told Altman to ignore the warning rather than insult the women by rebuffing their invitation.

Over the next few days, she continued to join the women during breaks, a choice that gave her a comfortable haven from which to observe the unfamiliar office culture. But it didn't take her long to notice that some of the men spent the break at their desks reading magazines, and Altman determined that she could do the same on occasion. Finally, after paying close attention to the conversations around her, she learned that several of the men were interested in mountain biking. Because Altman wanted to buy a mountain bike, she approached them for advice. Thus, over time, she established herself as something of a free agent, sometimes sitting with the women and other times engaging with the men.

And as it happened, one of the women she'd sat with on her very first day, the department secretary, was married to one of the engineers. The secretary took it upon herself to include Altman in social gatherings, a turn of events that probably wouldn't have occurred if Altman had alienated her female coworkers on that first day. "Had I just gone to try to break in with [the men] and not had her as an ally, it would never have happened," she says.

Looking back, Altman believes the experience greatly helped her gain a clearer sense of her personal strengths and capabilities, preparing her for other difficult situations. Her tenure in Japan taught her to observe closely and to avoid jumping to conclusions based on cultural assumptions—invaluable skills in her current position at Motorola, where she leads efforts to smooth alliances with other corporate cultures, including those of Motorola's different regional operations.

Altman has come to believe that she wouldn't have been as able to do the Motorola job if she hadn't lived in a foreign country and experienced the dissonance of cultures: "...even if you're sitting in the same room, ostensibly agreeing...unless you understand the frame of reference, you're probably missing a bunch of what's going on." Altman also credits her crucible with building her confidence—she feels that she can cope with just about anything that comes her way.

People can feel the stigma of cultural differences much closer to home, as well. Muriel ("Mickie") Siebert, the first woman to own a seat on the New York Stock Exchange, found her crucible on the Wall Street of the 1950s and 1960s, an arena so sexist that she couldn't get a job as a stockbroker until she took her first name off her résumé and substituted a genderless initial. Other than the secretaries and the occasional analyst, women were few and far between. That she was Jewish was another strike against her at a time, she points out, when most of big business was "not nice" to either women or Jews. But Siebert wasn't broken or defeated. Instead, she emerged stronger, more focused, and more determined to change the status quo that excluded her.

When we interviewed Siebert, she described her way of addressing anti-Semitism—a technique that quieted the offensive comments of her peers without destroying the relationships she needed to do her job effectively. According to Siebert, at the time it was part of doing business to have a few drinks at lunch. She remembers, "Give somebody a couple of drinks, and they would talk about the Jews." She had a greeting card she used for those occasions that went like this:

Roses are reddish,
Violets are bluish,
In case you don't know,
I am Jewish.

Siebert would have the card hand-delivered to the person who had made the anti-Semitic remarks, and on the card she had written, "Enjoyed lunch." As she recounts, "They got that card in the afternoon, and I never had to take any of that nonsense again. And I never embarrassed anyone, either." It was because she was unable to get credit for the business she was bringing in at any of the large Wall Street firms that she bought a seat on the New York Stock Exchange and started working for herself.

In subsequent years, she went on to found Muriel Siebert & Company (now Siebert Financial Corporation) and has dedicated herself to helping other people avoid some of the difficulties she faced as a young professional. A prominent advocate for women in business and a leader in developing financial products directed at women, she's also devoted to educating children about financial opportunities and responsibility.

We didn't interview lawyer and presidential adviser Vernon Jordan for this article, but he, too, offers a powerful reminder of how prejudice can prove transformational rather than debilitating. In *Vernon Can Read! A Memoir* (Public Affairs, 2001), Jordan describes the vicious baiting he was subjected to as a young man. The man who treated him in this offensive way was his employer, Robert F. Maddox. Jordan served the racist former mayor of Atlanta at dinner, in a white jacket, with a napkin over his arm. He also functioned as Maddox's chauffeur. Whenever Maddox could, he would derisively announce, "Vernon can read!" as if the literacy of a young African-American were a source of wonderment.

Subjected to this type of abuse, a lesser man might have allowed Maddox to destroy him. But in his memoir, Jordan gives his own interpretation of Maddox's sadistic heckling, a tale that empowered Jordan instead of embittering him. When he looked at Maddox through the rearview mirror, Jordan did not see a powerful member of Georgia's ruling class. He saw a desperate anachronism, a person who lashed out because he knew his time was up. As Jordan writes about Maddox, "His half-mocking, half-serious comments about my education were the death rattle of his culture. When he saw that I was...crafting a life for myself that would make me a man in...ways he thought of as being a man, he was deeply unnerved."

Maddox's cruelty was the crucible that, consciously or not, Jordan imbued with redemptive meaning. Instead of lashing out or being paralyzed with hatred, Jordan saw the fall of the Old South and imagined his own future freed of the historical shackles of racism. His ability to organize meaning around a potential crisis turned it into the crucible around which his leadership was forged.

Prevailing over Darkness

Some crucible experiences illuminate a hidden and suppressed area of the soul. These are often among the harshest of crucibles, involving, for instance, episodes of illness or violence. In the case of Sidney Rittenberg, now 79, the crucible took the form of 16 years of unjust imprisonment, in solitary confinement, in Communist China. In 1949 Rittenberg was initially jailed, without explanation, by former friends in Chairman Mao Zedong's government and spent his first year in total darkness when he wasn't being interrogated. (Rittenberg later learned that his arrest came at the behest of Communist Party officials in Moscow, who had wrongly identified him as a CIA agent.) Thrown into jail, confined to a tiny, pitch-dark cell, Rittenberg did not rail or panic. Instead, within minutes, he remembered a stanza of verse, four lines recited to him when he was a small child:

> They drew a circle that shut me out,
> Heretic, rebel, a thing to flout.
> But love and I had the wit to win,
> We drew a circle that took them in!

That bit of verse (adapted from "Outwitted," a poem by Edwin Markham) was the key to Rittenberg's survival. "My God," he thought, "there's my strategy." He drew the prison

Geeks and Geezers

We didn't set out to learn about crucibles. Our research for this article and for our new book, *Geeks and Geezers,* was actually designed to uncover the ways that *era* influences a leader's motivation and aspirations. We interviewed 43 of today's top leaders in business and the public sector, limiting our subjects to people born in or before 1925, or in or after 1970. To our delight, we learned a lot about how age and era affect leadership style.

Our geeks and geezers (the affectionate shorthand we eventually used to describe the two groups) had very different ideas about paying your dues, work-life balance, the role of heroes, and more. But they also shared some striking similarities—among them a love of learning and strong sense of values. Most intriguing, though, both our geeks and our geezers told us again and again how certain experiences inspired them, shaped them, and, indeed, taught them to lead. And so, as the best research often does, our work turned out to be even more interesting than we thought it would be. We continued to explore the influences of era—our findings are described in our book—but at the same time we probed for stories of these crucible experiences. These are the stories we share with you here.

guards into his circle, developing relationships that would help him adapt to his confinement. Fluent in Chinese, he persuaded the guards to deliver him books and, eventually, provide a candle so that he could read. He also decided, after his first year, to devote himself to improving his mind—making it more scientific, more pure, and more dedicated to socialism. He believed that if he raised his consciousness, his captors would understand him better. And when, over time, the years in the dark began to take an intellectual toll on him and he found his reason faltering, he could still summon fairy tales and childhood stories such as *The Little Engine That Could* and take comfort from their simple messages.

By contrast, many of Rittenberg's fellow prisoners either lashed out in anger or withdrew. "They tended to go up the wall...They couldn't make it. And I think the reason was that they didn't understand...that happiness...is not a function of your circumstances; it's a function of your outlook on life."

Rittenberg's commitment to his ideals continued upon his release. His cell door opened suddenly in 1955, after his first six-year term in prison. He recounts, "Here was a representative of the central government telling me that I had been wronged, that the government was making a formal apology to me...and that they would do everything possible to make restitution." When his captors offered him money to start a new life in the United States or to travel in Europe, Rittenberg declined, choosing instead to stay in China and continue his work for the Communist Party.

And even after a second arrest, which put him into solitary confinement for ten years as

Reinvention in the Extreme: The Power of Neoteny

All of our interview subjects described their crucibles as opportunities for reinvention—for taking stock of their lives and finding meaning in circumstances many people would see as daunting and potentially incapacitating. In the extreme, this capacity for reinvention comes to resemble eternal youth—a kind of vigor, openness, and an enduring capacity for wonder that is the antithesis of stereotyped old age.

We borrowed a term from biology—"neoteny," which, according to the *American Heritage Dictionary,* means "retention of juvenile characteristics in the adults of a species"—to describe this quality, this delight in lifelong learning, which every leader we interviewed displayed, regardless of age. To a person, they were full of energy, curiosity, and confidence that the world is a place of wonders spread before them like an endless feast.

Robert Galvin, former Motorola chairman now in his late 70s, spends his weekends windsurfing. Arthur Levitt, Jr., former SEC chairman who turned 71 this year, is an avid Outward Bound trekker. And architect Frank Gehry is now a 72-year-old ice hockey player. But it's not only an affinity for physical activity that characterizes neoteny—it's an appetite for learning and self-development, a curiosity and passion for life.

To understand why this quality is so powerful in a leader, it might help to take a quick look at the scientific principle behind it—neoteny as an evolutionary engine. It is the winning, puppyish quality of certain ancient wolves that allowed them to evolve into dogs. Over thousands of years, humans favored wolves that were the friendliest, most approachable, and most curious. Naturally, people were most drawn to the wolves least likely to attack without warning, that readily locked eyes with them, and that seemed almost human in their eager response to people; the ones, in short, that stayed the most like puppies. Like human infants, they have certain physical qualities that elicit a nurturing response in human adults.

When infants see an adult, they often respond with a smile that begins small and slowly grows into a radiant grin that makes the adult feel at center of the universe. Recent studies of bonding indicate that nursing and other intimate interactions with an infant cause the mother's system to be flooded with oxytocin, a calming, feel-good hormone that is a powerful antidote to cortisol, the hormone produced by stress. Oxytocin appears to be the glue that produces bonding. And the baby's distinctive look and behaviors cause oxytocin to be released in the fortunate adult. That appearance—the one that pulls an involuntary "aaah" out of us whenever we see a baby—and those oxytocin-inducing behaviors allow infants to recruit adults to be their nurturers, essential if such vulnerable and incompletely developed creatures are to survive.

The power of neoteny to recruit protectors and nurturers was vividly illustrated in the former Soviet Union. Forty years ago, a Soviet scientist decided to start breeding silver foxes for neoteny at a Siberian fur farm. The goal was to create a tamer fox that would go with less fuss to slaughter than the typical silver fox. Only the least aggressive, most approachable animals were bred.

The experiment continued for 40 years, and today, after 35 generations, the farm is home to a breed of tame foxes that look and act more like juvenile foxes and even dogs than like their wild forebears. The physical changes in the animals are remarkable (some have floppy, dog-like ears), but what is truly stunning is the change neoteny has wrought in the human response to them. Instead of taking advantage of the fact that these neotenic animals don't snap and snarl on the way to their deaths, their human keepers appear to have been recruited by their newly cute and endearing charges. The keepers and the foxes appear to have formed close bonds, so close that the keepers are trying to find ways to save the animals from slaughter.

retaliation for his support of open democracy during the Cultural Revolution, Rittenberg did not allow his spirit to be broken. Instead, he used his time in prison as an opportunity to question his belief system—in particular, his commitment to Marxism and Chairman Mao. "In that sense, prison emancipated me," he says.

Rittenberg studied, read, wrote, and thought, and he learned something about himself in the process: "I realized I had this great fear of being a turncoat, which...was so powerful that it prevented me from even looking at [my assumptions]...Even to question was an act of betrayal. After I got out...the scales fell away from my eyes and I understood that...the basic doctrine of arriving at democracy through dictatorship was wrong."

What's more, Rittenberg emerged from prison certain that absolutely nothing in his professional life could break him and went on to start a company with his wife. Rittenberg Associates is a consulting firm dedicated to developing business ties between the United States and China. Today, Rittenberg is as committed to his ideals—if not to his view of the best way to get there—as he was 50 years ago, when he was so severely tested.

Fortunately, not all crucible experiences are traumatic. In fact, they can involve a positive, if deeply challenging, experience such as having a demanding boss or mentor.

Meeting Great Expectations

Fortunately, not all crucible experiences are traumatic. In fact, they can involve a positive, if deeply challenging, experience such as having a demanding boss or mentor. Judge Nathaniel R. Jones of the U.S. Court of Appeals for the Sixth Circuit, for instance, attributes much of his success to his interaction with a splendid mentor. That mentor was J. Maynard Dickerson, a successful attorney—the first black city prosecutor in the United States—and editor of a local African-American newspaper.

Dickerson influenced Jones at many levels. For instance, the older man brought Jones behind the scenes to witness firsthand the great civil rights struggle of the 1950s, inviting him to sit in on conversations with activists like Thurgood Marshall, Walter White, Roy Wilkins, and Robert C. Weaver. Says Jones, "I was struck by their resolve, their humor...and their determination not to let the system define them. Rather than just feel beaten down, they turned it around." The experience no doubt influenced the many important opinions Judge Jones has written in regard to civil rights.

Dickerson was both model and coach. His lessons covered every aspect of Jones's intellectual growth and presentation of self, including schooling in what we now call "emotional intelligence." Dickerson set the highest standards for Jones, especially in the area of communication skills—a facility we've found essential to leadership. Dickerson edited Jones's early attempts at writing a sports column with respectful ruthlessness, in red ink, as Jones remembers to this day—marking up the copy so that it looked, as Jones says, "like something chickens had a fight over." But Dickerson also took the time to explain every single mistake and why it mattered.

His mentor also expected the teenage Jones to speak correctly at all times and would hiss discreetly in his direction if he stumbled. Great expectations are evidence of great respect, and as Jones learned all the complex, often subtle lessons of how to succeed, he was motivated in no small measure by his desire not to disappoint the man he still calls "Mr. Dickerson." Dickerson gave Jones the kind of intensive mentoring that was tantamount to grooming him for a kind of professional and moral succession—and Jones has indeed become an instrument for the profound societal change for which Dickerson fought so courageously as well. Jones found life-changing meaning in the attention Dickerson paid to him—attention fueled by a conviction that he, too, though only a teenager, had a vital role to play in society and an important destiny.

Another story of a powerful mentor came to us from Michael Klein, a young man who made millions in Southern California real estate while still in his teens, only to lose it by the time he turned 20 and then go on to start several other businesses. His mentor was his grandfather Max S. Klein, who created the paint-by-numbers fad that swept the United States in the 1950s and 1960s. Klein was only four or five years old when his grandfather approached him and offered to share his business expertise. Over the years, Michael Klein's grandfather taught him to learn from and to cope with change, and the two spoke by phone for an hour every day until shortly before Max Klein's death.

The Essentials of Leadership

In our interviews, we heard many other stories of crucible experiences. Take Jack Coleman, 78-year-old former president of Haverford College in Pennsylvania. He told us of one day, during the Vietnam War, when he heard that a group of students was planning to pull down the American flag and burn it—and that former members of the school's football team were going to make sure the students didn't succeed. Seemingly out of nowhere, Coleman had the idea to preempt the violence by suggesting that the protesting students take down the flag, wash it, and then put it back up—a crucible moment that even now elicits tremendous emotion in Coleman as he describes that day.

There's also Common Cause founder John W. Gardner, who died earlier this year at 89. He identified his arduous training as a Marine during World War II as the crucible in which his leadership abilities emerged. Architect Frank Gehry spoke of the biases he experienced as a Jew in college. Jeff Wilke, a general manager at a major manufacturer, told us of the day he learned that an employee had been killed in his plant—an experience that taught him that leadership was about much more than making quarterly numbers.

So, what allowed these people to not only cope with these difficult situations but also learn from them? We believe that great leaders possess four essential skills, and, we were surprised to learn, these happen to be the same skills that allow a person to find meaning in what could be a debilitating experience. First is the ability to engage others in shared meaning. Consider Sidney Harman, who dived into a chaotic work environment to mobilize employees around an entirely new approach to management. Second is a distinctive and compelling voice. Look at Jack Coleman's ability to defuse a potentially violent situation with only his words. Third is a sense of integrity (including a strong set of values). Here, we point again to Coleman, whose values prevailed even during the emotionally charged clash between peace demonstrators and the angry (and strong) former football team members.

But by far the most critical skill of the four is what we call "adaptive capacity." This is, in essence, applied creativity—an almost magical ability to transcend adversity, with all its attendant stresses, and to emerge stronger than before. It's composed of two primary qualities: the ability to grasp context, and hardiness. The ability to grasp context implies an ability to weigh a welter of factors, ranging from how very different groups of people will interpret a gesture to being able to put a situation in perspective. Without this, leaders are utterly lost, because they cannot connect with their constituents. M. Douglas Ivester, who succeeded Roberto Goizueta at Coca-Cola, exhibited a woeful inability to grasp context, lasting just 28 months on the job. For example, he demoted his highest-ranked African-American employee even as the company was losing a $200 million class-action suit brought by black employees—and this in Atlanta, a city with a powerful African-American majority. Contrast Ivester with Vernon Jordan. Jordan realized his boss's time was up—not just his time in power, but the era that formed him. And so Jordan was able to see past the insults and recognize his boss's bitterness for what it was—desperate lashing out.

Hardiness is just what it sounds like—the perseverance and toughness that enable people to emerge from devastating circumstances without losing hope. Look at Michael Klein, who experienced failure but didn't let it defeat him. He found himself with a single asset—a tiny software company he'd acquired. Klein built it into Transoft Networks, which Hewlett-Packard acquired in 1999. Consider, too, Mickie Siebert, who used her sense of humor to curtail offensive conversations. Or Sidney Rittenberg's strength during his imprisonment. He drew on his personal memories and inner strength to emerge from his lengthy prison term without bitterness.

It is the combination of hardiness and ability to grasp context that, above all, allows a person to not only survive an ordeal, but to learn from it, and to emerge stronger, more engaged, and more committed than ever. These attributes allow leaders to grow from their crucibles, instead of being destroyed by them—to find opportunity where others might find only despair. This is the stuff of true leadership.

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Crucibles of Leadership

Further Reading

ARTICLES

Level 5 Leadership: The Triumph of Humility and Fierce Resolve
by Jim Collins
Harvard Business Review
January 2001
Product no. R0507M

The intense self-reflection and transformation that accompany crucible experiences can nurture the seed of what Collins defines as **Level 5 leadership**—the rare ability to boost companies to greatness *and* keep them there. Level 5 leaders blend the paradoxical combination of *deep personal humility* with *intense professional will.* One of the key characteristics of Level 5 leaders is their ability to deal with the brutal facts of reality—while maintaining absolute faith that they will prevail.

A Survival Guide for Leaders
by Ronald A. Heifetz and Marty Linsky
Harvard Business Review
June 2002
Product no. R0206C

If you emerge stronger from a crucible experience, you may encounter the darker side of leadership: the inevitable attempts by change-resistant followers to derail you. Change is painful, and some people try to ease the pain by removing change's agent: you.

How to counteract resistance? First, **manage your environment**—your organization and its people. For example, operate both in *and* above the fray, asking "What's really going on? Who's defending the status quo?" And keep the "heat" high enough to motivate, but low enough to prevent explosions. Second, **manage your vulnerabilities**. Resist the urge to establish order and control for their own sake. And anchor yourself with daily routines that help you recalibrate, as well as confidants who support you.

BOOK

Geeks and Geezers: How Era, Values, and Defining Moments Shape Leaders
by Warren G. Bennis and Robert J. Thomas
Harvard Business School Press
2002
Product no. 5823

This book expands on the ideas in "Crucibles of Leadership " article, introducing readers to forty-three leaders who have experienced crucibles. In particular, it compares the transformative experiences of two groups: *geeks* and *geezers.* Geeks are accomplished leaders between the ages of 21 and 35; geezers are between the ages of 70 and 93 and still contributing significantly to professions, industries or society.

The authors explore how key events in these individuals' times—such as World War II or the dot-com Internet explosion—challenged them and opened them to new ways of seeing the world, of leading, and of being successful, healthy human beings. The book's many stories can help you define your own best strategies for leading and learning for a lifetime.

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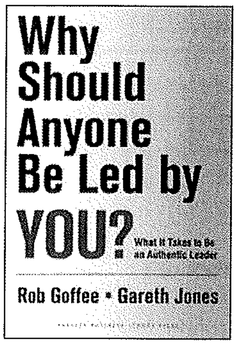

Why Should Anyone Be Led by You?

What It Takes to Be an Authentic Leader

by Rob Goffee and Gareth Jones

Focus

- Communication
- Finance & Accounting
- Global Business
- Innovation & Entrepreneurship
- **Leadership**
- Management
- Organizational Development
- Sales & Marketing
- Strategy
- Technology & Operations

Take-Aways

- Leaders must be authentically true to themselves, unafraid to express both their strengths and their weaknesses.
- Today's society presents obstacles to authentic self-expression.
- Perhaps the greatest qualification of a leader is the ability to sense a situation and know where the wind is blowing.
- Hierarchy is neither necessary nor sufficient to create a leader.
- Great leaders use great stories to communicate with their followers. Logical analysis does not excite people.
- There are no leaders without followers; leadership depends on relationships.
- Yet, leaders must carefully manage the balance between closeness and distance.
- Followers also should not be uncritically dedicated to their leaders.
- Good followers tell the truth, no matter what the leader wants to hear.
- Even great leaders can fail to deliver business results. It is a mistake to suppose that bottom line results prove the quality of leadership.

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Relevance

What You Will Learn

In this Abstract, you will learn: 1) How to pursue authenticity in leadership; 2) Why that matters; and 3) How followers affect leaders.

Overview

Authors Rob Goffee and Gareth Jones do not believe that leadership is a matter of adopting a one-size-fits-all characteristic or technique. They emphasize leadership's situational and individual nature, and explain why leaders must be honest and authentic. They also cover how followers shape and influence leaders, and why leaders need dedicated – but not blindly devoted – followers. They counsel leaders that followers are more likely to respond to engrossing storytelling than to local analysis. The authors infer some basic principles for authenticity and leadership from a body of empirical observation and interviews, including focused anecdotes showing good leaders in action. They also voice the insight that even great leadership may not lead to good business results. In fact, they find that an excessive emphasis on results is one of the great obstacles to authentic, moral leadership.

Abstract

The Importance of Authenticity

The search for authenticity is part of the character of our time. Reality TV is only one sign that people seek genuineness. Perhaps people seek authentic leaders because society makes it so hard for them to be themselves. Three pervasive problems contribute to this issue:

"There is evidence of the desire for authenticity all around us in popular culture. The seemingly inexorable rise of reality TV (a truly Orwellian phrase as participants are manipulated for an anonymous and isolated audience of voyeurs) is one manifestation."

1. Individualism – Rampant individualism has replaced authentic self-expression with mere selfishness. To know who is authentic, human beings need a standard of common moral values. The great corporate scandals, such as Enron's fall, have shown the difference between narcissism and authentic leadership.
2. Instrumental reason – Philosopher Max Weber called this mode of thought "technical rationality." It refers to amoral reasoning, based on rationales with no moral context. This point of view sees workers as mere production materials and workplaces as soulless machines whose only aim is conformity.
3. The decline of civil society – Social bonds seem to be unraveling. Today's society is characterized by dwindling membership in clubs and other informal institutions.

Workplace hierarchies that once provided stability and organizational boundaries are disappearing. Career security is not what it once was. People no longer can rely on organizations or institutions. Cynicism about companies and government is hard to rebut. People do not know what they believe and may even think it is folly to believe anything. In this context, people turn to their leaders to provide sureness and stability by demonstrating authenticity. That is difficult for two reasons:

"There are no universal leadership characteristics. What works for one leader will not work for another."

1. Organizational structures – The internal structure of many organizations encourages inauthenticity, role playing and conformity, all contrary to authentic leadership.
2. Leadership recipes – Much of the common wisdom and literature on leadership suggests that some general leadership characteristics will work in any circumstance.

Leaders do not have universal characteristics. Instead, leadership rests on three axioms:

1. Leadership depends on the situation – Winston Churchill was a great leader during World War II, but not after the War. Because the quality of leadership depends on the leader's context, his or her ability to get the sense of a situation is fundamental. Leaders may change settings, but they must fully understand their new circumstances.
2. Leadership does not derive from or depend upon a hierarchy – Hierarchy is unnecessary to a leader and does not in itself make leadership possible. Military units may have a hierarchy, but they do not depend on the hierarchy for leadership. Since an attack could eliminate the hierarchy, military units develop leaders at every level.
3. Leadership requires followers – Leadership is the essence of a mutual relationship between leaders and followers. Leaders must know how to motivate their followers.

Authentic leaders are consistent. Their words match their deeds. They know who they are. Even though they let people know their weaknesses, as well as their strengths, they are comfortable in their own skins. Authentic leaders know the factors that make them different and use their differences effectively, guided by their sense of situation. They develop this awareness, in part, by paying attention to feedback from others in their environment. They know how to construct and develop close relationships, and when and how to use distance. Leaders control the tension between individualism and conformity, and use it to inspire their followers.

Of course, not everyone wants to be a leader. Leadership takes sacrifice, willpower, fortitude and perseverance. Moreover, good leaders may not always deliver good results in terms of standard business metrics. Leadership is about meaning, not about the bottom line. In fact, a focus on business results is one reason why the moral aspect of leadership seems to get short shrift in many contemporary organizations.

Know Yourself

Everything leaders do depends on context and self-knowledge. To be yourself, you must know who you really are, even in organizational settings that make it difficult for people to express themselves authentically. Many people just go through the motions at work, playing roles and conforming as required by their jobs, and saving their authentic selves for their friends and family.

Authentic leaders know enough about themselves to understand how much self-expression is effective in their specific contexts and when to shield themselves. Sir Richard Branson of Virgin emphasizes his difference with long hair and a beard. President Bill Clinton had a distinctive handshake, holding the hand he was shaking just a little bit longer than expected. Sony founder Akio Morita challenged Japanese convention with new ideas about education and economic relations between Japan and the U.S. However, not all leaders are as vocal or flamboyant. Darwin E. Smith, the late CEO of Kimberly-Clark, dressed unfashionably and did not seek the limelight, yet the company performed splendidly under his stewardship. Leaders use their personal strengths and weaknesses to do their jobs. Thus, it makes no sense for a leader to imitate other leaders, no matter how accomplished they are. Instead, leaders and aspiring leaders should:

- Do something different – Discover your true self by changing your routines and getting out of your comfort zone.
- Seek feedback and constructive criticism – Ask friends and family for the truth.
- Consider your life story – Know where you came from and the experiences that made you who you are.
- Go back to your roots – Spend time with people who knew you back in the day.
- Relax with friends – Develop a "third place" beyond work and home.

"Followers demand authenticity. We want our leaders to show us who they are – to reveal some of their real human differences."

"Leadership begins with you – and you will not succeed as a leader unless you have some sense of who you are."

"You can't fake sincerity."

"Knowing yourself, being yourself and disclosing yourself are vital ingredients of effective leadership."

Take Risks in Context

Leaders need to take risks, and the most intimidating risk can be simply showing one's weaknesses to others. Yet, leaders new to their roles must be selective about what weaknesses they show, and when. It takes a keen sense of the situation to make this judgment. Weaknesses can humanize the leader – but only when the situation is right.

"Unless you are clear about your purpose and your values, and are doing something that you really care about, it is difficult to act as a leader."

Followers must understand that their leaders care more about their shared mission than about the individual reputations. Leaders may challenge organizational habits and conventional thinking because their purpose is not to please people, but to provide what people need. To do this, they take risks, betting their images against their success. Unless leaders really care intensely about what they are doing, authentic leadership is extremely difficult.

Leadership always depends on context and situation. Skilled leaders are realistic and know which way the wind blows in their organizations. They watch closely for small signals of mood and morale. They have a chameleon-like ability to adapt to situations. But, they are not passive. They can change their situations and they can determine which elements of their context to prioritize.

"People are complicated and we never know them completely. Exploring their underlying motives is always an approximation, but is vital for effective leadership."

Leaders should analyze their organizations and their constraints, their teams and the people who shape their results. Preferably, a leader should collect the data for this analysis informally and indirectly. Then, the leader can diagram the network of people (i.e., employees, customers and higher-ups) who can affect his or her performance. To do this analysis, the leader needs to know about group dynamics, including how teams form and work, and what causes them not to work. Today's communication technology complicates the task of leading dispersed teams. For instance, videoconferencing is not a substitute for face-to-face meetings. Leaders need to get their teams together so people can form relationships.

"The leader interacts with individual followers but also critically with followers as collectives – social groups and teams."

Leaders with a good sense of their situations will conform just enough and no more. Leaders must adapt to their context, but that does not mean letting circumstances dominate them. Robert Horton was CEO of BP for three years. He had ideas for needed changes, but he couldn't bring his followers along because his autocratic style conflicted with BP's culture. Durk Jager had a similar problem at P&G. In his 18 months at the helm, he tried to make big changes fast. His successor, A.G. Laffley, who proceeded more slowly and with due deference to the corporate culture, managed to implement changes that were just as radical as Jager's proposals. Such success requires situation sense and the ability to understand the organization.

"In many respects, some of the most spectacular collapses of companies in the 1990s were associated with 'star' cultures that celebrated individual high achievers and ignored...regular performers who helped sustain the business day in and day out."

Closeness and Distance

As hierarchies flatten, leaders must use distance strategically. Leaders need to distance themselves from their followers to get a bird's eye view of their organizations as a whole and in relation to other organizations. Yet leaders must stay close enough to their followers to have an insider's understanding. Charles de Gaulle wrote eloquently of distance, saying, "In the designs, the demeanor and the mental operations of a leader there must always be 'something' which others cannot altogether fathom, which puzzles them, stirs them and rivets their attention." Distance matters greatly when leaders address performance problems. To establish distance, use such signals as formal language, short sentences, imperatives or long silences.

Closeness is particularly valuable for leaders who are creating teams, coaching or working in other contexts that require a degree of intimacy. Leaders need closeness to establish trust, and they need trust to get the truth, not just superficial friendliness. Authenticity is especially necessary when the leader is trying to get close to people, but maintain a balance. False closeness is particularly off-putting, but too much closeness may put a leader's authority in doubt.

"Leaders put themselves on the line and take personal risks in an array of challenging settings. They risk themselves and thereby earn respect."

Communication

Leadership depends on relationships, which depend on communication. Leaders need to pick the right channels for communication and the right content. Some do better in formal settings, others in intimate face-to-face exchanges. While logic and reason are important in analyzing strategies and options, they seldom motivate and excite followers as much as stories and narratives. The best stories involve people in a conflict, a challenge and the pursuit of a goal. A leader may use humor, personal experience, an analogy or any other narrative device that evokes an emotional response. The leader's story may refer to well-known archetypes, such as the David and Goliath metaphor that echoes in Steve Jobs' description of Apple's position. Timing is critical. Leaders must tell the right stories at the right time.

"Charles de Gaulle poignantly observed of those who aspire to lead, 'The price they have to pay for leadership is unceasing self-discipline, the constant taking of risks and perpetual inner struggle…whence that vague sense of melancholy which hangs about the skirts of majesty'."

Fast decision making is not necessarily good in all circumstances. It may be particularly risky when a leader wants to implement major change. Before making such a move, the leader needs to sense the situation, communicate the need for change and the desirability of the new vision, and let people know what actions they can take to move toward the goal.

Followership Is Part of Leadership

Leaders can't exist without followers, who demand:

- "Authenticity" – Inauthentic leaders are damaged goods.
- "Significance" – Followers need to know that their contribution matters.
- "Excitement" – Followers want to be turned on and enthused.
- "Community" – Followers want to be part of something bigger than themselves, to be in solidarity with others and to have a social experience.

Followers can make or break a leader. Good followers tell the truth, no matter how unpleasant. They fill in where the leader is weak. They understand how change happens. They grasp, to some degree, the pressures on the leader. They are patient. Even with good followers, leadership isn't easy and even excellent authentic leadership doesn't always lead to bottom line success. Yet, true leadership must have a goal. Choosing that goal is an ethical challenge. Leaders can do much evil, even in the pursuit of good. To establish leadership's true "shared moral values," heed this principle, as enunciated by Immanuel Kant: "Always regard every man as an end in himself, and never use him merely as a means to your ends."

"Be yourselves… with skill."

About The Authors

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Leadership That Gets Results

by Daniel Goleman

Harvard Business Review

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New research suggests
that the most effective executives
use a collection of distinct leadership styles –
each in the right measure, at just the right time.
Such flexibility is tough to put into action, but it pays
off in performance. And better yet,
it can be learned.

LEADERSHIP THAT GETS RESULTS

by Daniel Goleman

ASK ANY GROUP of businesspeople the question "What do effective leaders do?" and you'll hear a sweep of answers. Leaders set strategy; they motivate; they create a mission; they build a culture. Then ask "What *should* leaders do?" If the group is seasoned, you'll likely hear one response: the leader's singular job is to get results.

But how? The mystery of what leaders can and ought to do in order to spark the best performance from their people is age-old. In recent years, that mystery has spawned an entire cottage industry: literally thousands of "leadership experts" have made careers of testing and coaching executives, all in pursuit of creating businesspeople who can turn bold objectives – be they strategic, financial, organizational, or all three – into reality.

Still, effective leadership eludes many people and organizations. One reason is that until recently, virtually no quantitative research has demonstrated which precise leadership behaviors yield positive results. Leadership experts proffer advice based on inference, experience, and instinct. Sometimes that advice is right on target; sometimes it's not.

But new research by the consulting firm Hay/McBer, which draws on a random sample of 3,871 executives selected from a database of more than 20,000 executives worldwide, takes much of the mystery out of effective leadership. The research found six distinct leadership styles, each springing from different components of emotional intelligence. The styles, taken individually, appear to have a direct and unique impact on the working atmosphere of a company, division, or team, and in turn, on its financial performance. And perhaps most important, the research indicates that leaders with the best results do not rely on only one leadership style; they use most of them in a given week – seamlessly and in different measure – depending on the

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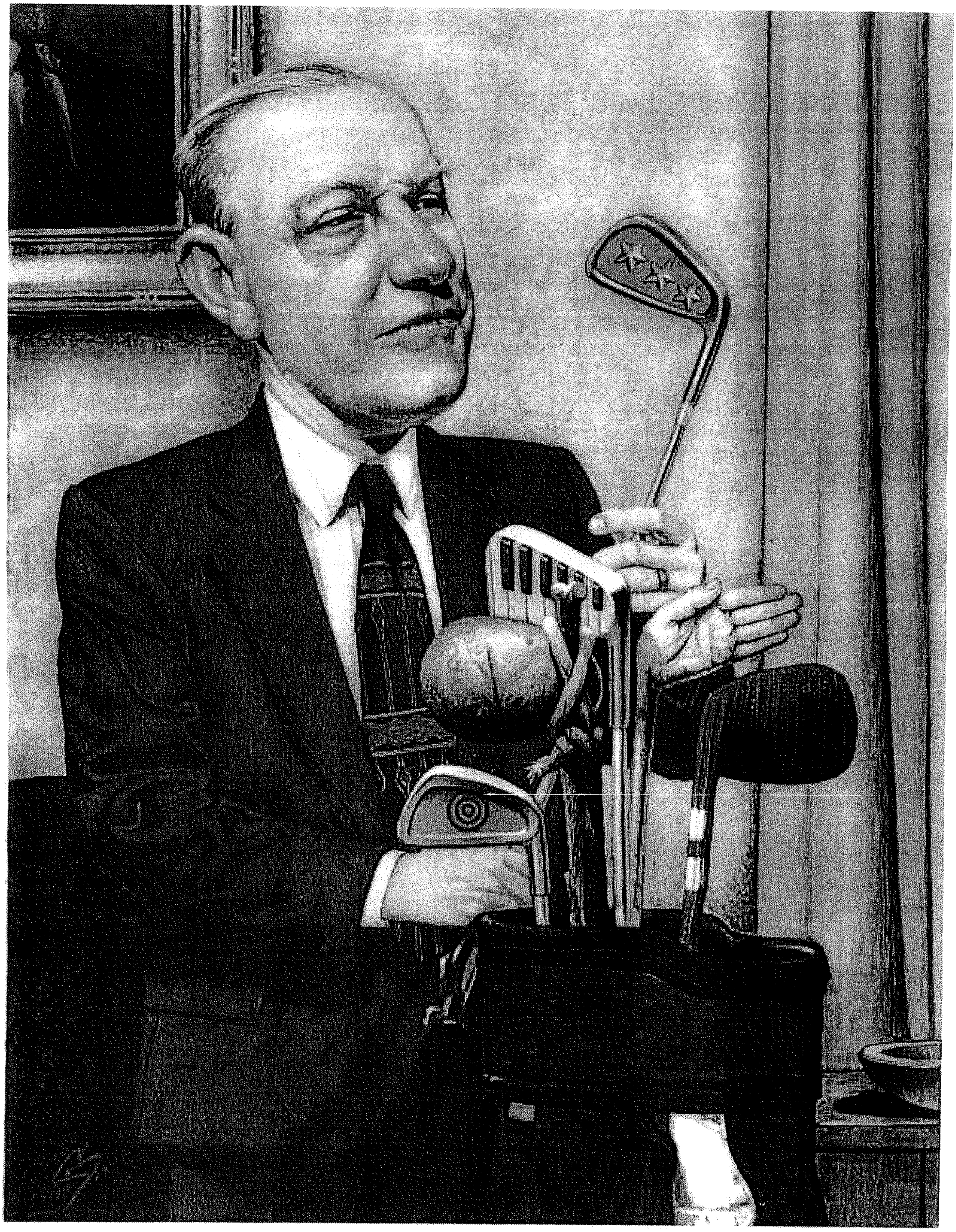

Emotional Intelligence: A Primer

Emotional intelligence – the ability to manage ourselves and our relationships effectively – consists of four fundamental capabilities: self-awareness, self-management, social awareness, and social skill. Each capability, in turn, is composed of specific sets of competencies. Below is a list of the capabilities and their corresponding traits.

Self-Awareness

- *Emotional self-awareness:* the ability to read and understand your emotions as well as recognize their impact on work performance, relationships, and the like.
- *Accurate self-assessment:* a realistic evaluation of your strengths and limitations.
- *Self-confidence:* a strong and positive sense of self-worth.

Self-Management

- *Self-control:* the ability to keep disruptive emotions and impulses under control.
- *Trustworthiness:* a consistent display of honesty and integrity.
- *Conscientiousness:* the ability to manage yourself and your responsibilities.
- *Adaptability:* skill at adjusting to changing situations and overcoming obstacles.
- *Achievement orientation:* the drive to meet an internal standard of excellence.
- *Initiative:* a readiness to seize opportunities.

Social Awareness

- *Empathy:* skill at sensing other people's emotions, understanding their perspective, and taking an active interest in their concerns.
- *Organizational awareness:* the ability to read the currents of organizational life, build decision networks, and navigate politics.
- *Service orientation:* the ability to recognize and meet customers' needs.

Social Skill

- *Visionary leadership:* the ability to take charge and inspire with a compelling vision.
- *Influence:* the ability to wield a range of persuasive tactics.
- *Developing others:* the propensity to bolster the abilities of others through feedback and guidance.
- *Communication:* skill at listening and at sending clear, convincing, and well-tuned messages.
- *Change catalyst:* proficiency in initiating new ideas and leading people in a new direction.
- *Conflict management:* the ability to de-escalate disagreements and orchestrate resolutions.
- *Building bonds:* proficiency at cultivating and maintaining a web of relationships.
- *Teamwork and collaboration:* competence at promoting cooperation and building teams.

business situation. Imagine the styles, then, as the array of clubs in a golf pro's bag. Over the course of a game, the pro picks and chooses clubs based on the demands of the shot. Sometimes he has to ponder his selection, but usually it is automatic. The pro senses the challenge ahead, swiftly pulls out the right tool, and elegantly puts it to work. That's how high-impact leaders operate, too.

What are the six styles of leadership? None will shock workplace veterans. Indeed, each style, by name and brief description alone, will likely resonate with anyone who leads, is led, or as is the case with most of us, does both. *Coercive leaders* demand immediate compliance. *Authoritative leaders* mobilize people toward a vision. *Affiliative leaders* create emotional bonds and harmony. *Democratic leaders* build consensus through participation. *Pacesetting leaders* expect excellence and self-direction. And *coaching leaders* develop people for the future.

Close your eyes and you can surely imagine a colleague who uses any one of these styles. You most likely use at least one yourself. What is new in this research, then, is its implications for action. First, it offers a fine-grained understanding of how different leadership styles affect performance and results. Second, it offers clear guidance on when a manager should switch between them. It also strongly suggests that switching flexibly is well advised. New, too, is the research's finding that each leadership style springs from different components of emotional intelligence.

Measuring Leadership's Impact

It has been more than a decade since research first linked aspects of emotional intelligence to business results. The late David McClelland, a noted Harvard University psychologist, found that leaders with strengths in a critical mass of six or more emotional intelligence competencies were far more effective than peers who lacked such strengths. For

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instance, when he analyzed the performance of division heads at a global food and beverage company, he found that among leaders with this critical mass of competence, 87% placed in the top third for annual salary bonuses based on their business performance. More telling, their divisions on average outperformed yearly revenue targets by 15% to 20%. Those executives who lacked emotional intelligence were rarely rated as outstanding in their annual performance reviews, and their divisions underperformed by an average of almost 20%.

Our research set out to gain a more molecular view of the links among leadership and emotional intelligence, and climate and performance. A team of McClelland's colleagues headed by Mary Fontaine and Ruth Jacobs from Hay/McBer studied data about or observed thousands of executives, noting specific behaviors and their impact on climate.[1] How did each individual motivate direct reports? Manage change initiatives? Handle crises? It was in a later phase of the research that we identified which emotional intelligence capabilities drive the six leadership styles. How does he rate in terms of self-control and social skill? Does a leader show high or low levels of empathy?

The team tested each executive's immediate sphere of influence for its climate. "Climate" is not an amorphous term. First defined by psychologists George Litwin and Richard Stringer and later refined by McClelland and his colleagues, it refers to six key factors that influence an organization's working environment: its *flexibility* – that is, how free employees feel to innovate unencumbered by red tape; their sense of *responsibility* to the organization; the level of *standards* that people set; the sense of accuracy about performance feedback and aptness of *rewards*; the *clarity* people have about mission and values; and finally, the level of *commitment* to a common purpose.

We found that all six leadership styles have a measurable effect on each aspect of climate. (For details, see the exhibit "Getting Molecular: The Impact of Leadership Styles on Drivers of Climate.") Further, when we looked at the impact of climate on financial results – such as return on sales, revenue growth, efficiency, and profitability – we found a direct correlation between the two. Leaders who used styles that positively affected the climate had decidedly better financial results than those who did not. That is not to say that organizational climate is the only driver of performance. Economic conditions

Getting Molecular: The Impact of Leadership Styles on Drivers of Climate

Our research investigated how each leadership style affected the six drivers of climate, or working atmosphere. The figures below show the correlation between each leadership style and each aspect of climate. So, for instance, if we look at the climate driver of flexibility, we see that the coercive style has a -.28 correlation while the democratic style has a .28 correlation, equally strong in the opposite direction. Focusing on the authoritative leadership style, we find that it has a .54 correlation with rewards – strongly positive – and a .21 correlation with responsibility – positive, but not as strong. In other words, the style's correlation with rewards was more than twice that with responsibility.

According to the data, the authoritative leadership style has the most positive effect on climate, but three others – affiliative, democratic, and coaching – follow close behind. That said, the research indicates that no style should be relied on exclusively, and all have at least short-term uses.

	Coercive	Authoritative	Affiliative	Democratic	Pacesetting	Coaching
Flexibility	-.28	.32	.27	.28	-.07	.17
Responsibility	-.37	.21	.16	.23	.04	.08
Standards	.02	.38	.31	.22	-.27	.39
Rewards	-.18	.54	.48	.42	-.29	.43
Clarity	-.11	.44	.37	.35	-.28	.38
Commitment	-.13	.35	.34	.26	-.20	.27
Overall impact on climate	**-.26**	**.54**	**.46**	**.43**	**-.25**	**.42**

The Six Leadership Styles at a Glance

Our research found that leaders use six styles, each springing from different components of emotional intelligence. Here is a summary of the styles, their origin, when they work best, and their impact on an organization's climate and thus its performance.

	Coercive	Authoritative
The leader's modus operandi	Demands immediate compliance	Mobilizes people toward a vision
The style in a phrase	"Do what I tell you."	"Come with me."
Underlying emotional intelligence competencies	Drive to achieve, initiative, self-control	Self-confidence, empathy, change catalyst
When the style works best	In a crisis, to kick start a turnaround, or with problem employees	When changes require a new vision, or when a clear direction is needed
Overall impact on climate	Negative	Most strongly positive

and competitive dynamics matter enormously. But our analysis strongly suggests that climate accounts for nearly a third of results. And that's simply too much of an impact to ignore.

The Styles in Detail

Executives use six leadership styles, but only four of the six consistently have a positive effect on climate and results. Let's look then at each style of leadership in detail. (For a summary of the material that follows, see the chart "The Six Leadership Styles at a Glance.")

The Coercive Style. The computer company was in crisis mode – its sales and profits were falling, its stock was losing value precipitously, and its shareholders were in an uproar. The board brought in a new CEO with a reputation as a turnaround artist. He set to work chopping jobs, selling off divisions, and making the tough decisions that should have been executed years before. The company was saved, at least in the short-term.

From the start, though, the CEO created a reign of terror, bullying and demeaning his executives, roaring his displeasure at the slightest misstep. The company's top echelons were decimated not just by his erratic firings but also by defections. The CEO's direct reports, frightened by his tendency to blame the bearer of bad news, stopped bringing him any news at all. Morale was at an all-time low – a fact reflected in another downturn in the business after the short-term recovery. The CEO was eventually fired by the board of directors.

It's easy to understand why of all the leadership styles, the coercive one is the least effective in most situations. Consider what the style does to an organization's climate. Flexibility is the hardest hit. The leader's extreme top-down decision making kills new ideas on the vine. People feel so disrespected that they think, "I won't even bring my ideas up – they'll only be shot down." Likewise, people's sense of responsibility evaporates: unable to act on their own initiative, they lose their sense of ownership and feel little accountability for their performance. Some become so resentful they adopt the attitude, "I'm not going to help this bastard."

Coercive leadership also has a damaging effect on the rewards system. Most high-performing workers are motivated by more than money – they seek the satisfaction of work well done. The coercive style erodes such pride. And finally, the style undermines one of the leader's prime tools – motivating people by showing them how their job fits into a grand, shared mission. Such a loss, measured in terms of diminished clarity and commitment, leaves people alienated from their own jobs, wondering, "How does any of this matter?"

Given the impact of the coercive style, you might assume it should never be applied. Our research, however, uncovered a few occasions when it worked masterfully. Take the case of a division president who was brought in to change the direction of a food company that was losing money. His first act was to have the executive conference room demolished. To him, the room – with its long marble table that looked like "the deck of the Starship Enterprise" – symbolized the tradition-bound formality that was paralyzing the company. The destruction of the room, and the subsequent move to a smaller, more informal setting, sent a message no one could

Affiliative	Democratic	Pacesetting	Coaching
Creates harmony and builds emotional bonds	Forges consensus through participation	Sets high standards for performance	Develops people for the future
"People come first."	"What do you think?"	"Do as I do, now."	"Try this."
Empathy, building relationships, communication	Collaboration, team leadership, communication	Conscientiousness, drive to achieve, initiative	Developing others, empathy, self-awareness
To heal rifts in a team or to motivate people during stressful circumstances	To build buy-in or consensus, or to get input from valuable employees	To get quick results from a highly motivated and competent team	To help an employee improve performance or develop long-term strengths
Positive	Positive	Negative	Positive

miss, and the division's culture changed quickly in its wake.

That said, the coercive style should be used only with extreme caution and in the few situations when it is absolutely imperative, such as during a turnaround or when a hostile takeover is looming. In those cases, the coercive style can break failed business habits and shock people into new ways of working. It is always appropriate during a genuine emergency, like in the aftermath of an earthquake or a fire. And it can work with problem employees with whom all else has failed. But if a leader relies solely on this style or continues to use it once the emergency passes, the long-term impact of his insensitivity to the morale and feelings of those he leads will be ruinous.

The Authoritative Style. Tom was the vice president of marketing at a floundering national restaurant chain that specialized in pizza. Needless to say, the company's poor performance troubled the senior managers, but they were at a loss for what to do. Every Monday, they met to review recent sales, struggling to come up with fixes. To Tom, the approach didn't make sense. "We were always trying to figure out why our sales were down last week. We had the whole company looking backward instead of figuring out what we had to do tomorrow."

Tom saw an opportunity to change people's way of thinking at an off-site strategy meeting. There, the conversation began with stale truisms: the company had to drive up shareholder wealth and increase return on assets. Tom believed those concepts didn't have the power to inspire a restaurant manager to be innovative or to do better than a good-enough job.

So Tom made a bold move. In the middle of a meeting, he made an impassioned plea for his colleagues to think from the customer's perspective. Customers want convenience, he said. The company was not in the restaurant business, it was in the business of distributing high-quality, convenient-to-get pizza. That notion – and nothing else – should drive everything the company did.

With his vibrant enthusiasm and clear vision – the hallmarks of the authoritative style – Tom filled a leadership vacuum at the company. Indeed, his concept became the core of the new mission statement. But this conceptual breakthrough was just the beginning. Tom made sure that the mission statement was built into the company's strategic planning process as the designated driver of growth. And he ensured that the vision was articulated so that local restaurant managers understood they were the key to the company's success and were free to find new ways to distribute pizza.

Changes came quickly. Within weeks, many local managers started guaranteeing fast, new delivery times. Even better, they started to act like entrepreneurs, finding ingenious locations to open new branches: kiosks on busy street corners and in bus and train stations, even from carts in airports and hotel lobbies.

Tom's success was no fluke. Our research indicates that of the six leadership styles, the authoritative one is most effective, driving up every aspect of climate. Take clarity. The authoritative leader is a visionary; he motivates people by making clear to them how their work fits into a larger vision for the organization. People who work for such leaders understand that what they do matters and why.

Authoritative leadership also maximizes commitment to the organization's goals and strategy. By framing the individual tasks within a grand vision, the authoritative leader defines standards that revolve around that vision. When he gives performance feedback – whether positive or negative – the singular criterion is whether or not that performance furthers the vision. The standards for success are clear to all, as are the rewards. Finally, consider the style's impact on flexibility. An authoritative leader states the end but generally gives people plenty of leeway to devise their own means. Authoritative leaders give people the freedom to innovate, experiment, and take calculated risks.

Because of its positive impact, the authoritative style works well in almost any business situation. But it is particularly effective when a business is adrift. An authoritative leader charts a new course and sells his people on a fresh long-term vision.

The authoritative style, powerful though it may be, will not work in every situation. The approach fails, for instance, when a leader is working with a team of experts or peers who are more experienced than he is; they may see the leader as pompous or out-of-touch. Another limitation: if a manager trying to be authoritative becomes overbearing, he can undermine the egalitarian spirit of an effective team. Yet even with such caveats, leaders would be wise to grab for the authoritative "club" more often than not. It may not guarantee a hole in one, but it certainly helps with the long drive.

The Affiliative Style. If the coercive leader demands, "Do what I say," and the authoritative urges, "Come with me," the affiliative leader says, "People come first." This leadership style revolves around people – its proponents value individuals and their emotions more than tasks and goals. The affiliative leader strives to keep employees happy and to create harmony among them. He manages by building strong emotional bonds and then reaping the benefits of such an approach, namely fierce loyalty. The style also has a markedly positive effect on communication. People who like one another a lot talk a lot. They share ideas; they share inspiration. And the style drives up flexibility; friends trust one another, allowing habitual innovation and risk taking. Flexibility also rises because the affiliative leader, like a parent who adjusts household rules for a maturing adolescent, doesn't impose unnecessary strictures on how employees get their work done. They give people the freedom to do their job in the way they think is most effective.

An authoritative leader states the end but gives people plenty of leeway to devise their own means.

As for a sense of recognition and reward for work well done, the affiliative leader offers ample positive feedback. Such feedback has special potency in the workplace because it is all too rare: outside of an annual review, most people usually get no feedback on their day-to-day efforts – or only negative feedback. That makes the affiliative leader's positive words all the more motivating. Finally, affiliative leaders are masters at building a sense of belonging. They are, for instance, likely to take their direct reports out for a meal or a drink, one-on-one, to see how they're doing. They will bring in a cake to celebrate a group accomplishment. They are natural relationship builders.

Joe Torre, the heart and soul of the New York Yankees, is a classic affiliative leader. During the 1999 World Series, Torre tended ably to the psyches of his players as they endured the emotional pressure cooker of a pennant race. All season long, he made a special point to praise Scott Brosius, whose father had died during the season, for staying committed even as he mourned. At the celebration party after the team's final game, Torre specifically sought out right fielder Paul O'Neill. Although he had received the news of his father's death that morning, O'Neill chose to play in the decisive game – and he burst into tears the moment it ended. Torre made a point of acknowledging O'Neill's personal struggle, calling him a "warrior." Torre also used the spotlight of the victory celebration to praise two players whose return the following year was threatened by contract disputes. In doing so, he sent a clear message to the team and to the club's owner that he valued the players immensely – too much to lose them.

Along with ministering to the emotions of his people, an affiliative leader may also tend to his own emotions openly. The year Torre's brother was near death awaiting a heart transplant, he shared his worries with his players. He also spoke candidly with the team about his treatment for prostate cancer.

The affiliative style's generally positive impact makes it a good all-weather approach, but leaders should employ it particularly when trying to build team harmony, increase morale, improve communication, or repair broken trust. For instance, one executive in our study was hired to replace a ruthless team leader. The former leader had taken credit for his employees' work and had attempted to pit them against one another. His efforts ultimately failed, but the team he left behind was suspicious and weary. The new executive managed to mend the situation by unstintingly showing emotional honesty and rebuilding ties. Several months in, her leadership had created a renewed sense of commitment and energy.

Despite its benefits, the affiliative style should not be used alone. Its exclusive focus on praise can allow poor performance to go uncorrected; employees may perceive that mediocrity is tolerated. And because affiliative leaders rarely offer constructive advice on how to improve, employees must figure out how to do so on their own. When people need clear directives to navigate through complex challenges, the affiliative style leaves them rudderless. Indeed, if overly relied on, this style can actually steer a group to failure. Perhaps that is why many affiliative leaders, including Torre, use this style in close conjunction with the authoritative style. Authoritative leaders state a vision, set standards, and let people know how their work is furthering the group's goals. Alternate that with the caring, nurturing approach of the affiliative leader, and you have a potent combination.

The Democratic Style. Sister Mary ran a Catholic school system in a large metropolitan area. One of the schools – the only private school in an impoverished neighborhood – had been losing money for years, and the archdiocese could no longer afford to keep it open. When Sister Mary eventually got the order to shut it down, she didn't just lock the doors. She called a meeting of all the teachers and staff at the school and explained to them the details of the financial crisis – the first time anyone working at the school had been included in the business side of the institution. She asked for their ideas on ways to keep the school open and on how to handle the closing, should it come to that. Sister Mary spent much of her time at the meeting just listening.

She did the same at later meetings for school parents and for the community and during a successive series of meetings for the school's teachers and staff. After two months of meetings, the consensus was clear: the school would have to close. A plan was made to transfer students to other schools in the Catholic system.

The final outcome was no different than if Sister Mary had gone ahead and closed the school the day she was told to. But by allowing the school's constituents to reach that decision collectively, Sister Mary received none of the backlash that would have accompanied such a move. People mourned the loss of the school, but they understood its inevitability. Virtually no one objected.

Compare that with the experiences of a priest in our research who headed another Catholic school. He, too, was told to shut it down. And he did – by fiat. The result was disastrous: parents filed lawsuits, teachers and parents picketed, and local newspapers ran editorials attacking his decision. It took a year to resolve the disputes before he could finally go ahead and close the school.

Sister Mary exemplifies the democratic style in action – and its benefits. By spending time getting people's ideas and buy-in, a leader builds trust, respect, and commitment. By letting workers themselves have a say in decisions that affect their goals and how they do their work, the democratic leader drives up flexibility and responsibility. And by listening to employees' concerns, the democratic leader learns what to do to keep morale high. Finally, because they have a say in setting their goals and the standards for evaluating success, people operating in a democratic system tend to be very realistic about what can and cannot be accomplished.

However, the democratic style has its drawbacks, which is why its impact on climate is not as high as some of the other styles. One of its more exasperating consequences can be endless meetings where ideas are mulled over, consensus remains elusive, and the only visible result is scheduling more meetings. Some democratic leaders use the style to put off making crucial decisions, hoping that enough thrashing things out will eventually yield a blinding insight. In reality, their people end up feeling confused and leaderless. Such an approach can even escalate conflicts.

When does the style work best? This approach is ideal when a leader is himself uncertain about the best direction to take and needs ideas and guidance from able employees. And even if a leader has a strong vision, the democratic style works well to generate fresh ideas for executing that vision.

The democratic style, of course, makes much less sense when employees are not competent or informed enough to offer sound advice. And it almost goes without saying that building consensus is wrongheaded in times of crisis. Take the case of a CEO whose computer company was severely threatened by changes in the market. He always sought consensus about what to do. As competitors stole customers and customers' needs changed, he kept appointing committees to consider the situation. When the market made a sudden shift because of a new technology, the CEO froze in his tracks. The board replaced him before he could appoint yet another task force to consider the situation. The new CEO, while occasionally democratic and affiliative, relied heavily on the authoritative style, especially in his first months.

The Pacesetting Style. Like the coercive style, the pacesetting style has its place in the leader's repertory, but it should be used sparingly. That's not what we expected to find. After all, the hallmarks of the pacesetting style sound admirable. The leader sets extremely high performance standards and exemplifies them himself. He is obsessive about doing things better and faster, and he asks the same of everyone around him. He quickly pinpoints poor performers and demands more from them. If they don't rise to the occasion, he replaces them with people who can. You would think such an approach would improve results, but it doesn't.

In fact, the pacesetting style destroys climate. Many employees feel overwhelmed by the pacesetter's demands for excellence, and their morale drops. Guidelines for working may be clear in the leader's head, but she does not state them clearly; she expects people to know what to do and even thinks, "If I have to tell you, you're the wrong person for the job." Work becomes not a matter of doing one's best along a clear course so much as second-guessing what the leader wants. At the same time, people often feel that the pacesetter doesn't trust them to work in their own way or to take initiative. Flexibility and responsibility evaporate; work becomes so task focused and routinized it's boring.

As for rewards, the pacesetter either gives no feedback on how people are doing or jumps in to take over when he thinks they're lagging. And if the leader should leave, people feel directionless – they're so used to "the expert" setting the rules. Finally, commitment dwindles under the regime of a pacesetting leader because people have no sense of how their personal efforts fit into the big picture.

For an example of the pacesetting style, take the case of Sam, a biochemist in R&D at a large pharmaceutical company. Sam's superb technical expertise made him an early star: he was the one everyone turned to when they needed help. Soon he was promoted to head of a team developing a new product. The other scientists on the team were as competent and self-motivated as Sam; his métier as team leader became offering himself as a model of how to do first-class scientific work under tremendous deadline pressure, pitching in when needed. His team completed its task in record time.

But then came a new assignment: Sam was put in charge of R&D for his entire division. As his tasks expanded and he had to articulate a vision, coordinate projects, delegate responsibility, and help develop others, Sam began to slip. Not trusting that his subordinates were as capable as he was, he became a micromanager, obsessed with details and taking over for others when their performance slackened. Instead of trusting them to improve with guidance and development, Sam found himself working nights and weekends after stepping in to take over for the head of a floundering research team. Finally, his own boss suggested, to his relief, that he return to his old job as head of a product development team.

Although Sam faltered, the pacesetting style isn't always a disaster. The approach works well when all employees are self-motivated, highly competent, and need little direction or coordination – for example, it can work for leaders of highly skilled and self-motivated professionals, like R&D groups or legal teams. And, given a talented team to lead, pacesetting does exactly that: gets work done on time or even ahead of schedule. Yet like any leadership style, pacesetting should never be used by itself.

The Coaching Style. A product unit at a global computer company had seen sales plummet from twice as much as its competitors to only half as much. So Lawrence, the president of the manufacturing division, decided to close the unit and reassign its people and products. Upon hearing the news, James, the head of the doomed unit, decided to go over his boss's head and plead his case to the CEO.

What did Lawrence do? Instead of blowing up at James, he sat down with his rebellious direct report and talked over not just the decision to close the division but also James's future. He explained to James how moving to another division would help him develop new skills. It would make him a better leader and teach him more about the company's business.

Lawrence acted more like a counselor than a traditional boss. He listened to James's concerns and hopes, and he shared his own. He said he believed James had grown stale in his current job; it was, after all, the only place he'd worked in the company. He predicted that James would blossom in a new role.

The conversation then took a practical turn. James had not yet had his meeting with the CEO – the one he had impetuously demanded when he heard of his division's closing. Knowing this – and also knowing that the CEO unwaveringly supported the closing – Lawrence took the time to coach James on how to present his case in that meeting. "You don't get an audience with the CEO very often," he noted, "let's make sure you impress him with your thoughtfulness." He advised James not to plead his personal case but to focus on the business unit: "If he thinks you're in there for your own glory, he'll throw you out faster than you walked through the door." And he urged him to put his ideas in writing; the CEO always appreciated that.

Lawrence's reason for coaching instead of scolding? "James is a good guy, very talented and promising," the executive explained to us, "and I don't want this to derail his career. I want him to stay with the company, I want him to work out, I want him to learn, I want him to benefit and grow. Just because he screwed up doesn't mean he's terrible."

Lawrence's actions illustrate the coaching style par excellence. Coaching leaders help employees identify their unique strengths and weaknesses and tie them to their personal and career aspirations. They encourage employees to establish long-term development goals and help them conceptualize a plan for attaining them. They make agreements with their employees about their role and responsibilities in enacting development plans, and they give plentiful instruction and feedback. Coaching leaders excel at delegating; they give employees challenging assignments, even if that means the tasks won't be accomplished quickly. In other words, these leaders are willing to put up with short-term failure if it furthers long-term learning.

Of the six styles, our research found that the coaching style is used least often. Many leaders told us they don't have the time in this high-pressure economy for the slow and tedious work of teaching people and helping them grow. But after a first session, it takes little or no extra time. Leaders who ignore this style are passing up a powerful tool: its impact on climate and performance are markedly positive.

Admittedly, there is a paradox in coaching's positive effect on business performance because coaching focuses primarily on personal development, not on immediate work-related tasks. Even so, coaching improves results. The reason: it requires constant dialogue, and that dialogue has a way of pushing up every driver of climate. Take flexibility. When an employee knows his boss watches him and cares about what he does, he feels free to experiment. After all, he's sure to get quick and constructive feedback. Similarly, the ongoing dialogue of coaching guarantees that people know what is expected of them and how their work fits into a larger vision or strategy. That affects responsibility and clarity. As for commitment, coaching helps there, too, because the style's implicit message is, "I believe in you, I'm investing in you, and I expect your best efforts." Employees very often rise to that challenge with their heart, mind, and soul.

The coaching style works well in many business situations, but it is perhaps most effective when people on the receiving end are "up for it." For instance, the coaching style works particularly well when employees are already aware of their weaknesses and would like to improve their performance. Similarly, the style works well when employees realize how cultivating new abilities can help them advance. In short, it works best with employees who want to be coached.

Leaders who have mastered four or more – especially the authoritative, democratic, affiliative, and coaching styles – have the best climate and business performance.

By contrast, the coaching style makes little sense when employees, for whatever reason, are resistant to learning or changing their ways. And it flops if the leader lacks the expertise to help the employee along. The fact is, many managers are unfamiliar with or simply inept at coaching, particularly when it comes to giving ongoing performance feedback that motivates rather than creates fear or apathy. Some companies have realized the positive impact of the style and are trying to make it a core competence. At some companies, a significant portion of annual bonuses are tied to an executive's development of his or her direct reports. But many organizations have yet to take full advantage of this leadership style. Although the coaching style may not scream "bottom-line results," it delivers them.

Leaders Need Many Styles

Many studies, including this one, have shown that the more styles a leader exhibits, the better. Leaders who have mastered four or more – especially the authoritative, democratic, affiliative, and coaching styles – have the very best climate and business performance. And the most effective leaders switch flexibly among the leadership styles as needed. Although that may sound daunting, we witnessed it more often than you might guess, at both large corporations and tiny start-ups, by seasoned veterans who could explain exactly how and why they lead and by entrepreneurs who claim to lead by gut alone.

Such leaders don't mechanically match their style to fit a checklist of situations – they are far more fluid. They are exquisitely sensitive to the impact they are having on others and seamlessly adjust their style to get the best results. These are leaders, for example, who can read in the first minutes of conversation that a talented but underperforming employee has been demoralized by an unsympathetic, do-it-the-way-I-tell-you manager and needs to be inspired through a reminder of why her work matters. Or that leader might choose to reenergize the employee by asking her about her dreams and aspirations and finding ways to make her job more challenging. Or that initial conversation might signal that the employee needs an ultimatum: improve or leave.

For an example of fluid leadership in action, consider Joan, the general manager of a major division at a global food and beverage company. Joan was appointed to her job while the division was in a deep crisis. It had not made its profit targets for six years; in the most recent year, it had missed by $50 million. Morale among the top management team was miserable; mistrust and resentments were rampant. Joan's directive from above was clear: turn the division around.

Joan did so with a nimbleness in switching among leadership styles that is rare. From the start, she realized she had a short window to demonstrate effective leadership and to establish rapport and trust. She also knew that she urgently needed to be informed about what was not working, so her first task was to listen to key people.

Her first week on the job she had lunch and dinner meetings with each member of the management team. Joan sought to get each person's understanding of the current situation. But her focus was not so much on learning how each person diagnosed the problem as on getting to know each manager as a person. Here Joan employed the affiliative style: she explored their lives, dreams, and aspirations.

She also stepped into the coaching role, looking for ways she could help the team members achieve what they wanted in their careers. For instance, one manager who had been getting feedback that he was a poor team player confided his worries to her. He thought he was a good team member, but he was plagued by persistent complaints. Recognizing that he was a talented executive and a valuable asset to the company, Joan made an agreement with him to point out (in private) when his actions undermined his goal of being seen as a team player.

She followed the one-on-one conversations with a three-day off-site meeting. Her goal here was team building, so that everyone would own whatever solution for the business problems emerged. Her initial stance at the off-site meeting was that of a democratic leader. She encouraged everyone to express freely their frustrations and complaints.

Growing Your Emotional Intelligence

Unlike IQ, which is largely genetic – it changes little from childhood – the skills of emotional intelligence can be learned at any age. It's not easy, however. Growing your emotional intelligence takes practice and commitment. But the payoffs are well worth the investment.

Consider the case of a marketing director for a division of a global food company. Jack, as I'll call him, was a classic pacesetter: high-energy, always striving to find better ways to get things done, and too eager to step in and take over when, say, someone seemed about to miss a deadline. Worse, Jack was prone to pounce on anyone who didn't seem to meet his standards, flying off the handle if a person merely deviated from completing a job in the order Jack thought best.

Jack's leadership style had a predictably disastrous impact on climate and business results. After two years of stagnant performance, Jack's boss suggested he seek out a coach. Jack wasn't pleased but, realizing his own job was on the line, he complied.

The coach, an expert in teaching people how to increase their emotional intelligence, began with a 360-degree evaluation of Jack. A diagnosis from multiple viewpoints is essential in improving emotional intelligence because those who need the most help usually have blind spots. In fact, our research found that top-performing leaders overestimate their strengths on, at most, one emotional intelligence ability, whereas poor performers overrate themselves on four or more. Jack was not that far off, but he did rate himself more glowingly than his direct reports, who gave him especially low grades on emotional self-control and empathy.

Initially, Jack had some trouble accepting the feedback data. But when his coach showed him how those weaknesses were tied to his inability to display leadership styles dependent on those competencies – especially the authoritative, affiliative, and coaching styles – Jack realized he had to improve if he wanted to advance in the company. Making such a connection is essential. The reason: improving emotional intelligence isn't done in a weekend or during a seminar – it takes diligent practice on the job, over several months. If people do not see the value of the change, they will not make that effort.

Once Jack zeroed in on areas for improvement and committed himself to making the effort, he and his coach worked up a plan to turn his

The next day, Joan had the group focus on solutions: each person made three specific proposals about what needed to be done. As Joan clustered the suggestions, a natural consensus emerged about priorities for the business, such as cutting costs. As the group came up with specific action plans, Joan got the commitment and buy-in she sought.

With that vision in place, Joan shifted into the authoritative style, assigning accountability for each follow-up step to specific executives and holding them responsible for their accomplishment. For example, the division had been dropping prices on products without increasing its volume. One obvious solution was to raise prices, but the previous VP of sales had dithered and had let the problem fester. The new VP of sales now had responsibility to adjust the price points to fix the problem.

Over the following months, Joan's main stance was authoritative. She continually articulated the group's new vision in a way that reminded each member of how his or her role was crucial to achieving these goals. And, especially during the first few weeks of the plan's implementation, Joan felt that the urgency of the business crisis justified an occasional shift into the coercive style should someone fail to meet his or her responsibility. As she put it, "I had to be brutal about this follow-up and make sure this stuff happened. It was going to take discipline and focus."

The results? Every aspect of climate improved. People were innovating. They were talking about the division's vision and crowing about their commitment to new, clear goals. The ultimate proof of Joan's fluid leadership style is written in black ink: after only seven months, her division exceeded its yearly profit target by $5 million.

Expanding Your Repertory

Few leaders, of course, have all six styles in their repertory, and even fewer know when and how to use them. In fact, as we have brought the findings of our research into many organizations, the most common responses have been, "But I have only two of those!" and, "I can't use all those styles. It wouldn't be natural."

Such feelings are understandable, and in some cases, the antidote is relatively simple. The leader can build a team with members who employ styles she lacks. Take the case of a VP for manufacturing. She successfully ran a global factory system largely by using the affiliative style. She

day-to-day job into a learning laboratory. For instance, Jack discovered he was empathetic when things were calm, but in a crisis, he tuned out others. This tendency hampered his ability to listen to what people were telling him in the very moments he most needed to do so. Jack's plan required him to focus on his behavior during tough situations. As soon as he felt himself tensing up, his job was to immediately step back, let the other person speak, and then ask clarifying questions. The point was to not act judgmental or hostile under pressure.

The change didn't come easily, but with practice Jack learned to defuse his flare-ups by entering into a dialogue instead of launching a harangue. Although he didn't always agree with them, at least he gave people a chance to make their case. At the same time, Jack also practiced giving his direct reports more positive feedback and reminding them of how their work contributed to the group's mission. And he restrained himself from micromanaging them.

Jack met with his coach every week or two to review his progress and get advice on specific problems. For instance, occasionally Jack would find himself falling back on his old pacesetting tactics – cutting people off, jumping in to take over, and blowing up in a rage. Almost immediately, he would regret it. So he and his coach dissected those relapses to figure out what triggered the old ways and what to do the next time a similar moment arose. Such "relapse prevention" measures inoculate people against future lapses or just giving up. Over a six-month period, Jack made real improvement. His own records showed he had reduced the number of flare-ups from one or more a day at the beginning to just one or two a month. The climate had improved sharply, and the division's numbers were starting to creep upward.

Why does improving an emotional intelligence competence take months rather than days? Because the emotional centers of the brain, not just the neocortex, are involved. The neocortex, the thinking brain that learns technical skills and purely cognitive abilities, gains knowledge very quickly, but the emotional brain does not. To master a new behavior, the emotional centers need repetition and practice. Improving your emotional intelligence, then, is akin to changing your habits. Brain circuits that carry leadership habits have to unlearn the old ones and replace them with the new. The more often a behavioral sequence is repeated, the stronger the underlying brain circuits become. At some point, the new neural pathways become the brain's default option. When that happened, Jack was able to go through the paces of leadership effortlessly, using styles that worked for him – and the whole company.

was on the road constantly, meeting with plant managers, attending to their pressing concerns, and letting them know how much she cared about them personally. She left the division's strategy – extreme efficiency – to a trusted lieutenant with a keen understanding of technology, and she delegated its performance standards to a colleague who was adept at the authoritative approach. She also had a pacesetter on her team who always visited the plants with her.

An alternative approach, and one I would recommend more, is for leaders to expand their own style repertories. To do so, leaders must first understand which emotional intelligence competencies underlie the leadership styles they are lacking. They can then work assiduously to increase their quotient of them.

For instance, an affiliative leader has strengths in three emotional intelligence competencies: in empathy, in building relationships, and in communication. Empathy – sensing how people are feeling in the moment – allows the affiliative leader to respond to employees in a way that is highly congruent with that person's emotions, thus building rapport. The affiliative leader also displays a natural ease in forming new relationships, getting to know someone as a person, and cultivating a bond. Finally, the outstanding affiliative leader has mastered the art of interpersonal communication, particularly in saying just the right thing or making the apt symbolic gesture at just the right moment.

So if you are primarily a pacesetting leader who wants to be able to use the affiliative style more often, you would need to improve your level of empathy and, perhaps, your skills at building relationships or communicating effectively. As another example, an authoritative leader who wants to add the democratic style to his repertory might need to work on the capabilities of collaboration and communication. Such advice about adding capabilities may seem simplistic – "Go change yourself" – but enhancing emotional intelligence is entirely possible with practice. (For more on how to improve emotional intelligence, see the sidebar "Growing Your Emotional Intelligence.")

More Science, Less Art

Like parenthood, leadership will never be an exact science. But neither should it be a complete mystery to those who practice it. In recent years, research has helped parents understand the genetic, psychological, and behavioral components that affect their "job performance." With our new research, leaders, too, can get a clearer picture of what it takes to lead effectively. And perhaps as important, they can see how they can make that happen.

The business environment is continually changing, and a leader must respond in kind. Hour to hour, day to day, week to week, executives must play their leadership styles like a pro – using the right one at just the right time and in the right measure. The payoff is in the results.

1. Daniel Goleman consults with Hay/McBer on leadership development.

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No leader is perfect. The best ones don't try to be—they concentrate on honing their strengths and find others who can make up for their limitations.

In Praise of the Incomplete Leader

by Deborah Ancona, Thomas W. Malone, Wanda J. Orlikowski, and Peter M. Senge

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In Praise of the Incomplete Leader

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We've come to expect a lot of our leaders. Top executives, the thinking goes, should have the intellectual capacity to make sense of unfathomably complex issues, the imaginative powers to paint a vision of the future that generates everyone's enthusiasm, the operational know-how to translate strategy into concrete plans, and the interpersonal skills to foster commitment to undertakings that could cost people's jobs should they fail. Unfortunately, no single person can possibly live up to those standards.

It's time to end the myth of the complete leader: the flawless person at the top who's got it all figured out. In fact, the sooner leaders stop trying to be all things to all people, the better off their organizations will be. In today's world, the executive's job is no longer to command and control but to cultivate and coordinate the actions of others at all levels of the organization. Only when leaders come to see themselves as incomplete—as having both strengths and weaknesses—will they be able to make up for their missing skills by relying on others.

Corporations have been becoming less hierarchical and more collaborative for decades, of course, as globalization and the growing importance of knowledge work have required that responsibility and initiative be distributed more widely. Moreover, it is now possible for large groups of people to coordinate their actions, not just by bringing lots of information to a few centralized places but also by bringing lots of information to lots of places through ever-growing networks within and beyond the firm. The sheer complexity and ambiguity of problems is humbling. More and more decisions are made in the context of global markets and rapidly—sometimes radically—changing financial, social, political, technological, and environmental forces. Stakeholders such as activists, regulators, and employees all have claims on organizations.

No one person could possibly stay on top of everything. But the myth of the complete leader (and the attendant fear of appearing incompetent) makes many executives try to do just that, exhausting themselves and damaging their organizations in the process. The incomplete leader, by contrast, knows when to let go: when to let those who know the local market do the advertising plan or when to let the engineering team run with its idea of what the customer needs. The incomplete leader also knows that leadership exists throughout the organizational hierarchy—wherever expertise, vision, new ideas, and commitment are found.

We've worked with hundreds of people who have struggled under the weight of the myth of the complete leader. Over the past six years, our work at the MIT Leadership Center has included studying leadership in many organizations and teaching the topic to senior executives, middle managers, and MBA students. In our practice-based programs, we have analyzed numerous accounts of organizational change and watched leaders struggle to meld top-down strategic initiatives with vibrant ideas from the rest of the organization.

All this work has led us to develop a model of distributed leadership. This framework, which synthesizes our own research with ideas from other leadership scholars, views leadership as a set of four capabilities: *sensemaking* (understanding the context in which a company and its people operate), *relating* (building relationships within and across organizations), *visioning* (creating a compelling picture of the future), and *inventing* (developing new ways to achieve the vision).

While somewhat simplified, these capabilities span the intellectual and interpersonal, the rational and intuitive, and the conceptual and creative capacities required in today's business environment. Rarely, if ever, will someone be equally skilled in all four domains. Thus, incomplete leaders differ from incompetent leaders in that they understand what they're good at and what they're not and have good judgment about how they can work with others to build on their strengths and offset their limitations.

Sometimes, leaders need to further develop the capabilities they are weakest in. The exhibits throughout this article provide some suggestions for when and how to do that. Other times, however, it's more important for leaders to find and work with others to compensate for their weaknesses. Teams and organizations—not just individuals—can use this framework to diagnose their strengths and weaknesses and find ways to balance their skill sets.

Sensemaking

The term "sensemaking" was coined by organizational psychologist Karl Weick, and it means just what it sounds like: making sense of the world around us. Leaders are constantly trying to understand the contexts they are operating in. How will new technologies reshape the industry? How will changing cultural expectations shift the role of business in society? How does the globalization of labor markets affect recruitment and expansion plans?

Weick likened the process of sensemaking to cartography. What we map depends on where we look, what factors we choose to focus on, and what aspects of the terrain we decide to represent. Since these choices will shape the kind of map we produce, there is no perfect map of a terrain. Therefore, making sense is more than an act of analysis; it's an act of creativity. (See the exhibit "Engage in Sensemaking.")

The key for leaders is to determine what would be a useful map given their particular goals and then to draw one that adequately represents the situation the organization is facing at that moment. Executives who are strong in this capability know how to quickly capture the complexities of their environment and explain them to others in simple terms. This helps ensure that everyone is working from the same map, which makes it far easier to discuss and plan for the journey ahead. Leaders need to have the courage to present a map that highlights features they believe to be critical, even if their map doesn't conform to the dominant perspective.

When John Reed was CEO of Citibank, the company found itself in a real estate crisis. At the time, common wisdom said that Citibank would need to take a \$2 billion write-off, but Reed wasn't sure. He wanted a better understanding of the situation, so to map the problem, he met with federal regulators as well as his managers, the board, potential investors, economists, and real estate experts. He kept asking, "What am I missing here?" After those meetings, he had a much stronger grasp of the problem, and he recalibrated the write-off to \$5 billion—which turned out to be a far more accurate estimate. Later, three quarters into the bank's eight-quarter program to deal with the crisis, Reed realized that progress had stopped. He began talking to other CEOs known for their change management skills. This infor-

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mal benchmarking process led him to devise an organizational redesign.

Throughout the crisis, real estate valuations, investors' requirements, board demands, and management team expectations were all changing and constantly needed to be reassessed. Good leaders understand that sensemaking is a continuous process; they let the map emerge from a melding of observations, data, experiences, conversations, and analyses. In healthy organizations, this sort of sensemaking goes on all the time. People have ongoing dialogues about their interpretations of markets and organizational realities.

At IDEO, a product design firm, sensemaking is step one for all design teams. According to founder David Kelley, team members must act as anthropologists studying an alien culture to understand the potential product from all points of view. When brainstorming a new design, IDEO's teams consider multiple perspectives—that is, they build multiple maps to inform their creative process. One IDEO team was charged with creating a new design for an emergency room. To better understand the experience of a key stakeholder—the patient—team members attached a camera to a patient's head and captured his experience in the ER. The result: nearly ten full hours of film of the ceiling. The sensemaking provoked by this perspective led to a redesign of the ceiling that made it more aesthetically pleasing and able to display important information for patients.

Relating

Many executives who attempt to foster trust, optimism, and consensus often reap anger, cynicism, and conflict instead. That's because they have difficulty relating to others, especially those who don't make sense of the world the way they do. Traditional images of leadership didn't assign much value to relating. Flawless leaders shouldn't need to seek counsel from anyone outside their tight inner circle, the thinking went, and they were expected to issue edicts rather than connect on an emotional level. Times have changed, of course, and in this era of networks, being able to build trusting relationships is a requirement of effective leadership.

Three key ways to do this are *inquiring, advocating,* and *connecting.* The concepts of inquiring and advocating stem from the work of organizational development specialists Chris Argyris and Don Schon. Inquiring means listening with the intention of genuinely understanding the thoughts and feelings of the speaker. Here, the listener suspends judgment and tries to comprehend how and why the speaker has moved from the data of his or her experiences to particular interpretations and conclusions.

Advocating, as the term implies, means explaining one's own point of view. It is the flip side of inquiring, and it's how leaders make clear to others how they reached their interpretations and conclusions. Good leaders distinguish their observations from their opinions and judgments and explain their reasoning without aggression or defensiveness. People with strong relating skills are typically those who've found a healthy balance between inquiring and advocating: They actively try to understand others' views but are able to stand up for their own. (See the exhibit "Build Relationships.")

We've seen countless relationships undermined because people disproportionately emphasized advocating over inquiring. Even though managers pay lip service to the importance of mutual understanding and shared commitment to a course of action, often their real focus is on winning the argument rather than strengthening the connection. Worse, in many organizations, the imbalance goes so far that having one's point of view prevail is what is understood as leadership.

Effective relating does not mean avoiding interpersonal conflict altogether. Argyris and Schon found that "maintaining a smooth surface" of conviviality and apparent agreement is one of the most common defensive routines that limits team effectiveness. Balancing in-

Engage in Sensemaking

1. Get data from multiple sources: customers, suppliers, employees, competitors, other departments, and investors.
2. Involve others in your sensemaking. Say what you think you are seeing, and check with people who have different perspectives from yours.
3. Use early observations to shape small experiments in order to test your conclusions. Look for new ways to articulate alternatives and better ways to understand options.
4. Do not simply apply existing frameworks but instead be open to new possibilities. Try not to describe the world in stereotypical ways, such as good guys and bad guys, victims and oppressors, or marketers and engineers.

quiring and advocating is ultimately about showing respect, challenging opinions, asking tough questions, and taking a stand.

Consider Twynstra Gudde (TG), one of the largest independent consulting companies in the Netherlands. A few years ago, it replaced the role of CEO with a team of four managing directors who share leadership responsibilities. Given this unique structure, it's vital that these directors effectively relate to one another. They've adopted simple rules, such as a requirement that each leader give his opinion on every issue, majority-rules voting, and veto power for each director.

Clearly, for TG's senior team model to work, members must be skilled at engaging in dialogue together. They continually practice both inquiring and advocating, and because each director can veto a decision, each must thoroughly explain his reasoning to convince the others' that his perspective has merit. It's not easy to reach this level of mutual respect and trust, but over time, the team members' willingness to create honest connections with one another has paid off handsomely. Although they don't always reach consensus, they are able to settle on a course of action. Since this new form of leadership was introduced, TG has thrived: The company's profits have doubled, and employee satisfaction levels have improved. What's more, TG's leadership structure has served as a model for cooperation throughout the organization as well as in the firm's relations with its clients.

The third aspect of relating, connecting, involves cultivating a network of confidants who can help a leader accomplish a wide range of goals. Leaders who are strong in this capability have many people they can turn to who can help them think through difficult problems or support them in their initiatives. They understand that the time spent building and maintaining these connections is time spent investing in their leadership skills. Because no one person can possibly have all the answers, or indeed, know all the right questions to ask, it's crucial that leaders be able to tap into a network of people who can fill in the gaps.

Visioning

Sensemaking and relating can be called the enabling capabilities of leadership. They help set the conditions that motivate and sustain change. The next two leadership capabilities—what we call "visioning" and inventing—are creative and action oriented: They produce the focus and energy needed to make change happen.

Visioning involves creating compelling images of the future. While sensemaking charts a map of what is, visioning produces a map of what could be and, more important, what a leader wants the future to be. It consists of far more than pinning a vision statement to the wall. Indeed, a shared vision is not a static thing—it's an ongoing process. Like sensemaking, visioning is dynamic and collaborative, a process of articulating what the members of an organization want to create together.

Fundamentally, visioning gives people a sense of meaning in their work. Leaders who are skilled in this capability are able to get people excited about their view of the future while inviting others to help crystallize that image. (See the exhibit "Create a Vision.") If they realize other people aren't joining in or buying into the vision, they don't just turn up the volume; they engage in a dialogue about the reality they hope to produce. They use stories and metaphors to paint a vivid picture of what the vision will accomplish, even if they don't have a comprehensive plan for getting there. They know that if the vision is credible and compelling enough, others will generate ideas to advance it.

In South Africa in the early 1990s, a joke was making the rounds: Given the country's daunting challenges, people had two options, one practical and the other miraculous. The practical option was for everyone to pray for a band of angels to come down from heaven and fix things. The miraculous option was for people to talk with one another until they could find a way forward. In F.W. de Klerk's famous speech

Build Relationships

1. Spend time trying to understand others' perspectives, listening with an open mind and without judgment.

2. Encourage others to voice their opinions. What do they care about? How do they interpret what's going on? Why?

3. Before expressing your ideas, try to anticipate how others will react to them and how you might best explain them.

4. When expressing your ideas, don't just give a bottom line; explain your reasoning process.

5. Assess the strengths of your current connections: How well do you relate to others when receiving advice? When giving advice? When thinking through difficult problems? When asking for help?

in 1990—his first after assuming leadership—he called for a nonracist South Africa and suggested that negotiation was the only way to achieve a peaceful transition. That speech sparked a set of changes that led to Nelson Mandela's release from Robben Island prison and the return to the country of previously banned political leaders.

Few of South Africa's leaders agreed on much of anything regarding the country's future. It seemed like a long shot, at best, that a scenario-planning process convened by a black professor from the University of the Western Cape and facilitated by a white Canadian from Royal Dutch Shell would be able to bring about any sort of change. But they, together with members of the African National Congress (ANC), the radical Pan Africanist Congress (PAC), and the white business community, were charged with forging a new path for South Africa.

When the team members first met, they focused on collective sensemaking. Their discussions then evolved into a yearlong visioning process. In his book, *Solving Tough Problems,* Adam Kahane, the facilitator, says the group started by telling stories of "left-wing revolution, right-wing revolts, and free market utopias." Eventually, the leadership team drafted a set of scenarios that described the many paths toward disaster and the one toward sustainable development.

They used metaphors and clear imagery to convey the various paths in language that was easy to understand. One negative scenario, for instance, was dubbed "Ostrich": A nonrepresentative white government sticks its head in the sand, trying to avoid a negotiated settlement with the black majority. Another negative scenario was labeled "Icarus": A constitutionally unconstrained black government comes to power with noble intentions and embarks on a huge, unsustainable public-spending spree that crashes the economy. This scenario contradicted the popular belief that the country was rich and could simply redistribute wealth from whites to blacks. The Icarus scenario set the stage for a fundamental (and controversial) shift in economic thinking in the ANC and other left-wing parties—a shift that led the ANC government to "strict and consistent fiscal discipline," according to Kahane.

The group's one positive scenario involved the government adopting a set of sustainable policies that would put the country on a path of inclusive growth to successfully rebuild the economy and establish democracy. This option was called "Flamingo," invoking the image of a flock of beautiful birds all taking flight together.

This process of visioning unearthed an extraordinary collective sense of possibility in South Africa. Instead of talking about what other people should do to advance some agenda, the leaders spoke about what they could do to create a better future for everyone. They didn't have an exact implementation plan at the ready, but by creating a credible vision, they paved the way for others to join in and help make their vision a reality.

Leaders who excel in visioning walk the walk; they work to embody the core values and ideas contained in the vision. Darcy Winslow, Nike's global director for women's footwear, is a good example. A 14-year veteran at Nike, Winslow previously held the position of general manager of sustainable business opportunities at the shoe and apparel giant. Her work in that role reflected her own core values, including her passion for the environment. "We had come to see that our customers' health and our own ability to compete were inseparable from the health of the environment," she says. So she initiated the concept of ecologically intelligent product design. Winslow's team worked at determining the chemical composition and environmental effects of every material and process Nike used. They visited factories in China and collected samples of rubber, leather, nylon, polyester, and foams to

Create a Vision

1. Practice creating a vision in many arenas, including your work life, your home life, and in community groups. Ask yourself, "What do I want to create?"

2. Develop a vision about something that inspires you. Your enthusiasm will motivate you and others. Listen to what they find exciting and important.

3. Expect that not all people will share your passion. Be prepared to explain why people should care about your vision and what can be achieved through it. If people don't get it, don't just turn up the volume. Try to construct a shared vision.

4. Don't worry if you don't know how to accomplish the vision. If it is compelling and credible, other people will discover all sorts of ways to make it real—ways you never could have imagined on your own.

5. Use images, metaphors, and stories to convey complex situations that will enable others to act.

determine their chemical makeup. This led Winslow and her team to develop a list of "positive" materials—those that weren't harmful to the environment—that they hoped to use in more Nike products. "Environmental sustainability" was no longer just an abstract term on a vision statement; the team now felt a mandate to realize the vision.

Inventing

Even the most compelling vision will lose its power if it floats, unconnected, above the everyday reality of organizational life. To transform a vision of the future into a present-day reality, leaders need to devise processes that will give it life. This inventing is what moves a business from the abstract world of ideas to the concrete world of implementation. In fact, inventing is similar to execution, but the label "inventing" emphasizes that this process often requires creativity to help people figure out new ways of working together.

To realize a new vision, people usually can't keep doing the same things they've been doing. They need to conceive, design, and put into practice new ways of interacting and organizing. Some of the most famous examples of large-scale organizational innovation come from the automotive industry: Henry Ford's conception of the assembly-line factory and Toyota's famed integrated production system.

More recently, Pierre Omidyar, the founder of eBay, invented through his company a new way of doing large-scale retailing. His vision was of an online community where users would take responsibility for what happened. In a 2001 BusinessWeek Online interview, Omidyar explained, "I had the idea that I wanted to create an efficient market and a level playing field where everyone had equal access to information. I wanted to give the power of the market back to individuals, not just large corporations. That was the driving motivation for creating eBay at the start."

Consequently, eBay outsources most of the functions of traditional retailing—purchasing, order fulfillment, and customer service, for example—to independent sellers worldwide. The company estimates that more than 430,000 people make their primary living from selling wares on eBay. If those individuals were all employees of eBay, it would be the second largest private employer in the United States after Wal-Mart.

The people who work through eBay are essentially independent store owners, and, as such, they have a huge amount of autonomy in how they do their work. They decide what to sell, when to sell it, how to price, and how to advertise. Coupled with this individual freedom is global scale. EBay's infrastructure enables them to sell their goods all over the world. What makes eBay's inventing so radical is that it represents a new relationship between an organization and its parts. Unlike typical outsourcing, eBay doesn't pay its retailers—they pay the company.

Inventing doesn't have to occur on such a grand scale. It happens every time a person creates a way of approaching a task or figures out how to overcome a previously insurmountable obstacle. In their book *Car Launch,* George Roth and Art Kleiner describe a highly successful product development team in the automobile industry that struggled with completing its designs on time. Much of the source of the problem, the team members concluded, came from the stovepipe organizational structure found in the product development division. Even though they were a "colocated" team dedicated to designing a common new car, members were divided by their different technical expertise, experience, jargon, and norms of working.

When the team invented a mechanical prototyping device that complemented its computer-aided design tools, the group members found that it facilitated a whole new way of collaborating. Multiple groups within the team could quickly create physical mock-ups of design ideas to be tested by the various engineers from different specialties in the team. The group called the device "the harmony buck," because it helped people break out of their comfortable engineering specialties and solve interdependent design problems together. Development of a "full body" physical mock-up of the new car allowed engineers to hang around the prototype, providing a central focal point for their interactions. It enabled them to more easily identify and raise cross-functional issues, and it facilitated mutual problem solving and coordination.

In sum, leaders must be able to succeed at inventing, and this requires both attention to detail and creativity. (See the exhibit "Cultivate Inventiveness.")

Cultivate Inventiveness

1. Don't assume that the way things have always been done is the best way to do them.
2. When a new task or change effort emerges, encourage creative ways of getting it done.
3. Experiment with different ways of organizing work. Find alternative methods for grouping and linking people.
4. When working to understand your current environment, ask yourself, "What other options are possible?"

Balancing the Four Capabilities

Sensemaking, relating, visioning, and inventing are interdependent. Without sensemaking, there's no common view of reality from which to start. Without relating, people work in isolation or, worse, strive toward different aims. Without visioning, there's no shared direction. And without inventing, a vision remains illusory. No one leader, however, will excel at all four capabilities in equal measure.

Typically, leaders are strong in one or two capabilities. Intel chairman Andy Grove is the quintessential sensemaker, for instance, with a gift for recognizing strategic inflection points that can be exploited for competitive advantage. Herb Kelleher, the former CEO of Southwest Airlines, excels at relating. He remarked in the journal *Leader to Leader* that "We are not afraid to talk to our people with emotion. We're not afraid to tell them, 'We love you.' Because we do." With this emotional connection comes equitable compensation and profit sharing.

Apple CEO Steve Jobs is a visionary whose ambitious dreams and persuasiveness have catalyzed remarkable successes for Apple, Next, and Pixar. Meg Whitman, the CEO of eBay, helped bring Pierre Omidyar's vision of online retailing to life by inventing ways to deal with security, vendor reliability, and product diversification.

Once leaders diagnose their own capabilities, identifying their unique set of strengths and weaknesses, they must search for others who can provide the things they're missing. (See the sidebar "Examining Your Leadership Capabilities.") Leaders who choose only people who mirror themselves are likely to find their organizations tilting in one direction, missing one or more essential capabilities needed to survive in a changing, complex world. That's why it's important to examine the whole organization to make sure it is appropriately balanced as well. It's the leader's responsibility to create an environment that lets people complement one another's strengths and offset one another's weaknesses. In this way, leadership is distributed across multiple people throughout the organization.

° ° °

Years ago, one of us attended a three-day meeting on leadership with 15 top managers from different companies. At the close of it, participants were asked to reflect on their experience as leaders. One executive, responsible for more than 50,000 people in his division of a manufacturing corporation, drew two pictures on a flip chart. The image on the left was what he projected to the outside world: It was a large, intimidating face holding up a huge fist. The image on the right represented how he saw himself: a small face with wide eyes, hair standing on end, and an expression of sheer terror.

We believe that most leaders experience that profound dichotomy every day, and it's a heavy burden. How many times have you feigned confidence to superiors or reports when you were really unsure? Have you ever felt comfortable conceding that you were confused by the latest business results or caught off guard by a competitor's move? Would you ever admit to feeling inadequate to cope with the complex issues your firm was facing? Anyone who can identify with these situations knows firsthand

Examining Your Leadership Capabilities

Few people wake up in the morning and say, "I'm a poor sensemaker" or "I just can't relate to others." They tend to experience their own weaknesses more as chronic or inexplicable failures in the organization or in those around them. The following descriptions will help you recognize opportunities to develop your leadership capabilities and identify openings for working with others.

Signs of Weak Sensemaking

1. You feel strongly that you are usually right and others are often wrong.
2. You feel your views describe reality correctly, but others' views do not.
3. You find you are often blindsided by changes in your organization or industry.
4. When things change, you typically feel resentful. (That's not the way it should be!)

Signs of Weak Relating

1. You blame others for failed projects.
2. You feel others are constantly letting you down or failing to live up to your expectations.
3. You find that many of your interactions at work are unpleasant, frustrating, or argumentative.
4. You find many of the people you work with untrustworthy.

Signs of Weak Visioning

1. You feel your work involves managing an endless series of crises.
2. You feel like you're bouncing from pillar to post with no sense of larger purpose.
3. You often wonder, "Why are we doing this?" or "Does it really matter?"
4. You can't remember the last time you talked to your family or a friend with excitement about your work.

Signs of Weak Inventing

1. Your organization's vision seems abstract to you.
2. You have difficulty relating your company's vision to what you are doing today.
3. You notice dysfunctional gaps between your organization's aspirations and the way work is organized.
4. You find that things tend to revert to business as usual.

what it's like to be trapped in the myth of the complete leader—the person at the top without flaws. It's time to put that myth to rest, not only for the sake of frustrated leaders but also for the health of organizations. Even the most talented leaders require the input and leadership of others, constructively solicited and creatively applied. It's time to celebrate the incomplete—that is, the human—leader.

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by J. Sterling Livingston

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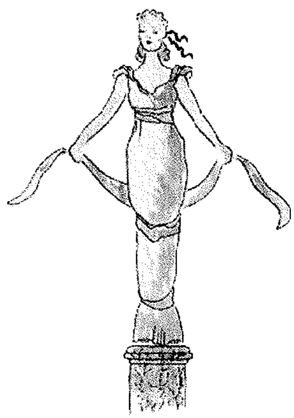
by J. Sterling Livingston



A manager's expectations are the key to a subordinate's performance and development.

In George Bernard Shaw's *Pygmalion*, Eliza Doolittle explains:

"You see, really and truly, apart from the things anyone can pick up (the dressing and the proper way of speaking, and so on), the difference between a lady and a flower girl is not how she behaves but how she's treated. I shall always be a flower girl to Professor Higgins because he always treats me as a flower girl and always will; but I know I can be a lady to you because you always treat me as a lady and always will."

Pygmalion was a sculptor in Greek mythology who carved a statue of a beautiful woman that subsequently was brought to life. The notion that one person can transform another is the basis for this "classic" article. At the time he wrote it for the July-August 1969 issue, J. Sterling Livingston was a professor of business administration at the Harvard Business School. He had founded the Sterling Institute, a management consulting firm, in 1967. He is now chairman of the Washington, D.C.-based institute, which specializes in executive training and development.

Some managers always treat their subordinates in a way that leads to superior performance. But most managers, like Professor Higgins, unintentionally treat their subordinates in a way that leads to lower performance than they are capable of achieving. The way managers treat their subordinates is subtly influenced by what they expect of them. If managers' expectations are high, productivity is likely to be excellent. If their expectations are low, productivity is likely to be poor. It is as though there were a law that caused subordinates' performance to rise or fall to meet managers' expectations.

Enthusiasm and apathy – both are infectious.

The powerful influence of one person's expectations on another's behavior has long been recognized by physicians and behavioral scientists and, more recently, by teachers. But heretofore the importance of managerial expectations for individual and group performance has not been widely understood. I have documented this phenomenon in a number of case studies prepared during the past decade for major industrial concerns. These cases and other evidence available from scientific research now reveal:

☐ What managers expect of their subordinates and the way they treat them largely determine their performance and career progress.

☐ A unique characteristic of superior managers is the ability to create high performance expectations that subordinates fulfill.

☐ Less effective managers fail to develop similar expectations, and as a consequence, the productivity of their subordinates suffers.

☐ Subordinates, more often than not, appear to do what they believe they are expected to do.

Impact on Productivity

One of the most comprehensive illustrations of the effect of managerial expectations on productivity is recorded in studies of the organizational experiment undertaken in 1961 by Alfred Oberlander, manager of the Rockaway district office of the Metropolitan Life Insurance Company. He had observed that outstanding insurance agencies grew faster than average or poor agencies and that new insurance agents performed better in outstanding agencies than in average or poor agencies, regardless of their sales aptitude. He decided, therefore, to group his superior agents in one unit to stimulate their performance and to provide a challenging environment in which to introduce new salespeople.

Accordingly, Oberlander assigned his six best agents to work with his best assistant manager, an equal number of average producers to work with an average assistant manager, and the remaining low producers to work with the least able manager. He then asked the superior group to produce two-thirds of the premium volume achieved by the entire agency during the previous year. He describes the results as follows:

"Shortly after this selection had been made, the people in the agency began referring to this select group as a 'superstaff' because of their high esprit de corps in operating so well as a unit. Their production efforts over the first 12 weeks far surpassed our most optimistic expectations...proving that groups of people of sound ability can be motivated beyond their apparently normal productive capacities when the problems created by the poor producer are eliminated from the operation.

"Thanks to this fine result, our overall agency performance improved by 40% and it remained at this figure.

"In the beginning of 1962 when, through expansion, we appointed another assistant manager and assigned him a staff, we again used this same concept, arranging the agents once more according to their productive capacity.

"The assistant managers were assigned...according to their ability, with the most capable assistant manager receiving the best group, thus playing strength to strength. Our agency overall production again improved by about 25% to 30%, and so this staff arrangement remained in place until the end of the year.

"Now in this year of 1963, we found upon analysis that there were so many agents...with a potential of half a million dollars or more that only one staff remained of those people in the agency who were not considered to have any chance of reaching the half-million-dollar mark."

Although the productivity of the "superstaff" improved dramatically, it should be pointed out that the productivity of those in the lowest unit, "who were not considered to have any chance of reaching the half-million-dollar mark," actually declined, and that attrition among them increased. The performance of the superior agents rose to meet their managers' expectations, while that of the weaker ones declined as predicted.

Self-Fulfilling Prophecies. The "average" unit, however, proved to be an anomaly. Although the district manager expected only average performance from this group, its productivity increased significantly. This was because the assistant manager in charge of the group refused to believe that she was less capable than the manager of the superstaff or that the agents in the top group had any greater ability than the agents in her group. She insisted in discussions with her agents that every person in the middle group had greater potential than those in the superstaff, lacking only their years of experience in selling insurance. She stimulated her agents to accept the challenge of outperforming the superstaff. As a result, in each year the middle group increased its productivity by a higher per-

Salespeople treated by their bosses as "superstaff" try to live up to that image.

DRAWINGS BY MARIE-SOLANGE LADENIUS

centage than the superstaff did (although it never attained the dollar volume of the top group).

It is of special interest that the self-image of the manager of the "average" unit did not permit her to accept others' treatment of her as an "average" manager, just as Eliza Doolittle's image of herself as a lady did not permit her to accept others' treatment of her as a flower girl. The assistant manager transmitted her own strong feelings of efficacy to her agents, created mutual expectancy of high performance, and greatly stimulated productivity.

Comparable results occurred when a similar experiment was made at another office of the company. Further confirmation comes from a study of the early managerial success of 49 college graduates who were management-level employees of an operating company of AT&T. David E. Berlew and Douglas T. Hall of the Massachusetts Institute of Technology examined the career progress of these managers over a period of five years and discovered that their relative success, as measured by salary increases and the company's estimate of each one's performance and potential, depended largely on the company's expectations of them.

The influence of one person's expectations on another's behavior is by no means a business discovery. More than half a century ago, Albert Moll concluded from his clinical experience that subjects behaved as they believed they were expected to. The phenomenon he observed, in which "the prophecy causes its own fulfillment," has recently become a subject of considerable scientific interest. For example:

☐ In a series of scientific experiments, Robert Rosenthal of Harvard University has demonstrated that a "teacher's expectation for a pupil's intellectual competence can come to serve as an educational self-fulfilling prophecy."

☐ An experiment in a summer Headstart program for 60 preschoolers compared the performance of pupils under (a) teachers who had been led to expect relatively slow learning by their children, and (b) teachers who had been led to believe that their children had excellent intellectual ability and learning capacity. Pupils of the second group of teachers learned much faster.[1]

Moreover, the healing professions have long recognized that a physician's or psychiatrist's expectations can have a formidable influence on a patient's physical or mental health. What takes place in the minds of the patients and the healers, particularly when they have congruent expectations, may determine the outcome. For instance, the havoc of a doctor's pessimistic prognosis has often been observed. Again, it is well known that the efficacy of a new drug or a new treatment can be greatly influenced by the physician's expectations – a result referred to by the medical profession as a "placebo effect."

Pattern of Failure. When salespersons are treated by their managers as superpeople, as the superstaff was at the Metropolitan Rockaway district office, they try to live up to that image and do what they know supersalespersons are expected to do. But when the agents with poor productivity records are treated by their managers as *not* having "any chance" of success, as the low producers at Rockaway were, this negative expectation also becomes a managerial self-fulfilling prophecy.

Unsuccessful salespersons have great difficulty maintaining their self-image and self-esteem. In response to low managerial expectations, they typically attempt to prevent additional damage to their egos by avoiding situations that might lead to greater failure. They either reduce the number of sales calls they make or avoid trying to "close" sales when that might result in further painful rejection, or both. Low expectations and damaged egos lead them to behave in a manner that increases the probability of failure, thereby fulfilling their managers' expectations. Let me illustrate:

Not long ago I studied the effectiveness of branch bank managers at a West Coast bank with over 500 branches. The managers who had had their lending authority reduced because of high rates of loss became progressively less effective. To prevent further loss of authority, they turned to making only "safe" loans. This action resulted in losses of business to competing banks and a relative decline in both deposits and profits at their branches. Then, to reverse that decline in deposits and earnings, they often "reached" for loans and became almost irrational in their acceptance of questionable credit risks. Their actions were not so much a matter of poor judgment as an expression of their willingness to take desperate risks in the hope of being able to avoid further damage to their egos and to their careers.

Thus, in response to the low expectations of their supervisors who had reduced their lending authority, they behaved in a manner that led to larger credit losses. They appeared to do what they believed they were expected to do, and their supervisors' expectations became self-fulfilling prophecies.

Power of Expectations

Managers cannot avoid the depressing cycle of events that flow from low expectations merely by hiding their feelings from subordinates. If managers believe subordinates will perform poorly, it is virtually impossible for them to mask their expectations because the message usually is communicated unintentionally, without conscious action on their part.

Indeed, managers often communicate most when they believe they are communicating least. For instance, when they say nothing – become cold and uncommunicative – it usually is a sign that they are displeased by a subordinate or believe that he or she is hopeless. The silent treatment communicates negative feelings even more effectively, at times, than a tongue-lashing does. What seems to be critical in the communication of expectations is not what the boss says so much as the way he or she behaves. Indifferent and noncommital treatment, more often than not, is the kind of treatment that communicates low expectations and leads to poor performance.

Common Illusions. Managers are more effective in communicating low expectations to their subordinates than in communicating high expectations to them, even though most managers believe exactly the opposite. It usually is astonishingly difficult for them to recognize the clarity with which they transmit negative feelings. To illustrate again:

□ The Rockaway district manager vigorously denied that he had communicated low expectations to the agents in the poorest group who, he believed, did not have "any chance" of becoming high producers. Yet the message was clearly received by those agents. A typical case was that of an agent who resigned from the low unit. When the district manager told the agent that he was sorry she was leaving, the agent replied, "No you're not; you're glad." Although the district manager previously had said nothing to her, he had unintentionally communicated his low expectations to his agents through his indifferent manner. Subsequently, the agents who were assigned to the lowest unit interpreted the assignment as equivalent to a request for their resignation.

□ One of the company's agency managers established superior, average, and low units, even though he was convinced that he had no superior or outstanding subordinates. "All my assistant managers and agents are either average or incompetent," he explained to the Rockaway district manager. Although he tried to duplicate the Rockaway results, his low opinions of his agents were communicated – not so subtly – to them. As a result, the experiment failed.

Positive feelings, on the other hand, often do not come through clearly enough. Another insurance agency manager copied the organizational changes made at the Rockaway district office, grouping the salespeople she rated highly with the best manager, the average salespeople with an average manager, and so on. Improvement, however, did not result from the move. The Rockaway district manager therefore investigated the situation. He discovered that the assistant manager in charge of the high-performance unit was unaware that his manager considered him to be the best. In fact, he and the other agents doubted that the agency manager really believed there was any difference in their abilities. This agency manager was a stolid, phlegmatic, unemotional woman who treated her agents in a rather pedestrian way. Since high expectations had not been communicated to them, they did not understand the reason for the new organization and could not see any point in it. Clearly, the way managers *treat* subordinates, not the way they organize them, is the key to high expectations and high productivity.

Impossible Dreams. Managerial expectations must pass the test of reality before they can be translated into performance. To become self-fulfilling prophecies, expectations must be made of sterner stuff than the power of positive thinking or generalized confidence in one's subordinates – helpful as these concepts may be for some other purposes. Subordinates will not be motivated to reach high levels of productivity unless they consider the boss's high expectations realistic and achievable. If they are encouraged to strive for unattainable goals, they eventually give up trying and settle for results that are lower than they are capable of achieving. The experience of a large electrical manufacturing company demonstrates this; the company discovered that production actually declined if production quotas were set too high, because the workers simply stopped trying to meet them. In other words, the practice of "dangling the carrot just beyond the donkey's reach," endorsed by many managers, is not a good motivational device.

Scientific research by David C. McClelland of Harvard University and John W. Atkinson of the University of Michigan has demonstrated that the relationship of motivation to expectancy varies in the form of a bell-shaped curve (see the exhibit).[2]

The degree of motivation and effort rises until the expectancy of success reaches 50%, then begins to fall even though the expectancy of success continues to increase. No motivation or response is aroused when the goal is perceived as being either virtually certain or virtually impossible to attain.

Moreover, as Berlew and Hall have pointed out, if subordinates fail to meet performance expectations that are close to their own level of aspirations, they will lower personal performance goals and standards, performance will tend to drop off, and negative attitudes will develop toward the activity or

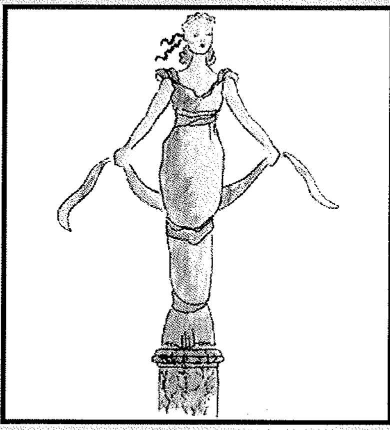
Retrospective Commentary

J. Sterling Livingston

Self-fulfilling managerial prophecies were a bit mysterious when I documented the phenomenon 19 years ago. At that time, the powerful influence of managers' expectations on the development, motivation, and performance of their subordinates was not widely understood. Since then, however, the "Pygmalion effect" has become well known.

Recent research has confirmed that effective leaders have the ability to create high performance expectations that their employees fulfill. Every manager should understand, therefore, how the Pygmalion effect works.

What managers think about themselves and their abilities, as I explained in "Pygmalion In Management," is crucial to their effectiveness in creating self-fulfilling prophecies. Warren Bennis and Burt Nanus recently reached a similar conclusion after conducting some 90 interviews with CEOs and top public administrators. They wrote: "Our study of effective leaders strongly suggested that a key factor was...what we're calling...positive self-regard. ...Positive self-regard seems to exert its force by creating in others a sense of confidence and high expectations, not very different from the fabled Pygmalion effect."*



The way managers develop confidence in their abilities and transmit their feelings of efficacy to their employees is illustrated by the success of Lee A. Iacocca of Chrysler – whom, interestingly, Bennis and Nanus used as a model for their theory of leadership. Iacocca's self-assurance can be traced to his prior success as president of Ford. His subsequent prophecy that Chrysler would be saved was accepted as credible by Chrysler's employees because they saw him as a competent automobile executive. They tried hard to meet his expectations and "behaved as they believed they were expected to," which my article indicated would be normal under the circumstances.

It is highly unlikely, however, that Iacocca could have saved Chrysler if he had been an industry outsider who needed two or three years to learn the automotive business. If he had been an outsider, he could not have moved decisively to do what needed to be done, nor could he have created a strong sense of confidence and high expectations among Chrysler's employees. His success was due to his experience and competence. It is doubtful that a prophecy by a less-qualified executive would have been self-fulfilling. So the message for managers is this: to be a Pygmalion, you must acquire the industry knowledge and job skills required to be confident of your high expectations and to make them credible to your employees.

Your organization can help identify the knowledge and skills you need to perform your job effectively. Your supervisors can give you assignments that will spur your development. But you must assume responsibility for your own development and career growth.

A word of caution may be in order, however. As I explained in my article, managers often unintentionally communicate low expectations to their subordinates, even though they believe otherwise. When they communicate low expectations, they become "negative" Pygmalions who undermine the self-confidence of their employees and reduce their effectiveness. Managers must be extremely sensitive, therefore, to their own behavior and its impact on their subordinates. They must guard against treating their employees in ways that lower their feelings of efficacy and self-esteem and are unproductive.

If I were writing "Pygmalion in Management" today, I might focus more attention on the problems of the negative Pygmalions because there are more of them than positive Pygmalions in U.S. industry. But the dark side of the Pygmalion effect is distressing, and I prefer to think about the bright side. It is a hopeful concept that can help all managers become more effective.

The difference between employees who perform well and those who perform poorly is not how they are paid but how they are treated. All managers can learn how to treat their employees in ways that will lead to mutual expectations of superior performance. The most effective managers always do.

*Reported in their book *Leaders* (New York: Harper & Row, 1985).

job.[3] It is therefore not surprising that failure of subordinates to meet the unrealistically high expectations of their managers leads to high rates of attrition, either voluntary or involuntary.

Secret of Superiority. Something takes place in the minds of superior managers that does not occur in the minds of those who are less effective. While superior managers are consistently able to create high performance expectations that their subordinates fulfill, weaker managers are not successful in obtaining a similar response. What accounts for the difference?

Indifference says to subordinates, "I don't think much of you."

The answer, in part, seems to be that superior managers have greater confidence than other managers in their own ability to develop the talents of their subordinates. Contrary to what might be assumed, the high expectations of superior managers are based primarily on what they think about themselves – about their own ability to select, train, and motivate their subordinates. What managers believe about themselves subtly influences what they believe about their subordinates, what they expect of them, and how they treat them. If they have confidence in their ability to develop and stimulate them to high levels of performance, they will expect much of them and will treat them with confidence that their expectations will be met. But if they have doubts about their ability to stimulate them, they will expect less of them and will treat them with less confidence.

Stated in another way, the superior managers' record of success and their confidence in their ability give their high expectations credibility. As a consequence, their subordinates accept these expectations as realistic and try hard to achieve them.

The importance of what a manager believes about his or her training and motivational ability is illustrated by "Sweeney's Miracle," a managerial and educational self-fulfilling prophecy.

James Sweeney taught industrial management and psychiatry at Tulane University, and he also was responsible for the operation of the Biomedical Computer Center there. Sweeney believed that he could teach even a poorly educated man to be a capable computer operator. George Johnson, a former hospital porter, became janitor at the computer center; he was chosen by Sweeney to prove his conviction. In the mornings, George Johnson performed his janitorial duties, and in the afternoons Sweeney taught him about computers.

Johnson was learning a great deal about computers when someone at the university concluded that to be a computer operator one had to have a certain I.Q. score. Johnson was tested, and his I.Q. indicated that he would not be able to learn to type, much less operate a computer.

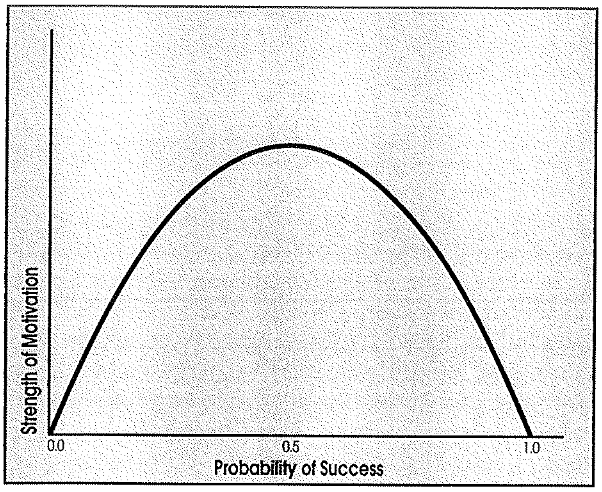
But Sweeney was not convinced. He threatened to quit unless Johnson was permitted to learn to program and operate the computer. Sweeney prevailed, and he is still running the computer center. Johnson is now in charge of the main computer room and is responsible for training new employees to program and operate the computer.[4]

Sweeney's expectations were based on what he believed about his own teaching ability, not on Johnson's learning credentials. What managers believe about their ability to train and motivate subordinates clearly is the foundation on which realistically high managerial expectations are built.

The Critical Early Years

Managerial expectations have their most magical influence on young people. As subordinates mature and gain experience, their self-image gradually hardens, and they begin to see themselves as their career records imply. Their own aspirations and the expectations of their superiors become increasingly controlled by the "reality" of their past performance. It becomes more and more difficult for them and for their managers to generate mutually high expectations unless they have outstanding records.

Incidentally, the same pattern occurs in school. Rosenthal's experiments with educational self-fulfilling prophecies consistently demonstrate that teachers' expectations are more effective in influencing intellectual growth in younger children than in older children. In the lower grade levels, particularly in the first and second grades, the effects of teachers' expectations are dramatic. In the upper grade levels, teachers' prophecies seem to have little effect on children's intellectual growth, although they do affect their motivation and attitude toward school. While the declining influence of teachers' expectations cannot be completely explained, it is reasonable to conclude that younger children are more malleable, have fewer fixed no-



tions about their abilities, and have less well-established reputations in the schools. As they grow, particularly if they are assigned to "tracks" on the basis of their records, as is now often done in public schools, their beliefs about their intellectual ability and their teachers' expectations of them begin to harden and become more resistant to influence by others.

Key to Future Performance. The early years in a business organization, when young people can be strongly influenced by managerial expectations, are critical in determining future performance and career progress. This is shown by a study at AT&T.

Berlew and Hall found that what the company initially expected of 49 college graduates who were management-level employees was the most critical factor in their subsequent performance and success. The researchers concluded that the correlation between how much a company expects of an employee in the first year and how much that employee contributes during the next five years was "too compelling to be ignored."[5]

Subsequently, the two men studied the career records of 18 college graduates who were hired as management trainees in another of AT&T's operating companies. Again they found that both expectations and performance in the first year correlated consistently with later performance and success.

"Something important is happening in the first year...," Berlew and Hall concluded. "Meeting high company expectations in the critical first year leads to the internalization of positive job attitudes and high standards; these attitudes and standards, in turn, would first lead to and be reinforced by strong performance and success in later years. It should also follow that a new manager who meets the challenge of one highly demanding job will be given subsequently a more demanding job, and his level of contribution will rise as he responds to the company's growing expectations of him. The key...is the concept of the first year as a *critical period for learning,* a time when the trainee is uniquely ready to develop or change in the direction of the company's expectations."[6]

Most Influential Boss. A young person's first manager is likely to be the most influential in that person's career. If managers are unable or unwilling to develop the skills young employees need to perform effectively, the latter will set lower personal standards than they are capable of achieving, their self-images will be impaired, and they will develop negative attitudes toward jobs, employers, and – in all probability – their own careers in business. Since the chances of building successful careers with these first employers will decline rapidly, the employees will leave, if they have high aspirations, in hope of finding better opportunities. If, on the other hand, early managers help employees achieve maximum potential, they will build the foundations for successful careers.

With few exceptions, the most effective branch managers at a large West Coast bank were mature people in their forties and fifties. The bank's executives explained that it took considerable time for a person to gain the knowledge, experience, and judgment required to handle properly credit risks, customer relations, and employee relations.

One branch manager, however, ranked in the top 10% of the managers in terms of effectiveness (which included branch profit growth, deposit growth, scores on administrative audits, and subjective rankings by superiors), was only 27 years old. This young person had been made a branch manager at 25, and in two years had improved not only the performance of the branch substantially but also developed a younger assistant manager who, in turn, was made a branch manager at 25.

The assistant had had only average grades in college, but in just four years at the bank had been assigned to work with two branch managers who were remarkably effective teachers. The first boss, who was recognized throughout the bank for unusual skill in developing young people, did not believe that it took years to gain the knowledge and skill needed to become an effective banker. After two years, the young person was made assistant manager at a branch headed by another executive, who also was an effective developer of subordinates. Thus it was that the young person, when promoted to head a branch, confidently followed the model of two previous superiors in operating the branch, quickly established a record of outstanding performance, and trained an assistant to assume responsibility early.

For confirming evidence of the crucial role played by a person's first bosses, let us turn to selling, since performance in this area is more easily measured than in most managerial areas. Consider the following investigations:

☐ In a study of the careers of 100 insurance salespeople who began work with either highly competent or less-than-competent agency managers, the Life Insurance Agency Management Association found that those with average sales-aptitude test scores were nearly five times as likely to succeed under managers with good performance records as under managers with poor records, and those with superior sales aptitude scores were found to be twice as likely to succeed under high-performing managers as under low-performing managers.[7]

☐ The Metropolitan Life Insurance Company determined in 1960 that differences in the productivity of new insurance agents who had equal sales aptitudes could be accounted for only by differences in the ability of managers in the offices to which they were assigned. Agents whose productivity was high in relation to their aptitude test scores invariably were employed in offices that had production records among the top third in the company. Conversely, those whose productivity was low in relation to their test scores typically were in the least successful offices. After analyzing all the factors that might have accounted for these variations, the company concluded that differences in the performance of new agents were due primarily to differences in the "proficiency in sales training and direction" of the local managers.[8]

☐ A study I conducted of the performance of automobile salespeople in Ford dealerships in New England revealed that superior salespersons were concentrated in a few outstanding dealerships. For instance, 10 of the top 15 salespeople in New England were in 3 (out of approximately 200) of the dealerships in this region, and 5 of the top 15 people were in one highly successful dealership. Yet 4 of these people previously had worked for other dealers without achieving outstanding sales records. There was little doubt that the training and motivational skills of managers in the outstanding dealerships were critical.

Astute Selection. While success in business sometimes appears to depend on the luck of the draw, more than luck is involved when a young person is selected by a superior manager. Successful managers do not pick their subordinates at random or by the toss of a coin. They are careful to select only those who they "know" will succeed. As Metropolitan's Rockaway district manager, Alfred Oberlander, insisted: "Every man or woman who starts with us is going to be a top-notch life insurance agent, or he or she would not have been asked to join the team."

When pressed to explain how they "know" whether a person will be successful, superior managers usually end up by saying something like, "The qualities are intangible, but I know them when I see them." They have difficulty being explicit because their selection process is intuitive and is based on interpersonal intelligence that is difficult to describe. The key seems to be that they are able to identify subordinates with whom they can probably work effectively – people with whom they are compatible and whose body chemistry agrees with their own. They make mistakes, of course. But they "give up" on a subordinate slowly because that means "giving up" on themselves – on their judgment and ability in selecting, training, and motivating people. Less effective managers select subordinates more quickly and give up on them more easily, believing that the inadequacy is that of the subordinate, not of themselves.

Developing Young People

Observing that his company's research indicates that "initial corporate expectations for performance (with real responsibility) mold subsequent expectations and behavior," R.W. Walters, Jr., director of college employment at AT&T, contends that "initial bosses of new college hires must be the best in the organization."[9] Unfortunately, however, most companies practice exactly the opposite.

Rarely do new graduates work closely with experienced middle managers or upper-level executives. Normally they are bossed by first-line managers who tend to be the least experienced and least effective in the organization. While there are exceptions, first-line managers generally are either "old pros" who have been judged as lacking competence for higher levels of responsibility, or they are younger people who are making the transition from "doing" to "managing." Often these managers lack the knowledge and skill required to develop the productive capabilities of their subordinates. As a consequence, many college graduates begin their careers in business under the worst possible circumstances. Since they know their abilities are not being developed or used, they quite naturally soon become negative toward their jobs, employers, and business careers.

Although most top executives have not yet diagnosed the problem, industry's greatest challenge by far is to rectify the underdevelopment, underutilization, and ineffective management and use of its most valuable resource – its young managerial and professional talent.

Disillusion and Turnover. The problem posed to corporate management is underscored by the sharply rising rates of attrition among young managerial and professional personnel. Turnover among managers one to five years out of college is almost twice as high now as it was a decade ago, and five times as high as two decades ago. Three out of five companies surveyed by *Fortune* magazine in the fall of 1968 reported that turnover rates among young managers and professionals were higher than five years ago.[10] While the high level of economic activity and the shortage of skilled personnel have made job-hopping easier, the underlying causes of high attrition, I am convinced, are underdevelopment and underutilization of a work force that has high career aspirations.

The problem can be seen in its extreme form in the excessive attrition rates of college and university graduates who begin their careers in sales positions. Whereas the average company loses about 50% of its new college and university graduates within three to five years, attrition rates as high as 40% in the *first* year are common among college graduates who accept sales positions in the average company. This attrition stems primarily, in my opinion, from the failure of first-line managers to teach new college recruits what they need to know to be effective sales representatives.

As we have seen, young people who begin their careers working for less-than-competent sales managers are likely to have records of low productivity. When rebuffed by their customers and considered by their managers to have little potential for success, the young people naturally have great difficulty in maintaining their self-esteem. Soon they find little personal satisfaction in their jobs and, to avoid further loss of self-respect, leave their employers for jobs that look more promising. Moreover, as reports about the high turnover and disillusionment of those who embarked on sales careers filter back to college campuses, new graduates become increasingly reluctant to take jobs in sales.

Thus ineffective first-line sales management sets off a sequence of events that ends with college and university graduates avoiding careers in selling. To a lesser extent, the same pattern is duplicated in other functions of business, as evidenced by the growing trend of college graduates to pursue careers in "more meaningful" occupations, such as teaching and government service.

We all are like Eliza Doolittle – we behave according to how we're treated.

A serious "generation gap" between bosses and subordinates is another significant cause of breakdown. Many managers resent the abstract, academic language and narrow rationalization characteristically used by recent graduates. As one manager expressed it to me, "For God's sake, you need a lexicon even to talk with these kids." Nondegreed managers often are particularly resentful, perhaps because they feel threatened by the bright young people with book-learned knowledge that they do not understand.

For whatever reason, the "generation gap" in many companies is eroding managerial expectations of new college graduates. For instance, I know of a survey of management attitudes in one of the nation's largest companies that revealed that 54% of its first-line and second-line managers believed that new college recruits were "not as good as they were five years ago." Since what managers expect of subordinates influences the way they treat them, it is understandable that new graduates often develop negative attitudes toward their jobs and their employers. Clearly, low managerial expectations and hostile attitudes are not the basis for effective management of new people entering business.

Industry has not developed effective first-line managers fast enough to meet its needs. As a consequence, many companies are underdeveloping their most valuable resource – talented young men and women. They are incurring heavy attrition costs and contributing to the negative attitudes young people often have about careers in business.

For top executives in industry who are concerned with the productivity of their organizations and the careers of young employees, the challenge is clear: to speed the development of managers who will treat subordinates in ways that lead to high performance and career satisfaction. Managers not only shape the expectations and productivity of their subordinates but also influence their attitudes toward their jobs and themselves. If managers are unskilled, they leave scars on the careers of young people, cut deeply into their self-esteem, and distort their image of themselves as human beings. But if they are skillful and have high expectations, subordinates' self-confidence will grow, their capabilities will develop, and their productivity will be high. More often than one realizes, the manager is Pygmalion.

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by Frederick Herzberg

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HBR CLASSIC

One More Time: How Do You Motivate Employees?

by Frederick Herzberg

How many articles, books, speeches, and workshops have pleaded plaintively, "How do I get an employee to do what I want?"

The psychology of motivation is tremendously complex, and what has been unraveled with any degree of assurance is small indeed. But the dismal ratio of knowledge to speculation has not dampened the enthusiasm for new forms of snake oil that are constantly coming on the market, many of them with academic testimonials. Doubtless this article will have no depressing impact on the market for snake oil, but since the ideas expressed in it have been tested in many corporations and other organizations, it will help – I hope – to redress the imbalance in the aforementioned ratio.

'Motivating' with KITA

In lectures to industry on the problem, I have found that the audiences are anxious for quick and practical answers, so I will begin with a straightforward, practical formula for moving people.

What is the simplest, surest, and most direct way of getting someone to do something? Ask? But if the person responds that he or she does not want to do it, then that calls for psychological consultation to determine the reason for such obstinacy. Tell the person? The response shows that he or she does not understand you, and now an expert in communication methods has to be brought in to show you how to get through. Give the person a monetary incentive? I do not need to remind the reader of the complexity and difficulty involved in setting up and administering an incentive system. Show the person? This means a costly training program. We need a simple way.

Every audience contains the "direct action" manager who shouts, "Kick the person!" And this type of manager is right. The surest and least circumlocuted way of getting someone to do something is to administer a kick in the pants – to give what might be called the KITA.

There are various forms of KITA, and here are some of them:

Negative physical KITA. This is a literal application of the term and was frequently used in the past. It has, however, three major drawbacks: (1) it is inelegant; (2) it contradicts the precious image of benevolence that most organizations cherish; and (3) since it is a physical attack, it directly stimulates the autonomic nervous system, and this often

To mark the 65th birthday of the Harvard Business Review, *it's appropriate to republish as a "Classic" one of its landmark articles. Frederick Herzberg's contribution has sold more than 1.2 million reprints since its publication in the January-February 1968 issue. By some 300,000 copies over the runner-up, that is the largest sale of any of the thousands of articles that have ever appeared between HBR's covers. Frederick Herzberg, Distinguished Professor of Management at the University of Utah, was head of the department of psychology at Case Western Reserve University when he wrote this article. His writings include the book* Work and the Nature of Man *(World, 1966).*

results in negative feedback – the employee may just kick you in return. These factors give rise to certain taboos against negative physical KITA.

In uncovering infinite sources of psychological vulnerabilities and the appropriate methods to play tunes on them, psychologists have come to the rescue of those who are no longer permitted to use negative physical KITA. "He took my rug away"; "I wonder what she meant by that"; "The boss is always going around me" – these symptomatic expressions of ego sores that have been rubbed raw are the result of application of:

Negative psychological KITA. This has several advantages over negative physical KITA. First, the cruelty is not visible; the bleeding is internal and comes much later. Second, since it affects the higher cortical centers of the brain with its inhibitory powers, it reduces the possibility of physical backlash. Third, since the number of psychological pains that a person can feel is almost infinite, the direction and site possibilities of the KITA are increased many times. Fourth, the person administering the kick can manage to be above it all and let the system accomplish the dirty work. Fifth, those who practice it receive some ego satisfaction (one-upmanship), whereas they would find drawing blood abhorrent. Finally, if the employee does complain, he or she can always be accused of being paranoid; there is no tangible evidence of an actual attack.

Now, what does negative KITA accomplish? If I kick you in the rear (physically or psychologically), who is motivated? *I* am motivated; *you* move! Negative KITA does not lead to motivation, but to movement. So:

Positive KITA. Let us consider motivation. If I say to you, "Do this for me or the company, and in return I will give you a reward, an incentive, more status, a promotion, all the quid pro quos that exist in the industrial organization," am I motivating you? The overwhelming opinion I receive from management people is, "Yes, this is motivation."

I have a year-old Schnauzer. When it was a small puppy and I wanted it to move, I kicked it in the rear and it moved. Now that I have finished its obedience training, I hold up a dog biscuit when I want the Schnauzer to move. In this instance, who is motivated – I or the dog? The dog wants the biscuit, but it is I who want it to move. Again, I am the one who is motivated, and the dog is the one who moves. In this instance all I did was apply KITA frontally; I exerted a pull instead of a push. When industry wishes to use such positive KITAs, it has available an incredible number and variety of dog biscuits (jelly beans for humans) to wave in front of employees to get them to jump.

Why is it that managerial audiences are quick to see that negative KITA is *not* motivation, while they are almost unanimous in their judgment that positive KITA *is* motivation. It is because negative KITA is rape, and positive KITA is seduction. But it is infinitely worse to be seduced than to be raped; the latter is an unfortunate occurrence, while the former signifies that you were a party to your own downfall. This is why positive KITA is so popular: it is a tradition; it is the American way. The organization does not have to kick you; you kick yourself.

Myths About Motivation

Why is KITA not motivation? If I kick my dog (from the front or the back), he will move. And when I want him to move again, what must I do? I must kick him again. Similarly, I can charge a person's battery, and then recharge it, and recharge it again. But it is only when one has a generator of one's own that we can talk about motivation. One then needs no outside stimulation. One *wants* to do it.

With this in mind, we can review some positive KITA personnel practices that were developed as attempts to instill "motivation":

1. Reducing time spent at work. This represents a marvelous way of motivating people to work – getting them off the job! We have reduced (formally and informally) the time spent on the job over the last 50 or 60 years until we are finally on the way to the "6½-day weekend." An interesting variant of this approach is the development of off-hour recreation programs. The philosophy here seems to be that those who play together, work together. The fact is that motivated people seek more hours of work, not fewer.

2. Spiraling wages. Have these motivated people? Yes, to seek the next wage increase. Some medievalists still can be heard to say that a good depression will get employees moving. They feel that if rising wages don't or won't do the job, reducing them will.

3. Fringe benefits. Industry has outdone the most welfare-minded of welfare states in dispensing cradle-to-the-grave succor. One company I know of had an informal "fringe benefit of the month club" going for a while. The cost of fringe benefits in this country has reached approximately 25% of the wage dollar, and we still cry for motivation.

People spend less time working for more money and more security than ever before, and the trend cannot be reversed. These benefits are no longer rewards; they are rights. A 6-day week is inhuman, a 10-hour day is exploitation, extended medical coverage is a basic decency, and stock options are the salvation of American initiative. Unless the ante is continuously raised, the psychological reaction of employees is that the company is turning back the clock.

When industry began to realize that both the economic nerve and the lazy nerve of their employees had insatiable appetites, it started to listen to the behavioral scientists who, more out of a humanist tradition than from scientific study, criticized management for not knowing how to deal with people. The next KITA easily followed.

4. Human relations training. Over 30 years of teaching and, in many instances, of practicing psychological approaches to handling people have resulted in costly human relations programs and, in the end, the same question: How do you motivate workers? Here, too, escalations have taken place. Thirty years ago it was necessary to request, "Please don't spit on the floor." Today the same admonition requires three "pleases" before the employee feels that a superior has demonstrated the psychologically proper attitude.

The failure of human relations training to produce motivation led to the conclusion that supervisors or managers themselves were not psychologically true to themselves in their practice of interpersonal decency. So an advanced form of human relations KITA, sensitivity training, was unfolded.

5. Sensitivity training. Do you really, really understand yourself? Do you really, really, really trust other people? Do you really, really, really, really cooperate? The failure of sensitivity training is now being explained, by those who have become opportunistic exploiters of the technique, as a failure to really (five times) conduct proper sensitivity training courses.

With the realization that there are only temporary gains from comfort and economic and interpersonal KITA, personnel managers concluded that the fault lay not in what they were doing, but in the employee's failure to appreciate what they were doing. This opened up the field of communications, a whole new area of "scientifically" sanctioned KITA.

6. Communications. The professor of communications was invited to join the faculty of management training programs and help in making employees understand what management was doing for them. House organs, briefing sessions, supervisory instruction on the importance of communication, and all sorts of propaganda have proliferated until today there is even an International Council of Industrial Editors. But no motivation resulted, and the obvious thought occurred that perhaps management was not hearing what the employees were saying. That led to the next KITA.

7. Two-way communication. Management ordered morale surveys, suggestion plans, and group participation programs. Then both employees and management were communicating and listening to each other more than ever, but without much improvement in motivation.

The behavioral scientists began to take another look at their conceptions and their data, and they took human relations one step further. A glimmer of truth was beginning to show through in the writings of the so-called higher-order-need psychologists. People, so they said, want to actualize themselves. Unfortunately, the "actualizing" psychologists got mixed up with the human relations psychologists, and a new KITA emerged.

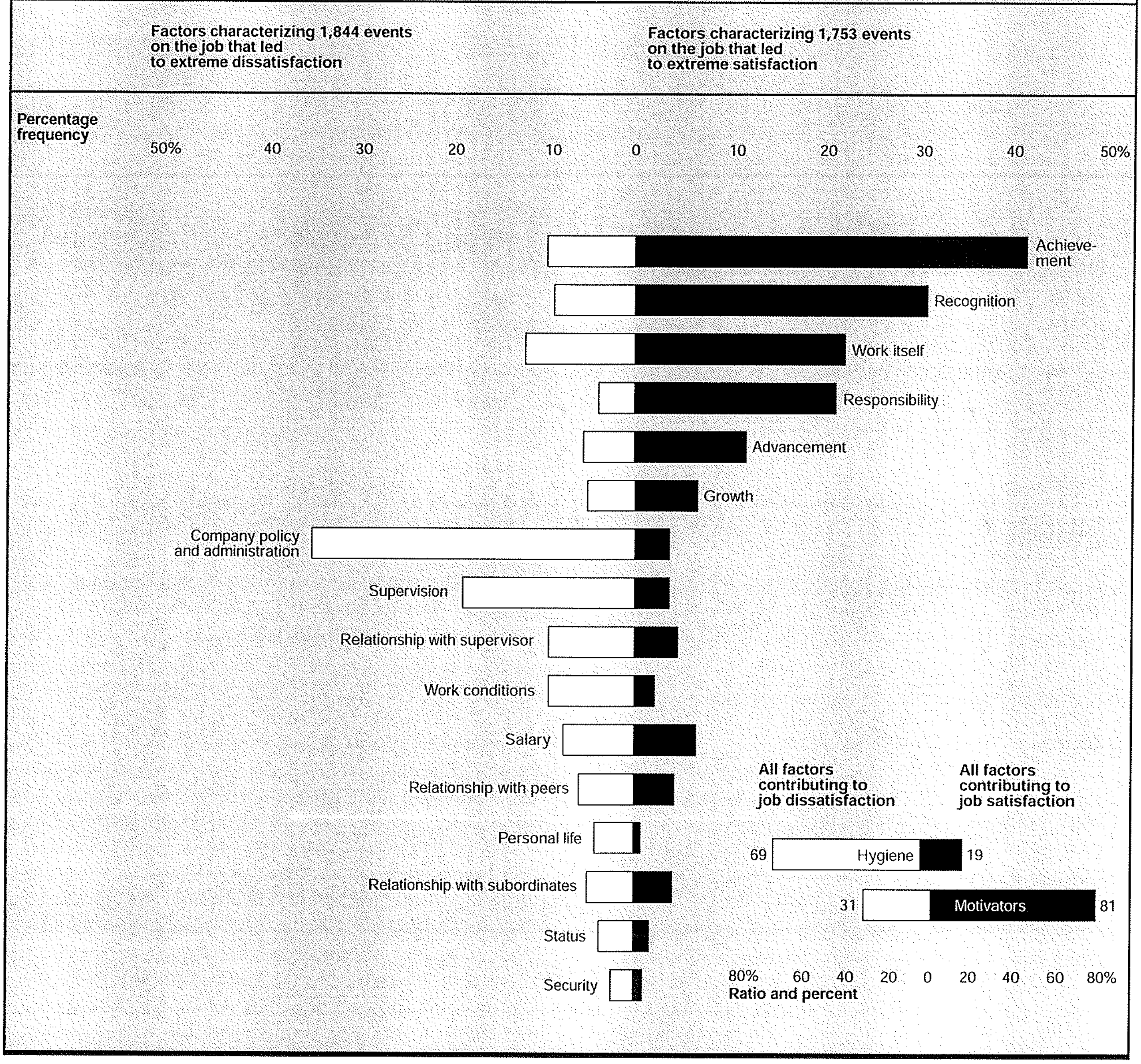
8. Job participation. Though it may not have been the theoretical intention, job participation often became a "give them the big picture" approach. For example, if a man is tightening 10,000 nuts a day on an assembly line with a torque wrench, tell him he is building a Chevrolet. Another approach had the goal of giving employees a "feeling" that they are determining, in some measure, what they do on the job. The goal was to provide a *sense* of achievement rather than a substantive achievement in the task. Real achievement, of course, requires a task that makes it possible.

But still there was no motivation. This led to the inevitable conclusion that the employees must be sick, and therefore to the next KITA.

9. Employee counseling. The initial use of this form of KITA in a systematic fashion can be credited to the Hawthorne experiment of the Western Electric Company during the early 1930s. At that time, it was found that the employees harbored irrational feelings that were interfering with the rational operation of the factory. Counseling in this instance was a means of letting the employees unburden themselves by talking to someone about their problems. Although the counseling techniques were primitive, the program was large indeed.

The counseling approach suffered as a result of experiences during World War II, when the programs themselves were found to be interfering with the operation of the organizations; the counselors had forgotten their role of benevolent listeners and were attempting to do something about the problems that they heard about. Psychological counseling, however, has managed to survive the negative impact of World War II experiences and today is beginning to flourish with renewed sophistication. But, alas, many of these programs, like all the others, do not seem to have lessened the pressure of demands to find out how to motivate workers.

Exhibit I Factors affecting job attitudes as reported in 12 investigations



Since KITA results only in short-term movement, it is safe to predict that the cost of these programs will increase steadily and new varieties will be developed as old positive KITAs reach their satiation points.

Hygiene vs. Motivators

Let me rephrase the perennial question this way: How do you install a generator in an employee? A brief review of my motivation-hygiene theory of job attitudes is required before theoretical and practical suggestions can be offered. The theory was first drawn from an examination of events in the lives of engineers and accountants. At least 16 other investigations, using a wide variety of populations (including some in the Communist countries), have since been completed, making the original research one of the most replicated studies in the field of job attitudes.

The findings of these studies, along with corroboration from many other investigations using different procedures, suggest that the factors involved in producing job satisfaction (and motivation) are separate and distinct from the factors that lead to job dissatisfaction. Since separate factors need to be considered, depending on whether job satisfaction or job dissatisfaction is being examined, it follows that these two feelings are not opposites of each other. The opposite of job satisfaction is not job dissatisfaction but, rather, *no* job satisfaction; and similarly, the opposite of job dissatisfaction is not job satisfaction, but *no* job dissatisfaction.

Stating the concept presents a problem in semantics, for we normally think of satisfaction and dissatisfaction as opposites – i.e., what is not satisfying must be dissatisfying, and vice versa. But when it comes to understanding the behavior of people in their jobs, more than a play on words is involved.

Two different needs of human beings are involved here. One set of needs can be thought of as stemming from humankind's animal nature – the built-in drive to avoid pain from the environment, plus all the learned drives that become conditioned to the basic biological needs. For example, hunger, a basic biological drive, makes it necessary to earn money, and then money becomes a specific drive. The other set of needs relates to that unique human characteristic, the ability to achieve and, through achievement, to experience psychological growth. The stimuli for the growth needs are tasks that induce growth; in the industrial setting, they are the job content. *Contrariwise,* the stimuli inducing pain-avoidance behavior are found in the job environment.

The growth or *motivator* factors that are intrinsic to the job are: achievement, recognition for achievement, the work itself, responsibility, and growth or advancement. The dissatisfaction-avoidance or hygiene (KITA) factors that are extrinsic to the job include: company policy and administration, supervision, interpersonal relationships, working conditions, salary, status, and security.

A composite of the factors that are involved in causing job satisfaction and job dissatisfaction, drawn from samples of 1,685 employees, is shown in *Exhibit I.* The results indicate that motivators were the primary cause of satisfaction, and hygiene factors the primary cause of unhappiness on the job. The employees, studied in 12 different investigations, included lower level supervisors, professional women, agricultural administrators, men about to retire from management positions, hospital maintenance personnel, manufacturing supervisors, nurses, food handlers, military officers, engineers, scientists, housekeepers, teachers, technicians, female assemblers, accountants, Finnish foremen, and Hungarian engineers.

They were asked what job events had occurred in their work that had led to extreme satisfaction or extreme dissatisfaction on their part. Their responses are broken down in the exhibit into percentages of total "positive" job events and of total "negative" job events. (The figures total more than 100% on both the "hygiene" and "motivators" sides because often at least two factors can be attributed to a single event; advancement, for instance, often accompanies assumption of responsibility.)

To illustrate, a typical response involving achievement that had a negative effect for the employee was, "I was unhappy because I didn't do the job successfully." A typical response in the small number of positive job events in the company policy and administration grouping was, "I was happy because the company reorganized the section so that I didn't report any longer to the guy I didn't get along with."

As the lower right-hand part of the exhibit shows, of all the factors contributing to job satisfaction, 81% were motivators. And of all the factors contributing to the employees' dissatisfaction over their work, 69% involved hygiene elements.

Eternal triangle. There are three general philosophies of personnel management. The first is based on organizational theory, the second on industrial engineering, and the third on behavioral science.

Organizational theorists believe that human needs are either so irrational or so varied and adjustable to specific situations that the major function of personnel management is to be as pragmatic as the occasion demands. If jobs are organized in a proper manner, they reason, the result will be the most efficient job structure, and the most favorable job attitudes will follow as a matter of course.

Industrial engineers hold that humankind is mechanistically oriented and economically motivated and that human needs are best met by attuning the individual to the most efficient work process. The goal of personnel management therefore should be to concoct the most appropriate incentive system and to design the specific working conditions in a way that facilitates the most efficient use of the human machine. By structuring jobs in a manner that leads to the most efficient operation, engineers believe that they can obtain the optimal organization of work and the proper work attitudes.

Behavioral scientists focus on group sentiments, attitudes of individual employees, and the organization's social and psychological climate. This persuasion emphasizes one or more of the various hygiene and motivator needs. Its approach to personnel management is generally to emphasize some form of human relations education, in the hope of instilling healthy employee attitudes and an organizational climate that is considered to be felicitous to human values. The belief is that proper attitudes will lead to efficient job and organizational structure.

There is always a lively debate about the overall effectiveness of the approaches of organizational theorists and industrial engineers. Manifestly both have achieved much. But the nagging question for behavorial scientists has been: What is the cost in human problems that eventually cause more expense to the organization – for instance, turnover, absenteeism, errors, violation of safety rules, strikes, restriction of output, higher wages, and greater fringe benefits? On the other hand, behavioral scientists are hard put to document much manifest improvement in personnel management, using their approach.

The three philosophies can be depicted as a triangle, as is done in *Exhibit II*, with each persuasion claiming the apex angle. The motivation-hygiene theory claims the same angle as industrial engineering, but for opposite goals. Rather than rationalizing the work to increase efficiency, the theory suggests that work be *enriched* to bring about effective utilization of personnel. Such a systematic attempt to motivate employees by manipulating the motivator factors is just beginning.

The term *job enrichment* describes this embryonic movement. An older term, job enlargement, should be avoided because it is associated with past failures stemming from a misunderstanding of the problem. Job enrichment provides the opportunity for the employee's psychological growth, while job enlargement merely makes a job structurally bigger. Since scientific job enrichment is very new, this article only suggests the principles and practical steps that have recently emerged from several successful experiments in industry.

Job loading. In attempting to enrich certain jobs, management often reduces the personal contribution of employees rather than giving them opportunities for growth in their accustomed jobs. Such endeavors, which I shall call horizontal job loading (as opposed to vertical loading, or providing motivator factors), have been the problem of earlier job enlargement programs. Job loading merely enlarges the meaninglessness of the job. Some examples of this approach, and their effect, are:

☐ Challenging the employee by increasing the amount of production expected. If each tightens 10,000 bolts a day, see if each can tighten 20,000 bolts a day. The arithmetic involved shows that multiplying zero by zero still equals zero.

☐ Adding another meaningless task to the existing one, usually some routine clerical activity. The arithmetic here is adding zero to zero.

Exhibit II 'Triangle' of philosophies of personnel management

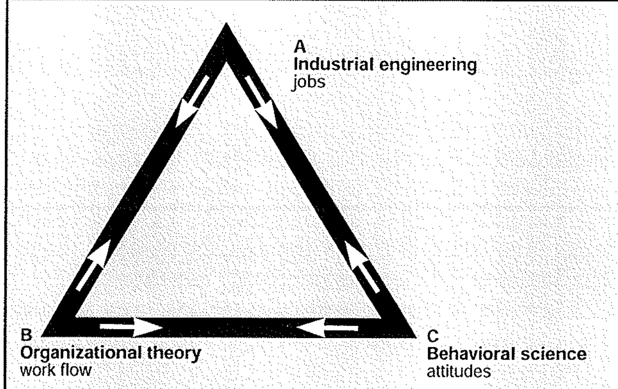


Exhibit III Principles of vertical job loading

Principle	Motivators involved
A Removing some controls while retaining accountability	Responsibility and personal achievement
B Increasing the accountability of individuals for own work	Responsibility and recognition
C Giving a person a complete natural unit of work (module, division, area, and so on)	Responsibility, achievement, and recognition
D Granting additional authority to employees in their activity; job freedom	Responsibility, achievement, and recognition
E Making periodic reports directly available to the workers themselves rather than to supervisors	Internal recognition
F Introducing new and more difficult tasks not previously handled	Growth and learning
G Assigning individuals specific or specialized tasks, enabling them to become experts	Responsibility, growth, and advancement

☐ Rotating the assignments of a number of jobs that need to be enriched. This means washing dishes for a while, then washing silverware. The arithmetic is substituting one zero for another zero.

☐ Removing the most difficult parts of the assignment in order to free the worker to accomplish more of the less challenging assignments. This traditional industrial engineering approach amounts to subtraction in the hope of accomplishing addition.

These are common forms of horizontal loading that frequently come up in preliminary brainstorming sessions of job enrichment. The principles of vertical loading have not all been worked out as yet, and they remain rather general, but I have furnished seven useful starting points for consideration in *Exhibit III.*

A successful application. An example from a highly successful job enrichment experiment can illustrate the distinction between horizontal and vertical loading of a job. The subjects of this study were the stockholder correspondents employed by a very large corporation. Seemingly, the task required of these carefully selected and highly trained correspondents was quite complex and challenging. But almost all indexes of performance and job attitudes were low, and exit interviewing confirmed that the challenge of the job existed merely as words.

A job enrichment project was initiated in the form of an experiment with one group, designated as an achieving unit, having its job enriched by the principles described in *Exhibit III.* A control group continued to do its job in the traditional way. (There were also two "uncommitted" groups of correspondents formed to measure the so-called Hawthorne Effect – that is, to gauge whether productivity and attitudes toward the job changed artificially merely because employees sensed that the company was paying more attention to them in doing something different or novel. The results for these groups were substantially the same as for the control group, and for the sake of simplicity I do not deal with them in this summary.) No changes in hygiene were introduced for either group other than those that would have been made anyway, such as normal pay increases.

The changes for the achieving unit were introduced in the first two months, averaging one per week of the seven motivators listed in *Exhibit III.* At the end of six months the members of the achieving unit were found to be outperforming their counterparts in the control group, and in addition indicated a marked increase in their liking for their jobs. Other results showed that the achieving group had lower absenteeism and, subsequently, a much higher rate of promotion.

Exhibit IV illustrates the changes in performance, measured in February and March, before the study period began, and at the end of each month of the study period. The shareholder service index represents quality of letters, including accuracy of information, and speed of response to stockholders' letters of inquiry. The index of a current month was averaged into the average of the two prior months, which means that improvement was harder to obtain if the indexes of the previous months were low. The "achievers" were performing less well before the six-month period started, and their performance service index continued to decline after the introduction of the motivators, evidently because of uncertainty after their newly granted responsibilities. In the third month, however, performance improved, and soon the members of this group had reached a high level of accomplishment.

Exhibit IV **Shareholder service index in company experiment**
Three-month cumulative average

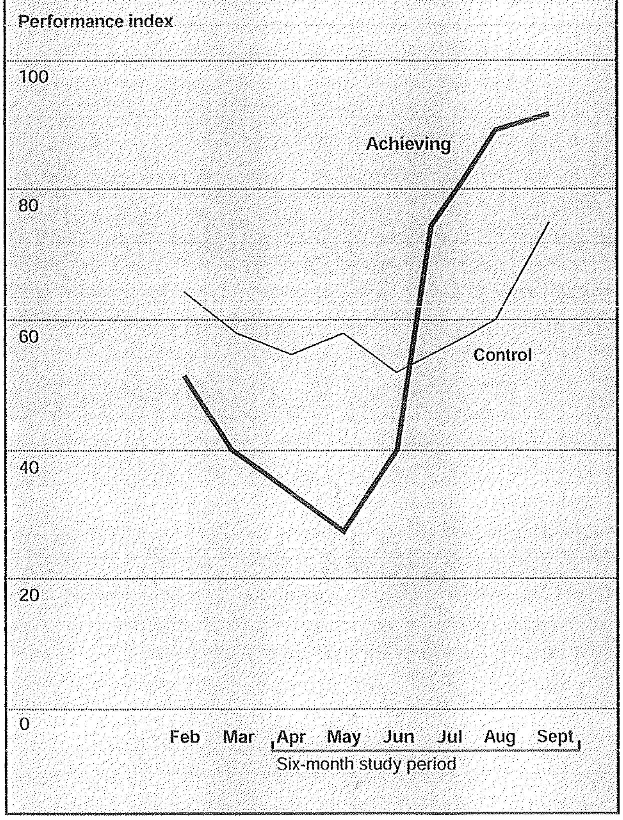
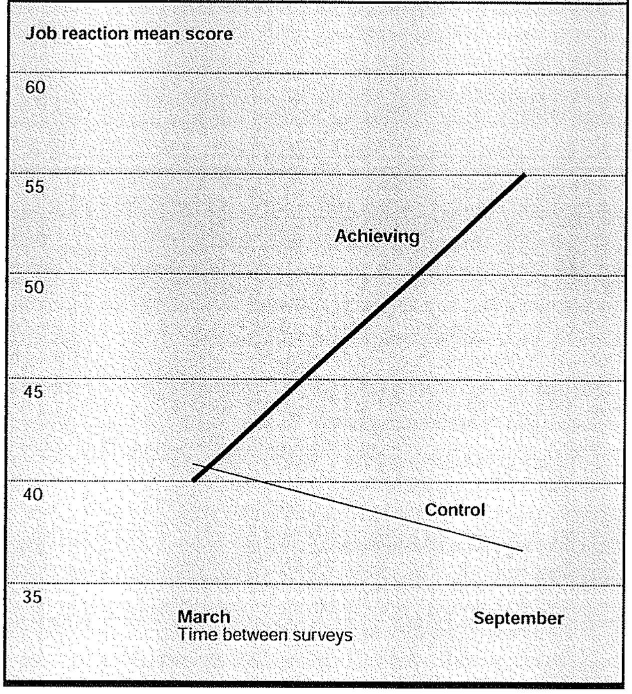


Exhibit V shows the two groups' attitudes toward their job, measured at the end of March, just before the first motivator was introduced, and again at the end of September. The correspondents were asked 16 questions, all involving motivation. A typical one was, "As you see it, how many opportunities do you feel that you have in your job for making worthwhile contributions?" The answers were scaled from 1 to 5, with 80 as the maximum possible score. The achievers became much more positive about their job, while the attitude of the control unit remained about the same (the drop is not statistically significant).

How was the job of these correspondents restructured? *Exhibit VI* lists the suggestions made that were deemed to be horizontal loading, and the actual vertical loading changes that were incorporated in the job of the achieving unit. The capital letters under "Principle" after "Vertical loading" refer to

Exhibit V **Changes in attitudes toward tasks in company experiment**
Changes in mean scores over six-month period



the corresponding letters in *Exhibit III.* The reader will note that the rejected forms of horizontal loading correspond closely to the list of common manifestations I mentioned earlier.

Steps for Job Enrichment

Now that the motivator idea has been described in practice, here are the steps that managers should take in instituting the principle with their employees:

1. Select those jobs in which (a) the investment in industrial engineering does not make changes too costly, (b) attitudes are poor, (c) hygiene is becoming very costly, and (d) motivation will make a difference in performance.

2. Approach these jobs with the conviction that they can be changed. Years of tradition have led managers to believe that the content of the jobs is sacrosanct and the only scope of action that they have is in ways of stimulating people.

3. Brainstorm a list of changes that may enrich the jobs, without concern for their practicality.

4. Screen the list to eliminate suggestions that involve hygiene, rather than actual motivation.

5. Screen the list for generalities, such as "give them more responsibility," that are rarely followed in practice. This might seem obvious, but the motivator words have never left industry; the substance has just been rationalized and organized out. Words like "responsibility," "growth," "achievement," and "challenge," for example, have been elevated to the lyrics of the patriotic anthem for all organizations. It is the old problem typified by the pledge of allegiance to the flag being more important than contributions to the country – of following the form, rather than the substance.

6. Screen the list to eliminate any *horizontal* loading suggestions.

7. Avoid direct participation by the employees whose jobs are to be enriched. Ideas they have expressed previously certainly constitute a valuable source for recommended changes, but their direct involvement contaminates the process with human relations *hygiene* and, more specifically, gives them only a *sense* of making a contribution. The job is to be changed, and it is the content that will produce the motivation, not attitudes about being involved or the challenge inherent in setting up a job. That process will be over shortly, and it is what the employees will be doing from then on that will determine their motivation. A sense of participation will result only in short-term movement.

8. In the initial attempts at job enrichment, set up a controlled experiment. At least two equivalent groups should be chosen, one an experimental unit in which the motivators are systematically introduced over a period of time, and the other one a control group in which no changes are made. For both groups, hygiene should be allowed to follow its natural course for the duration of the experiment. Pre- and post-installation tests of performance and job attitudes are necessary to evaluate the effectiveness of the job enrichment program. The attitude test must be limited to motivator items in order to divorce employees' views of the jobs they are given from all the surrounding hygiene feelings that they might have.

9. Be prepared for a drop in performance in the experimental group the first few weeks. The changeover to a new job may lead to a temporary reduction in efficiency.

10. Expect your first-line supervisors to experience some anxiety and hostility over the changes you are making. The anxiety comes from their fear that the changes will result in poorer performance for their unit. Hostility will arise when the employees start assuming what the supervisors regard as their own responsibility for performance. The supervisor without checking duties to perform may then be left with little to do.

After successful experiment, however, the supervisors usually discover the supervisory and man-

Exhibit VI **Enlargement vs. enrichment of correspondents' tasks in company experiment**

Horizontal loading suggestions rejected	Vertical loading suggestions adopted	Principle
Firm quotas could be set for letters to be answered each day, using a rate which would be hard to reach.	Subject matter experts were appointed within each unit for other members of the unit to consult with before seeking supervisory help. (The supervisor had been answering all specialized and difficult questions.)	G
The secretaries could type the letters themselves, as well as compose them, or take on any other clerical functions.	Correspondents signed their own names on letters. (The supervisor had been signing all letters.)	B
All difficult or complex inquiries could be channeled to a few secretaries so that the remainder could achieve high rates of output. These jobs could be exchanged from time to time.	The work of the more experienced correspondents was proofread less frequently by supervisors and was done at correspondents' desks, dropping verification from 100% to 10%. (Previously, all correspondents' letters had been checked by the supervisor.)	A
The secretaries could be rotated through units handling different customers, and then sent back to their own units.	Production was discussed, but only in terms such as "a full day's work is expected." As time went on, this was no longer mentioned. (Before, the group had been constantly reminded of the number of letters that needed to be answered.)	D
	Outgoing mail went directly to the mailroom without going over supervisors' desks. (The letters had always been routed through the supervisors.)	A
	Correspondents were encouraged to answer letters in a more personalized way. (Reliance on the form-letter approach had been standard practice.)	C
	Each correspondents was held personally responsible for the quality and accuracy of letters. (This responsibility had been the province of the supervisor and the verifier.)	B, E

agerial functions they have neglected, or which were never theirs because all their time was given over to checking the work of their subordinates. For example, in the R&D division of one large chemical company I know of, the supervisors of the laboratory assistants were theoretically responsible for their training and evaluation. These functions, however, had come to be performed in a routine, unsubstantial fashion. After the job enrichment program, during which the supervisors were not merely passive observers of the assistants' performance, the supervisors actually were devoting their time to reviewing performance and administering thorough training.

What has been called an employee-centered style of supervision will come about not through education of supervisors, but by changing the jobs that they do.

Concluding Note

Job enrichment will not be a one-time proposition, but a continuous management function. The initial changes should last for a very long period of time. There are a number of reasons for this:

☐ The changes should bring the job up to the level of challenge commensurate with the skill that was hired.

☐ Those who have still more ability eventually will be able to demonstrate it better and win promotion to higher level jobs.

☐ The very nature of motivators, as opposed to hygiene factors, is that they have a much longer term effect on employees' attitudes. Perhaps the job will have to be enriched again, but this will not occur as frequently as the need for hygiene.

Not all jobs can be enriched, nor do all jobs need to be enriched. If only a small percentage of the time and money that is now devoted to hygiene, however, were given to job enrichment efforts, the return in human satisfaction and economic gain would be one of the largest dividends that industry and society have ever reaped through their efforts at better personnel management.

The argument for job enrichment can be summed up quite simply: if you have employees on a job, use them. If you can't use them on the job, get rid of them, either via automation or by selecting someone with lesser ability. If you can't use them and you can't get rid of them, you will have a motivation problem.

Reprint 87507

[See Retrospective Commentary on following page.]

Retrospective Commentary

I wrote this article at the height of the attention on improving employee performance through various (contrived) psychological approaches to human relations. I tried to redress industrial social scientists' overconcern about how to treat workers to the neglect of how to design the work itself.

The first part of the article distinguishes between motivation and movement, a distinction that most writing on motivation misses. Movement is a function of fear of punishment or failure to get extrinsic rewards. It is the typical procedure used in animal training and its counterpart, behavioral modification techniques for humans. Motivation is a function of growth from getting intrinsic rewards out of interesting and challenging work.

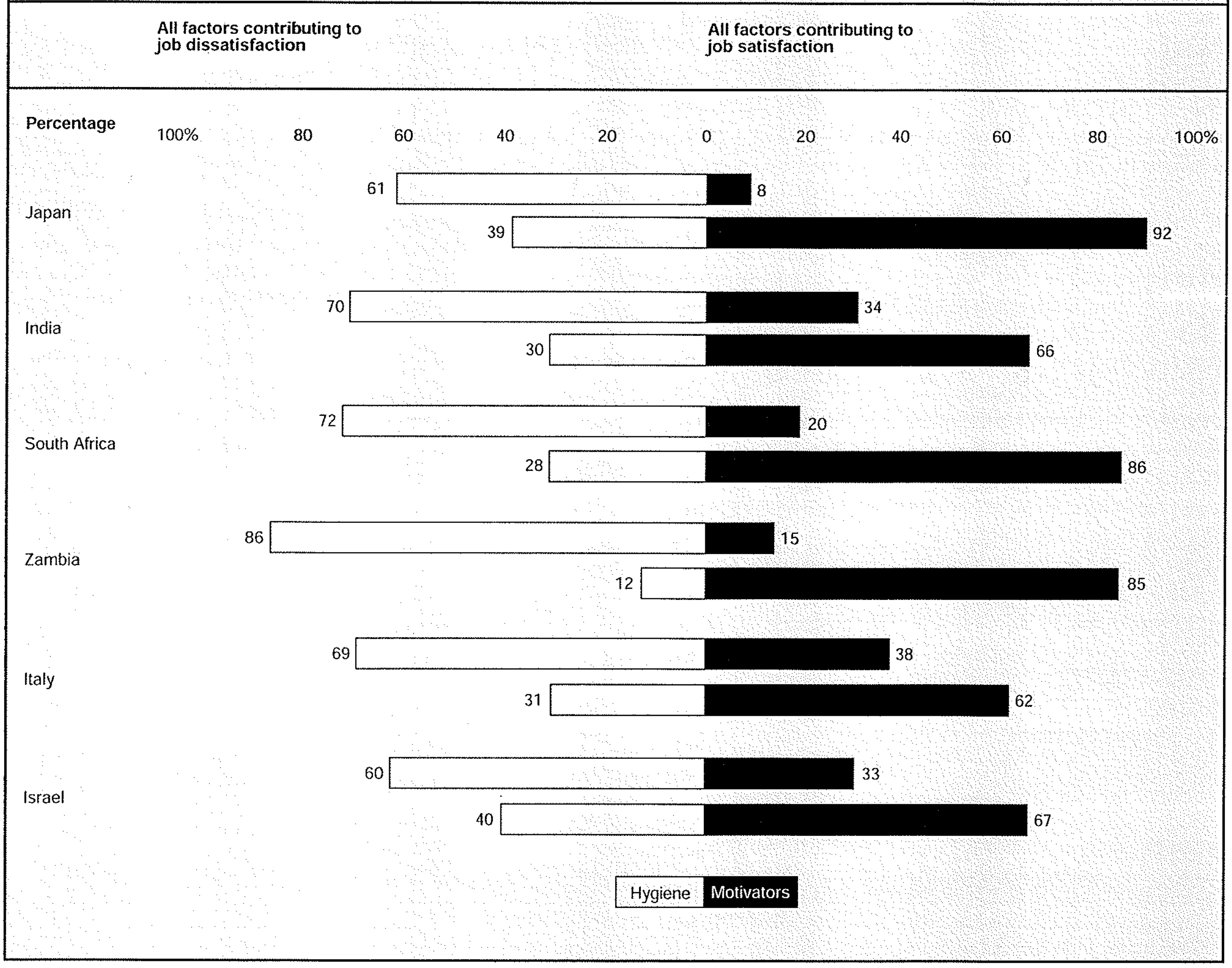
While the immediate behavioral results from movement and motivation appear alike, their dynamics, which produce vastly different long-term consequences, are different. Movement requires constant reinforcement and stresses short-term results. To get a reaction, management must constantly enhance the extrinsic rewards for movement. If I get a bonus of $1,000 one year and $500 the next, I am getting extra rewards both years, but psychologically I have taken a $500 salary cut.

Motivation is based on growth needs. It is an internal engine, and its benefits show up over a long period of time. Because the ultimate reward in motivation is personal growth, people don't need to be rewarded incrementally. I write a book – a big accomplishment. Then I write an article – a lesser accomplishment, but nevertheless an addition to my personal growth.

For this article, I invented the acronym KITA (kick in the ass) to describe the movement technique. The inelegance of the term offended those who consider good treatment a motivating strategy, regardless of the nature of the work itself. In this plain language I tried to spotlight the animal approach to dealing with human beings that characterizes so much of our behavioral science intervention.

The article's popularity stems in great part from readers' recognition

Figure A **How the hygiene-motivator factors affect job attitudes in six countries**



that KITA underlies the assumed benevolence of personnel practices. If I were writing "One More Time" in 1987, I would emphasize the important, positive role of organizational behaviorists more than I did in 1968. We can certainly learn to get along better on the job. Reduced workplace tension through congenial relations is a necessary ingredient of a pleasant environment.

The second part of the article describes my motivation-hygiene theory. It suggests that environmental factors (hygienes) can at best create no dissatisfaction on the job, and their absence creates dissatisfaction. In contrast, what makes people happy on the job and motivates them are the job content factors (motivators). The controversy surrounding these concepts continues to this day.

While the original 12 studies were mostly American (they also included Finnish supervisors and Hungarian engineers), the results have been

Figure B Sensory ingredients of job enrichment

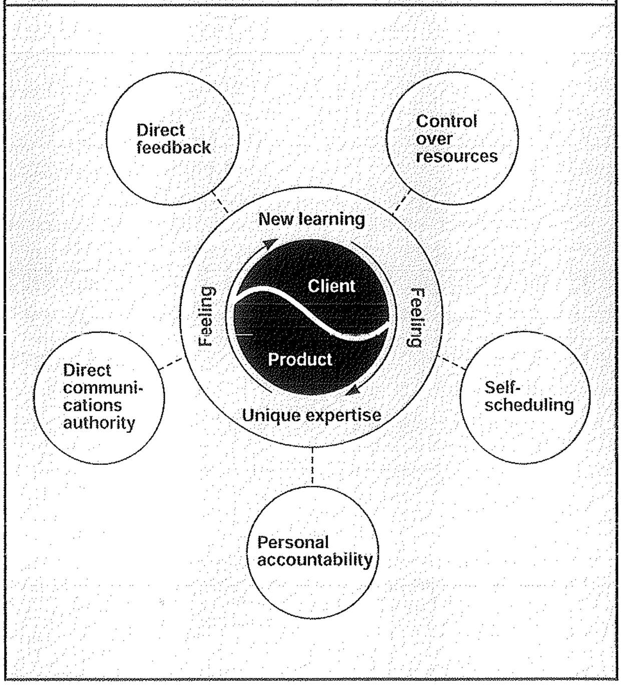
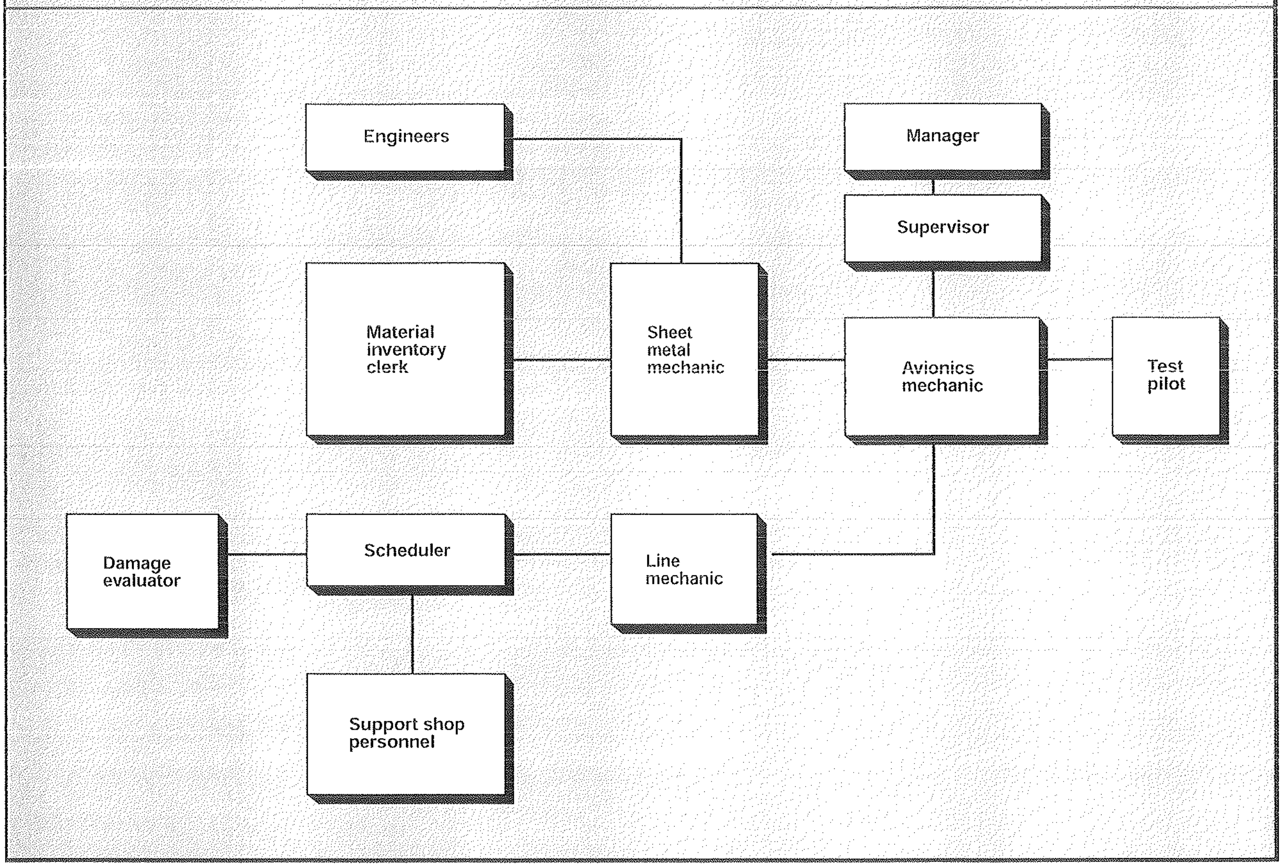


Figure C Client relationships in an Air Force function



Retrospective Commentary (continued)

replicated throughout the world. A sampling of recent foreign investigations, which the reader can compare with the first American studies detailed in *Exhibit I* in "One More Time," appears in *Figure A*. The similarity of the profiles is worth noting.

The 1970s was the decade of job enrichment (discussed in the third part of the article), sometimes called job design or redesign by opponents of the motivation-hygiene theory. Since the first trial-and-error studies at AT&T, experience has produced refinements of the procedures for job enrichment and the goals for achieving it. I like to illustrate them in the wheel shown in *Figure B*.

This diagram reflects my conviction that the present-day abstraction of work has shut out feelings from the job content. Finance, for example, has become the focus of attention in most businesses, and nothing is more abstract and devoid of feeling. Part of the blame can be laid to electronic communication, which promotes detachment and abstraction. Job enrichment grows out of knowing your product and your client with feeling, not just intellectually.

With reference to the motivator ingredients discussed in the 1968 article, "recognition for achievement" translates into "direct feedback" in *Figure B*. The wheel in *Figure B* shows this feedback to come chiefly from the client and product of the work itself, not from the supervisor (except in the case of new hires). The motivator factor "responsibility" translates into a number of ingredients: self-scheduling, authority to communicate, control of resources, and accountability. Finally, the motivator factors "advancement" and "growth" translate into the central dynamic of new learning leading to unique expertise. The feeling of satisfaction is also indicated as a dynamic of learning from clients and products.

The key to job enrichment is nurture of a client relationship rather than a functional or hierarchical relationship. Let me illustrate with a diagram of relationships in an airplane overhaul project carried out for the U.S. Air Force (*Figure C*). The avionics mechanic's external client is the test pilot, and although he reports to his supervisor, his supervisor serves him. The sheet metal mechanic and the line mechanic serve the avionics mechanic. And so on back into the system.

By backing into the system, you can identify who serves whom – not who reports to whom – which is critical in trying to enrich jobs. You identify the external client, then the core jobs, or internal client jobs, serving that client. You first enrich the core jobs with the ingredients shown in *Figure B* and then enrich the core jobs that serve these internal clients.

During the 1970s, critics predicted that job enrichment would reduce the number of employees. Ironically, the restructuring and downsizing of U.S. companies during the 1980s have often serendipitously produced job enrichment. With fewer employees performing the same tasks, some job enrichment was inevitable. But the greater efficiency of enriched jobs ultimately leads to a competitive edge and more jobs.

Today, we seem to be losing ground to KITA. It's all the bottom line, as the expression goes. The work ethic and quality of worklife movement have succumbed to the pragmatics of worldwide competition and the escalation of management direction by the abstract fields of finance and marketing – as opposed to production and sales, where palpable knowledge of clients and products resides. These abstract fields are more conducive to movement than to motivation. I find the new entrants in the world of work on the whole a passionless lot intent on serving financial indexes rather than clients and products. Motivation encompasses passion; movement is sterile.

To return to "One More Time": I don't think I would write it much differently today, though I would include the knowledge gained from recent job enrichment experiments. The distinction between movement and motivation is still true, and motivation-hygiene theory is still a framework with which to evaluate actions. Job enrichment remains the key to designing work that motivates employees.

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Employee Motivation

A Powerful New Model

by Nitin Nohria, Boris Groysberg, and
Linda-Eling Lee

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Getting people to do their best work, even in trying circumstances, is one of managers' most enduring and slippery challenges. Indeed, deciphering what motivates us as human beings is a centuries-old puzzle. Some of history's most influential thinkers about human behavior—among them Aristotle, Adam Smith, Sigmund Freud, and Abraham Maslow—have struggled to understand its nuances and have taught us a tremendous amount about why people do the things they do.

Such luminaries, however, didn't have the advantage of knowledge gleaned from modern brain science. Their theories were based on careful and educated investigation, to be sure, but also exclusively on direct observation. Imagine trying to infer how a car works by examining its movements (starting, stopping, accelerating, turning) without being able to take apart the engine.

Fortunately, new cross-disciplinary research in fields like neuroscience, biology, and evolutionary psychology has allowed us to peek under the hood, so to speak—to learn more about the human brain. Our synthesis of the research suggests that people are guided by four basic emotional needs, or drives, that are the product of our common evolutionary heritage. As set out by Paul R. Lawrence and Nitin Nohria in their 2002 book *Driven: How Human Nature Shapes Our Choices*, they are the drives to *acquire* (obtain scarce goods, including intangibles such as social status); *bond* (form connections with individuals and groups); *comprehend* (satisfy our curiosity and master the world around us); and *defend* (protect against external threats and promote justice). These drives underlie everything we do.

Managers attempting to boost motivation should take note. It's hard to argue with the accepted wisdom—backed by empirical evidence—that a motivated workforce means better corporate performance. But what actions, precisely, can managers take to satisfy the four drives and, thereby, increase their employees' overall motivation?

We recently completed two major studies aimed at answering that question. In one, we surveyed 385 employees of two global businesses—a financial services giant and a leading IT services firm. In the other, we surveyed employees from 300 *Fortune* 500 companies. To define overall motivation, we focused on four commonly measured workplace indicators of it: engagement, satisfaction, commitment, and intention to quit. Engagement represents the energy, effort, and initiative employees bring to their jobs. Satisfaction reflects the extent to which they feel that the company meets their expectations at work and satisfies its implicit and explicit contracts with them. Commitment captures the extent to which employees engage in corporate citizenship. Intention to quit is the best proxy for employee turnover.

Both studies showed, strikingly, that an organization's ability to meet the four fundamental drives explains, on average, about 60% of employees' variance on motivational indicators (previous models have explained about 30%). We also found that certain drives influence some motivational indicators more than others. Fulfilling the drive to bond has the greatest effect on employee commitment, for example, whereas meeting the drive to comprehend is most closely linked with employee engagement. But a company can best improve overall motivational scores by satisfying all four drives in concert. The whole is more than the sum of its parts; a poor showing on one drive substantially diminishes the impact of high scores on the other three.

When it comes to practical implications for managers, the consequences of neglecting any particular drive are clear. Bob Nardelli's lackluster performance at Home Depot, for instance, can be explained in part by his relentless focus on the drive to acquire at the expense of other drives. By emphasizing individual and store performance, he squelched the spirit of camaraderie among employees (their drive to bond) and their dedication to technical expertise (a manifestation of the need to comprehend and do meaningful work). He also created, as widely reported, a hostile environment that interfered with the drive to defend: Employees no longer felt they were being treated justly. When Nardelli left the company, Home Depot's stock price was essentially no better than when he had arrived six years earlier. Meanwhile Lowe's, a direct competitor, gained ground by taking a holistic approach to satisfying employees' emotional needs through its reward system, culture, management systems, and design of jobs.

An organization as a whole clearly has to attend to the four fundamental emotional drives, but so must individual managers. They may be restricted by organizational norms, but employees are clever enough to know that their immediate superiors have some wiggle room. In fact, our research shows that individual managers influence overall motivation as much as any organizational policy does. In this article we'll look more closely at the drivers of employee motivation, the levers managers can pull to address them, and the "local" strategies that can boost motivation despite organizational constraints.

The Four Drives That Underlie Motivation

Because the four drives are hardwired into our brains, the degree to which they are satisfied directly affects our emotions and, by extension, our behavior. Let's look at how each one operates.

1. The drive to acquire. We are all driven to acquire scarce goods that bolster our sense of well-being. We experience delight when this drive is fulfilled, discontentment when it is thwarted. This phenomenon applies not only to physical goods like food, clothing, housing, and money, but also to experiences like travel and entertainment—not to mention events that improve social status, such as being promoted and getting a corner office or a place on the corporate board. The drive to acquire tends to be relative (we always compare what we have with what others possess) and insatiable (we always want more). That explains why people always care not just about their own compensation packages but about others' as well. It also illuminates why salary caps are hard to impose.

2. The drive to bond. Many animals bond with their parents, kinship group, or tribe, but only humans extend that connection to larger collectives such as organizations, associations, and nations. The drive to bond, when met, is associated with strong positive emotions like love and caring and, when not, with negative ones like loneliness and anomie. At work, the drive to bond accounts for the enormous

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boost in motivation when employees feel proud of belonging to the organization and for their loss of morale when the institution betrays them. It also explains why employees find it hard to break out of divisional or functional silos: People become attached to their closest cohorts. But it's true that the ability to form attachments to larger collectives sometimes leads employees to care more about the organization than about their local group within it.

3. The drive to comprehend. We want very much to make sense of the world around us, to produce theories and accounts—scientific, religious, and cultural—that make events comprehensible and suggest reasonable actions and responses. We are frustrated when things seem senseless, and we are invigorated, typically, by the challenge of working out answers. In the workplace, the drive to comprehend accounts for the desire to make a meaningful contribution. Employees are motivated by jobs that challenge them and enable them to grow and learn, and they are demoralized by those that seem to be monotonous or to lead to a dead end. Talented employees who feel trapped often leave their companies to find new challenges elsewhere.

4. The drive to defend. We all naturally defend ourselves, our property and accomplishments, our family and friends, and our ideas and beliefs against external threats. This drive is rooted in the basic fight-or-flight response common to most animals. In humans, it manifests itself not just as aggressive or defensive behavior, but also as a quest to create institutions that promote justice, that have clear goals and intentions, and that allow people to express their ideas and opinions. Fulfilling the drive to defend leads to feelings of security and confidence; not fulfilling it produces strong negative emotions like fear and resentment. The drive to defend tells us a lot about people's resistance to change; it's one reason employees can be devastated by the prospect of a merger or acquisition—an especially significant change—even if the deal represents the only hope for an organization's survival. So, for example, one day you might be told you're a high performer and indispensable to the company's success, and the next that you may be let go owing to a restructuring—a direct challenge, in its capriciousness, to your drive to defend. Little wonder that headhunters so frequently target employees during such transitions, when they know that people feel vulnerable and at the mercy of managers who seem to be making arbitrary personnel decisions.

Each of the four drives we have described is independent; they cannot be ordered hierarchically or substituted one for another. You can't just pay your employees a lot and hope they'll feel enthusiastic about their work in an organization where bonding is not fostered, or work seems meaningless, or people feel defenseless. Nor is it enough to help people bond as a tight-knit team when they are underpaid or toiling away at deathly boring jobs. You can certainly get people to work under such circumstances—they may need the money or have no other current prospects—but you won't get the most out of them, and you risk losing them altogether when a better deal comes along. To fully motivate your employees, you must address all four drives.

The Organizational Levers of Motivation

Although fulfilling all four of employees' basic emotional drives is essential for any company, our research suggests that each drive is best met by a distinct organizational lever.

The reward system. The drive to acquire is most easily satisfied by an organization's reward system—how effectively it discriminates between good and poor performers, ties rewards to performance, and gives the best people opportunities for advancement. When the Royal Bank of Scotland acquired NatWest, it inherited a company in which the reward system was dominated by politics, status, and employee tenure. RBS introduced a new system that held managers responsible for specific goals and rewarded good performance over average performance. Former NatWest employees embraced their new company—to an unusual extent in the aftermath of an acquisition—in part because the reward system was tough but recognized individual achievement.

Sonoco, a manufacturer of packaging for industrial and consumer goods, transformed itself in part by making a concerted effort to better meet the drive to acquire—that is, by establishing very clear links between performance and rewards. Historically, the company had set high business-performance targets, but incentives had done little to reward the achievement of them. In 1995, under Cynthia Hartley, then the new vice president of human resources, Sonoco instituted a pay-for-performance system, based on individual and group metrics. Employee satisfaction and engagement improved, according to results from a regularly administered internal survey. In 2005, Hewitt Associates named Sonoco one of the top 20 talent-management organizations in the United States. It was one of the few midcap companies on the list, which also included big players like 3M, GE, Johnson & Johnson, Dell, and IBM.

Culture. The most effective way to fulfill the drive to bond—to engender a strong sense of camaraderie—is to create a culture that promotes teamwork, collaboration, openness, and friendship. RBS broke through NatWest's silo mentality by bringing together people from the two firms to work on well-defined cost-savings and revenue-growth projects. A departure for both companies, the new structure encouraged people to break old attachments and form new bonds. To set a good example, the executive committee (comprising both RBS and ex-NatWest executives) meets every Monday morning to discuss and resolve any outstanding issues—cutting through the bureaucratic and political processes that can slow decision making at the top.

Another business with an exemplary culture is the Wegmans supermarket chain, which has appeared for a decade on *Fortune*'s list of "100 Best Companies to Work For." The family that owns the business makes a point of setting a familial tone for the companywide culture. Employees routinely report that management cares about them and that they care about one another, evidence of a sense of teamwork and belonging.

How to Fulfill the Drives That Motivate Employees

For each of the four emotional drives that employees need to fulfill, companies have a primary organizational lever to use. This table matches each drive with its corresponding lever and lists specific actions your company can take to make the most of the tools at its disposal.

DRIVE	PRIMARY LEVER	ACTIONS
1 Acquire	Reward System	▪ Sharply differentiate good performers from average and poor performers ▪ Tie rewards clearly to performance ▪ Pay as well as your competitors
2 Bond	Culture	▪ Foster mutual reliance and friendship among coworkers ▪ Value collaboration and teamwork ▪ Encourage sharing of best practices
3 Comprehend	Job Design	▪ Design jobs that have distinct and important roles in the organization ▪ Design jobs that are meaningful and foster a sense of contribution to the organization
4 Defend	Performance-Management and Resource-Allocation Processes	▪ Increase the transparency of all processes ▪ Emphasize their fairness ▪ Build trust by being just and transparent in granting rewards, assignments, and other forms of recognition

Job design. The drive to comprehend is best addressed by designing jobs that are meaningful, interesting, and challenging. For instance, although RBS took a hard-nosed attitude toward expenses during its integration of NatWest, it nonetheless invested heavily in a state-of-the-art business school facility, adjacent to its corporate campus, to which employees had access. This move not only advanced the company's success in fulfilling the drive to bond, but also challenged employees to think more broadly about how they could contribute to making a difference for coworkers, customers, and investors.

Cirque du Soleil, too, is committed to making jobs challenging and fulfilling. Despite grueling rehearsal and performance schedules, it attracts and retains performers by accommodating their creativity and pushing them to perfect their craft. Its employees also get to say a lot about how performances are staged, and they are allowed to move from show to show to learn new skills. In addition, they get constant collegial exposure to the world's top artists in the field.

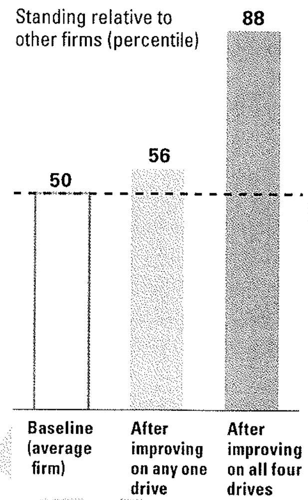
Performance-management and resource-allocation processes. Fair, trustworthy, and transparent processes for performance management and resource allocation help to meet people's drive to defend. RBS, for instance, has worked hard to make its decision processes very clear. Employees may disagree with a particular outcome, such as the nixing of a pet project, but they are able to understand the rationale behind the decision. New technology endeavors at RBS are reviewed by cross-business unit teams that make decisions using clear criteria, such as the impact on company financial performance. In surveys, employees report that the process is fair and that funding criteria are transparent. Although RBS is a demanding organization, employees also see it as a just one.

Aflac, another perennial favorite on *Fortune*'s "100 Best Companies to Work For," exemplifies how to match organizational levers with emotional drives on multiple fronts. (For concrete ways your company can use its motivational levers, see the exhibit "How to Fulfill the Drives That Motivate Employees.") Stellar individual performance is recognized and rewarded in highly visible ways at Aflac, thereby targeting people's drive to acquire. Culture-building efforts, such as Employee Appreciation Week, are clearly aimed at creating a sense of bonding. The company meets the drive to comprehend by investing significantly in training and development. Sales agents don't just sell; they have opportunities to develop new skills through managing, recruiting, and designing curricula for training new agents. As for the drive to defend, the company takes action to improve employees' quality of life. Beyond training and scholarships, it offers benefits, such as on-site child care, that enhance work/life balance. It also fosters trust through a no-layoff policy. The company's stated philosophy is to be employee-centric—to take care of its people first. In turn, the firm believes that employees will take care of customers.

The company examples we chose for this article illustrate how particular organizational levers influence overall motivation, but Aflac's is a model case of taking actions that, in concert, fulfill all four employee drives. Our data show that a comprehensive approach like this is best. When employees report even a slight enhancement in the fulfillment of any of the four drives, their overall motivation shows a corresponding improvement; however, major advances relative to other companies come from the aggregate effect on all four drives. This effect occurs not just because more drives are being met but because actions taken on several fronts seem to reinforce one another—the holistic approach is worth more than the sum of its constituent parts, even though working on each part adds something. Take a firm that ranks in the 50th percentile on employee motivation. When workers rate that company's job design (the lever that most influences the drive to comprehend) on a scale of zero to five, a one-point increase yields a 5% raw improvement in motivation and a correspondingly modest jump from the 50th to the 56th percentile. But enhance performance on all four drives, and the yield is a 21% raw improvement in motivation and big jump to the 88th percentile. (The percentile gains are shown in the exhibit "How to Make Big Strides in Employee Motivation.") That's a major competitive advantage for a company in terms of employee satisfaction, engagement, commitment, and reluctance to quit.

How to Make Big Strides in Employee Motivation

The secret to catapulting your company into a leading position in terms of employee motivation is to improve its effectiveness in fulfilling all four basic emotional drives, not just one. Take a firm that, relative to other firms, ranks in the 50th percentile on employee motivation. An improvement in job design alone (the lever that most influences the drive to comprehend) would move that company only up to the 56th percentile—but an improvement on all four drives would blast it up to the 88th percentile.



The Role of the Direct Manager

Our research also revealed that organizations don't have an absolute monopoly on employee motivation or on fulfilling people's emotional drives. Employees' perceptions of their immediate managers matter just as much. People recognize that a multitude of organizational factors, some outside their supervisor's control, influence their motivation, but they are discriminating when it comes to evaluating that supervisor's ability to keep them motivated. Employees in our study attributed as much importance to their boss's meeting their four drives as to the organization's policies. In other words, they recognized that a manager has some control over how company processes and policies are implemented. (See the exhibit "Direct Managers Matter, Too.")

Employees don't expect their supervisors to be able to substantially affect the company's overall reward systems, culture, job design, or management systems. Yet managers do have some discretion within their spheres of influence; some hide behind ineffective systems, whereas others make the most of an imperfect model. Managers can, for example, link rewards and performance in areas such as praise, recognition, and choice assignments. They can also allocate a bonus pool in ways that distinguish between top and bottom performers. Similarly, even in a cutthroat culture that doesn't promote camaraderie, a manager can take actions that encourage teamwork and make jobs more meaningful and interesting. Many supervisors are regarded well by their employees precisely because they foster a highly motivating local environment, even if the organization as a whole falls short. On the other hand, some managers create a toxic local climate within a highly motivated organization.

Although employees look to different elements of their organization to satisfy different drives, they expect their managers to do their best to address all four within the constraints that the institution imposes. Our surveys showed that if employees detected that a manager was substantially worse than her peers in fulfilling even just one drive, they rated that manager poorly, even if the organization as a whole had significant limitations. Employees are indeed very fair about taking a big-picture view and seeing a manager in the context of a larger institution, but they do some pretty fine-grained evaluation beyond those organizational caveats. In short, they are realistic about what managers cannot do, but also about what managers should be able to do in meeting all the basic needs of their subordinates.

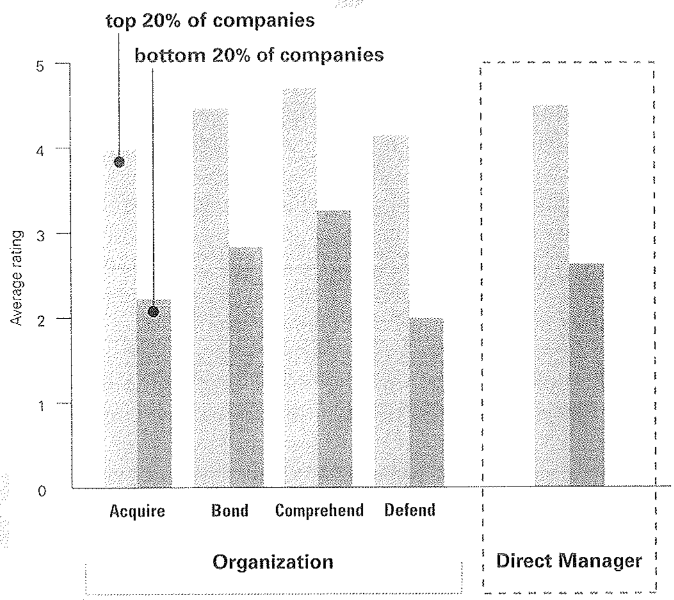
At the financial services firm we studied, for example, one manager outperformed his peers on fulfilling subordinates' drives to acquire, bond, and comprehend. However, his subordinates indicated that his ability to meet their drive to defend was below the average of other managers in the company. Consequently, levels of work engagement and organizational commitment were lower in his group than in the company as a whole. Despite this manager's superior ability to fulfill three of the four drives, his relative weakness on the one dimension damaged the overall motivational profile of his group.

• • •

Our model posits that employee motivation is influenced by a complex system of managerial

Direct Managers Matter, Too

At the companies we surveyed whose employee motivation scores were in the top fifth, workers rated their managers' ability to motivate them as highly, on average, as they rated the organization's ability to fulfill their four drives. The same pattern was evident within the bottom fifth of companies, even though their average ratings on all five dimensions were, of course, much lower than those of companies in the top fifth.



and organizational factors. If we take as a given that a motivated workforce can boost company performance, then the insights into human behavior that our article has laid out will help companies and executives get the best out of employees by fulfilling their most fundamental needs.

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Accountability in the Public Sector: Lessons from the Challenger Tragedy

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The Rogers Commission investigation of the space shuttle Challenger accident was too narrow in its focus; an institutional analysis is needed to supplement the concentration on technical and managerial causes of the tragedy. Using an institutional perspective, we contend that the accident was, in part, a manifestation of NASA's efforts to manage the diverse expectations it faces in the American political system.

Four types of accountability (legal, political, bureaucratic, and professional) are commonly used by public agencies to manage expectations of them. Yet, the presence of multiple accountability systems is not without costs. This case study shows that many of NASA's technical and managerial problems resulted from efforts to respond to legitimate institutional demands. Specifically, we contend that the pursuit of political and bureaucratic accountability distracted NASA from its strength: professional standards and mechanisms of accountability. Furthermore, agency reforms now being implemented and considered compound trends away from the professional accountability approaches used by NASA during the 1960s. Such reforms are just as likely to exacerbate the dilemmas facing NASA as they are to improve the agency's performance.

On January 28, 1986, the space shuttle Challenger exploded in mid-flight and seven crew members lost their lives. The widely known details of that tragic event need not be retraced here. Opinion is growing, however, that the official explanations offered by the Presidential Commission on the Space Shuttle Challenger Accident (the Rogers Commission) fail to provide full answers to why the disaster occurred. We offer an alternative explanation which addresses institutional factors contributing to the shuttle accident.

I. Seeking an Institutional Perspective

Two common threads ran through public discussions of the Challenger incident. First was the urge to pinpoint the technical problems contributing directly to the booster rocket explosion on the shuttle. Second was the desire to uncover human and managerial errors that might have caused National Aeronautics and Space Administration (NASA) officials to overlook or ignore those technical flaws. By the time the Rogers Commission issued its findings on June 9, 1986, those technical and managerial issues dominated its conclusions.

On the first point, the verdict of the Commission was unequivocal:

> The consensus of the commission . . . is that the loss of the space shuttle Challenger was caused by a failure in the joint between the lower segments of the right solid rocket motor. The specific failure was the destruction of the seals that are intended to prevent hot gases from leaking through the joint during the propellant burn of the rocket motor. The evidence assembled . . . indicates that no other element of the space shuttle system contributed to this failure.[1]

The Commission was equally explicit about managerial problems at NASA being a "contributing cause" of the accident:

> The decision to launch the Challenger was flawed. Those who made the decision were unaware of the recent history of problems concerning the O rings [seals] and the joint and were unaware of the initial written recommendation of the contractor advising against the launch at temperatures below 53 degrees Fahrenheit and the continuing opposition of engineers at [Morton] Thiokol after the management had reversed its position. . . . If the decision-makers had known all the facts, it is highly unlikely that they would have decided to launch [the shuttle] on January 28, 1986.[2]

The Commission's report was notable for its conclusive tone regarding these specific findings. More interesting, however, is the untravelled investigative path which asks if the problems at NASA and in the space shuttle program were institutional as well as technical or managerial. The institutional perspective is familiar to students of organizational theory who, following the lead of Talcott Parsons and James D. Thompson, note three levels of organizational responsibility and control: technical, managerial, and institutional.[3]

At the *technical level,* organizations focus on the effective performance of specialized and detailed functions. At the *managerial level,* an organization provides for mediation among its technical components and between its technical functionaries and those "customers" and "suppliers" in the organization's "task environment." At the *institutional level*, the organization deals with the need for being part of the "wider social system which is the source of the 'meaning,' legitimation, or higher-level support which makes implementation of the organization's goals possible."[4]

Applying this framework to the study of specific program or project failures such as the Challenger, one can argue that critical problems can arise at any or all three levels. Thus, an investigation of such events would be incomplete without considering the possible implications of activity at each level. The fact that NASA and other public agencies must constantly contend with the institutional forces that surround them (i.e., the "wider social system" of which they are part) is worthy of attention because agency efforts to deal with those forces may contribute to shaping the outcomes of agency action.

Investigators might ignore the role of institutional factors for several reasons. Attention to such factors might raise questions that are too basic and too dangerous for the organization or its supporters. Thus, a commission composed of individuals committed to the enterprise under investigation[5] and to the political system in general[6] is unlikely to open up the Pandora's Box of institutional factors. In contrast, institutional factors might be overlooked because analysts lack a conceptual framework that facilitates such considerations. Assuming the latter explanation, we offer a framework useful for highlighting the institutional factors that might have contributed to the Challenger disaster.

II. An "Accountability" Perspective

While often regarded as a unique public organization,[7] NASA has institutional characteristics similar in very important respects to other public sector agencies. As such, NASA has to deal with the diversity of legitimate and occasionally conflicting expectations emanating from the democratic political system of which it is a part (its institutional context). In the following pages we present a framework of public accountability as a means for examining NASA's management of its institutional pressures and its implications.

Managing Expectations

Accountability is a fundamental but underdeveloped concept in American public administration. Scholars and practitioners freely use the term to refer to answerability for one's actions or behavior. Administrators and agencies are accountable to the extent that they are required to answer for their actions. Beyond this basic notion of answerability, there has been little refinement of the term. Most of the discussion in the literature centers on the "best" strategy for achieving accountability, with the Friedrich-Finer exchange of the 1940s being the most cited example.[8]

From an alternative perspective, accountability plays a greater role in the processes of public administration than indicated by the idea of answerability. In its simplest form, answerability implies that accountability involves limited, direct, and mostly formalistic responses to demands generated by specific institutions or groups in the public agency's task environment. More broadly conceived, *public administration accountability involves the means by which public agencies and their workers manage the diverse expectations generated within and outside the organization.*[9]

Viewed as a strategy for managing expectations, public administration accountability takes a variety of forms. The focus here is on four alternative systems of public accountability, each based on variations involving two critical factors: (1) whether the ability to define and control expectations is held by some specified entity inside or outside the agency; and (2) the degree of control that entity is given over defining those agency's expectations. The interplay of these two dimensions generates the four types of accountability systems illustrated in Figure 1.

Regarding the first dimension, the management of agency expectations through accountability mechanisms calls for the establishment of some authoritative source of control. Internal sources of control rely on the authority inherent in either formal hierarchical relationships or informal social relationships within the agency. External sources of control reflect a similar distinction, for their authority can be derived from either formalized arrangements set forth in laws or legal contracts or the informal exercise of power by interests located outside the agency.

A second ingredient in any accountability system is the degree of control over agency choices and operations exercised by those sources of control. A high degree of control reflects the controller's ability to determine both the range and depth of actions which a public agency and its members can take. A low degree of control, in contrast, provides for considerable discretion on the part of agency operatives.

Bureaucratic accountability systems (cell 1) are widely used mechanisms for managing public agency expectations.[10] Under this approach, the expectations of public administrators are managed through focusing attention on the priorities of those at the top of the bureaucratic hierarchy. At the same time, supervisory control is applied intensively to a wide range of agency activities. The functioning of a bureaucratic accountability system involves two simple ingredients: an organized and legitimate relationship between a superior and a subordinate in which the need to follow "orders" is unquestioned; and close supervision or a surrogate system of standard operating procedures or clearly stated rules and regulations.[11]

Legal accountability[12] (cell 2) is similar to the bureaucratic form in that it involves the frequent application of control to a wide range of public administration activities. In contrast to bureaucratic accountability, however, legal accountability is based on relationships between a controlling party outside the agency and members of the organization. That outside party is not just anyone; it is the individual or group in a position to impose legal sanctions or assert formal contractual

FIGURE 1
Types of Accountability Systems

		Source of Agency Control: Internal	External
Degree of Control Over Agency Actions	High	1. Bureaucratic	2. Legal
	Low	3. Professional	4. Political

obligations. Typically, these outsiders make the laws and other policy mandates which the public administrator is obligated to enforce or implement. In policy-making terms, the outsider is the "lawmaker" while the public administrator has the role of "executor."

The legal accountability relationship between controller and the controlled also differs from that found between supervisor and subordinate in bureaucratic accountability forms. In the bureaucratic system, the relationship is hierarchical and based on the ability of supervisors to reward or punish subordinates. In legal accountability, however, the relationship is between two relatively autonomous parties and involves a formal or implied fiduciary (principal/agent) agreement between the public agency and its legal overseer.[13] For example, Congress passes laws and monitors a federal agency's implementation of those laws; a federal district court orders a school board to desegregate its classrooms and oversees the implementation of that order; the local city commission contracts with a private firm to operate the city refuse dump. In each case the implementors are legally or contractually obliged to carry out their duties, and the enforcement of such obligations are very different from those found in situations where bureaucratic accountability systems are applied.[14]

Professional accountability[15] (cell 3) occurs with greater frequency as governments deal increasingly with technically difficult and complex problems. Under those circumstances, public officials must rely on skilled and expert employees to provide appropriate solutions. Those employees expect to be held fully accountable for their actions and insist that agency leaders trust them to do the best job possible. If they fail to meet job performance expectations, it is assumed they can be reprimanded or fired. Otherwise they expect to be given sufficient discretion to get the job done. Thus, professional accountability is characterized by placement of control over organizational activities in the hands of the employee with the expertise or special skills to get the job done. The key to the professional accountability system, therefore, is deference to expertise within the agency. While outside professional associations may indirectly influence the decision making of the in-house expert (through education and professional standards), the source of authority is essentially internal to the agency.

Typically the professional accountability organization will look like any other public agency with a manager in charge of a set of workers, but the relationships among them are much different. Under a bureaucratic accountability system, the key relationship would be that of close supervision. In contrast, under professional accountability the central relationship is similar to that found between a layperson and an expert, with the agency manager taking the role of the layperson and the workers making the important decisions that require their expertise.[16]

Political accountability (cell 4) is central to the democratic pressures imposed on American public administrators. If "deference" characterizes professional accountability, "responsiveness" characterizes political accountability systems (cell 4).[17] The key relationship under these systems resembles that between a representative (in this case, the public administrator) and his or her constituents (those to whom he or she is accountable). Under political accountability, the primary question becomes, "Whom does the public administrator represent?" The potential constituencies include the general public, elected officials, agency heads, agency clientele, other special interest groups, and future generations. Regardless of which definition of constituency is adopted, the administrator is expected to be responsive to their policy priorities and programmatic needs.

While political accountability systems might seem to promote favoritism and even corruption in the administration of government programs, they also serve as the basis for a more open and representative government. The urge for political accountability, for example, is reflected in open meetings laws, freedom of information acts, and "government in the sunshine" statutes passed by many state and local governments.

Table 1 summarizes the principal features of the four general types of accountability systems. Under the bureaucratic system, expectations are managed through a hierarchical arrangement based on supervisory relationships; the legal accountability system manages agency expectations through a contractual relationship; the professional system relies on deference to expertise; while the political accountability system promotes responsiveness to constituents as the central means of managing the multiple expectations.

Preferences for Accountability Systems

Given these alternative means for managing expectations, what determines the preference for one accountability approach over others in any particular situation? The appropriateness of a specific accountability system to an agency is linked to three factors: the nature of the agency's tasks (technical level accountability); the management strategy adopted by those heading the agency (management level accountability); and the institutional context of agency operations (institutional level accountability).[18] Ideally, a public sector organization should establish accountability mechanisms which "fit" at all three levels simultaneously.

In the American political system, all four accountability types offer potentially legitimate means for managing *institutional level* expectations.[19] Under current institutional norms, no single type of accountability system is inherently more acceptable or legitimate than another. *In theory,* each of the four accountability systems can insure agency responsibility at the institutional level. Thus, in theory an agency might manage its expectations using the accountability system most appropriate in light of relevant institutional considerations. The same potential flexibility may not exist at the technical or managerial levels where the appropriateness of accountability mechanisms is more closely tied to specific tasks or the strategic orientations or idiosyncrasies of individual managers.

In reality, most U.S. public agencies tend to adopt two or more types of accountability systems at any time depending on the nature of existing environmental (institutional) conditions as well as their technical tasks and management orientations. We argue, however, that institutional pressures generated by the American political system are often the salient factor and frequently take precedence over technical and managerial considerations.[20] If this is the case, the challenge of managing expectations changes as institutional conditions change. If the environmental changes are drastic enough, they may trigger a different type of accountability system, one which attempts to reflect those new institutional conditions.

III. Accountability under Different Challenges: The Case of NASA

NASA was an organizational initiative born in the midst of a national crisis and nurtured in the relatively protective shelter of an institutional consensus that lasted until at least 1970. That nurturing consensus focused attention on President Kennedy's mandate to land an American on the moon by the end of the 1960s. In addition, it fostered the belief that achieving that

TABLE 1
Relationships Within Accountability Systems

Type of Accountability System	Analogous Relationship (Controller/Administrator)	Basis of Relationship
1. Bureaucratic	Superior/subordinate	Supervision
2. Legal	Lawmaker/law executor Principal/agent	Fiduciary
3. Professional	Layperson/expert	Deference to expertise
4. Political	Constituent/representative	Responsiveness to constituents

objective required complete deference to those experts who could get the job done. In short, it was a consensus which supported a professional accountability system.

Over time, the pressures to develop a politically responsive agency strategy became dominant. Even before the successful lunar landing of Apollo 11, changing institutional conditions were creating an organizational setting that encouraged more reliance on bureaucratic and political accountability mechanisms. This reliance on bureaucratic and political accountability systems produced circumstances which made the agency ill-equipped to contend with the problems that eventually led to the Challenger disaster. Furthermore, institutional reactions to the Challenger tragedy itself may be creating new pressures that are moving the agency toward a greater reliance on legal and bureaucratic accountability methods for managing expectations.

The Professionalization of the Space Program

NASA's earliest programs had three important characteristics: they involved clearly defined outcome objectives, highly technical methodologies for achieving those goals, and almost unqualified political (and therefore budgetary) support.[21] The task of overcoming the technical barriers to space exploration was central to the agency's mission, and NASA was able to invest its expenditures primarily in research and development projects associated with its missions.[22]

Those early conditions had a significant impact on the development and management of NASA. The agency's structure and recruiting practices reflected an institutional willingness to respect the technical nature of NASA's programmatic tasks. NASA's form of organization emphasized deference to expertise and minimized the number of political appointments at the top of the administrative structure (in this case, two political appointees with extensive professional expertise in public management).[23] NASA's initial staff consisted almost entirely of individuals with the relevant substantive knowledge, primarily aeronautical engineers.

These circumstances afforded NASA the opportunity to become among the most innovative organizations (public or private) in recent American history and a classic example of an agency operating under a professional accountability system. The locus of control over agency activities was internal; NASA's relationship to outside sources (including Congress, the President, and the general public) was that of expert to layperson. Internally, NASA developed a matrix structure in which managers and technicians were assigned to project teams based on the expertise they could offer to the particular task at hand. Technical experts in NASA were expected to make decisions based upon their expertise. Thus, within the agency the degree of control exercised over NASA technical personnel was relatively low. Much of this deference to NASA's technical experts was based on trust in their judgment as well as their expertise. The early managers at NASA "were highly technical people, who knew the spacecraft from the ground up, and they were all very conservative." If "an order to launch came down from on high, they wouldn't do it without first giving everybody the bottom line."[24]

The professional accountability system was evident in the three centers under the Office of Manned Space Flight (OMSF): the Marshall Space Flight Center (Alabama), the Manned Spacecraft Center (Texas; later renamed the Johnson Space Center), and Kennedy Space Center (Florida). During the early 1960s, OMSF and its subunits acted with considerable autonomy. NASA's top management in Washington did occasionally pull in the organizational reins. In several cases (1961, 1963, and 1965), reorganizations were intended to redirect several key units toward new program goals as NASA moved from Project Mercury toward Project Apollo. Each of these changes led to a short-term centralization of control which was intentionally relaxed once programmatic arrangements were in place. In 1967, however, a major long-term effort was made to reduce the autonomy of the manned space flight centers in light of the agency's first major budget constraints and the launch pad fire that killed three astronauts.[25]

The Politicization and Bureaucratization of Accountability

Although many of the technical tasks facing NASA did not change significantly over the past 30 years, institutional pressures on the agency have undergone considerable change. In the late 1960s, NASA faced a leveling off of both its political and financial support. Beginning in the early 1970s there was more concern about the managerial challenges inherent in making NASA into an operational agency—a concern arising from pressures to make the shuttle system a fully operational program.[26] The result of these pressures was a reconfiguration of the accountability systems used by some of the agency's key units. Ironically, the very success of NASA's early programs generated those changes.

NASA's apparent victory in the "space race" coincided with an end to the nurturing consensus that permitted the agency to rely almost exclusively on professional accountability for managing expectations. With America's attention turned increasingly toward Vietnam and economic issues, the space program no longer took priority. A new consensus had to be constructed around some new programmatic mission, and in the late 1960s the idea of a space shuttle began to take form. According to its proponents, the shuttle would represent "a whole new way of space flight," one that would transform NASA from an agency committed to accomplishing specific and discrete program goals within given time constraints (e.g., Apollo) to an agency obligated to the continuous operation of a commercial-like enterprise.[27]

The effort to gain presidential endorsement for the space shuttle program made NASA more aware of and responsive to key actors in the political system. Building the necessary consensus was not easy in the highly volatile and competitive institutional context of the early 1970s. James Fletcher, NASA's Administrator from

1971 to 1977 (and the individual President Reagan brought back to head the agency after the Challenger disaster), needed to sell the space shuttle effort to Congress and the American public as well as the White House. Most of the opposition to the shuttle came from the Office of Management and Budget which was supported by negative assessments of the program by a presidential scientific advisory committee and the RAND Corporation.[28]

NASA has to deal with the diversity of legitimate and occasionally conflicting expectations emanating from the democratic political system of which it is a part.

During this period NASA entered into political coalitions with groups that it had previously ignored or fought in the policy-making arena, as well as with its traditional supporters in government and among its contractors. The shuttle program, for example, was designed to attract the support of those who might take advantage of its capacity to launch satellites and conduct unique scientific and technological experiments in space. Aided by the military, the scientific community, and parts of the business community, NASA was able to get President Nixon's backing for the program in 1972 despite OMB's opposition. Political accountability was no longer secondary or peripheral to NASA.[29] It became a critical ingredient in guaranteeing its maintenance as a viable agency. In more recent years, that urge for public and political support was implicit in NASA's widely publicized efforts to include members of Congress and non-agency civilians on its shuttle flights. These programs represented NASA's efforts to cultivate or maintain general support for its activities.

Another important (and related) set of institutional constraints emerged in the form of major budget cutbacks and (in the late 1970s) greater pressures for privatization. From the height of its support in the late 1960s to the mid-1970s, NASA's budget was cut in half (in constant dollars). Recent estimates indicate that NASA went through a staff cut of 40 percent from the big-budget days of Apollo and that NASA's safety and quality control staff alone were cut by 71 percent between 1970 and 1986.[30] Operating with fewer resources, the agency had to economize; it became just like most other agencies in Washington. NASA experienced a new-found interest in efficiency and thus became more willing to use bureaucratic means for dealing with its financial problems.

NASA officials intended to accommodate these new institutional pressures by reducing the organizational costs that characterized NASA in the "old days" when external support and availability of resources were not major concerns. NASA has "had to pinch pennies to protect the shuttle, accepting lower-cost technologies and making what seem to have been extravagant claims for its economic potential."[31] Agency decentralization and field center specializations continued, and decentralization brought with it increasing reliance on bureaucratic accountability mechanisms. The shift allowed for economies due to a careful division of labor and compartmentalization of authority based on position. While professional accountability systems survived *within* some of the field centers, for the agency as a whole professional accountability patterns characteristic of the early NASA nearly disappeared. With decentralization in NASA came an isolation and competition among field centers.[32]

NASA's use of contractors was, to a certain extent, a manifestation of its efforts to manage changing institutional expectations. In addition to any technical and financial benefits they provided NASA, contractors had always proved very helpful politically in establishing support for the agency's programs and annual funding requests. During the 1970s the link between contract decision and political support became increasingly critical to NASA.[33]

Bureaucratically, contracting out established the ultimate superordinate/subordinate relationship between NASA's top managers and those carrying out the specific parts of the shuttle program. A contract establishes clear responsibilities and gives top management considerable leverage to apply pressures for better performance. It also allows top management to avoid the problems and costs associated with directly maintaining professional accountability mechanisms. Thus, contracting out not only enhanced the bureaucratization process at NASA; it also reduced reliance on deference to expertise characteristic of professional accountability systems.

Changing institutional conditions altered the locus of control over NASA's activities as well as the degree of control over agency activities. The result was a shift in the types of accountability systems relevant to NASA's operations. In place of the dominant professional accountability systems of the pre-Apollo 11 era, NASA created an elaborate mixture of accountability mechanisms that stressed the political and bureaucratic. It was under these conditions that decisions regarding the general schedule of space shuttle flights and specific launch times were being made when the Challenger lifted from its Kennedy Space Center pad on January 28, 1986.

The Case of the Challenger

Evidence gathered by the Rogers Commission Report and through the mass media illustrate the various forms of accountability in operation in NASA before the launch of the Challenger. The principal question is whether (and to what extent) the Challenger accident resulted from the efforts by NASA's leadership to manage changing institutional expectations through political and bureaucratic forms of accountability. Did NASA's emphasis on these accountability mechanisms eventually take precedence over the professional system of accountability that characterized NASA in the early 1960s? Were the problems that eventually led to the Challenger accident linked at all to the poor fit between agency tasks and agency accountability mechanisms? In our view, the answer to both questions is "yes."

Political pressures. The contention that NASA was feeling considerable political pressure to launch the Challenger on January 28 was widely rumored just after the Challenger accident, particularly stories about direct pressure emanating from the White House. The Rogers Commission emphatically denied the truth of those rumors.[34] Nonetheless, similar pressures existed and came from a variety of sources outside of NASA, including the White House.

On the official policy level, President Reagan announced in July 1982 that the first priority of the shuttle program was "to make the system fully operational." Given the costs involved in supporting the program, additional pressures emanated from an increasingly budget-conscious Congress.[35] Other pressures on NASA were due to widespread reporting of shuttle delays in the mass media. One top agency official argued that the press, in giving major coverage to numerous shuttle delays over the previous year, had "pressured" the agency to jeopardize flight safety. "I don't think it caused us to do anything foolish," he said. "But that's where the pressure is. It's not from anywhere else."[36]

These external pressures were easily translated into internal decisions that set an overly ambitious launch schedule.[37] In short, NASA set that schedule for the purposes of reducing the program's cost factors and appeasing various attentive publics, including the White House, Congress, the media, and the agency's military and private sector "customers" who were important actors in NASA's supportive political coalition.

These political pressures may not have been specifically addressed to the Challenger launch, but there is little doubt they were felt throughout the agency. The increasing emphasis on political accountability was bound to cause attitudinal as well as operational problems. "The pressure on NASA to achieve planned flight rates was so pervasive," concluded a congressional report, "that it undoubtedly adversely affected attitudes regarding safety."[38] An agency official noted that NASA's organization culture changed "when NASA felt itself under pressure to demonstrate that the shuttles were operational vehicles in a 'routine' transportation system."[39] Part of that "routinization" took the form of "streamlining" the reporting requirements for safety concerns. Less documentation and fewer reporting requirements replaced previous directives that all safety problems and responses were to be reported to higher levels in NASA's hierarchy. The "old requirements," it was argued, "were not productive for the operational phase of the Shuttle program."[40]

The same political accountability pressures had an impact on NASA's key shuttle program contractor, Morton Thiokol. The assent of Morton Thiokol management (and the silence of their engineers) to the Challenger launch recommendation was influenced in part by NASA's importance as a primary customer—a customer who was in the process of reviewing its contracts with the firm. The company's management did not want to jeopardize their relationships with NASA. As a result, rather than emphasizing deference to the experts who worked for them, Morton Thiokol deferred to the demands of NASA's top managers who, in turn, were under a self-imposed, politically derived launch schedule.

Public administration accountability involves the means by which public agencies and their workers manage the diverse expectations generated within and outside the organization.

Bureaucratic Pressures. Indications of preference for bureaucratic rather than professional forms of accountability in NASA are evident in the agency's shuttle program operations. By the early 1980s, NASA's managers were having difficulty coordinating their projects.[41] They came to rely increasingly on hierarchical reporting relationships, a clear manifestation of bureaucratic accountability. This had two effects. First, it increased the potential for "bureaupathological" behavior which the professional accountability system attempted to minimize.[42] Second, it reduced the cross-cutting communications channels which once characterized the less hierarchical and flexible matrix structure at NASA.

The failure of NASA's management system is a fundamental theme of the Rogers Commission. Supervisors were criticized for not passing on up the hierarchy their subordinates' recommendations. Managers were criticized for judgments that were contrary to those suggested by the available data. The Commission reported that its investigation revealed "failures in communication that resulted in a decision to launch [the Challenger] based on incomplete and sometimes misleading information, a conflict between engineering data and management judgments, and a NASA management structure that permitted internal flight safety problems to bypass key Shuttle managers."[43] But what the Rogers Commission perceived as a failure of the agency's management system was, in fact, an inherent characteristic of the bureaucratic accountability system adopted by NASA in order to meet the institutional expectations of the post-Apollo 11 era.

Under NASA's shuttle program, responsibility for specific aspects of the overall program was allocated to supervisors at lower levels in the reporting hierarchy, and the burden for giving the go ahead to launch decision makers shifted from the engineers and experts toward those supervisory personnel. As scheduling and other pressures increased, so did the reluctance of those supervisors to be the individual who threw a monkey wrench into the shuttle program machinery. Thus it is not surprising that lower-level managers tried to cope on their own instead of communicating their problems upward.[44]

The relevance of this problem to the Challenger disaster was illustrated time and time again in the testimony given before the Rogers Commission. NASA officials noted that individuals higher up in the agency had not been informed about the Rockwell engineers' reservations about ice on the launch pad nor the concerns of Morton Thiokol's personnel about weather conditions and the O-rings.[45] In another instance, when asked why he had not communicated the Thiokol engineers' concerns about the O-ring seals to the Program Manager of the National Space Transportation System, the manager of the Solid Rocket Booster Project (based at the Marshall center) answered that he believed it was an issue that had been resolved at his level in the organization.[46] As one reporter observed, "no one at Marshall saw any reason to bother the managers at the top of NASA's chain of command—the normal procedure in the face of disturbing new evidence." This bureaupathological behavior reflects an attitude among employees at Marshall who feel they are competing with Johnson and the other centers. "Nothing [sic] was ever allowed to leave Marshall that would suggest that Marshall was not doing its job. . . ."[47]

Under the bureaucratic system, expectations are managed through a hierarchical arrangement based on supervisory relationships; the legal accountability system manages agency expectations through a contractual relationship; the professional system relies on deference to expertise; while the political accountability system promotes responsiveness to constituents as the central means of managing the multiple expectations.

The impact of the bureaucratic accountability system is also evident in testimony about discussions between NASA representatives and Thiokol engineers on the night before the Challenger launch. During an "offline" caucus between Morton Thiokol management and their engineers (while NASA prelaunch review officials were "on hold"), a member of management asked one of his colleagues

> *to take off his engineering hat and put on his management hat.* From that point on, management formulated the points to base their decision on. There was never one comment in favor . . . of launching by any engineer or other nonmanagement person in the room before or after the caucus. . . . [The engineers were] never asked nor polled, and it was clearly a management decision from that point. . . . This was a meeting where the determination was to launch, and it was up to [the Thiokol engineers] to prove beyond a shadow of a doubt [to Thiokol management and NASA] that it was not safe to do so. This is in total reverse to what the position usually is in a preflight conversation or a flight readiness review. It is usually exactly opposite that.[48] (emphasis added)

A final example of the bureaucratic accountability system's relevance to the failure of the Challenger focuses on an incident occurring in 1984. Problems with the O-rings were noticed and noted by Morton Thiokol engineers in February that year after the tenth Shuttle mission had been completed, and a report on the problem was ordered by the Office of the Associate Administrator for Space Flight before the launch of the eleventh flight in late March. A decision was made to launch the shuttle, but not before it was determined by the Associate Administrator, James Abrahamson, and NASA's Deputy Administrator, Hans Mark, that the O-ring problem had to be solved. A meeting to discuss the problem with relevant officials from the different NASA centers was called for May 30. It was a meeting that would have drawn attention to the technical factor that would later cause the shuttle tragedy; it was a meeting that never took place. By May 30, Abrahamson had left the agency to work on President Reagan's Strategic Defense Initiative, and Deputy Administrator Mark cancelled the meeting to visit Austin, Texas, where he was being considered for the position of University Chancellor. Abrahamson's successor, Jesse A. Moore, was never informed of the problem, and Mark's successor was not appointed for a full year. Thus, the O-ring problem was never communicated to the relevant experts for action. In Mark's words, it was "a classic example of having something fall between the 'cracks.' "[19] In our terms, it was another instance of bureaucratic accountability applied in inappropriate circumstances.

IV. A Post-Commission Era: The New Institutional Pressures

Given the technical and managerial focus of the Rogers Commission Report and other investigations of the Challenger accident, it is not surprising that calls for changes in the space program tend to favor two objectives: punishing those in NASA who were to blame for the tragedy and instituting reforms that would guarantee that a similar event would not occur in the future. In both form and content, these efforts represented increased institutional pressures for NASA, pressures likely to lead the agency to develop new legal accountability mechanisms as well as increase its reliance on bureaucratic accountability mechanisms.

The search for scapegoats and legal responsibility for the Challenger accident are unsavory but perhaps unavoidable by-products of the Rogers Commission's focus on technical and managerial problems. If a technical problem existed, why was it not discovered in time; and if it was discovered in time, why was it not taken seriously by those in charge?[50] These are the questions which have led to personnel actions within NASA (and Thiokol) ranging from reassignments and resignations to early retirements. Beyond these actions, the families of most Challenger crew members either filed lawsuits or accepted legal settlements from the government and its subcontractors.[51]

On less personal levels, suggestions for reforms in the space agency have proliferated. On the surface many of these seem to signal a return to professional accountability. Some recommendations call for improving the role and voice of certain classes of individuals within NASA with special or unique insight into the risks associated with space exploration. There is, for example, a proposal for placing ex-astronauts in management positions at NASA.[52] At first glance, this looks like an attempt to reinvigorate the role of experts and professionals in the agency, but bringing former astronauts into NASA does not guarantee improvement in technical expertise and actually looks more like a thinly veiled attempt to use highly visible symbols of the space program to enhance the agency's damaged credibility.

Another proposal that at first seems to involve a return to professional accountability calls for establishment of explicit guidelines and criteria for use in making launch decisions. Supposedly these criteria would represent the accumulated wisdom of many experts in the field, but they can just as easily be regarded as another step away from deference to professional engineering judgments and toward imposing accountability that carries with it threats of legal liability if such checklists are not properly followed.

Legal accountability mechanisms are also manifested in the emphases in many other proposed reforms on establishing independent or external oversight bodies capable of vetoing decisions by agency personnel regarding safety issues. For example, the Rogers Commission called for the creation of an independent Solid Rocket Motor design oversight committee to review the rocket design and make recommendations to the Administrator or NASA.[53] Similarly, the Commission called for creation of a separate Office of Safety, Reliability and Quality Assurance outside the normal lines of the agency hierarchy to report directly to the NASA Administrator.[54] In both instances, actors outside the normal lines of the agency hierarchy would oversee key decision-making points within NASA dealing with the design and launch of future manned space flights.[55] While these bodies are not intended to exercise direct control over the day-to-day operations of NASA's space shuttle program, such bodies would have jurisdiction over a wide range of agency actions.

It is also evident that congressional oversight of NASA activities is likely to focus a great deal more on details of technical and managerial matters than in the past.[56] In the past, Congress' role regarding NASA was that of patron rather than overseer. For the most part, congressional concerns about NASA were limited to the general priorities of the agency and its potential as a source of pork-barrel projects. In the near future, at least, members of relevant congressional committees and their staffs will become more involved in the details of NASA's operations.[57]

Other suggested reforms (some already being implemented) attempt internal changes in NASA that would complement this movement toward changing accountability. For example, recommendations for reorganizing the shuttle management structure include redefining the program manager's responsibilities to enhance that official's decision-making role. In addition, units within NASA are being reorganized to improve intraorganizational communications. Operationally, suggested reforms include a call for refinement of decision criteria used in equipment maintenance, landing safety, and launch abort procedures. These changes reinforce or legitimize the influence of bureaucratic structures within NASA by formalizing organizational relationships and operational procedures. In form and function, they attempt to move the bureaucratic structures of NASA closer to a centralized system more easily held legally accountable for the agency's future actions.

It was inevitable that the Challenger disaster would generate strong institutional pressures for NASA, and those pressures are creating new demands and expectations for the agency. Ironically, the direction of those pressures has been toward enhanced bureaucratic structures and growing reliance on legal accountability mechanisms which stress NASA's formal responsibilities for the safety of its astronauts. Since President Reagan ordered NASA to terminate its commercial operations temporarily, a major source of political pressure and support has been removed. Thus, we might expect a decline of political accountability in the space agency's operations. Nevertheless, political factors have not disappeared. At present, NASA lacks a clear sense of direction and faces programmatic competition from the military and commercial sectors. At the end of 1986, Dr. Fletcher's view was reported as follows: "the policy-making process is not so straightforward because there are 'so many players.' "[58] In addition, there is little likelihood that Challenger-related reforms will reflect the need for NASA to reestablish the priority of professional accountability systems which held sway in the agency during pre-Apollo 11 heydays.

V. Conclusion

The primary contention of this paper is that the Rogers Commission was shortsighted in focusing exclusively on the failure of NASA's technological or management systems. The problem was not necessarily in the *failure* of those systems, but rather in the *inappropriateness* of the political and bureaucratic accountability mechanisms which characterized NASA's management approach in recent years. The agency's emphasis on political and bureaucratic accountability was a relevant response to changing institutional expectations in NASA's environment, but they were inappropriate for the technical tasks at hand. To the extent that these accountability mechanisms were ill-suited to the technical nature of NASA's agency task, they comprised a major factor in the Challenger tragedy.

In more prescriptive terms, if the professional accountability system had been given at least equal weight in the decision-making process, the decision to launch would probably not have been made on that cold January morning. Had NASA relied exclusively on a professional system of accountability in making the decision to launch the Challenger space shuttle, perhaps deference would have been given to the technical expertise of the engineers. Their recommendation against launch might never have been challenged by the Project Manager for the Solid Rocket Booster.[59] Instead, the Thiokol engineers' initial recommendation against launch was ignored by their hierarchical superiors. Decision makers relied upon supervisors to make the decision rather than deferring to professional experts.

Will the post-accident push for greater emphases on the legal and bureaucratic accountability systems improve NASA's ability to successfully pursue its mission? If this assessment of the role of institutional factors in the success and failure of NASA's programs is correct, then the proposals for reform increase the chances of other failures. This conclusion is consistent with the thesis that adding safety mechanisms to already complex systems in fact may increase the chances that something can go wrong.[60] As NASA gets drawn further away from what it can do best—namely, mobilizing the expert resources needed to solve the technical challenges of space exploration—its chances for organizational success are diluted. Ideally, NASA needs to return to what it does best, using the form of accountability that best suits its organizational mission, i.e., a professional accountability based on deference to expertise.[61] The reality of NASA's institutional context, however, makes achievement of this ideal highly improbable. NASA no longer enjoys a nurturing institutional context; instead it faces increased environmental pressures calling for the adoption of political, bureaucratic, and legal accountability mechanisms. Such is the dilemma facing NASA and the challenge confronting all American public administrators.

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Notes

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1. *Report of the Presidential Commission on the Space Shuttle Challenger Accident* (Washington: June 6, 1986), p. 40; hereafter cited as *Rogers Commission Report.*
2. *Rogers Commission Report,* p. 82.
3. See James D. Thompson, *Organizations in Action: Social Science Bases of Administrative Theory* (New York: McGraw-Hill Book Co., 1967), pp. 10-11.
4. Thompson, *Organizations in Action,* p. 11.
5. Besides current astronaut Sally Ride and former astronaut Neil Armstrong, the commission membership included: Eugene Covert, an MIT professor and frequent consultant to NASA who received the agency's "Public Service Award" in 1980; Robert W. Rummel, an aerospace engineer and private consultant who was also a recipient of a NASA public service award; and Major General Donald J. Kutyna, director of the U.S. Air Force's Space Systems program and former manager of the Defense Department's space shuttle program.
6. For example, Commission Chair Rogers was Attorney General for President Eisenhower and Secretary of State for Richard Nixon. David C. Acheson, a well-known Washington lawyer, had previously served as a U.S. Attorney, counsel for the Atomic Energy Commission, and Senior Vice President of COMSAT. Other members of the Commission were: two physicists, Richard P. Feynman and Albert D. Wheelan (Executive Vice President, Hughes Aircraft); astronomer, Arthur B. C. Walker, Jr.; test pilot, Charles E. Yeager; aeronautical engineer, Joseph F. Sutter; and Robert B. Hotz, former editor of *Aviation Week and Space Technology Magazine.*
7. See Paul R. Schulman, *Large-Scale Policy Making* (New York: Elsevier North Holland, Inc., 1980), pp. 22-41; James E. Webb, *Space Age Management* (New York: McGraw-Hill Book Co., 1968); Leonard R. Sayles and Margaret K. Chandler, *Managing Large Systems* (New York: Harper and Row, 1971); and Peter F. Drucker, *Management: Tasks, Responsibilities, and Practices* (New York: Harper and Row, 1974), chapter 47.
8. See discussion in Herbert A. Simon, Donald W. Smithburg, and Victor A. Thompson, *Public Administration* (New York: Alfred A. Knopf, Inc., 1950), especially chapters 24 and 25. Also, Carl Joachim Friedrich, "Public Policy and the Nature of Administrative Responsibility," in C. J. Friedrich and Edward S. Mason, eds., *Public Policy, 1940* (Cambridge: Harvard University Press, 1940), pp. 3-24; and Herman Finer, "Administrative Responsibility and Democratic Government," *Public Administration Review,* vol. 1 (Summer 1941), pp. 335-350.
9. This view of accountability is developed more fully in Barbara Romzek and Mel Dubnick, "Accountability and the Management of Expectations: The Challenger Tragedy and the Costs of Democracy," presented at the annual meeting of the American Political Science Association, the Washington Hilton, August 28-31, 1986.
10. See Max Weber, *Economy and Society; An Outline of Interpretive Sociology,* edited by Guenther Roth and Claus Wittich (Berkeley: University of California Press, 1987), chapter XI.
11. See Alvin Gouldner, *Patterns of Industrial Bureaucracy* (New York: The Free Press, 1954), pp. 159-162.
12. Philosophically and ideologically, the basis of legal accountability is found in the "rule of law" concept; see Friedrich A. Hayek, *The Road to Serfdom* (Chicago: University of Chicago Press, 1944), chapter VI; also see Theodore J. Lowi's call for "juridical democracy" in *The End of Liberalism: The Second Republic of the United States,* 2d ed. (New York: W.W. Norton and Co., 1979), chapter 11.
13. For a comprehensive application of the theory of agency, see Barry M. Mitnick, *The Political Economy of Regulation: Creating, Designing, and Removing Regulatory Forms* (New York: Columbia University Press, 1980).
14. While bureaucratic accountability relies on methods available to members, such as close supervision and rules and regulations, legal accountability is limited to the tools available to outsiders,

such as monitoring, investigating, auditing, and other forms of "oversight" and evaluation.

15. See Carl Joachim Friedrich, "Public Policy and the Nature of Administrative Responsibility."
16. For an example of a professional accountability system, see the story of the Manhattan Project offered in Peter Wyden, *Day One: Before Hiroshima and After* (New York: Warner Books, 1985), Book One.
17. See Emmette S. Redford, *Democracy in the Administrative State* (New York: Oxford University Press, 1969); also see works by Paul Appleby and Herman Finer.
18. See James Thompson, *Organizations in Action.*
19. See Robert C. Fried, *Performance in American Bureaucracy* (Boston: Little, Brown and Co., 1976).
20. It is possible (at least theoretically) for different accountability mechanisms to operate within one agency at different levels of the organization. For example, a professional accountability mechanism may be in operation at the technical level of an organization while a legal accountability mechanism may be used to manage external expectations at the institutional or boundary-spanning level. See Thompson, *Organizations in Action.* For an application of this notion in a related area, see Donald Klingner and John Nalbandian, "Values and Conflict in Public Personnel Administration," *Public Administration Quarterly* (forthcoming).
21. See Hans Mark and Arnold Levine, *The Management of Research Institutions: A Look at Government Laboratories* (Washington: National Aeronautics and Space Administration, 1984), pp. 117-118. On the political support for NASA in those early years, see Don K. Price, *The Scientific Estate* (Cambridge, MA: The Belknap Press, 1965), pp. 222-223. On the effects of its budgetary support through 1966, see Paul R. Schulman, *Large-Scale Policy Making* (New York: Elsevier North Holland, Inc., 1980), pp. 87-88.
22. Through the Apollo program, NASA spent over 80 percent of its funding on research and development (R&D) efforts. See Philip N. Whittaker, "Joint Decisions in Aerospace," in Matthew Tuite, Roger Chisolm, and Michael Radnor, eds., *Interorganizational Decision Making* (Chicago: Aldine Publishing Co., 1972), p. 272.
23. On the early history of NASA by an "insider," see John D. Young, "Organizing the Nation's Civilian Space Capabilities: Selected Reflections," in Theodore W. Taylor, ed., *Federal Public Policy: Personal Accounts of Ten Senior Civil Service Executives* (Mt. Airy, MD: Lomond Publications, Inc., 1984), pp. 45-80. Some analysts have defined that "nurturing consensus" as little more than a "political vacuum" in which the agency got to define its own programmatic objectives. See John Logsdon, *The Decision to Go to the Moon,* cited in Lambright, *Governing Science and Technology* (New York: Oxford University Press, 1976), pp. 41-42.
24. Henry S. F. Cooper, Jr., "Letter from the Space Center," in *The New Yorker* (November 10, 1986), p. 93.
25. Mark and Levine, *The Management of Research Institutions,* pp. 60, 200-202.
26. Schulman, *Large-Scale Policy Making,* pp. 62-74. Also Cooper, "Letter from the Space Center," p. 99.
27. Schulman, *Large-Scale Policy Making,* pp. 74-76; also Mark and Levine, *The Management of Research Institutions,* pp. 117-118.
28. Lambright, *Governing Science and Technology,* p. 43. Also see Wayne Biddle, "NASA: What's Needed To Put It On Its Feet?" *Discover,* vol. 8 (January 1987), pp. 36, 40.
29. It is incorrect to think that NASA was apolitical even during its early years. Tom Wolfe describes a heated argument between John Glenn and NASA Administrator James Webb when Glenn bitterly complained of the number of trips he had to take at the request of members of Congress or the White House. See Wolfe's, *The Right Stuff* (New York: Bantam Books, 1979), p. 331. See also Mark and Levine, *The Management of Research Institutions,* p. 82, for a discussion of the importance of generating "new business" for the agency. The politics surrounding the shuttle are reflected in investigations of the role Fletcher played in awarding contracts for the shuttle project in 1973; see William J. Broad, "NASA Chief Might Not Take Part in Decisions on Booster Contracts," *The New York Times* (December 7, 1986), pp. 1, 14.
30. W. Henry Lambright, *Governing Science and Technology,* pp. 21-22; and U.S. Congress, House, Committee on Science and Technology, *Investigation of the Challenger Accident,* Report, 99th Congress, 2d Session (Washington: U.S. Government Printing Office, 1986), pp. 176-177.
31. John Noble Wilford, "NASA May Be a Victim of Defects in Its Own Bureaucracy," *The New York Times* (February 16, 1986), p. 18E.
32. See Cooper, "Letter from the Space Center," especially pp. 85-96.
33. See Mark and Levine, *The Management of Research Institutions,* pp. 122-123, on NASA contracting. NASA's use of "pork barrel" politics dates to the agency's earliest years; see Amitai Etzioni, *The Moon Doggle* (Garden City, NY: Doubleday and Co., 1964), and Price, *The Scientific Estate,* pp. 21-23. The continuation of political considerations in NASA's contracting practices during the 1970s is demonstrated by the circumstances surrounding the competition for the shuttle's booster rocket contract which was eventually awarded to Thiokol in 1973; see Broad, "NASA Chief May Not Take Part in Decisions on Booster Contracts."
34. *Rogers Commission Report,* p. 176.
35. *Rogers Commission Report,* pp. 176, 201. Also Cooper, "Letter from the Space Center," pp. 99-100, and U.S. Congress, House, *Investigation of the Challenger Accident,* pp. 119-120.
36. William J. Broad, "NASA Aide Assails Panel Investigating Explosion of Shuttle," *The New York Times* (March 16, 1986), p. 23.
37. U.S. Congress, House, *Investigation of the Challenger Accident,* p. 120.
38. U.S. Congress, House, *Investigation of the Challenger Accident,* p. 122. Richard P. Feynman, a member of the Rogers Commission, speculated about agency attitudes regarding safety. He believed the agency might have downplayed the riskiness of the shuttle launching to "assure" Congress of the agency's "perfection and success in order to ensure the supply of funds." See David E. Sanger, "Looking Over NASA's Shoulder," *The New York Times* (September 28, 1986), p. 26E.
39. John Noble Wilford, "NASA Chief Vows to Fix Problems," *The New York Times* (June 10, 1986), p. 22.
40. *Rogers Commission Report,* pp. 153-154.
41. Laurie McGinley and Bryan Burrough, "Backbiting in NASA Worsens the Damage from Shuttle Disaster," *The Wall Street Journal* (April 2, 1986), p. 1.
42. See Victor A. Thompson, *Modern Organization,* 2d ed. (University: University of Alabama Press, 1977), chapter 8.
43. *Rogers Commission Report,* p. 82.
44. On the factors which make it difficult for employees to pass bad news to upper levels of the organization, see Chris Argyris and Donald A. Schon, *Organizational Learning: A Theory of Action Perspective* (Reading, MA: Addison-Wesley Publishing Co., 1978).
45. *Rogers Commission Report,* p. 82.
46. Testimony of Lawrence Mulloy, *Rogers Commission Report,* p. 98.
47. Cooper, "Letter from the Space Center," pp. 89, 96.
48. Testimony of Roger Boisjoly, *Rogers Commission Report,* p. 93. Also see testimony of R. K. Lund, *Rogers Commission Report,*

p. 94.

49. David E. Sanger, "Top NASA Aides Knew of Shuttle Flaw in '84," *The New York Times* (December 21, 1986), pp. 1, 22.
50. See William J. Broad, "NASA Had Solution to Key Flaw in Rocket When Shuttle Exploded," *The New York Times* (September 22, 1986), p. 1; and David E. Sanger, "NASA Pressing Shuttle Change Amid Concerns: Fear of Short-Circuiting Safety Search Raised," *The New York Times* (September 23, 1986), p. 1.
51. In July 1986, the family of shuttle pilot Michael Smith filed a "wrongful death" suit against NASA and some of its top managers. Later settlements with other families were announced. See William J. Broad, "4 Families Settle Shuttle Claims," *The New York Times* (December 30, 1986), p. 1.
52. *Rogers Commission Report,* pp. 199-201.
53. *Rogers Commission Report,* p. 198.
54. *Rogers Commission Report,* p. 199.
55. *Rogers Commission Report,* pp. 198-199.
56. Members of Congress criticized the Commission for not going deeply enough into the question of which individuals bore direct responsibility for the accident. See Philip M. Boffey, "Shuttle Panel is Faulted for Not Naming Names," *The New York Times* (June 11, 1986), p. 16.
57. Philip M. Boffey, "NASA Challenged on Modification That Rockets Met Requirements," *The New York Times* (June 12, 1986), p. 18.
58. John Noble Wilford, "Threat to Nation's Lead in Space is Seen in Lack of Guiding Policy," *The New York Times* (December 30, 1986), p. 18.
59. *Rogers Commission Report,* p. 96.
60. See Charles Perrow, *Normal Accidents: Living With High Risk Technologies* (New York: Basic Books, Inc., 1984).
61. Our suggestion that a professional system of accountability is the most appropriate to NASA should not be construed as an endorsement of professional accountability under all circumstances. Rather, our point is to indicate that the type of accountability system needs to suit the agency task.

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HBR CLASSIC

Management Time
Who's Got the Monkey?

by William Oncken, Jr., and Donald L. Wass

Included with this full-text *Harvard Business Review* article:

Product 3928

Who's Got the Monkey?

The Idea in Brief

For managers to function effectively, they need to have as much discretionary time as possible. But where can they find it? They can't take it away from activities mandated by their supervisors, nor can they really borrow it from time allocated to helping peers. The only viable solution is reducing the time spent handling subordinates' problems.

When you accept primary responsibility for a subordinate's problem or action item, you may not realize it that very moment, but it's as though you have allowed a monkey to be transferred from your subordinate's back onto yours. Do the arithmetic: if you allow each of your direct reports to put a monkey on your back several times a week, before long you've lost control of the timing and content of your agenda. Not only are you unable to attend to your own priorities, your availability to your group is restricted. Ultimately, the work of the entire team suffers. To maintain the leverage you need to do your job, you need to establish strict guidelines about accepting and handling responsibilities that arise from subordinates.

The Idea in Practice

Within an organization, there are five degrees of initiative available to a manager. Moving from the lowest degree to the highest, they are:

1. waiting to be told
2. asking what to do
3. making a recommendation, then taking the recommended action
4. taking action, but advising others at once
5. acting on one's own, then routinely reporting it to others.

When you're dealing with subordinates' monkeys, make your minimal expectations clear: tell them they're not allowed to use options 1 and 2. Each time a subordinate comes into your office to discuss one of his monkeys, make sure he leaves with a clear understanding of the level of initiative you're expecting from him. Also, try to observe the following advice about monkeys:

- Eliminate some monkeys if your team has more than it can realistically handle.
- Limit your involvement with a subordinate's monkey to no more than 15 minutes at a time.
- Make appointments to deal with monkeys. When you try to address them on an ad hoc basis—for example, when you pass a subordinate in the hallway—you don't convey the proper seriousness.
- Agree on a date when the subordinate reports back on the progress he's made on each action item generated at the last meeting.

Empowerment had not come into vogue when Oncken wrote, notes Stephen Covey in a 1999 addendum to this article. Back in 1974, command-and-control-management was the order of the day. What Oncken doesn't tell you, Covey points out, is that empowerment is initially more time consuming than solving the problem on your own. Empowerment flourishes only when the entire organization buys into the concept, and when the manager and his subordinate have a trusting relationship. But perhaps most important, the manager must overcome his natural eagerness to take on subordinates' monkeys. He must develop a "mentality of abundance" that enables him to relinquish control and seek the growth and development of those around him.

The burdens of subordinates always seem to end up on the manager's back. Here's how to get rid of them.

HBR CLASSIC

Management Time

Who's Got the Monkey?

by William Oncken, Jr., and Donald L. Wass

This article was originally published in the November–December 1974 issue of HBR and has been one of the publication's two best-selling reprints ever.

For its reissue as a Classic, the *Harvard Business Review* asked Stephen R. Covey to provide a commentary.

Why is it that managers are typically running out of time while their subordinates are typically running out of work? Here we shall explore the meaning of management time as it relates to the interaction between managers and their bosses, their peers, and their subordinates.

Specifically, we shall deal with three kinds of management time:

Boss-imposed time—used to accomplish those activities that the boss requires and that the manager cannot disregard without direct and swift penalty.

System-imposed time—used to accommodate requests from peers for active support. Neglecting these requests will also result in penalties, though not always as direct or swift.

Self-imposed time—used to do those things that the manager originates or agrees to do. A certain portion of this kind of time, however, will be taken by subordinates and is called *subordinate-imposed time*. The remaining portion will be the manager's own and is called *discretionary time*. Self-imposed time is not subject to penalty since neither the boss nor the system can discipline the manager for not doing what they didn't know he had intended to do in the first place.

To accommodate those demands, managers need to control the timing and the content of what they do. Since what their bosses and the system impose on them are subject to penalty, managers cannot tamper with those requirements. Thus their self-imposed time becomes their major area of concern.

Managers should try to increase the discretionary component of their self-imposed time by minimizing or doing away with the subordinate component. They will then use the added increment to get better control over their boss-imposed and system-imposed activities. Most managers spend much more time dealing with subordinates' problems than they even faintly realize. Hence we shall use the monkey-on-the-back metaphor to examine how subordinate-imposed time comes into being and what the superior can do about it.

Where Is the Monkey?

Let us imagine that a manager is walking down the hall and that he notices one of his subordinates, Jones, coming his way. When the two meet, Jones greets the manager with, "Good morning. By the way, we've got a problem. You see...." As Jones continues, the manager recognizes in this problem the two characteristics common to all the problems his subordinates gratuitously bring to his attention. Namely, the manager knows (a) enough to get involved, but (b) not enough to make the on-the-spot decision expected of him. Eventually, the manager says, "So glad you brought this up. I'm in a rush right now. Meanwhile, let me think about it, and I'll let you know." Then he and Jones part company.

Let us analyze what just happened. Before the two of them met, on whose back was the "monkey"? The subordinate's. After they parted, on whose back was it? The manager's. Subordinate-imposed time begins the moment a monkey successfully leaps from the back of a subordinate to the back of his or her superior and does not end until the monkey is returned to its proper owner for care and feeding. In accepting the monkey, the manager has voluntarily assumed a position subordinate to his subordinate. That is, he has allowed Jones to make him her subordinate by doing two things a subordinate is generally expected to do for a boss—the manager has accepted a responsibility from his subordinate, and the manager has promised her a progress report.

The subordinate, to make sure the manager does not miss this point, will later stick her head in the manager's office and cheerily query, "How's it coming?" (This is called supervision.)

Or let us imagine in concluding a conference with Johnson, another subordinate, the manager's parting words are, "Fine. Send me a memo on that."

Let us analyze this one. The monkey is now on the subordinate's back because the next move is his, but it is poised for a leap. Watch that monkey. Johnson dutifully writes the requested memo and drops it in his out-basket. Shortly thereafter, the manager plucks it from his in-basket and reads it. Whose move is it now? The manager's. If he does not make that move soon, he will get a follow-up memo from the subordinate. (This is another form of supervision.) The longer the manager delays, the more frustrated the subordinate will become (he'll be spinning his wheels) and the more guilty the manager will feel (his backlog of subordinate-imposed time will be mounting).

Or suppose once again that at a meeting with a third subordinate, Smith, the manager agrees to provide all the necessary backing for a public relations proposal he has just asked Smith to develop. The manager's parting words to her are, "Just let me know how I can help."

Now let us analyze this. Again the monkey is initially on the subordinate's back. But for how long? Smith realizes that she cannot let the manager "know" until her proposal has the manager's approval. And from experience, she also realizes that her proposal will likely be sitting in the manager's briefcase for weeks before he eventually gets to it. Who's really got the monkey? Who will be checking up on whom? Wheel spinning and bottlenecking are well on their way again.

A fourth subordinate, Reed, has just been transferred from another part of the company so that he can launch and eventually manage a newly created business venture. The manager has said they should get together soon to hammer out a set of objectives for the new job, adding, "I will draw up an initial draft for discussion with you."

Let us analyze this one, too. The subordinate has the new job (by formal assignment) and the full responsibility (by formal delegation), but the manager has the next move. Until he makes it, he will have the monkey, and the subordinate will be immobilized.

Why does all of this happen? Because in each instance the manager and the subordinate assume at the outset, wittingly or unwittingly, that the matter under consideration is a joint problem. The monkey in each case begins its career astride both their backs. All it has to do is move the wrong leg, and—presto!—the subordinate deftly disappears. The manager is thus left with another acquisition for his menagerie. Of course, monkeys can be trained not

William Oncken, Jr., was chairman of the William Oncken Corporation until his death in 1988. His son, William Oncken III, now heads the company. **Donald L. Wass** was president of the William Oncken Company of Texas when the article first appeared. He now heads the Dallas–Fort Worth region of The Executive Committee (TEC), an international organization for presidents and CEOs.

to move the wrong leg. But it is easier to prevent them from straddling backs in the first place.

Who Is Working for Whom?

Let us suppose that these same four subordinates are so thoughtful and considerate of their superior's time that they take pains to allow no more than three monkeys to leap from each of their backs to his in any one day. In a five-day week, the manager will have picked up 60 screaming monkeys—far too many to do anything about them individually. So he spends his subordinate-imposed time juggling his "priorities."

Late Friday afternoon, the manager is in his office with the door closed for privacy so he can contemplate the situation, while his subordinates are waiting outside to get their last chance before the weekend to remind him that he will have to "fish or cut bait." Imagine what they are saying to one another about the manager as they wait: "What a bottleneck. He just can't make up his mind. How anyone ever got that high up in our company without being able to make a decision we'll never know."

In accepting the monkey, the manager has voluntarily assumed a position subordinate to his subordinate.

Worst of all, the reason the manager cannot make any of these "next moves" is that his time is almost entirely eaten up by meeting his own boss-imposed and system-imposed requirements. To control those tasks, he needs discretionary time that is in turn denied him when he is preoccupied with all these monkeys. The manager is caught in a vicious circle. But time is a-wasting (an understatement). The manager calls his secretary on the intercom and instructs her to tell his subordinates that he won't be able to see them until Monday morning. At 7 pm, he drives home, intending with firm resolve to return to the office tomorrow to get caught up over the weekend. He returns bright and early the next day only to see, on the nearest green of the golf course across from his office window, a foursome. Guess who?

That does it. He now knows who is really working for whom. Moreover, he now sees that if he actually accomplishes during this weekend what he came to accomplish, his subordinates' morale will go up so sharply that they will each raise the limit on the number of monkeys they will let jump from their backs to his. In short, he now sees, with the clarity of a revelation on a mountaintop, that the more he gets caught up, the more he will fall behind.

He leaves the office with the speed of a person running away from a plague. His plan? To get caught up on something else he hasn't had time for in years: a weekend with his family. (This is one of the many varieties of discretionary time.)

Sunday night he enjoys ten hours of sweet, untroubled slumber, because he has clear-cut plans for Monday. He is going to get rid of his subordinate-imposed time. In exchange, he will get an equal amount of discretionary time, part of which he will spend with his subordinates to make sure that they learn the difficult but rewarding managerial art called "The Care and Feeding of Monkeys."

The manager will also have plenty of discretionary time left over for getting control of the timing and the content not only of his boss-imposed time but also of his system-imposed time. It may take months, but compared with the way things have been, the rewards will be enormous. His ultimate objective is to manage his time.

Getting Rid of the Monkeys

The manager returns to the office Monday morning just late enough so that his four subordinates have collected outside his office waiting to see him about their monkeys. He calls them in one by one. The purpose of each interview is to take a monkey, place it on the desk between them, and figure out together how the next move might conceivably be the subordinate's. For certain monkeys, that will take some doing. The subordinate's next move may be so elusive that the manager may decide—just for now—merely to let the monkey sleep on the subordinate's back overnight and have him or her return with it at an appointed time the next morning to continue the joint quest for a more substantive move by the subordinate. (Monkeys sleep just as soundly overnight on subordinates' backs as they do on superiors'.)

As each subordinate leaves the office, the manager is rewarded by the sight of a monkey leaving his office on the subordinate's back. For the next 24 hours, the subordinate will not be waiting for the manager; instead, the manager will be waiting for the subordinate.

Later, as if to remind himself that there is no law against his engaging in a constructive exercise in the interim, the manager strolls by the subordinate's office, sticks his head in the door, and cheerily asks, "How's it coming?" (The time consumed in doing this is discretionary for the manager and boss imposed for the subordinate.)

When the subordinate (with the monkey on his or her back) and the manager meet at the appointed hour the next day, the manager explains the ground rules in words to this effect:

"At no time while I am helping you with this or any other problem will your problem become my problem. The instant your problem becomes mine, you no longer have a problem. I cannot help a person who hasn't got a problem.

"When this meeting is over, the problem will leave this office exactly the way it came in—on your back. You may ask my help at any appointed time, and we will make a joint determination of what the next move will be and which of us will make it.

"In those rare instances where the next move turns out to be mine, you and I will determine it together. I will not make any move alone."

The manager can now see, with the clarity of a revelation on a mountaintop, that the more he gets caught up, the more he will fall behind.

The manager follows this same line of thought with each subordinate until about 11 AM, when he realizes that he doesn't have to close his door. His monkeys are gone. They will return—but by appointment only. His calendar will assure this.

Transferring the Initiative

What we have been driving at in this monkey-on-the-back analogy is that managers can transfer initiative back to their subordinates and keep it there. We have tried to highlight a truism as obvious as it is subtle: namely, before developing initiative in subordinates, the manager must see to it that they *have* the initiative. Once the manager takes it back, he will no longer have it and he can kiss his discretionary time good-bye. It will all revert to subordinate-imposed time.

Nor can the manager and the subordinate effectively have the same initiative at the same time. The opener, "Boss, we've got a problem," implies this duality and represents, as noted earlier, a monkey astride two backs, which is a very bad way to start a monkey on its career. Let us, therefore, take a few moments to examine what we call "The Anatomy of Managerial Initiative."

There are five degrees of initiative that the manager can exercise in relation to the boss and to the system:

1. wait until told (lowest initiative);
2. ask what to do;
3. recommend, then take resulting action;
4. act, but advise at once;
5. and act on own, then routinely report (highest initiative).

Clearly, the manager should be professional enough not to indulge in initiatives 1 and 2 in relation either to the boss or to the system. A manager who uses initiative 1 has no control over either the timing or the content of boss-imposed or system-imposed time and thereby forfeits any right to complain about what he or she is told to do or when. The manager who uses initiative 2 has control over the timing but not over the content. Initiatives 3, 4, and 5 leave the manager in control of both, with the greatest amount of control being exercised at level 5.

In relation to subordinates, the manager's job is twofold. First, to outlaw the use of initiatives 1 and 2, thus giving subordinates no choice but to learn and master "Completed Staff Work." Second, to see that for each problem leaving his or her office there is an agreed-upon level of initiative assigned to it, in addition to an agreed-upon time and place for the next manager-subordinate conference. The latter should be duly noted on the manager's calendar.

The Care and Feeding of Monkeys

To further clarify our analogy between the monkey on the back and the processes of assigning and controlling, we shall refer briefly to the manager's appointment schedule, which calls for five hard-and-fast rules governing the "Care and Feeding of Monkeys." (Violation of these rules will cost discretionary time.)

Rule 1. Monkeys should be fed or shot. Otherwise, they will starve to death, and the manager will waste valuable time on postmortems or attempted resurrections.

Rule 2. The monkey population should be kept below the maximum number the manager has time to feed. Subordinates will find time to work as many monkeys as he or she finds time to feed, but no more. It shouldn't take more than five to 15 minutes to feed a properly maintained monkey.

Making Time for Gorillas

by Stephen R. Covey

When Bill Oncken wrote this article in 1974, managers were in a terrible bind. They were desperate for a way to free up their time, but command and control was the status quo. Managers felt they weren't allowed to empower their subordinates to make decisions. Too dangerous. Too risky. That's why Oncken's message—give the monkey back to its rightful owner—involved a critically important paradigm shift. Many managers working today owe him a debt of gratitude.

It is something of an understatement, however, to observe that much has changed since Oncken's radical recommendation. Command and control as a management philosophy is all but dead, and "empowerment" is the word of the day in most organizations trying to thrive in global, intensely competitive markets. But command and control stubbornly remains a common practice. Management thinkers and executives have discovered in the last decade that bosses cannot just give a monkey back to their subordinates and then merrily get on with their own business. Empowering subordinates is hard and complicated work.

The reason: when you give problems back to subordinates to solve themselves, you have to be sure that they have both the desire and the ability to do so. As every executive knows, that isn't always the case. Enter a whole new set of problems. Empowerment often means you have to develop people, which is initially much more time consuming than solving the problem on your own.

Just as important, empowerment can only thrive when the whole organization buys into it—when formal systems and the informal culture support it. Managers need to be rewarded for delegating decisions and developing people. Otherwise, the degree of real empowerment in an organization will vary according to the beliefs and practices of individual managers.

But perhaps the most important lesson about empowerment is that effective delegation—the kind Oncken advocated—depends on a trusting relationship between a manager and his subordinate. Oncken's message may have been ahead of his time, but what he suggested was still a fairly dictatorial solution. He basically told bosses, "Give the problem back!" Today, we know that this approach by itself is too authoritarian. To delegate effectively, executives need to establish a running dialogue with subordinates. They need to establish a partnership. After all, if subordinates are afraid of failing in front of their boss, they'll keep coming back for help rather than truly take initiative.

Oncken's article also doesn't address an aspect of delegation that has greatly interested me during the past two decades—that many managers are actually *eager* to take on their subordinates' monkeys. Nearly all the managers I talk with agree that their people are underutilized in their present jobs. But even some of the most successful, seemingly self-assured executives have talked about how hard it is to give up control to their subordinates.

I've come to attribute that eagerness for control to a common, deep-seated belief that rewards in life are scarce and fragile. Whether they learn it from their family, school, or athletics, many people establish an identity by comparing themselves with others. When they see others gain power, information, money, or recognition, for instance, they experience what the psychologist Abraham Maslow called "a feeling of deficiency"—a sense that something is being taken from them. That makes it hard for them to be genuinely happy about the success of others—even of their loved ones. Oncken implies that managers can easily give back or refuse monkeys, but many managers may subconsciously fear that a subordinate taking the initiative will make them appear a little less strong and a little more vulnerable.

How, then, do managers develop the inward security, the mentality of "abundance," that would enable them to relinquish control and seek the growth and development of those around them? The work I've done with numerous organizations suggests that managers who live with integrity according to a principle-based value system are most likely to sustain an empowering style of leadership.

Given the times in which he wrote, it was no wonder that Oncken's message resonated with managers. But it was reinforced by Oncken's wonderful gift for storytelling. I got to know Oncken on the speaker's circuit in the 1970s, and I was always impressed by how he dramatized his ideas in colorful detail. Like the Dilbert comic strip, Oncken had a tongue-in-cheek style that got to the core of managers' frustrations and made them want to take back control of their time. And the monkey on your back wasn't just a metaphor for Oncken—it was his personal symbol. I saw him several times walking through airports with a stuffed monkey on his shoulder.

I'm not surprised that his article is one of the two best-selling HBR articles ever. Even with all we know about empowerment, its vivid message is even more important and relevant now than it was 25 years ago. Indeed, Oncken's insight is a basis for my own work on time management, in which I have people categorize their activities according to urgency and importance. I've heard from executives again and again that half or more of their time is spent on matters that are urgent but not important. They're trapped in an endless cycle of dealing with other people's monkeys, yet they're reluctant to help those people take their own initiative. As a result, they're often too busy to spend the time they need on the real gorillas in their organization. Oncken's article remains a powerful wake-up call for managers who need to delegate effectively.

Stephen R. Covey is vice chairman of the Franklin Covey Company, a global provider of leadership development and productivity services and products. He is the author of *The 7 Habits of Highly Effective People* (Simon & Schuster, 1989) and *First Things First* (Simon & Schuster, 1994).

Rule 3. Monkeys should be fed by appointment only. The manager should not have to hunt down starving monkeys and feed them on a catch-as-catch-can basis.

Rule 4. Monkeys should be fed face-to-face or by telephone, but never by mail. (Remember—with mail, the next move will be the manager's.) Documentation may add to the feeding process, but it cannot take the place of feeding.

Rule 5. Every monkey should have an assigned next feeding time and degree of initiative. These may be revised at any time by mutual consent but never allowed to become vague or indefinite. Otherwise, the monkey will either starve to death or wind up on the manager's back.

• • •

"Get control over the timing and content of what you do" is appropriate advice for managing time. The first order of business is for the manager to enlarge his or her discretionary time by eliminating subordinate-imposed time. The second is for the manager to use a portion of this newfound discretionary time to see to it that each subordinate actually has the initiative and applies it. The third is for the manager to use another portion of the increased discretionary time to get and keep control of the timing and content of both boss-imposed and system-imposed time. All these steps will increase the manager's leverage and enable the value of each hour spent in managing management time to multiply without theoretical limit.

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Who's Got the Monkey?

Further Reading

ARTICLES

What Effective General Managers Really Do
by John P. Kotter
Harvard Business Review
March–April 1999
Product no. 3707

A gap has existed between the conventional wisdom about how managers work and the actual behavior of effective managers. Kotter explains that managers who limit their interactions to orderly, focused meetings actually shut themselves off from vital information and relationships. Seemingly wasteful activities like chatting in hallways and having impromptu meetings can, in fact, prove quite efficient when managers have an agenda on which they are always working. Unplanned encounters thus provide an opportunity to advance the agenda.

The Manager: Master and Servant of Power
by Fernando Bartolomé and André Laurent
Harvard Business Review
November–December 1986
Product no. 4215

When workers' commitment to their jobs wanes, or when they allow resentments toward bosses, direct reports, and others to fester, the reason isn't that bosses are power-hungry or direct reports rebellious. Conflict and misunderstanding usually arise because of power dynamics. Many managers can't see how their behavior toward direct reports and superiors alike is distorted by hierarchical differences. The result can be a lessening of trust between manager and subordinate, which inhibits open communication and risk taking.

Pygmalion in Management
by J. Sterling Livingston
Harvard Business Review
September–October 1988
Product no. 88509

Further substantiation of the manager's crucial role in developing initiative. Experiments and studies have demonstrated that managers' expectations have a direct impact on their direct reports' productivity—the "Pygmalion effect." High expectations on the part of managers lead to the development of a "superstaff." Low expectations result in damaged egos and poor performers. The difference in the behavior of these two groups is a direct result of how each of them is treated by the manager.

BOOK

Harvard Business Review on Managing People
Harvard Business School Press
1999
Product no. 9075

The articles in this collection suggest ways to build organizations with judicious and effective systems for managing people. Although each article presents a thought-provoking perspective on some aspect of people management, two are especially applicable to the subject of time spent managing others. Writing on empowerment, Chris Argyris warns that using it as the ultimate criterion for success in an organization may cover up deeper problems that need to be addressed. Jay Conger argues that persuasion, defined as learning from others and negotiating a shared solution, is gaining importance as a management tool in post-command-and-control organizations.

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THE HBR INTERVIEW

A leading organizational psychologist explains the five critical conditions that make the difference between success and failure.

Why Teams Don't Work

An Interview with J. Richard Hackman

Included with this full-text *Harvard Business Review* article:

Reprint R0905H

Why Teams Don't Work

The Idea in Brief

Contrary to conventional wisdom, teams may be your *worst* option for tackling a challenging task. Problems with coordination, motivation, and competition can badly damage team performance.

Even the best leaders can't *make* a team deliver great results. But you can increase the likelihood of success—by setting the right conditions. For example:

- **Designate a "deviant."** Appoint a naysayer who will challenge the team's desire for too much homogeneity (which stifles creativity).
- **Avoid double digits.** Build teams of no more than nine people. Too many more, and the number of links between members becomes unmanageable.
- **Keep the team together.** Established teams work more effectively than those whose composition changes constantly.

The Idea in Practice

Additional ideas for getting the best performance from your team:

BE RUTHLESS ABOUT MEMBERSHIP

Putting together a team involves some hard decisions about who will contribute best to accomplishing the team's goals. Not everyone who wants to be on a team should be included, and some individuals should be forced off.

▶ Example:

In a large financial services firm, the CFO, a brilliant individual contributor, wasn't allowed on the executive committee because he was clearly disinclined toward teamwork and unwilling to work at finding collective solutions. The team functioned much better without him. The arrangement worked because the CEO communicated extensively with the CFO before and after every executive-committee meeting.

SET A COMPELLING DIRECTION

Make sure your team members know—and agree on—what they're supposed to be doing together. Unless you articulate a clear direction, different members will likely pursue different agendas.

EMBRACE YOUR OWN QUIRKINESS

There's no one right style for leading a team, so don't try to ape someone else's leadership approach. You bring your own strengths and weaknesses to the effort. Exploit what you're great at, and get help in the areas where you're not as competent.

FOCUS YOUR COACHING ON GROUP PROCESSES

For your team to reap the benefits of any coaching you provide, you'll need to focus that coaching on enhancing group processes, not on guiding and correcting individual behavior. Also, timing is everything. You'll need to know how to:

- **Run a launch meeting,** so members become oriented to and engaged with their tasks.
- **Help the team conduct midpoint reviews** on what's functioning well—and what isn't. This will enable the team to fine-tune its performance strategy.
- **Take a few minutes when the work is finished** to reflect on what went well—and poorly—and to identify ways team members can make the best use of their knowledge and experience the next time around.

PROTECT YOUR DEVIANT

The deviant you designate will say things that nobody else is willing to articulate—such as "Wait a minute, why are we even doing this at all?" or "We've got to stop and maybe change direction."

These observations can open up creative discussion—but they also raise others' anxiety levels. People may feel compelled to crack down on the deviant and try to get him to stop asking difficult questions—maybe even knock him off the team.

Don't let that happen: If you lose your deviant, your team can become mediocre.

A leading organizational psychologist explains the five critical conditions that make the difference between success and failure.

THE HBR INTERVIEW

Why Teams Don't Work

An Interview with J. Richard Hackman

Over the past couple of decades, a cult has grown up around teams. Even in a society as fiercely independent as America, teams are considered almost sacrosanct. The belief that working in teams makes us more creative and productive is so widespread that when faced with a challenging new task, leaders are quick to assume that teams are the best way to get the job done.

Not so fast, says J. Richard Hackman, the Edgar Pierce Professor of Social and Organizational Psychology at Harvard University and a leading expert on teams. Hackman has spent a career exploring—and questioning—the wisdom of teams. To learn from his insights, HBR senior editor Diane Coutu interviewed Hackman in his Harvard office. In the course of their discussion, he revealed just how bad people often are at teamwork. Most of the time, his research shows, team members don't even agree on what the team is supposed to be doing. Getting agreement is the leader's job, and she must be willing to take great personal and professional risks to set the team's direction. And if the leader isn't disciplined about managing who is on the team and how it is set up, the odds are slim that a team will do a good job.

What follows is an edited version of that conversation.

You begin your book *Leading Teams* with a pop quiz: When people work together to build a house, will the job probably (a) get done faster, (b) take longer to finish, or (c) not get done?

That multiple choice question actually appeared on a standardized fourth-grade test in Ohio, and the obvious "answer," of course, is supposed to be *a*—the work gets done faster. I love that anecdote because it illustrates how early we're told that teamwork is good. People tend to think that teams are the democratic—and the efficient—way to get things done. I have no question that when you have a team, the possibility exists that it will generate magic, producing something extraordinary, a collective creation of previously unimagined quality or beauty. But don't count on it. Research consistently shows that teams

I have no question that a team can generate magic. But don't count on it.

underperform, despite all the extra resources they have. That's because problems with coordination and motivation typically chip away at the benefits of collaboration. And even when you have a strong and cohesive team, it's often in competition with other teams, and that dynamic can also get in the way of real progress. So you have two strikes against you right from the start, which is one reason why having a team is often worse than having no team at all.

You've said that for a team to be successful, it needs to be real. What does that mean?

At the very least, it means that teams have to be bounded. It may seem silly to say this, but if you're going to lead a team, you ought to first make sure that you know who's on it. In our recent book *Senior Leadership Teams*, Ruth Wageman, Debra Nunes, James Burruss, and I collected and analyzed data on more than 120 top teams around the world. Not surprisingly, we found that almost every senior team we studied thought that it had set unambiguous boundaries. Yet when we asked members to describe their team, fewer than 10% agreed about who was on it. And these were teams of senior executives!

Often the CEO is responsible for the fuzziness of team boundaries. Fearful of seeming exclusionary—or, on the other end of the spectrum, determined to put people on the team for purely political reasons—the chief executive frequently creates a dysfunctional team. In truth, putting together a team involves some ruthless decisions about membership; not everyone who wants to be on the team should be included, and some individuals should be forced off.

We worked with a large financial services firm where the CFO wasn't allowed on the executive committee because he was clearly a team destroyer. He was disinclined toward teamwork, he was unwilling to work at finding collective solutions, and every team he was on got into trouble. The CEO invited the CFO to stay in his role because he was a truly able executive, but he was not allowed on the senior executive team. Although there were some bruised feelings at first, in the end the CFO was much happier because he didn't have to be in "boring" team meetings, and the team functioned much better without him. The arrangement worked because the CEO communicated extensively with the CFO both before and after every executive committee meeting. And in the CFO's absence, the committee could become a real team.

You also say that a team needs a compelling direction. How does it get one?

There is no one right way to set a direction; the responsibility can fall to the team leader or to someone in the organization outside the team or even to the team itself in the case of partnerships or boards of directors. But however it's done, setting a direction is emotionally demanding because it always involves the exercise of authority, and that inevitably arouses angst and ambivalence—for both the person exercising it and the people on the receiving end. Leaders who are emotionally mature are willing and able to move toward anxiety-inspiring situations as they establish a clear, challenging team direction. But in doing so, a leader sometimes encounters resistance so intense that it can place his or her job at risk.

That point was dramatically brought home to me a few years ago by a participant in an executive seminar I was teaching. I'd been talking about how leaders who set direction successfully are unafraid to assume personal responsibility for the mission of the team. I mentioned John F. Kennedy and Martin Luther King, Jr., and I got carried away and said that people who read the New Testament knew that Jesus did not convene little team meetings to decide the goals of the ministry. One of the executives in the class interrupted me and said, "Are you aware that you've just talked about two assassinations and a crucifixion?"

What are some common fallacies about teams?

People generally think that teams that work together harmoniously are better and more productive than teams that don't. But in a study we conducted on symphonies, we actually found that grumpy orchestras played together slightly better than orchestras in which all the musicians were really quite happy.

That's because the cause-and-effect is the reverse of what most people believe: When we're productive and we've done something good together (and are recognized for it), we feel satisfied, not the other way around.

Every team needs a deviant, someone who says, "Why are we even doing this at all?"

In other words, the mood of the orchestra members after a performance says more about how well they did than the mood beforehand.

Another fallacy is that bigger teams are better than small ones because they have more resources to draw upon. A colleague and I once did some research showing that as a team gets bigger, the number of links that need to be managed among members goes up at an accelerating, almost exponential rate. It's managing the links between members that gets teams into trouble. My rule of thumb is no double digits. In my courses, I never allow teams of more than six students. Big teams usually wind up just wasting everybody's time. That's why having a huge senior leadership team—say, one that includes all the CEO's direct reports—may be worse than having no team at all.

Perhaps the most common misperception about teams, though, is that at some point team members become so comfortable and familiar with one another that they start accepting one another's foibles, and as a result performance falls off. Except for one special type of team, I have not been able to find a shred of evidence to support that premise. There is a study that shows that R&D teams do need an influx of new talent to maintain creativity and freshness—but only at the rate of one person every three to four years. The problem almost always is not that a team gets stale but, rather, that it doesn't have the chance to settle in.

So newness is a liability?

Absolutely. The research confirming that is incontrovertible. Consider crews flying commercial airplanes. The National Transportation Safety Board found that 73% of the incidents in its database occurred on a crew's first day of flying together, before people had the chance to learn through experience how best to operate as a team—and 44% of those took place on a crew's very first flight. Also, a NASA study found that fatigued crews who had a history of working together made about half as many errors as crews composed of rested pilots who had not flown together before.

So why don't airlines stick to the same crews?

Because it isn't efficient from a financial perspective. Financially, you get the most from your capital equipment and labor by treating each airplane and each pilot as an individual unit and then using an algorithm to maximize their utilization. That means that pilots often have to dash up and down the concourses just as passengers do, and sometimes you'll have a pilot who will fly two or three different aircraft with two or three different crews in the course of a single day—which is not so wise if you look at the research. I once asked an operations researcher of an airline to estimate how long it would take, if he and I were assigned to work together on a trip, before we could expect to work together again. He calculated that it would be 5.6 years. Clearly, this is not good from a passenger point of view.

The counterexample, by the way, is the Strategic Air Command, or SAC, which would have delivered nuclear bombs had that become necessary during the Cold War years. SAC teams performed better than any other flight crews that we studied. They trained together as a crew, and they became superb at working together because they had to. When you're working together in real time and there can be no mistakes, then you keep your teams together for years and years rather than constantly change their composition.

If teams need to stay together to achieve the best performance, how do you prevent them from becoming complacent?

This is where what I call a deviant comes in. Every team needs a deviant, someone who can help the team by challenging the tendency to want too much homogeneity, which can stifle creativity and learning. Deviants are the ones who stand back and say, "Well, wait a minute, why are we even doing this at all? What if we looked at the thing backwards or turned it inside out?" That's when people say, "Oh, no, no, no, that's ridiculous," and so the discussion about what's ridiculous comes up. Unlike the CFO I mentioned before, who derailed the team by shutting down discussions, the deviant opens up more ideas, and that gets you a lot more originality. In our research, we've looked carefully at both teams that produced something original and those that were merely average, where nothing really sparkled. It turned out that the teams with deviants outperformed teams without them. In many cases, deviant thinking is a source of great innovation.

I would add, though, that often the deviant veers from the norm at great personal cost. Deviants are the individuals who are willing to say the thing that nobody else is willing to articulate. The deviant raises people's level of anxiety, which is a brave thing to do. When the boat is floating with the current, it really is extraordinarily courageous for somebody to stand up and say, "We've got to pause and probably change direction." Nobody on the team wants to hear that, which is precisely why many team leaders crack down on deviants and try to get them to stop asking difficult questions, maybe even knock them off the team. And yet it's when you lose the deviant that the team can become mediocre.

What makes a team effective, and how can a team's leader make it perform better?

A good team will satisfy its internal or external clients, become stronger as a unit as time passes, and foster the learning and growth of its individual members. But even the best leader on the planet can't make a team do well. All anyone can do is increase the likelihood that a team will be great by putting into place five conditions. (See the sidebar "How to Build a Team.") And the leader still will have no guarantees that she will create a magical team. Teams create their own realities and control their own destinies to a greater extent, and far sooner in their existence, than most team leaders realize.

How to Build a Team

In his book *Leading Teams*, J. Richard Hackman sets out five basic conditions that leaders of companies and other organizations must fulfill in order to create and maintain effective teams:

1: Teams must be real. People have to know who is on the team and who is not. It's the leader's job to make that clear.

2: Teams need a compelling direction. Members need to know, and agree on, what they're supposed to be doing together. Unless a leader articulates a clear direction, there is a real risk that different members will pursue different agendas.

3: Teams need enabling structures. Teams that have poorly designed tasks, the wrong number or mix of members, or fuzzy and unenforced norms of conduct invariably get into trouble.

4: Teams need a supportive organization. The organizational context—including the reward system, the human resource system, and the information system—must facilitate teamwork.

5: Teams need expert coaching. Most executive coaches focus on individual performance, which does not significantly improve teamwork. Teams need coaching as a group in team processes—especially at the beginning, midpoint, and end of a team project.

In 1990 I edited a collection of essays by colleagues who had studied teams performing diverse tasks in 27 organizations—everything from a children's theater company to a mental-health-treatment team to a beer-sales-and-delivery team. In those studies, we found that the things that happen the first time a group meets strongly affect how the group operates throughout its entire life. Indeed, the first few minutes of the start of any social system are the most important because they establish not only where the group is going but also what the relationship will be between the team leader and the group, and what basic norms of conduct will be expected and enforced.

I once asked Christopher Hogwood, the distinguished conductor for many years of the Handel and Haydn Society in Boston, how important the first rehearsal was when he served as an orchestra's guest conductor. "What do you mean, the first *rehearsal*?" he asked. "All I have is the first few minutes." He went on to explain that there's nothing he pays greater attention to than the way he starts the first rehearsal. That's because he knows that the orchestra members will make a very quick assessment about whether or not they're going to make great music together, or whether he is just going to get in their way.

I do think there is one thing leaders such as Hogwood and others can do to improve the chances that a team will become something special, and that is to embrace their own quirkiness. You shouldn't try to lead like Jeff Bezos, because you are not Jeff Bezos. Each leader brings to the task his or her own strengths and weaknesses. Exploit the daylights out of the stuff you're great at, and get help in the areas where you're not so good. Don't try to ape any leadership model or team, because there's no one right style for leading a team. There are many different ways to create the conditions for effectiveness, sustain them, and help teams take full advantage of them. The best team leaders are like jazz players, improvising constantly as they go along.

How good are companies at providing a supportive context for teams?

Perversely, the organizations with the best human resource departments often do things that are completely at odds with good team behavior. That's because HR departments

Off and Running: Barack Obama Jump-Starts His Team

by Michael Beschloss

If the launch of a team is as critical as Professor J. Richard Hackman says, then Barack Obama has done pretty well. He appointed his administration's top officials much faster than most presidents do. Given the monumental crises that faced him the moment he was elected, he had to move quickly. The downside of speed was that some of his choices didn't work out—notably Bill Richardson and Tom Daschle. Obama has certainly brought onto his team people of strong temperaments and contrasting views, starting with Hillary Clinton at the State Department and Jim Jones at the National Security Council. This suggests that we have a president who is unusually sure of his own ability to absorb differing opinions. Appointing people like Clinton also shows his eagerness to harness the talent of his former opponents. Compare that with the record of George W. Bush; his people told many job seekers who had supported John McCain in the 2000 Republican primaries, "Sorry, you backed the wrong horse!"

Of course, Obama is taking a risk by hiring so many strong and contentious personalities. He will inevitably have to spend a lot of time and energy serving as referee. This is what happened with Franklin Roosevelt, who also brought strong-minded figures into his government. One difference with Obama, however, is that FDR temperamentally loved the infighting. He liked to pit people against one another, believing that competition evoked the best performance from everyone. At times FDR actually enjoyed making his underlings suffer. I don't think Obama does.

Most presidents prefer a happy ship, and in some cases their definition of loyalty includes not rocking the boat on major administration programs. Richard Nixon fired his interior secretary, Walter Hickel, for opposing his Vietnam War policies. There was a dissenter (what Hackman calls a deviant) on Lyndon Johnson's team—Undersecretary of State George Ball, who strongly opposed the Vietnam War. Johnson would cite Ball when people complained that he surrounded himself with yes-men, but in fact Ball had little influence when LBJ met with top officials on Vietnam. Everyone in the group knew that Johnson didn't take Ball's antiwar arguments very seriously. If you really want dissenting views, better to use the Roosevelt-Obama model, where they can come from almost any member of the team—and not just from one designated rabble-rouser.

The reappointment of Bush's defense secretary, Robert Gates, also reveals Obama's self-confidence. He's clearly willing to concede that there are things he doesn't know, so he appointed someone with more than three decades of national security experience. This decision has the historical echo of John Kennedy's near-reappointment in 1961 of Dwight Eisenhower's defense secretary, who coincidentally was named Thomas Gates. Like Obama, Kennedy was a young president with little national security background and thought it might reassure people to have the previous defense secretary stay on at the Pentagon. Like Obama, JFK also suspected that a number of things might go wrong with national security during his first year as president. He felt that Americans might be less likely to blame the Democratic president if a Republican secretary of defense was there at his side. In the end Kennedy did not have the stomach for the risk of keeping a Republican appointee at the Pentagon. Obama did.

Obama's first months in office prove the importance of having a president who can convey his view of the country and the world and why he thinks his plans will work. One of Hillary Clinton's biggest criticisms a year ago was that Obama gave great speeches but that it didn't have all that much to do with being a strong president. Obama argued that it did, and he was right. Like Roosevelt's addresses in 1933 and Reagan's in 1981, his public utterances—especially his speech to Congress in February—have done a lot to gain acceptance for his programs from skeptical Americans. However jaded they may be about government, Americans—even those who didn't vote for him—are still inclined to turn to their president to explain foreign and domestic crises. Imagine how much more anxious they might feel now if Obama did not do this so effectively. Unfortunately for us all, it's likely that he'll have to call more on that skill as the crisis mounts in the months ahead.

Michael Beschloss has written nine books about presidential leadership, most recently Presidential Courage *(Simon & Schuster, 2007).*

tend to put in place systems that are really good at guiding, directing, and correcting individual behavior. Take a personnel system that has been honed by industrial psychologists to identify the skills of a particular job and test individual employees on those skills. In such a system, the HR department will set up training to develop the "right" people in the "right" way. The problem is this is all about the individual. This single-minded focus on the individual employee is one of the main reasons that teams don't do as well as they might in organizations with strong HR departments. Just look at our research on senior executive teams. We found that coaching individual team members did not do all that much to help executive teams perform better.

For the team to reap the benefits of coaching, it must focus on group processes. And timing is everything. The team leader needs to know how to run a launch meeting, so that members become oriented to and engaged with their tasks; how to help the team review at the midpoint what's functioning well—and what isn't—which can correct the team's performance strategy; and how to take a few minutes when the work is finished to reflect on what went well or poorly, which can help members make better use of their knowledge and experience the next time around. Team coaching is about fostering better teamwork on the task, not about enhancing members' social interactions or interpersonal relationships.

There's a lot of talk about virtual teams these days. Can they work, or are they falling victim to what Jo Freeman once called the "tyranny of structurelessness"?

Virtual teams have really come into their own in the past decade, but I don't believe they differ fundamentally from traditional teams. There was a fantasy in the beginning that everyone would be swarming around on the internet, that the wisdom of crowds would automatically prevail, and that structureless groups would come up with new and profound things that face-to-face groups could never have generated. But nirvana never materialized; virtual teams need the basic conditions for effectiveness to be in place just as much as face-to-face teams, if not more so. That said, we are seeing that we can make do with much less face-to-face contact than we ever thought possible. Today's technology, for example, lets you have a chat window open during a web conference so you can type in the word "hand" to signal that you want to talk next. People don't need to see your face to know that you want to speak up. But even well-structured virtual teams need to have a launch meeting with everyone present, a midpoint check-in that's face-to-face, and a live debriefing. I don't think for a minute that we're going to have effective online teams if we don't know who's on the team or what the main work of the team really is, and so far that's still a problem with virtual teams.

Given the difficulty of making teams work, should we be rethinking their importance in organizations?

Perhaps. Many people act as if being a team player is the ultimate measure of one's worth, which it clearly is not. There are many things individuals can do better on their own, and they should not be penalized for it. Go back for a moment to that fourth-grade question about working together to build a house. The answer probably is that teamwork really does take longer or that the house may not get built at all. There are many cases where collaboration, particularly in truly creative endeavors, is a hindrance rather than a help. The challenge for a leader, then, is to find a balance between individual autonomy and collective action. Either extreme is bad, though we are generally more aware of the downside of individualism in organizations, and we forget that teams can be just as destructive by being so strong and controlling that individual voices and contributions and learning are lost.

In one management team we studied, for example, being a team player was so strongly valued that individuals self-censored their contributions for fear of disrupting team harmony. The team, in a spirit of cooperation and goodwill, embarked on a course of action that was bound to fail—for reasons that some members sensed but did not mention as the plans were being laid. One wonders if the crisis in the financial world today would be quite so catastrophic if more people had spoken out in their team meetings about what they knew to be wrongful practices. But again that brings us back to the hazards of courage. You'd like to think that people who do the courageous right thing and speak out will get their reward on earth as well as in heaven. But you don't always get your reward here on earth. While it's true that not being on a team can put your career on hold, being a real and committed team player—whether as a team leader, a deviant, or just a regular member who speaks the truth—can be dangerous business indeed.

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Why Teams Don't Work

Further Reading

ARTICLES

The Discipline of Teams (HBR Classic)
by Jon R. Katzenbach and Douglas K. Smith
Harvard Business Review
July 2005
Product no. R0507P

Groups don't become teams just because that is what someone calls them. Nor do teamwork values alone ensure team performance. So what is a team? How can managers know when the team option makes sense, and what can they do to ensure team success? Authors Katzenbach and Smith answer these questions and outline the discipline that defines a real team. The essence of a team is shared commitment. Without it, groups perform as individuals; with it, they become a powerful unit of collective performance. The best teams invest a tremendous amount of time shaping a purpose that they can own. They also translate their purpose into specific performance goals. And members of successful teams pitch in and become accountable with and to their teammates. The authors identify three kinds of teams: those that recommend things—task forces or project groups; those that make or do things—manufacturing, operations, or marketing groups; and those that run things—groups that oversee some significant functional activity. For managers, the key is knowing where in the organization these teams should be encouraged. Managers who can foster team development in the right place at the right time prime their organizations for top performance.

Eight Ways to Build Collaborative Teams
by Lynda Gratton and Tamara J. Erickson
Harvard Business Review
November 2007
Product no. R0711F

Executing complex initiatives like acquisitions or an IT overhaul requires a breadth of knowledge that can be provided only by teams that are large, diverse, virtual, and composed of highly educated specialists. The irony is that those same characteristics have an alarming tendency to decrease collaboration on a team. What's a company to do? Gratton and Erickson, studied 55 large teams and isolated eight success factors associated with effective collaboration: 1) "Signature" relationship practices that build bonds among the staff in memorable ways that are particularly suited to a company's business; 2) role models of collaboration among executives, which help cooperation trickle down to the staff; 3) the establishment of a "gift culture," in which managers support employees by mentoring them daily, instead of a transactional "tit-for-tat culture"; 4) training in relationship skills, such as communication and conflict resolution; 5) a sense of community, which corporate HR can foster by sponsoring group activities; 6) ambidextrous leadership, or leaders who are both task-oriented and relationship-oriented; 7) good use of heritage relationships, by populating teams with members who know and trust one another; and 8) role clarity and task ambiguity, achieved by defining individual roles sharply but giving teams latitude on approach.

Managing Successful Organizational Change in the Public Sector
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Theory to Practice

Managing Successful Organizational Change in the Public Sector

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Can governmental organizations change? Reform initiatives have swept through governments in the United States and overseas, again and again bringing news about efforts to reinvent, transform, or reform government agencies (Barzelay 2001; Kettl 2000; Pollitt and Bouckaert 2000; Stillman 1999). Curiously, however, this recurrent theme of change in government agencies has not induced a high volume of articles that explicitly address the topic in public administration journals. There are prominent exceptions to this observation (e.g., Bryson and Anderson 2000; Chackerian and Mavima 2000; Mani 1995; Wise 2002) and journal articles about topics related to organizational change (e.g., Berman and Wang 2000; Brudney and Wright 2002; Hood and Peters 2004). Articles reporting research and theory with titles containing "organizational change" and with that theme as a focal topic, however, appear with much less regularity in public administration journals than in research journals focusing on general management and organization theory.

In that literature on organization theory, Van de Ven and Poole (1995) report a count of one million articles relating to organizational change. This vast body of work abounds with complexities, including multiple and conflicting theories and research findings and a good bit of inconclusiveness. This complexity presents a challenge to public administrators and public administration researchers alike. To respond to that challenge, the full version of this article, which is available on *PAR*'s Web site (www.aspanet.org), provides an overview of the vast literature on organizational change—a review demonstrating its complexity but also bringing some needed order to the literature. Here, the analysis identifies points of consensus among researchers on what are commonly called *organizational transformations*: initiatives involving large-scale, planned, strategic, and administrative change (Abramson and Lawrence 2001; Kotter 1995). These points serve as testable propositions for researchers to examine in future research and as major considerations for leaders of change initiatives in public organizations.

Theories of Organizational Change in Public Organizations

The variety of theoretical perspectives summarized in the online version of this article presents a rather confusing picture, but it provides insights into the nature of organizational change, and in particular, the causes of change and the role of managers in the change process. Some of the theories downplay the significance of human agency as a source of change (e.g., DiMaggio and Powell 1983; Hannan and Freeman 1984; Scott 2003). Conversely, other theories view managers' purposeful action as driving change (e.g., Lawrence and Lorsch 1967; Pfeffer and Salancik 1978), although environmental, cognitive, and resource constraints place limits on such action (Van de Ven and Poole 1995).

These major theoretical perspectives illustrate researchers' conflicting views about the causes of change in organizations, especially the capacity of managers to bring about change. Despite the conflicts among theorists, however, a significant body of research indicates that managers frequently do make change happen in their organizations (Armenakis, Harris, and Feild 1999; Burke 2002; Judson 1991; Kotter 1995, 1996; Yukl 2002). Public sector studies also offer evidence of the critical role that public managers play in bringing about organizational change (e.g., Abramson and Lawrence 2001; Bingham and Wise 1996; Borins 2000; Doig and Hargrove 1990; Hennessey 1998; Kemp, Funk, and Eadie 1993).

Noting that managers can effect change tells us little, however, about whether an intended change actually occurs and about the best strategies for effecting change. Fortunately, a stream of research exists that contains various models and frameworks, many of them loosely based on Lewin's (1947) steps or phases of change. These studies describe the process of implementing change within organizations and point to factors contributing to success (e.g., Armenakis, Harris, and Feild 1999; Bingham and Wise 1996;

Burke 2002; Greiner 1967; Kotter 1995, 1996; Rainey and Rainey 1986; Thompson and Fulla 2001).

Despite some differences in these models and frameworks, one finds remarkable similarities among them, as well as empirical studies supporting them (Armenakis and Bedeian 1999). One can discern from this body of research a consensus that change leaders and change participants should pay special attention to eight factors, each offering propositions suitable for further testing and refinement in future research. The full online version of this article presents a more elaborate and detailed propositional inventory; this shorter version emphasizes the most general propositions identified.

Because it draws on points of consensus among researchers and experienced observers, the set of factors discussed here resembles, but differs in significant ways from, some other frameworks (e.g., Kotter 1996). Some experts portray the change process as a linear progression through successive stages represented by the factors discussed here (e.g., Armenakis, Harris, and Feild 1999; Greiner 1967; Kotter 1995). The process, however, rarely unfolds in such a simple linear fashion (Amis, Slack, and Hinings 2004; Van de Ven 1993). The eight factors and propositions that are discussed in the following sections can influence the outcome of change initiatives at different points of the process. Moreover, researchers have generally treated these determinants of effective implementation of organizational change as having additive effects. The present analysis, in contrast, treats each determinant as potentially contributing to the successful implementation of change—or making implementation smoother—by adding to the effects of the other factors. Finally, despite what some practitioners might see as the commonsense nature of these factors and propositions, examples cited below—as well as many other studies and examples—indicate that change leaders very often ignore, overlook, or underestimate them (Kotter 1995, 1996).

Factor 1: Ensure the Need

Managerial leaders must verify and persuasively communicate the need for change. Research indicates that the implementation of planned change generally requires that leaders verify the need for change and persuade other members of the organization and important external stakeholders that it is necessary (Armenakis, Harris, and Feild 1999; Burke 2002; Judson 1991; Kotter 1995; Laurent 2003; Nadler and Nadler 1998). The process of convincing individuals of the need for change often begins with crafting a compelling vision for it. A vision presents a picture or image of the future that is easy to communicate and that organizational members find appealing (Kotter 1995); it provides overall direction for the change process and serves as the foundation from which to develop specific strategies for arriving at a future end state.

Some research on private organizations indicates that it is easier to convince individuals of the need for change when leaders craft a vision that offers the hope of relief from stress or discomfort (Kets de Vries and Balazs 1999). Nadler and Nadler (1998) even suggest implanting dissatisfaction with the current state of affairs in order to get members of the organization to embrace change. To convince individuals of the need for and desirability of change and to begin the process of "unfreezing" the organization, Armenakis, Harris, and Feild (1999) suggest employing effective written and oral communication and forms of active participation among employees.

The public-management literature contains evidence of the importance of determining the need for change and persuasively communicating it through a continuing process of exchange with as many stakeholders and participants as possible (Abramson and Lawrence 2001; Rossotti 2005; Young 2001). For instance, Kemp, Funk, and Eadie (1993) and Bingham and Wise (1996) conclude that successful implementation of new programs depends on top management's ability to disseminate information about the change and convince employees of the urgency of change. Denhardt and Denhardt (1999) describe how effective local government managers verify the need for change through "listening and learning" and then communicate those needs in ways that build support for change. Researchers have also noted public sector leaders' efforts to take advantage of mandates, political windows of opportunity, and external influences to verify and communicate the need for change (Abramson and Lawrence 2001; Harokopus 2001; Lambright 2001; Rossotti 2005).

Factor 2: Provide a Plan

Managerial leaders must develop a course of action or strategy for implementing change. Convincing the members of an organization of the need for change is obviously not enough to bring about actual change. The new idea or vision must be transformed into a course of action or strategy with goals and a plan for achieving it (Abramson and Lawrence 2001; Carnall 1995; Judson 1991; Kotter 1995; Lambright 2001; Nadler and Nadler 1998; Young 2001). This strategy serves as a road map for the organization, offering direction on how to arrive at the preferred end state, identifying obstacles, and proposing measures for overcoming those obstacles. As Kotter (1995) explains, the basic elements of the vision should be organized into a strategy for achieving that vision so that the transformation does not disintegrate into a set of unrelated and confusing directives and activities.

Two aspects of a course of action that appear crucial for organizational change in the public sector include the clarity or degree of specificity of the strategy and the extent to which the strategy rests on sound causal theory. Policy implementation analysts have long noted the importance of clear, specific policy goals and coherent causal thinking about the linkage between the initiative to be implemented and the desired outcomes (Bishop and Jones 1993; Grizzle and Pettijohn 2002; Mazmanian and Sabatier 1989; Meier and McFarlane 1995). Specific goals help ensure that the measures implemented in the field correspond with the formal policy by limiting the ability of implementing officials to change the policy objectives and providing a standard of accountability. As Bingham and Wise (1996) and Meyers and Dillon (1999) discovered, policy ambiguity can sow confusion, allowing public managers to reinterpret the policy and implement it in a fashion that brings about few of the changes that policy makers intended (see also Montjoy and O'Toole 1979). Finally, a mandate for change based on sound causal theory helps eliminate inconsistent or conflicting directives that can undermine efforts to implement change. Rossotti (2005) shows how he and others leading major organizational changes at the Internal Revenue Service (IRS) set forth a clear, well-conceived, well-organized plan for the change process.

Factor 3: Build Internal Support for Change and Overcome Resistance

Managerial leaders must build internal support for change and reduce resistance to it through widespread participation in the change process and other means. Students of major organizational changes typically report that successful leaders understand that change involves a political process of developing and nurturing support from major stakeholders and organizational members. Individuals in organizations resist change for a variety of reasons (Kets de Vries and Balazs 1999)—for example, some ideas for change are simply ill conceived, unjustified, or pose harmful consequences for members of the organization. Even assuming a well-justified and well-planned change initiative, however, leaders must build internal support and overcome resistance.

How can they do so? Several researchers have observed that a crisis, shock, or strong external challenge to the organization can help reduce resistance to change. Van de Ven (1993) explains that because individuals are highly adaptable to gradually emerging conditions, a shock or stimulus of significant magnitude is typically required for them to accept change as inevitable. In a similar vein, Kotter warns managers against the risk of "playing it too safe" and noted that "when the urgency rate is not pumped up enough, the transformation process cannot succeed" (1995, 60). He even observed that in a few of the most successful cases of organizational change, the leadership manufactured crises (see also Laurent 2003; Thompson and Fulla 2001).

For many decades, social scientists have emphasized the value of effective and ethical participation, as well as other means, in supporting group and organizational change and in lowering resistance to it (Coch and French 1948; Lewin 1947). More recently, experts have further explored ways of reducing resistance to change. Judson (1991) identifies a variety of tactics that managers can employ to minimize resistance to change, including threats and compulsion, criticism, persuasion, inducements and rewards, compromises and bargaining, guarantees against personal loss (e.g., offering job security or retraining to employees), psychological support, employee participation, ceremonies and other efforts to build loyalty, recognition of the appropriateness and legitimacy of past practices, and gradual and flexible implementation of change. With the exception of threats, compulsion, and criticism, which can have counterproductive effects and further increase resistance, he argues that these approaches can be effective at reducing resistance to change (see also Kets de Vries and Balazs 1999). A "dual approach" that creates pride in the organization's history and past success while arguing for a new way of doing things seems also to be effective at reducing resistance to change.

The scope of participation is also important. Widespread participation in the change process is perhaps the most frequently cited approach to overcoming resistance to change (e.g., Abramson and Lawrence 2001; Young 2001). Many scholars who focus on private organizations have asserted that planned change requires extensive participation by members at multiple levels of the organization during all stages of implementation (Bunker and Alban 1997; Greiner 1967; Johnson and Leavitt 2001; Nadler and Nadler 1998; Pasmore 1994). The literature indicates that involving organizational members helps reduce barriers to change by creating psychological ownership, promoting the dissemination of critical information, and encouraging employee feedback for fine-tuning the change during implementation.

Participation presents a particularly important contingency in the public sector. As Warwick (1975) asserts, career civil servants, who are allegedly motivated by caution and security, can use the frequent turnover among top political appointees to their advantage by simply resisting new initiatives until a new administration comes into power. However, their participation in the stages of change can help reduce this kind of resistance. Rossotti (2005), for instance, recounts a continuous process of meetings with all types of stakeholders—frontline employees, union leaders, taxpayers and taxpayer groups, managers, Treasury Department executives, members of Congress, and others (see also Denhardt and Denhardt 1999; Poister and Streib 1999). Goldsmith (1999, 68ff), too, describes how employee "empowerment" played a key role in his change efforts as mayor of Indianapolis.

Interestingly, Kelman's (2005) analysis of the federal procurement reform process suggests that one should avoid *overestimating* change resistance. A significant number of employees welcomed reforms, and their support needed only to be "unleashed." Buttressing Kelman's point, Thompson and Sanders's (1997) analysis of change within the Veterans Benefits Administration suggests that success may require bottom-up participatory elements, such as delegating decision making to middle management and granting frontline workers greater discretion to implement changes. They note, however, that top management still must play a critical role by encouraging and rewarding innovation and expressing support for the change. Successful implementation of organizational change, therefore, often resembles a hybrid combining elements of lower-level participation and direction from top management.

Even widespread participation, however, does not offer a magic bullet for overcoming resistance to change (Shareef 1994). Bruhn, Zajac, and Al-Kazemi (2001) advise that participation should be widespread and span all phases of the change process, but they stress that leaders must take participation seriously, commit time and effort to it, and manage it properly. The failure to do so can be counterproductive, leading to wasted time, morale, and resources (see also Quinn 2000). Bryson and Anderson (2000) make a similar observation in their analysis of large-group methods used to diagnose problems and implement changes in organizations.

Factor 4: Ensure Top-Management Support and Commitment

An individual or group within the organization should champion the cause for change. Top-management support and commitment to change play an especially crucial role in success (Burke 2002; Carnall 1995; Greiner 1967; Johnson and Leavitt 2001; Kotter 1995; Nadler and Nadler 1998; Yukl 2002). Some studies of organizational change stress the importance of having a single change agent or "idea champion" lead the transformation. An idea champion is a highly respected individual who maintains momentum and commitment to change, often taking personal risks in the process (Kanter 1983). Policy-implementation scholars have offered evidence of how a skillful and strategically placed leader or "fixer" can successfully coordinate the behavior of disparate actors and overcome obstacles by leveraging close personal ties and pursuing informal avenues of influence (Bardach 1977; O'Toole 1989).

Other authors have stressed the need to have a guiding coalition to support the change. A guiding coalition is a group of individuals who lend legitimacy to the effort and marshal the resources and emotional support required to induce organizational members to change (Carnall 1995; Kets de Vries and Balazs 1999; Kotter 1995; Yukl 2002). Kotter asserts that one or two managers often launch organizational renewal efforts, but "whenever some minimum mass is not achieved early in the effort, nothing much worthwhile happens" (1995, 62).

Whether it occurs in the form of a single change agent or a guiding coalition, considerable evidence indicates that top-management support and commitment play an essential role in successful change in the public sector (Abramson and Lawrence 2001; Berman and Wang 2000; Bingham and Wise 1996; Denhardt and Denhardt 1999; Harokopus 2001; Hennessey 1998; Kemp, Funk, and Eadie 1993; Lambright 2001; Laurent 2003; Rainey and Rainey 1986; Thompson and Fulla 2001; Young 2001). Barzelay's (2001) analysis of New Public Management reforms in various nations, for instance, reports that Aucoin (1990) attributes the failure of these reforms in Canada to a lack of support from cabinet ministers, who simply did not care much about the reforms.

Finally, in the public sector, top-management support for change often requires the cooperation of top-level career civil servants in addition to politically appointed executives. Moreover, the need for leadership continuity and stability raises particular challenges in the public sector because of the frequent and rapid turnover of many executives in government agencies compared to business executives. This may explain why, contrary to stereotype, many significant changes in government need to be—and have been—led by career civil servants (Holzer and Callahan 1998).

Factor 5: Build External Support

Managerial leaders must develop support from political overseers and key external stakeholders. Organizational change in the public sector also depends on the degree of support from political overseers and other key external stakeholders. The impact of these actors on the outcome of change efforts stems in part from their ability to impose statutory changes and control the flow of vital resources to public organizations. Political overseers can influence the outcome of planned change by creating and conveying a vision that explains the need for change, as well as by selecting political appointees who are sympathetic to the change and have the knowledge and skills required for managing the transformation. As Golembiewski (1985) suggests, attaining support from governmental authorities and political actors involves serious challenges, given the constraints imposed by the political context in which public organizations operate. Public agencies often have multiple political masters pursuing different objectives, and politically appointed executives often have very weak relationships with career civil servants. Despite these challenges, public managers implementing change in their organizations must display skill in obtaining support from powerful external actors.

Public policy scholars have observed the impact of support from political overseers or sovereigns on the outcome of policy implementation (Goggin et al. 1990; Mazmanian and Sabatier 1989). They are now joined by more recent studies of public sector reform that have begun to stress the importance of external political support (Berman and Wang 2000; de Lancer Julnes and Holzer 2001; Wallin 1997). Berry, Chackerian, and Wechsler (1999) note that the governor's high level of commitment and support for particular reforms in Florida had a substantial influence on the degree of implementation (see also Chackerian and Mavima 2000). Changes that could have been implemented quickly and cost-effectively seemed to generate more support from elected officials than those with higher implementation costs and those requiring much more effort and time to implement.

Support from other key external stakeholders figures prominently in successful change efforts (Abramson and Lawrence 2001; Denhardt and Denhardt 1999; Harokopus 2001; Mazmanian and Sabatier 1989; Rossotti 2005; Wallin 1997). Thompson and Fulla (2001) conclude that the interest group environment acted as an important determinant of agency adoption of National Performance Review (NPR) reforms, with strong interest group opposition to an agency's NPR reforms constraining change. Conversely, Weissert and Goggin (2002) found that proceeding to implementation without garnering the support of interest groups can speed up the implementation process, albeit at the cost of dissatisfaction and criticism.

Factor 6: Provide Resources

Successful change usually requires sufficient resources to support the process. A fairly consistent finding in the literature is that change is not cheap or without trade-offs. Planned organizational change involves a redeployment or redirection of scarce organizational resources toward a host of new activities, including developing a plan or strategy for implementing the change, communicating the need for change, training employees, developing new processes and practices, restructuring and reorganizing the organization, and testing and experimenting with innovations (see Burke 2002; Mink et al. 1993; Nadler and Nadler 1998). Failure to provide adequate resources in support of a planned change leads to feeble implementation efforts, higher levels of interpersonal stress, and even neglect of core organizational activities and functions. Boyne's (2003) review of research, for example, found that "resources" is one of the important factors for improving public services (and hence, bringing about change). Rossotti (2005) heavily invested resources in major changes at the IRS and expressed regret that he had not sought at the outset stronger assurances of budgetary support for the reforms from Treasury Department officials.

Policy implementation scholars have long recognized this need for adequate resources to implement policy changes (Goggin et al. 1990; Matland 1995; Mazmanian and Sabatier 1989; Montjoy and O'Toole 1979). Ample funding is necessary to staff implementing agencies and to provide them with the administrative and technical capacity to ensure that they achieve statutory objectives. Similarly, students of recent administrative reforms have observed that resource scarcity can hinder organizational changes (Berry, Chackerian, and Wechsler 1999; Bingham and Wise 1996; Chackerian and Mavima 2000; Kemp, Funk, and Eadie 1993).

As Chackerian and Mavima (2000) discovered in their analysis of government reform in Florida, resource munificence becomes even more complex when multiple organizational changes are implemented as part of a comprehensive reform agenda. The authors found that multiple organizational changes interact with one another, causing synergies and trade-offs. For example, the pursuit of multiple changes that demand *modest* amounts of similar resources can lead to synergies, increasing the likelihood that all changes will be implemented successfully. The pursuit of multiple changes that require *large* amounts of similar resources, on the other hand, tends to result in trade-offs. Trade-offs, in turn, result in winners and losers, with low-cost changes taking precedence over or even displacing more costly ones.

Factor 7: Institutionalize Change

Managers and employees must effectively institutionalize and embed changes. To make change enduring, members of the organization must incorporate the new policies or innovations into their daily routines. Virtually all organizational changes involve changes in the behavior of organizational members. Employees must learn and routinize these behaviors in the short term, and leaders must institutionalize them over the long haul so that new patterns of behavior displace old ones (Edmondson, Bohmer, and Pisano 2001; Greiner 1967; Kotter 1995; Lewin 1947).

Doing so, however, is not easy. Armenakis, Harris, and Feild (1999) have developed a model for reinforcing and institutionalizing change. According to the model, leaders can modify formal structures, procedures, and human resource management practices; employ rites and ceremonies; diffuse the innovation through trial runs and pilot projects; collect data to track the progress of and commitment to change; and engage employees in active participation tactics that foster "learning by doing." Judson (1991), too, strongly emphasizes the need to collect data and monitor the implementation process to keep managers aware of the extent to which organizational members have adopted the change. Evaluation and monitoring efforts should continue even after the change is fully adopted to ensure that organizational members do not lapse into old patterns of behavior.

The evidence, however, is mixed regarding the optimal pace for institutionalizing change. Some experts underscore the need to adopt change gradually or incrementally on a small scale in order to build momentum and to demonstrate the benefits of change (Armenakis, Harris, and Feild 1999; Cohen and Eimicke 1994; Greiner 1967; Kotter 1995; Rainey and Rainey 1986). Others have argued that a rapid pace of change can overcome inertia and resistance (Tushman and Romanelli 1985). Small-scale or gradual implementation, however, may pose more of a challenge in the public sector than in business because frequent shifts in political leadership and short tenures for political appointees can cause commitment for change to wane.

Factor 8: Pursue Comprehensive Change

Managerial leaders must develop an integrative, comprehensive approach to change that achieves subsystem congruence. Many researchers stress that in order for fundamental change in behavior to occur, leaders must make systemic changes to the subsystems of their organization. These must be aligned with the desired end state. Changing only one or two subsystems will not generate sufficient force to bring about organizational transformation (Meyers and Dillon 1999; Mohrman and Lawler 1983; Nadler and Nadler 1998; Tichy 1983). Still others have warned, however, that implementing multiple changes without understanding the structure and nature of the interconnections among subsystems can result in additional costs and a longer implementation period than anticipated (Hannan, Polos, and Carroll 2003).

Amis, Slack, and Hinings (2004) go even further, arguing that the actual sequence of change matters; they found that beginning the transformation process by changing "high-impact" decision-making elements of the organization first helps to build momentum for the broader array of changes that follow. Likewise, Robertson, Roberts, and Porras conclude from their study of business firms that practitioners should begin any change effort with systematic changes in the work setting and "insure that the various work setting changes are congruent with each other, sending consistent signals to organization members about the new behaviors desired" (1993, 629).

Support for these arguments is also present in public sector research. Shareef (1994), for example, found that an effort to implement a participative culture in the U.S. Postal Service fell short because of management's failure to modify organizational subsystems for the desired cultural change. Golembiewski (1985) emphasizes the fruitlessness of attempting to change attitudes and behaviors toward more teamwork and participation if the organizational structure remains strictly hierarchical and fails to support a team orientation (see also Meyers and Dillon 1999). The wisdom of this strategy notwithstanding, Robertson and Seneviratne's (1995) study suggests that subsystem congruence may be more difficult to achieve in the public than in the private sector because change agents in the public sector exercise less discretion than their private sector counterparts.

Conclusion

The factors and propositions offered in this article should serve not as a road map but as a compass for practitioners seeking to find their way amid the sustained, persistent, and challenging pressures for change they confront daily. They, in turn, suggest a robust, varied, and quite challenging agenda for future research, an agenda that is discussed at length in the extended version of this article on the *PAR* Web site. It suffices to note that work by Nutt (1983, 1986) and others accurately suggests the need to move beyond the literature's additive assumptions in researching these propositions. Researchers should analyze the interactive effects of such factors using research designs and methods that treat the possibility of a contingency approach to implementing organizational change seriously. Especially useful would be the employment of multivariate statistical techniques and large-sample data sets of organizations at different levels of government and in different public management settings. Another immediate research need involves refining the general propositions offered here, synthesizing the various theories underlying them, and testing rival propositions. In the process, researchers must confront the challenge of analyzing the relationship between the content and process of change and such organizational outcomes as performance. Some designs will be very challenging and expensive, but researchers should seek ways to conceive and execute them, possibly through consortia of researchers (e.g., Huber and Glick 1993) and proposals for large research grants. Such an effort would be timely, important for both practice and theory building, and long overdue.

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Leading Change: Why Transformation Efforts Fail

by John P. Kotter

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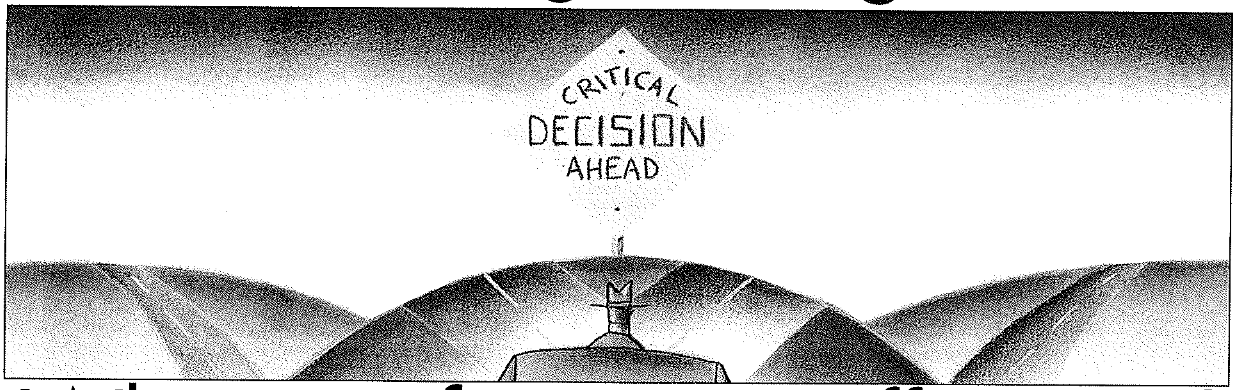

Why Transformation Efforts Fail

by John P. Kotter

Over the past decade, I have watched more than 100 companies try to remake themselves into significantly better competitors. They have included large organizations (Ford) and small ones (Landmark Communications), companies based in the United States (General Motors) and elsewhere (British Airways), corporations that were on their knees (Eastern Airlines), and companies that were earning good money (Bristol-Myers Squibb). These efforts have gone under many banners: total quality management, reengineering, right sizing, restructuring, cultural change, and turnaround. But, in almost every case, the basic goal has been the same: to make fundamental changes in how business is conducted in order to help cope with a new, more challenging market environment.

A few of these corporate change efforts have been very successful. A few have been utter failures. Most fall somewhere in between, with a distinct tilt toward the lower end of the scale. The lessons that can be drawn are interesting and will probably be relevant to even more organizations in the increasingly competitive business environment of the coming decade.

The most general lesson to be learned from the more successful cases is that the change process goes through a series of phases that, in total, usually require a considerable length of time. Skipping steps creates only the illusion of speed and never produces a satisfying result. A second very general

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DRAWINGS BY KURT VARGO

lesson is that critical mistakes in any of the phases can have a devastating impact, slowing momentum and negating hard-won gains. Perhaps because we have relatively little experience in renewing organizations, even very capable people often make at least one big error.

Error #1: Not Establishing a Great Enough Sense of Urgency

Most successful change efforts begin when some individuals or some groups start to look hard at a company's competitive situation, market position, technological trends, and financial performance. They focus on the potential revenue drop when an important patent expires, the five-year trend in declining margins in a core business, or an emerging market that everyone seems to be ignoring. They then find ways to communicate this information broadly and dramatically, especially with respect to crises, potential crises, or great opportunities that are very timely. This first step is essential because just getting a transformation program started requires the aggressive cooperation of many individuals. Without motivation, people won't help and the effort goes nowhere.

Compared with other steps in the change process, phase one can sound easy. It is not. Well over 50% of the companies I have watched fail in this first phase. What are the reasons for that failure? Sometimes executives underestimate how hard it can be to drive people out of their comfort zones. Sometimes they grossly overestimate how successful they have already been in increasing urgency. Sometimes they lack patience: "Enough with the preliminaries; let's get on with it." In many cases, executives become paralyzed by the downside possibilities. They worry that employees with seniority will become defensive, that morale will drop, that events will spin out of control, that short-term business results will be jeopardized, that the stock will sink, and that they will be blamed for creating a crisis.

A paralyzed senior management often comes from having too many managers and not enough leaders. Management's mandate is to minimize risk and to keep the current system operating. Change, by definition, requires creating a new system, which in turn always demands leadership. Phase one in a renewal process typically goes nowhere until enough real leaders are promoted or hired into senior-level jobs.

Transformations often begin, and begin well, when an organization has a new head who is a good leader and who sees the need for a major change. If the renewal target is the entire company, the CEO is key. If change is needed in a division, the division general manager is key. When these individuals are not new leaders, great leaders, or change champions, phase one can be a huge challenge.

Bad business results are both a blessing and a curse in the first phase. On the positive side, losing money does catch people's attention. But it also gives less maneuvering room. With good business results, the opposite is true: convincing people of the need for change is much harder, but you have more resources to help make changes.

But whether the starting point is good performance or bad, in the more successful cases I have witnessed, an individual or a group always facilitates a frank discussion of potentially unpleasant facts: about new competition, shrinking margins, decreasing market share, flat earnings, a lack of revenue growth, or other relevant indices of a declining competitive position. Because there seems to be an almost universal human tendency to shoot the bearer of bad news, especially if the head of the organization is not a change champion, executives in these companies often rely on outsiders to bring unwanted information. Wall Street analysts, customers, and consultants can all be helpful in this regard. The purpose of all this activity, in the words of one former CEO of a large European company, is "to make the status quo seem more dangerous than launching into the unknown."

One chief executive officer deliberately engineered the largest accounting loss in the history of the company.

In a few of the most successful cases, a group has manufactured a crisis. One CEO deliberately engineered the largest accounting loss in the company's history, creating huge pressures from Wall Street in the process. One division president commissioned first-ever customer-satisfaction surveys, knowing full well that the results would be terrible. He then made these findings public. On the surface, such moves can look unduly risky. But there is also risk in playing it too safe: when the urgency rate is not pumped up enough, the transformation process

Eight Steps to Transforming Your Organization

1 Establishing a Sense of Urgency
Examining market and competitive realities
Identifying and discussing crises, potential crises, or major opportunities

2 Forming a Powerful Guiding Coalition
Assembling a group with enough power to lead the change effort
Encouraging the group to work together as a team

3 Creating a Vision
Creating a vision to help direct the change effort
Developing strategies for achieving that vision

4 Communicating the Vision
Using every vehicle possible to communicate the new vision and strategies
Teaching new behaviors by the example of the guiding coalition

5 Empowering Others to Act on the Vision
Getting rid of obstacles to change
Changing systems or structures that seriously undermine the vision
Encouraging risk taking and nontraditional ideas, activities, and actions

6 Planning for and Creating Short-Term Wins
Planning for visible performance improvements
Creating those improvements
Recognizing and rewarding employees involved in the improvements

7 Consolidating Improvements and Producing Still More Change
Using increased credibility to change systems, structures, and policies that don't fit the vision
Hiring, promoting, and developing employees who can implement the vision
Reinvigorating the process with new projects, themes, and change agents

8 Institutionalizing New Approaches
Articulating the connections between the new behaviors and corporate success
Developing the means to ensure leadership development and succession

cannot succeed and the long-term future of the organization is put in jeopardy.

When is the urgency rate high enough? From what I have seen, the answer is when about 75% of a company's management is honestly convinced that business-as-usual is totally unacceptable. Anything less can produce very serious problems later on in the process.

Error #2: Not Creating a Powerful Enough Guiding Coalition

Major renewal programs often start with just one or two people. In cases of successful transformation efforts, the leadership coalition grows and grows over time. But whenever some minimum mass is not achieved early in the effort, nothing much worthwhile happens.

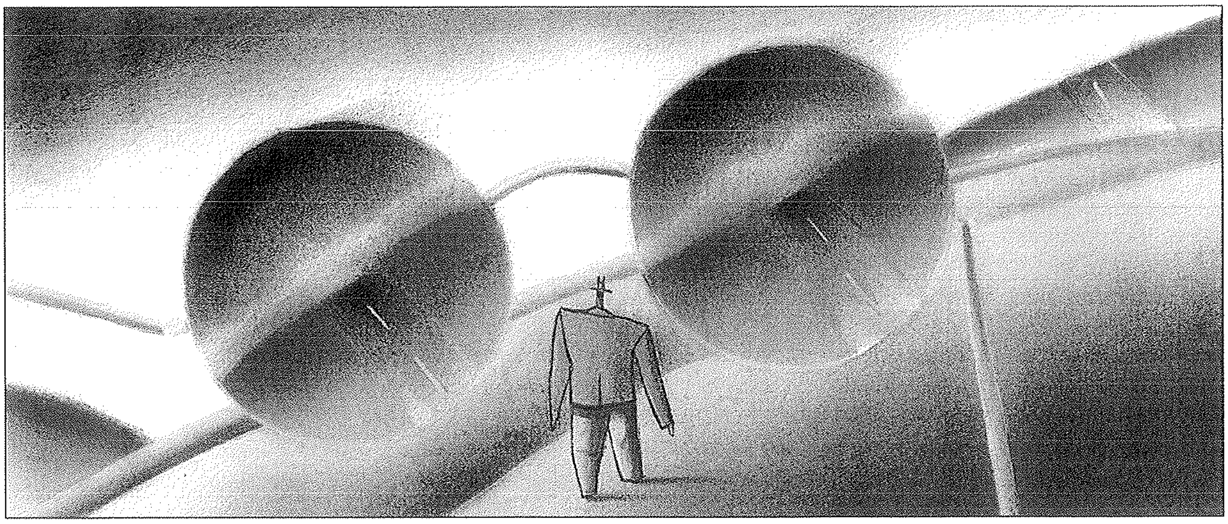
It is often said that major change is impossible unless the head of the organization is an active supporter. What I am talking about goes far beyond that. In successful transformations, the chairman or president or division general manager, plus another 5 or 15 or 50 people, come together and develop a shared commitment to excellent performance through renewal. In my experience, this group never includes all of the company's most senior executives because some people just won't buy in, at least not at first. But in the most successful cases, the coalition is always pretty powerful – in terms of titles, information and expertise, reputations and relationships.

In both small and large organizations, a successful guiding team may consist of only three to five people during the first year of a renewal effort. But in big companies, the coalition needs to grow to the 20 to 50 range before much progress can be made in phase three and beyond. Senior managers always form the core of the group. But sometimes you find board members, a representative from a key customer, or even a powerful union leader.

Because the guiding coalition includes members who are not part of senior management, it tends to operate outside of the normal hierarchy by definition. This can be awkward, but it is clearly necessary. If the existing hierarchy were working well, there would be no need for a major transformation. But since the current system is not working, reform generally demands activity outside of formal boundaries, expectations, and protocol.

A high sense of urgency within the managerial ranks helps enormously in putting a guiding coalition together. But more is usually required. Someone needs to get these people together, help them develop a shared assessment of their company's problems and opportunities, and create a minimum level of trust and communication. Off-site retreats, for two or three days, are one popular vehicle for accomplishing this task. I have seen many groups of 5 to 35 executives attend a series of these retreats over a period of months.

Companies that fail in phase two usually underestimate the difficulties of producing change and thus the importance of a powerful guiding coalition. Sometimes they have no history of teamwork at the top and therefore undervalue the importance of this type of coalition. Sometimes they expect the team to be led by a staff executive from human resources, quality, or strategic planning instead of a key line manager. No matter how capable or dedicated the staff head, groups without strong line leadership never achieve the power that is required.



In failed transformations, you often find plenty of plans and programs, but no vision.

Efforts that don't have a powerful enough guiding coalition can make apparent progress for a while. But, sooner or later, the opposition gathers itself together and stops the change.

Error #3: Lacking a Vision

In every successful transformation effort that I have seen, the guiding coalition develops a picture of the future that is relatively easy to communicate and appeals to customers, stockholders, and employees. A vision always goes beyond the numbers that are typically found in five-year plans. A vision says something that helps clarify the direction in which an organization needs to move. Sometimes the first draft comes mostly from a single individual. It is usually a bit blurry, at least initially. But after the coalition works at it for 3 or 5 or even 12 months, something much better emerges through their tough analytical thinking and a little dreaming. Eventually, a strategy for achieving that vision is also developed.

In one midsize European company, the first pass at a vision contained two-thirds of the basic ideas that were in the final product. The concept of global reach was in the initial version from the beginning. So was the idea of becoming preeminent in certain businesses. But one central idea in the final version – getting out of low value-added activities – came only after a series of discussions over a period of several months.

Without a sensible vision, a transformation effort can easily dissolve into a list of confusing and incompatible projects that can take the organization in the wrong direction or nowhere at all. Without a sound vision, the reengineering project in the accounting department, the new 360-degree performance appraisal from the human resources department, the plant's quality program, the cultural change project in the sales force will not add up in a meaningful way.

In failed transformations, you often find plenty of plans and directives and programs, but no vision. In one case, a company gave out four-inch-thick notebooks describing its change effort. In mind-numbing detail, the books spelled out procedures, goals, methods, and deadlines. But nowhere was there a clear and compelling statement of where all this was leading. Not surprisingly, most of the employees with whom I talked were either confused or alienated. The big, thick books did not rally them together or inspire change. In fact, they probably had just the opposite effect.

In a few of the less successful cases that I have seen, management had a sense of direction, but it was too complicated or blurry to be useful. Recently, I asked an executive in a midsize company to describe his vision and received in return a barely comprehensible 30-minute lecture. Buried in his answer were the basic elements of a sound vision. But they were buried–deeply.

A useful rule of thumb: if you can't communicate the vision to someone in five minutes or less and get a reaction that signifies both understanding and interest, you are not yet done with this phase of the transformation process.

Error #4: Undercommunicating the Vision by a Factor of Ten

I've seen three patterns with respect to communication, all very common. In the first, a group actually does develop a pretty good transformation vision and then proceeds to communicate it by holding a single meeting or sending out a single communication. Having used about .0001% of the yearly intracompany communication, the group is startled that few people seem to understand the new approach. In the second pattern, the head of the organization spends a considerable amount of time making speeches to employee groups, but most people still don't get it (not surprising, since vision captures only .0005% of the total yearly communication). In the third pattern, much more effort goes into newsletters and speeches, but some very visible senior executives still behave in ways that are antithetical to the vision. The net result is that cynicism among the troops goes up, while belief in the communication goes down.

Transformation is impossible unless hundreds or thousands of people are willing to help, often to the point of making short-term sacrifices. Employees will not make sacrifices, even if they are unhappy with the status quo, unless they believe that useful change is possible. Without credible communication, and a lot of it, the hearts and minds of the troops are never captured.

This fourth phase is particularly challenging if the short-term sacrifices include job losses. Gain-

> A vision says something that clarifies the direction in which an organization needs to move.

ing understanding and support is tough when downsizing is a part of the vision. For this reason, successful visions usually include new growth possibilities and the commitment to treat fairly anyone who is laid off.

Executives who communicate well incorporate messages into their hour-by-hour activities. In a routine discussion about a business problem, they talk about how proposed solutions fit (or don't fit) into the bigger picture. In a regular performance appraisal, they talk about how the employee's behavior helps or undermines the vision. In a review of a division's quarterly performance, they talk not only about the numbers but also about how the division's executives are contributing to the transformation. In a routine Q&A with employees at a company facility, they tie their answers back to renewal goals.

In more successful transformation efforts, executives use all existing communication channels to broadcast the vision. They turn boring and unread company newsletters into lively articles about the vision. They take ritualistic and tedious quarterly management meetings and turn them into exciting discussions of the transformation. They throw out much of the company's generic management education and replace it with courses that focus on business problems and the new vision. The guiding principle is simple: use every possible channel, especially those that are being wasted on nonessential information.

Worst of all are bosses who refuse to change and who make demands that are inconsistent with the overall effort.

Perhaps even more important, most of the executives I have known in successful cases of major change learn to "walk the talk." They consciously attempt to become a living symbol of the new corporate culture. This is often not easy. A 60-year-old plant manager who has spent precious little time over 40 years thinking about customers will not suddenly behave in a customer-oriented way. But I have witnessed just such a person change, and change a great deal. In that case, a high level of urgency helped. The fact that the man was a part of the guiding coalition and the vision-creation team also helped. So did all the communication, which kept reminding him of the desired behavior, and all the feedback from his peers and subordinates, which helped him see when he was not engaging in that behavior.

Communication comes in both words and deeds, and the latter are often the most powerful form. Nothing undermines change more than behavior by important individuals that is inconsistent with their words.

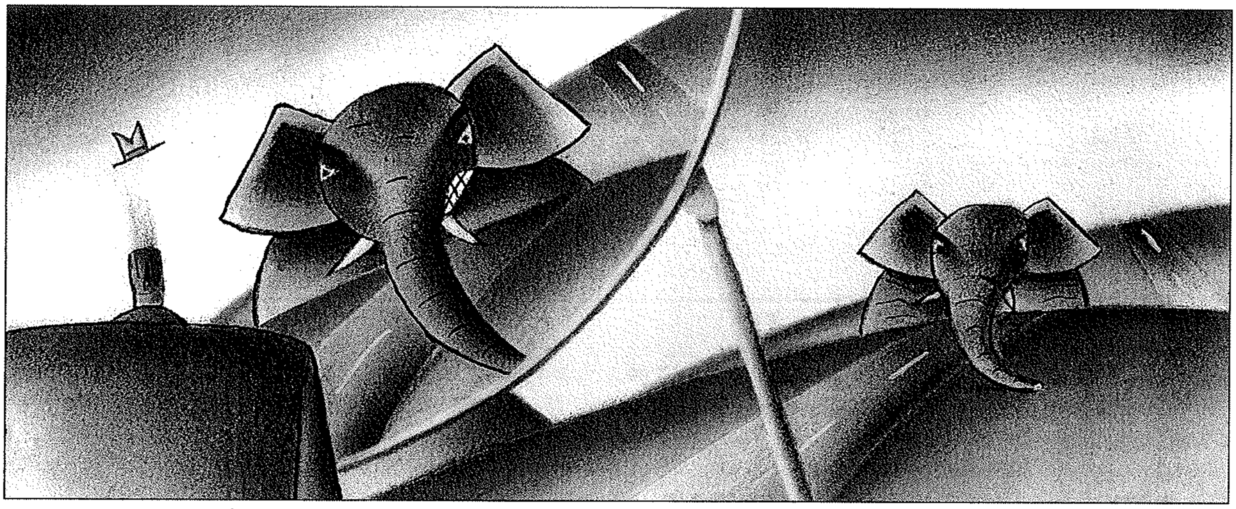
Error #5: Not Removing Obstacles to the New Vision

Successful transformations begin to involve large numbers of people as the process progresses. Employees are emboldened to try new approaches, to develop new ideas, and to provide leadership. The only constraint is that the actions fit within the broad parameters of the overall vision. The more people involved, the better the outcome.

To some degree, a guiding coalition empowers others to take action simply by successfully communicating the new direction. But communication is never sufficient by itself. Renewal also requires the removal of obstacles. Too often, an employee understands the new vision and wants to help make it happen. But an elephant appears to be blocking the path. In some cases, the elephant is in the person's head, and the challenge is to convince the individual that no external obstacle exists. But in most cases, the blockers are very real.

Sometimes the obstacle is the organizational structure: narrow job categories can seriously undermine efforts to increase productivity or make it very difficult even to think about customers. Sometimes compensation or performance-appraisal systems make people choose between the new vision and their own self-interest. Perhaps worst of all are bosses who refuse to change and who make demands that are inconsistent with the overall effort.

One company began its transformation process with much publicity and actually made good progress through the fourth phase. Then the change effort ground to a halt because the officer in charge of the company's largest division was allowed to undermine most of the new initiatives. He paid lip service to the process but did not change his behavior or encourage his managers to change. He did not reward the unconventional ideas called for in the vision. He allowed human resource systems to remain intact even when they were clearly inconsis-



Too often, an employee understands the new vision and wants to help make it happen. But something appears to be blocking the path.

tent with the new ideals. I think the officer's motives were complex. To some degree, he did not believe the company needed major change. To some degree, he felt personally threatened by all the change. To some degree, he was afraid that he could not produce both change and the expected operating profit. But despite the fact that they backed the renewal effort, the other officers did virtually nothing to stop the one blocker. Again, the reasons were complex. The company had no history of confronting problems like this. Some people were afraid of the officer. The CEO was concerned that he might lose a talented executive. The net result was disastrous. Lower level managers concluded that senior management had lied to them about their commitment to renewal, cynicism grew, and the whole effort collapsed.

In the first half of a transformation, no organization has the momentum, power, or time to get rid of all obstacles. But the big ones must be confronted and removed. If the blocker is a person, it is important that he or she be treated fairly and in a way that is consistent with the new vision. But action is essential, both to empower others and to maintain the credibility of the change effort as a whole.

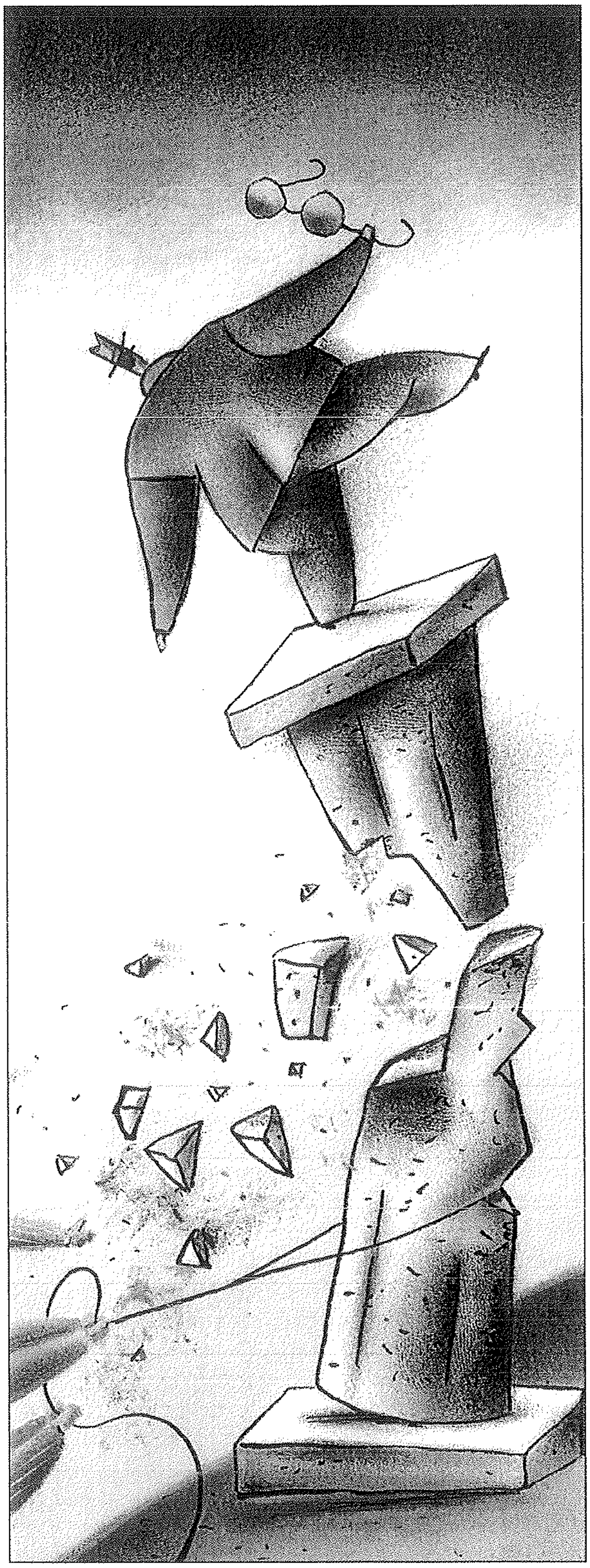
Error #6: Not Systematically Planning For and Creating Short-Term Wins

Real transformation takes time, and a renewal effort risks losing momentum if there are no short-term goals to meet and celebrate. Most people won't go on the long march unless they see compelling evidence within 12 to 24 months that the journey is producing expected results. Without short-term wins, too many people give up or actively join the ranks of those people who have been resisting change.

One to two years into a successful transformation effort, you find quality beginning to go up on certain indices or the decline in net income stopping. You find some successful new product introductions or an upward shift in market share. You find an impressive productivity improvement or a statistically higher customer-satisfaction rating. But whatever the case, the win is unambiguous. The result is not just a judgment call that can be discounted by those opposing change.

Creating short-term wins is different from hoping for short-term wins. The latter is passive, the former active. In a successful transformation, managers actively look for ways to obtain clear performance improvements, establish goals in the yearly planning system, achieve the objectives, and reward the people involved with recognition, promotions, and even money. For example, the guiding coalition at a U.S. manufacturing company produced a highly visible and successful new product introduction about 20 months after the start of its renewal effort. The new product was selected about six months into the effort because it met multiple criteria: it could be designed and launched in a relatively short period; it could be handled by a small team of people who were devoted to the new vision; it had upside potential; and the new product-development team could operate outside the established departmental structure without practical problems. Little was left to chance, and the win boosted the credibility of the renewal process.

Managers often complain about being forced to produce short-term wins, but I've found that pressure can be a useful element in a change effort.



While celebrating a win is fine, declaring the war won can be catastrophic.

When it becomes clear to people that major change will take a long time, urgency levels can drop. Commitments to produce short-term wins help keep the urgency level up and force detailed analytical thinking that can clarify or revise visions.

Error #7: Declaring Victory Too Soon

After a few years of hard work, managers may be tempted to declare victory with the first clear performance improvement. While celebrating a win is fine, declaring the war won can be catastrophic. Until changes sink deeply into a company's culture, a process that can take five to ten years, new approaches are fragile and subject to regression.

In the recent past, I have watched a dozen change efforts operate under the reengineering theme. In all but two cases, victory was declared and the expensive consultants were paid and thanked when the first major project was completed after two to three years. Within two more years, the useful changes that had been introduced slowly disappeared. In two of the ten cases, it's hard to find any trace of the reengineering work today.

Over the past 20 years, I've seen the same sort of thing happen to huge quality projects, organizational development efforts, and more. Typically, the problems start early in the process: the urgency level is not intense enough, the guiding coalition is not powerful enough, and the vision is not clear enough. But it is the premature victory celebration that kills momentum. And then the powerful forces associated with tradition take over.

Ironically, it is often a combination of change initiators and change resistors that creates the premature victory celebration. In their enthusiasm over a clear sign of progress, the initiators go overboard. They are then joined by resistors, who are quick to spot any opportunity to stop change. After the celebration is over, the resistors point to the victory as a sign that the war has been won and the troops should be sent home. Weary troops allow themselves to be convinced that they won. Once home, the foot soldiers are reluctant to climb back on the ships. Soon thereafter, change comes to a halt, and tradition creeps back in.

Instead of declaring victory, leaders of successful efforts use the credibility afforded by short-term wins to tackle even bigger problems. They go after systems and structures that are not consistent with the transformation vision and have not been confronted before. They pay great attention to who is promoted, who is hired, and how people are developed. They include new reengineering projects that are even bigger in scope than the initial ones. They understand that renewal efforts take not months but years. In fact, in one of the most successful transformations that I have ever seen, we quantified the amount of change that occurred each year over a seven-year period. On a scale of one (low) to ten (high), year one received a two, year two a four, year three a three, year four a seven, year five an eight, year six a four, and year seven a two. The peak came in year five, fully 36 months after the first set of visible wins.

Error #8: Not Anchoring Changes in the Corporation's Culture

In the final analysis, change sticks when it becomes "the way we do things around here," when it seeps into the bloodstream of the corporate body. Until new behaviors are rooted in social norms and shared values, they are subject to degradation as soon as the pressure for change is removed.

Two factors are particularly important in institutionalizing change in corporate culture. The first is a conscious attempt to show people how the new approaches, behaviors, and attitudes have helped improve performance. When people are left on their own to make the connections, they sometimes create very inaccurate links. For example, because results improved while charismatic Harry was boss, the troops link his mostly idiosyncratic style with those results instead of seeing how their own improved customer service and productivity were instrumental. Helping people see the right connections requires communication. Indeed, one company was relentless, and it paid off enormously. Time was spent at every major management meeting to discuss why performance was increasing. The company newspaper ran article after article showing how changes had boosted earnings.

The second factor is taking sufficient time to make sure that the next generation of top management really does personify the new approach. If the requirements for promotion don't change, renewal rarely lasts. One bad succession decision at the top of an organization can undermine a decade of hard work. Poor succession decisions are possible when boards of directors are not an integral part of the renewal effort. In at least three instances I have seen, the champion for change was the retiring executive, and although his successor was not a resistor, he was not a change champion. Because the boards did not understand the transformations in any detail, they could not see that their choices were not good fits. The retiring executive in one case tried unsuccessfully to talk his board into a less seasoned candidate who better personified the transformation. In the other two cases, the CEOs did not resist the boards' choices, because they felt the transformation could not be undone by their successors. They were wrong. Within two years, signs of renewal began to disappear at both companies.

There are still more mistakes that people make, but these eight are the big ones. I realize that in a short article everything is made to sound a bit too simplistic. In reality, even successful change efforts are messy and full of surprises. But just as a relatively simple vision is needed to guide people through a major change, so a vision of the change process can reduce the error rate. And fewer errors can spell the difference between success and failure.

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Why Measure Performance? Different Purposes Require Different Measures
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Why Measure Performance? Different Purposes Require Different Measures

Performance measurement is not an end in itself. So why should public managers measure performance? Because they may find such measures helpful in achieving eight specific managerial purposes. As part of their overall management strategy, public managers can use performance measures to evaluate, control, budget, motivate, promote, celebrate, learn, and improve. Unfortunately, no single performance measure is appropriate for all eight purposes. Consequently, public managers should not seek the one magic performance measure. Instead, they need to think seriously about the managerial purposes to which performance measurement might contribute and how they might deploy these measures. Only then can they select measures with the characteristics necessary to help achieve each purpose. Without at least a tentative theory about how performance measures can be employed to foster improvement (which is the core purpose behind the other seven), public managers will be unable to decide what should be measured.

Everyone is measuring performance.[1] Public managers are measuring the performance of their organizations, their contractors, and the collaboratives in which they participate. Congress, state legislatures, and city councils are insisting that executive-branch agencies periodically report measures of performance. Stakeholder organizations want performance measures so they can hold government accountable. Journalists like nothing better than a front-page bar chart that compares performance measures for various jurisdictions—whether they are average test scores for the city's schools or FBI uniform crime statistics for the state's cities. Moreover, public agencies are taking the initiative to publish compilations of their own performance measurements (Murphey 1999). A major trend among the nations that comprise the Organisation for Economic Co-operation and Development, concludes Alexander Kouzmin (1999) of the University of Western Sydney and his colleagues, is "the development of measurement systems which enable comparison of similar activities across a number of areas," (122) and which "help to establish a performance-based culture in the public sector" (123). "Performance measurement," writes Terrell Blodgett of the University of Texas and Gerald Newfarmer of Management Partners, Inc., is "(arguably) the hottest topic in government today" (1996, 6).

Why Measure Performance?

What is behind all of this measuring of performance? What do people expect to do with the measures—other than use them to beat up on some underperforming agency, bureaucrat, or contractor? How are people actually using these performance measures? What is the rationale that connects the measurement of government's performance to some higher purpose? After all, neither the act of measuring performance nor the resulting data accomplishes anything itself; only when someone uses these measures in some way do they accomplish something. For what purposes do—or might—people measure the performance of public agencies, public programs, nonprofit and for-profit contractors, or the collaboratives of public, nonprofit, and for-profit organizations that deliver public services?[2]

Why measure performance? Because measuring performance is good. But how do we *know* it is good? Because business firms all measure their performance, and everyone knows that the private sector is managed better than

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the public sector. Unfortunately, the kinds of financial ratios the business world uses to measure a firm's performance are not appropriate for the public sector. So what should public agencies measure? Performance, of course. But what kind of performance should they measure, how should they measure it, and what should they do with these measurements? A variety of commentators offer a variety of purposes:

- Joseph Wholey of the University of Southern California and Kathryn Newcomer of George Washington University observe that "the current focus on performance measurement at all levels of government and in nonprofit organizations reflects citizen demands for evidence of program effectiveness that have been made around the world" (1997, 92).
- In their case for performance monitoring, Wholey and the Urban Institute's Harry Hatry note that "performance monitoring systems are beginning to be used in budget formulation and resource allocation, employee motivation, performance contracting, improving government services and improving communications between citizens and government" (1992, 604), as well as for "external accountability purposes" (609).
- "Performance measurement may be done annually to improve public accountability and policy decision making," write Wholey and Newcomer, "or done more frequently to improve management and program effectiveness" (1997, 98).
- The Governmental Accounting and Standards Board suggests that performance measures are "needed for setting goals and objectives, planning program activities to accomplish these goals, allocating resources to these programs, monitoring and evaluating the results to determine if they are making progress in achieving the established goals and objectives, and modifying program plans to enhance performance" (Hatry et al. 1990, v).
- Municipalities, notes Mary Kopczynski of the Urban Institute and Michael Lombardo of the International City/County Management Association, can use comparative performance data in five ways: "(1) to recognize good performance and to identify areas for improvement; (2) to use indicator values for higher-performing jurisdictions as improvement targets by jurisdictions that fall short of the top marks; (3) to compare performance among a subset of jurisdictions believed to be similar in some way (for example, in size, service delivery practice, geography, etc); (4) to inform stakeholders outside of the local government sector (such as citizens or business groups); and (5) to solicit joint cooperation in improving future outcomes in respective communities" (1999, 133).
- Advocates of performance measurement in local government, observes David Ammons of the University of North Carolina, "have promised that more sophisticated measurement systems will undergird management processes, better inform resource allocation decisions, enhance legislative oversight, and increase accountability" (1995, 37).
- Performance measurement, write David Osborne and Peter Plastrik in *The Reinventor's Fieldbook,* "enables officials to hold organizations accountable and to introduce consequences for performance. It helps citizens and customers judge the value that government creates for them. And it provides managers with the data they need to improve performance" (2000, 247).
- Robert Kravchuk of Indiana University and Ronald Schack of the Connecticut Department of Labor do not offer a specific list of purposes for measuring performance. Nevertheless, imbedded in their proposals for designing effective performance measures, they suggest a number of different purposes: planning, evaluation, organizational learning, driving improvement efforts, decision making, resource allocation, control, facilitating the devolution of authority to lower levels of the hierarchy, and helping to promote accountability (Kravchuck and Schack 1996, 348, 349, 350, 351).

Performance measures can be used for multiple purposes. Moreover, different people have different purposes. Legislators have different purposes than journalists. Stakeholders have different purposes than public managers. Consequently, I will focus on just those people who manage public agencies.

Eight Managerial Purposes for Measuring Performance

What purpose—exactly—is a public manager attempting to achieve by measuring performance? Even for this narrower question, the answer isn't obvious. One analyst admonishes public managers: "Always remember that the intent of performance measures is to provide reliable and valid information on performance" (Theurer 1998, 24). But that hardly answers the question. What will public managers do with all of this reliable and valid information? Producing reliable and valid reports of government performance is no end in itself. All of the reliable and valid data about performance is of little use to public managers if they lack a clear idea about how to use them or if the data are not appropriate for this particular use. So what, exactly, will performance measurement do, and what kinds of measures do public managers need to do this? Indeed, what is the logic behind all of this performance measurement—the causal link between the measures and the public manager's effort to achieve specific policy purposes?

Hatry offers one of the few enumerated lists of the uses of performance information. He suggests that public managers can use such information to perform ten different tasks: to (1) respond to elected officials' and the public's demands for accountability; (2) make budget requests; (3) do internal budgeting; (4) trigger in-depth examinations of performance problems and possible corrections; (5) motivate; (6) contract; (7) evaluate; (8) support strategic planning; (9) communicate better with the public to build public trust; and (10) improve.[3] Hatry notes that improving programs is the fundamental purpose of performance measurement, and all but two of these ten uses—improving accountability and increasing communications with the public—"are intended to make program improvements that lead to improved outcomes" (1999b, 158, 157).

My list is slightly different. From the diversity of reasons for measuring performance, I think public managers have eight primary purposes that are specific and distinct (or only marginally overlapping[4]). As part of their overall management strategy, the leaders of public agencies can use performance measurement to (1) evaluate; (2) control; (3) budget; (4) motivate; (5) promote; (6) celebrate; (7) learn; and (8) improve.[5]

This list could be longer or shorter. For the measurement of performance, the public manager's real purpose—indeed, the only real purpose—is to improve performance. The other seven purposes are simply means for achieving this ultimate purpose. Consequently, the choice of how many subpurposes—how many distinct means—to include is somewhat arbitrary. But my major point is not. Instead, let me emphasize: The leaders of public agencies can use performance measures to achieve a number of very different purposes, and they need to carefully and explicitly choose their purposes. Only then can they identify or create specific measures that are appropriate for each individual purpose.[6]

Of the various purposes that others have proposed for measuring performance, I have not included on my list: planning, decision making, modifying programs, setting performance targets, recognizing good performance, comparing performance, informing stakeholders, performance contracting, and promoting accountability. Why not? Because these are really subpurposes of one (or more) of the eight basic purposes. For example, planning, decision making, and modifying are implicit in two of my eight, more basic, purposes: budgeting and improving. The real reason that managers plan, or make decisions, or modify programs is to either reallocate resources or to improve future performance. Similarly, the reason that managers set performance targets is to motivate, and thus to improve. To compare performance among jurisdictions is—implicitly but undeniably—to evaluate them. Recognizing good performance is designed to motivate improvements. Informing stakeholders both promotes and gives them the opportunity to evaluate and learn. Performance contracting involves all of the eight purposes from evaluating to improving. And, depending upon what people mean by accountability, they may promote it by evaluating public agencies, by controlling them, or by motivating them to improve[7] (table 1).

Table 1 Eight Purposes that Public Managers Have for Measuring Performance

The purpose	The public manager's question that the performance measure can help answer
Evaluate	How well is my public agency performing?
Control	How can I ensure that my subordinates are doing the right thing?
Budget	On what programs, people, or projects should my agency spend the public's money?
Motivate	How can I motivate line staff, middle managers, nonprofit and for-profit collaborators, stakeholders, and citizens to do the things necessary to improve performance?
Promote	How can I convince political superiors, legislators, stakeholders, journalists, and citizens that my agency is doing a good job?
Celebrate	What accomplishments are worthy of the important organizational ritual of celebrating success?
Learn	Why is what working or not working?
Improve	What exactly should who do differently to improve performance?

Purpose 1. To Evaluate: How Well Is This Government Agency Performing?

Evaluation is the usual reason for measuring performance. Indeed, many of the scholars and practitioners who are attempting to develop systems of performance measurement have come from the field of program evaluation. Often (despite the many different reasons cited earlier), no reason is given for measuring performance; instead, the evaluation purpose is simply assumed. People rarely state that their only (or dominant) rationale for measuring performance is to evaluate performance, let alone acknowledge there may be other purposes. It is simply there between the lines of many performance audits, budget documents, articles, speeches, and books: People are measuring the performance of this organization or that program so they (or others) can evaluate it.

In a report on early performance-measurement efforts under the Government Performance and Results Act of 1993, an advisory panel of the National Academy of Public Administration (NAPA) observed, "Performance measurement of program outputs and outcomes provides important, if not vital, information on current program status and how much progress is being made toward important program goals. It provides needed information as to whether problems are worsening or improving, even if it cannot tell us why or how the problem improvement (or worsening) came about" (NAPA 1994, 2). These sentences do not contain the words "evaluation" or "evaluate," yet they clearly imply the performance measurements will furnish some kind of assessment of program performance.

Of course, to evaluate the performance of a public agency, the public manager needs to know what that agency is supposed to accomplish. For this reason, two of the ten performance-measurement design principles developed by Kravchuk and Schack are to "formulate a clear, coherent mission, strategy, and objectives," and to "rationalize the programmatic structure as a prelude to measurement." Do this first, they argue, because "performance measurement must begin with a clear understanding of the policy objectives of a program, or multiprogram system," and because "meaningful measurement requires a rational program structure" (1996, 350). Oops. If public managers have to wait for the U.S. Congress or the local city council to formulate (for just one governmental undertaking) a clear, coherent mission, strategy, and objectives combined with a rationalized program structure, they will never get to the next step of measuring anything.[8]

No wonder many public managers are alarmed by the evaluative nature of performance measurement. If there existed a clear, universal understanding of their policy objectives, and if they could manage within a rational program structure, they might find performance measurement less scary. But without an agreement on policy objectives, public managers know that others can use performance data to criticize them (and their agency) for failing to achieve objectives that they were not pursuing. And if given responsibility for achieving widely accepted policy objectives with an insane program structure (multiple constraints, inadequate resources, and unreasonable timetables), even the most talented managers may fall short of the agreed-upon performance targets.

Moreover, even if the performance measures are not collected for the *explicit* purpose of evaluation, this possibility is always *implicit*. And using performance data to evaluate a public agency is a tricky and sophisticated undertaking. Yet, a simple comparison of readily available data about similar (though rarely identical) agencies is the most common evaluative technique. Hatry (1999a) notes that intergovernmental comparisons of performance "focus primarily on indicators that can be obtained from traditional and readily available data sources." This is the common practice, he continues, because "the best outcome data cannot be obtained without new, or at least, substantially revised procedures" (104).

Often, however, existing or easily attainable data create an opportunity for simplistic, evaluative comparisons. Hatry writes that those who collect comparative performance data, as well as "the public, and the media must recognize that the data in comparative performance measurement efforts will only be roughly comparable" (1999a, 104). But will journalists, who must produce this evening's news or tomorrow's newspaper under very tight deadlines, recognize this, let alone explain it? And will the public, in their quick glance at an attractive bar chart, get this message? Hatry, himself, is not completely sanguine:

> The ultimate question of comparative data is whether publication does more harm than good. More harm can occur if many of the measurements contain errors or are otherwise unfair, so that low performers are unfairly beaten up by the media and have to spend excessive amounts of time and effort attempting to explain and defend themselves.... On the other hand, if the data seem on the whole to encourage jurisdictions to explore why low performance has occurred and how they might better themselves, then such efforts will be worthwhile, even if a few agencies are unfairly treated." (Hatry 1999a, 104).

Whether the scholars, analysts, or managers like it, almost any performance measure can and will be used to evaluate a public agency's performance.

Purpose 2. To Control: How Can Public Managers Ensure Their Subordinates Are Doing the Right Thing?

Yes. Frederick Winslow Taylor *is* dead. Today, no manager believes the best way to influence the behavior of subordinates is to establish the one best way for them to do their prescribed tasks and then measure their compliance with this particular way. In the twenty-first century, all managers are into empowerment.

Nevertheless, it is disingenuous to assert (or believe) that people no longer seek to control the behavior of public agencies and public employees, let alone seek to use performance measurement to help them do so.[9] Why do governments have line-item budgets? Today, no one employs the measurements of time-and-motion studies for control. Yet, legislatures and executive-branch superiors do establish performance standards—whether they are specific curriculum standards for teachers or sentencing standards for judges—and then measure performance to see whether individuals have complied with these mandates.[10] After all, the central concern of the principle–agent theory is how principles can control the behavior of their agents (Ingraham and Kneedler 2000, 238–39).

Indeed, the controlling style of management has a long and distinguished history. It has cleverly encoded itself into one of the rarely stated but very real purposes behind performance measurement. "Management control depends on measurement," writes William Bruns in a Harvard Business School note on "Responsibility Centers and Performance Measurement" (1993, 1). In business schools, accounting courses and accounting texts often explicitly use the word "control."[11]

In their original explanation of the balanced scorecard, Robert Kaplan and David Norton note that business has a control bias: "Probably because traditional measurement systems have sprung from the finance function, the systems have a control bias. That is, traditional performance measurement systems specify the particular actions they want employees to take and then measure to see whether the employees have in fact taken those actions. In that way, the systems try to control behavior. Such measurement systems fit with the engineering mentality of the Industrial Age" (1992, 79). The same is true in the public sector. Legislatures create measurement systems that specify particular actions they want executive-branch employees to take and particular ways they want executive-branch agencies to spend money. Executive-branch superiors, regulatory units, and overhead agencies do the same. Then, they measure to see whether the agency employees have taken the specified actions and spent the money in the specified ways.[12] Can't you just see Fred Taylor smiling?

Purpose 3. To Budget: On What Programs, People, or Projects Should Government Spend the Public's Money?

Performance measurement can help public officials to make budget allocations. At the macro level, however, the apportionment of tax monies is a political decision made by political officials. Citizens delegate to elected officials and their immediate subordinates the responsibility for deciding which purposes of government action are primary and which ones are secondary or tertiary. Thus, political priorities—not agency performance—drive macro budgetary choices.

Performance budgeting, performance-based budgeting, and results-oriented budgeting are some of the names commonly given to the use of performance measures in the budgetary process (Holt 1995–96; Jordon and Hackbart 1999; Joyce 1996, 1997; Lehan 1996; Melkers and Willoughby 1998, 2001; Thompson 1994; Thompson and Johansen 1999). But like so many other phrases in the performance-measurement business, they can mean different things to different people in different contexts.[13] For example, performance budgeting may simply mean including historical data on performance in the annual budget request. Or it may mean that budgets are structured not around line-item expenditures (with performance purposes or targets left either secondary or implicit), but around general performance purposes or specific performance targets (with line-item allocations left to the managers of the units charged with achieving these purposes or targets). Or it may mean rewarding units that do well compared to some performance targets with extra funds and punishing units that fail to achieve their targets with budget cuts.

For improving performance, however, budgets are crude tools. What should a city do if its fire department fails to achieve its performance targets? Cut the department's budget? Or increase its budget? Or should the city manager fire the fire chief and recruit a public manager with a track record of fixing broken agencies? The answer depends on the specific circumstances that are not captured by the formal performance data. Certainly, cutting the fire department's budget seems like a counterproductive way to improve performance (though cutting the fire department's budget may be perfectly logical if the city council decides that fire safety is less of a political priority than educating children, fixing the sewers, or reducing crime). If analysis reveals the fire department is underperforming because it is underfunded—because, for example, its capital budget lacks the funds for cost-effective technology—then increasing the department's budget is a sensible response. But poor performance may be the result of factors that more (or less) money won't fix: poor leadership, the lack of a fire-prevention strategy to complement the department's fire-fighting strategy, or the failure to adopt industry training standards. Using budgetary increments to reward well-performing agencies and budgetary decrements to punish underperforming ones is not a strategy that will automatically fix (or even motivate) poor performers.

Nevertheless, line managers can use performance data to inform their resource-allocation decisions. Once elected officials have established macro political priorities, those responsible for more micro decisions may seek to invest their limited allocation of resources in the most cost-effective units and activities. And when making such micro budgetary choices, public managers may find performance measures helpful.

Purpose 4. To Motivate: How Can Public Managers Motivate Line Staff, Middle Managers, Nonprofit and For-Profit Collaborators, Stakeholders, and Citizens to Do the Things Necessary to Improve Performance?

Public managers may use performance measures to learn how to perform better. Or, if they already understand what it takes to improve performance, they may use the measures to motivate such behavior. And for this motivational purpose, performance measures have proven to be very useful.

The basic concept is that establishing performance goals—particularly stretch goals—grabs people's attention. Then the measurement of progress toward the goals provides useful feedback, concentrating their efforts on reaching these targets. In his book *The Great Ideas of Management*, Jack Duncan of the University of Alabama reports on the startling conclusion of research into the impact of goal setting on performance: "No other motivational technique known to date can come close to duplicating that record" (1989, 127).

To implement this motivational strategy, an agency's leadership needs to give its people a significant goal to achieve and then use performance measures—including interim targets—to focus people's thinking and work and to provide a periodic sense of accomplishment. Moreover, performance targets may also encourage creativity in evolving better ways to achieve the goal (Behn 1999); thus, measures that motivate improved performance may also motivate learning.[14]

In New York City in the 1970s, Gordon Chase used performance targets to motivate the employees of the Health Services Administration (Rosenthal 1975; Levin and Sanger 1994). In Massachusetts in the 1980s, the leadership of the Department of Public Welfare used the same strategy (Behn 1991). And in the 1990s in Pennsylvania, the same basic approach worked in the Department of Environmental Protection (Behn 1997a). But perhaps the most famous application of performance targets to motivate public employees is Compstat, the system created by William Bratton, then commissioner of the New York Police Department, to focus attention of precinct commanders on reducing crime (Silverman 2001, 88–89, 101).

Purpose 5. To Promote: How Can Public Managers Convince Political Superiors, Legislators, Stakeholders, Journalists, and Citizens that Their Agency Is Doing a Good Job?

Americans suspect their government is both ineffective and inefficient. Yet, if public agencies are to accomplish public purposes, they need the public's support. Performance measures can contribute to such support by revealing not only when government institutions are failing, but also when they are doing a good or excellent job. For example, the National Academy of Public Administration's Center for Improving Government Performance reports that performance measures can be used to "validate success; justify additional resources (when appropriate); earn customer, stakeholder, and staff loyalty by showing results; and win recognition inside and outside the organization" (NAPA 1999, 7).

Still, too many public managers fail to use performance measures to promote the value and contribution of their agency. "Performance-based measures," writes Harry Boone of the Council of State Governments, "provide a justification for the agency's existence," yet "many agencies cannot defend their effectiveness in performance-based terms" (1996, 10).

In a study, "Toward Useful Performance Measures," a National Academy of Public Administration advisory panel (1994) asserts that "performance indicators can be a powerful tool in communicating program value and accomplishments to a variety of constituencies" (23). In addition to "the use of performance measurement to communicate program success and worth" (9), the panel noted, the "major values of a performance measurement system" include its potential "to enhance public trust" (9). That is, the panel argues, performance measurement can not only directly establish—and thus promote—the competence of specific agencies and the value of particular programs; it also can indirectly establish, and thus promote, the competence and value of government in general.

Purpose 6. To Celebrate: What Accomplishments Are Worthy of the Important Organizational Ritual of Celebrating Success?

All organizations need to commemorate their accomplishments. Such rituals tie people together, give them a sense of their individual and collective relevance, and motivate future efforts. Moreover, by achieving specific goals, people gain a sense of personal accomplishment and self-worth (Locke and Latham 1984, 1990). Such celebrations need not be limited to one big party to mark the end of the fiscal year or the completion of a significant project. Small milestones along the way—as well as unusual achievements and unanticipated victories—provide an opportunity for impromptu celebrations that call attention to these accomplishments and to the people who made them happen. And such celebrations can help to focus attention on the next challenge.

Like all of the other purposes for measuring performance—with the sole and important exception of improvement—celebration is not an end in itself. Rather, celebration is important because it motivates, promotes, and recruits. Celebration helps to improve performance because it motivates people to improve further in the next year, quarter, or month. Celebration helps to improve performance because it brings attention to the agency, and thus promotes its competence. And this promotion—this attention—may even generate increased flexibility (from overhead agencies) and resources (from the guardians of the budget). Moreover, this promotion and attention attract another resource: dedicated people who want to work for a successful agency that is achieving important public purposes. Celebration may even attract potential collaborators from other organizations that have not received as much attention, and thus seek to enhance their own sense of accomplishment by shifting some of their energies to the high-performing collaborative (Behn 1991, 92–93).

Celebration also may be combined with learning. Rather than hold a party to acknowledge success and recognize its contributors, an informal seminar or formal presentation can realize the same purposes. Asking those who produced the unanticipated achievement or unusual victory to explain how they pulled it off celebrates their triumph; but it also provides others with an opportunity to learn how they might achieve a similar success (Behn 1991, 106–7).

Still, the links from measurement to celebration to improvement is the most indirect because it has to work through one of the other links—either motivation, budgeting, learning, or promotion. In the end, any reason for measuring performance is valid only to the extent that it helps to achieve the most basic purpose: to *improve* performance.

Purpose 7. To Learn: Why Is What Working or Not Working?

Performance measures contain information that can be used not only to evaluate, but also to learn. Indeed, learning is more than evaluation. The objective of evaluation is to determine what is working and what isn't. The objective of learning is to determine *why*.

To learn from performance measures, however, managers need some mechanism to extract information from the data. We may all believe that the data speak for themselves. This, however, is only because we each have buried in our brain some unconscious mechanism that has already made an implicit conversion of the abstract data into meaningful information. The data speak only through an interpreter that converts the collection of digits into analog lessons—that decodes the otherwise inscrutable numbers and provides a persuasive explanation. And often, different people use different interpreters, which explains how they can draw very different lessons from the same data.[15]

Moreover, if managers have too many performance measures, they may be unable to learn anything. Carole Neves of the National Academy of Public Administration, James Wolf of Virginia Tech, and Bill Benton of Benton and Associates (1986) write that "in many agencies," because of the proliferation of performance measures, "there is more confusion or 'noise' than useful data." Theodore Poister and Gregory Streib of Georgia State University call this the "'DRIP' syndrome—Data Rich but Information Poor" (1999, 326). Thus, Neves and her colleagues conclude, "managers lack time or simply find it too difficult to try to identify good signals from the mass of numbers" (1986, 141).

From performance measures, public managers may learn what *is not* working. If so, they can stop doing it and reallocate money and people from this nonperforming activity to more effective undertakings (designed to achieve the identical or quite different purposes). Or they may learn what *is* working. If so, they can shift existing resources (or new resources that become available) to this proven activity. Learning can help with the budgeting of both money and people.

Furthermore, learning can help more directly with the improving. The performance measures can reveal not only whether an agency is performing well or poorly, but also *why:* What is contributing to the agency's excellent, fair, or poor performance—and what might be done to improve the components that are performing fairly or poorly?

In seeking to learn from performance measures, public managers frequently confront the black box enigma of social science research.[16] The data—the performance measures—can reveal that an organization is performing well or poorly, but they don't necessarily reveal *why*. The performance measures can describe what is coming out of the black box of a public agency, as well as what is going in, but they don't necessarily reveal what is happening inside. How are the various inputs interacting to produce the outputs? What is the organizational black box actually doing to the inputs to convert them into the outputs? What is the societal black box actually doing to the outputs to convert them into the outcomes?[17]

Public managers can, of course, create some measures of the processes going on inside the black box. But they cannot guarantee that the internal characteristics and processes of the black box they have chosen to measure are actually the ones that determine whether the inputs are converted into high-quality or low-quality outputs. Yet, the more internal processes that public managers choose to measure, the more likely they are to discover a few that correlate well with the outputs. Such correlations could, however, be purely random,[18] or the factors that are identified by the correlations as significant contributors could merely be correlated with other factors that are the real causes. Converting performance data into an understanding of what is happening inside the black box is neither easy nor obvious.

Purpose 8. To Improve: What Exactly Should Who Do Differently to Improve Performance?

Performance " 'measurement' is not an end in itself but must be used by managers to make improvements" (NAPA 1994, 22), emphasizes an advisory panel of the National Academy of Public Administration. In fact, the word "improve" (or "improving" or "improvement") appears more than a dozen times in this NAPA report. "Ideally," the panel concludes, "performance data should be part of a continuous feedback loop that is used to report on program value and accomplishment and identify areas where performance is weak so that steps can be taken to promote improvements" (22). Yet, the panel also found "little evidence in most [GRPA pilot performance] plans that the performance information would be used to improve program performance" (8).

Similarly, Hatry argues the "fundamental purpose of performance information" is "to make program improvements" (1999b, 158). But *how?* What exactly is the connection between the measurement and the improvement? *Who* has to do *what* to convert the measurement into an improvement? Or does this just happen automatically? No, responds the NAPA panel: "measurement alone does not bring about performance improvement" (1994, 15).

For example, if the measurement produces some learning, someone then must convert that learning into an improvement. Someone has to intervene consciously and actively. But can any slightly competent individual pull this off? Or does it require a sophisticated appreciation of the strategies and pitfalls of converting measurement into improvement? To improve, an organization needs the capacity to adopt—and adapt—the lessons from its learning.

Learning from performance measures, however, is tricky. It isn't obvious what lessons public managers should draw about which factors are contributing to the good or poor performance, let alone *how* they might modify such factors to foster improvements. Improvement requires attention to the feedback—the ability to check whether the lessons postulated from the learning have been implemented in a way that actually changes organizational behavior so that it results in the better outputs and outcomes that the learning promised. Improvement is active, operational learning.

The challenge of learning from the performance measures is both intellectual and operational. Public managers who wish to use measurement to improve the performance of their agencies face two challenges: First, they have the intellectual challenge of figuring out how to learn which changes in plans, or procedures, or personnel might produce improvements. Then, they confront the operational challenge of figuring out how to implement the indicated changes.

There are a variety of standard mechanisms for using performance measures to evaluate. There exist some such mechanisms to control and budget. For the purposes of learning and improving, however, each new combination of policy objectives, political environment, budgetary resources, programmatic structure, operational capacity, regulatory constraints, and performance measures demands a more open-ended, qualitative analysis. For performance learning and performance improvement, there is no cookbook.[19]

How does the measurement of performance beget improvement? Measurement can influence performance in a variety of ways, most of which are hardly direct or apparent. There exist a variety of feedback loops, though not all of them may be obvious, and the obvious ones may not function as expected or desired. Consequently, to measure an agency's performance in a way that can actually help improve its performance, the agency's leadership needs to think seriously not only about *what* it should measure, but also about *how* it might deploy any such measurements. Indeed, without at least some tentative theory about how the measurements can be employed to foster improvements, it is difficult to think about what should be measured.

Selection Criteria for Each Measurement Purpose

What kinds of performance measures are most appropriate for which purposes? It isn't obvious. Moreover, a measure that is particularly appropriate for one purpose may be completely useless for another. For example, "in many cases," Newcomer notes, "the sorts of measures that might effectively inform program improvement decisions may provide data that managers would not find helpful for resource allocation purposes" (1997, 8). Before choosing a performance measure, public managers must first choose their purpose.

Kravchuk and Schack note that no one measure or even one collection of measures is appropriate for all circumstances: "The search for a single array of measures for all needs should be abandoned, especially where there are divergent needs and interests among key users of performance information." Thus, they advocate "an explicit measurement strategy" that will "provide for the needs of all important users of performance information" (Kravchuk and Schack 1996, 350).

I take a similar approach. But, rather than worry about the needs of different kinds of users, I focus on the different purposes for which the users—specifically, public managers—can employ the performance measures. After all, different users want different measures because they have different purposes. But it is the nature of the purpose—not the nature of the user—that determines which characteristics of those measures will be most helpful. The usual admonition of performance measurement is, "Don't measure inputs. Don't measure processes. Don't measure outputs. Measure outcomes." But outcomes are not necessarily the best measure for all purposes.

Will a particular public manager find a certain performance measure helpful for a specific purpose? The answer depends not on the organizational position of that manager, but on whether this measure possesses the characteristics required by the manager's purpose (table 2).

Purpose 1: To Evaluate

Evaluation requires a comparison. To evaluate the performance of an agency, its managers have to compare that

Table 2 Characteristics of Performance Measures for Different Purposes

The purpose	To help achieve this purpose, public managers need
Evaluate	Outcomes, combined with inputs and with the effects of exogenous factors
Control	Inputs that can be regulated
Budget	Efficiency measures (specifically outcomes or outputs divided by inputs)
Motivate	Almost-real-time outputs compared with production targets
Promote	Easily understood aspects of performance about which citizens really care
Celebrate	Periodic and significant performance targets that, when achieved, provide people with a real sense of personal and collective accomplishment
Learn	Disaggregated data that can reveal deviancies from the expected
Improve	Inside-the-black-box relationships that connect changes in operations to changes in outputs and outcomes

performance with some standard. Such a standard can come from past performance, from the performance of similar agencies, from a professional or industry standard, or from political expectations. But without such a basis for comparison, it is impossible to determine whether the agency is performing well or poorly.

And to compare actual performance against the performance criterion requires a variety of outcome measures, combined with some input (plus environmental, process, and output) measures. The focus, however, is on the outcomes. To evaluate a public agency—to determine whether it is achieving its public purpose—requires some measure of the outcomes that the agency was designed to affect. Only with outcome measures can public managers answer the *effectiveness question*: Did the agency achieve the results it set out to produce? Then, dividing by some input measures, they can ask the *efficiency question*: Did this agency produce these results in a cost-effective way? To answer either of these evaluative questions, a manager needs to measure outcomes.[20]

Of course, the agency did not produce all of the outcomes alone. Other factors, such as economic conditions, affected them. Consequently, public managers also need to ask the *impact question*: What did the agency itself accomplish? What is the difference between the actual outcomes and the outcomes that would have occurred if the agency had not acted?

Another way of assessing an organization or program is to evaluate its internal operations. This is the *best-practice question*: How do the operations and practices of this organization or program compare with the ones that are known to be most effective and efficient? To conduct such a best-practice evaluation requires some process measures—appropriate descriptions of the organization's key internal operations that can be compared with some operational standards.

No one comparison of a single outcome measure with a single performance standard will provide a definitive evaluation. Rather, to provide a conscientious and credible picture of the agency's performance, an evaluation requires multiple measures compared with multiple standards.

Purpose 2: To Control

To control the behavior of agencies and employees, public officials need input requirements. Indeed, whenever you discover officials who are using input measures, you can be sure they are using them to control. To do this, officials need to measure the corresponding behavior of individuals and organizations and then compare this performance with the requirements to check who has and has not complied: Did the teachers follow the curricular requirements for the children in their classrooms? Did the judges follow the sentencing requirements for those found guilty in their courts? Often, such requirements are described only as guidelines: curriculum guidelines, sentencing guidelines. Do not be fooled. These guidelines are really requirements, and these requirements are designed to control. The measurement of compliance with these requirements is the mechanism of control.

Purpose 3: To Budget

To use performance measures for budgeting purposes, public managers need measures that describe the efficiency of various activities. Then, once political leaders have set macro budgetary priorities, agency managers can use efficiency measures to suggest the activities in which they should invest the appropriated funds. Why spend limited funds on some programs or organizations when the performance measures reveal that other programs or organizations are more efficient at achieving the political objectives behind the budget's macro allocations?

To use performance measures to budget, however, managers need not only data on outcomes (or outputs) for the numerator in the efficiency equation; they also need reliable cost data for the denominator. And these cost measures have to capture not only the obvious, direct costs of the agency or program, but also the hidden, indirect costs. Few governments, however, have created cost-accounting or activity-based-accounting systems that assign to each government function the full and accurate costs (Coe 1999, 112; Joyce 1997, 53, 56; Thompson 1994).

Budgeting usually concerns the allocation of dollars. But most public managers are constrained by a system of double budgeting. They must manage a fixed number of dollars and a fixed number of personnel slots. Thus, in attempting to maximize the productivity of these two constrained resources, they also need to budget their people. And to use performance measurement for this budgetary purpose, they need not only outcome (or output) measures for the numerator of their efficiency equation, but also input data in terms of people for the denominator. Public managers need to allocate their people to the activities with the highest productivity per person.

Purpose 4: To Motivate

To motivate people to work harder or smarter, public managers need almost-real-time measures of outputs to compare with production targets. Organizations don't produce outcomes; organizations produce outputs. And to motivate an organization to improve its performance, managers have to motivate it to improve what it actually does. Consequently, although public managers want to use outcome data to evaluate their agency's performance, they need output data to motivate better performance.[21] Managers can't motivate people to do something they can't do; managers can't motivate people to affect something over which they have little or no influence; managers can't motivate people to produce an outcome they do not themselves produce.

Moreover, to motivate, managers have to collect and distribute the output data quickly enough to provide useable feedback. Those who produce the agency's outputs cannot adjust their production processes to respond to inadequacies or deficiencies unless they know how well they are doing against their current performance target. Eli Silverman of the John Jay College of Criminal Justice describes Compstat as "intelligence-led policing" (2001, 182). The New York Police Department collects, analyzes, and quickly distributes to managers at all levels—from commissioner to patrol sergeants—the data about the current patterns and concentrations of crime that are necessary to develop strategic responses.

This helps to explain why society attempts to motivate schools and teachers with test scores. The real, ultimate outcome that citizens seek from our public schools is children who grow up to become productive employees and responsible citizens. But using a measure of employee productivity and citizen responsibility to motivate performance creates a number of problems. First, it is very difficult to develop a widely acceptable measure of employee productivity (do we simply use wage levels?), let alone citizen responsibility (do we using voting participation?). Second, schools and teachers are not the only contributors to a future adult's productivity and responsibility. And third, the lag between when the schools and teachers do their work and when these outcomes can be measured is not just months or years, but decades. Thus, we never could feed these outcome measures back to the schools and teachers in time for them to make any adjustments. Consequently, as a society we must resort to motivating schools and teachers with outputs—with test scores that (presumably) measure how much a child has learned. And although we cannot determine whether schools and teachers are producing productivity or responsibility in future adults, citizens expect they will convey some very testable knowledge and skills.[22]

Once an agency's leaders have motivated significant improvements using output targets, they can create some outcome targets. Output targets can motivate people to focus on improving their agency's internal processes, which produce the outputs. Outcome targets, in contrast, can motivate people to look outside their agency—to seek ways to collaborate with other individuals and organizations whose activities may affect (perhaps more directly) the outcomes and values the agency is really charged with producing (Bardach 1998; Sparrow 2000).

Purpose 5: To Promote

To convince citizens their agency is effective and efficient, public managers need easily understood measures of those aspects of performance about which many citizens personally care. And such performance may be only tangentially related to the agency's public purpose.

The National Academy of Public Administration, in its study of early performance-measurement plans under the Government Performance and Results Act, noted that "most plans recognized the need to communicate performance evaluation results to higher level officials, but did not show clear recognition that the form and level of data for these needs would be different than that for operating managers." NAPA emphasized that the needs of "department heads, the Executive Office of the President, and Congress" are "different and the special needs of each should be more explicitly defined" (1994, 23). Similarly, Kaplan and Norton stress that different customers have different concerns (1992, 73–74).

Consider a state division of motor vehicles. Its mission is safety—the safety of vehicle drivers, vehicle passengers, bicycle riders, and pedestrians. In pursuit of this mission, this agency inspects vehicles to ensure their safety equipment is working, and it inspects people to ensure they are safe drivers. When most citizens think about their division of motor vehicles, however, what is their greatest care? Answer: How long they will have to stand in line. If a state DMV wants to promote itself to the public, it has to emphasize just one obvious aspect of performance: the time people spend in line. To promote itself to the public, a DMV has to use this performance measure to convince citizens that the time they will spend in line is going down.[23]

Ammons (1995) offers a "revolutionary" approach: "make performance measurement interesting." Municipalities, he argues, ought to adopt measures "that can capture the interest of local media and the public" (43)—particularly measures that "allow meaningful comparisons that to some degree put community pride at stake" (38). Such comparisons could be to a professional or industry standard. After all, as Ammons notes, "comparison with a standard captures attention, where raw information does not" (39).[24] But he is even more attracted to interjurisdictional comparisons. For example, Ammons argues that the public pays attention to various rankings of communities (because, first, journalists pay attention to them). Thus, he wants measures that "are both revealing of operational efficiency and effectiveness and more conducive to cross-jurisdictional comparisons" (38)—measures that provide "opportunities for *interesting* and *meaningful* performance comparisons" (44).

Time spent in line is a measure that is both interesting and meaningful. But what should be the standard for comparison? Is the average time spent in line the most meaningful measure? Or do people care more about the probability they will spend more than some unacceptable time (say one hour) in line?[25] Whatever time-in-line measure it chooses, a DMV may want to compare it with the same measure from neighboring (or similar) states. But will citizens in North Carolina really be impressed that they spend less time in a DMV line than do the citizens of South Carolina or North Dakota? Or will their most meaningful comparison be with the time spent in line at their local supermarket, bank, or fast-food franchise? A DMV manager who wants to promote the agency's competence to the public should compare its time-in-line performance with similar organizational performance that people experience every day. This is an easily understood performance characteristic about which citizens really care.

To do this, however, the agency must not only publish the performance data; it must also make them accessible both physically and psychologically. People must be able to obtain—perhaps not avoid—the measures; they must also find them easy to comprehend.

Purpose 6: To Celebrate

Before an agency can do any celebrating, its managers need to create a performance target that, when achieved, gives its employees and collaborators a real sense of personal and collective accomplishment. This target can be one that has also been used to motivate; it can be an annual target, or one of the monthly or quarterly targets into which an annual target has been divided. Once an agency has produced a tangible and genuine accomplishment that is worth commemorating, its managers need to create a festivity that is proportional to the significance of the achievement.

The verb "to celebrate" suggests a major undertaking—a big, end-of-the-fiscal-year bash, an awards ceremony when a most-wanted criminal is captured, or a victory party when a badly delayed project is completed on deadline. But private-sector managers celebrate lesser accomplishments; they use celebrations of significant successes to convince their employees that their firm is full of winners (Peters and Austin 1985). Public managers have used this strategy, too (Behn 1991, 103–11). But to make the strategy work—to ensure that it creates motivation and thus improvement—the agency's managers have to lead the celebrations.

Purpose 7: To Learn

To learn, public managers need a large number and wide variety of measures—measures that provide detailed, disaggregated information on the various aspects of the various operations of the various components of the agency. When seeking to learn, caution Kravchuk and Schack, public managers need to "avoid excessive aggregation of information" (1996, 357).

Benchmarking is a traditional form of performance measurement that is designed to facilitate learning (Holloway, Francis, and Hinton 1999). It seeks to answer three questions: What is my organization doing well? What is my organization not doing well? What does my organization need to do differently to improve on what it is not doing well? The organization, public or private, identifies a critical internal process, measures it, and compares these data with similar measurements of the identical (or similar) processes of organizations that are recognized as (currently) the best.[26] Any differences suggest not only that the organization needs to improve, but also provide a basis for identifying *how* it could achieve these improvements.

Benchmarking, write Kouzmin et al., is "an instrument for assessing organizational performance and for facilitating management transfer and learning from other benchmarked organizations" (1999, 121). Benchmarking, as they define it, "is a continuous, systematic process of measuring products, services and practices against organizations regarded to be superior with the aim of rectifying any performance 'gaps'" (123). Thus, they conclude, "benchmarking can, on the whole, be seen as a learning strategy" (131). Nevertheless, they caution, for this strategy to work, the organization must become a learning organization. Consequently, they conclude, "the learning effects of benchmarking are, to a very high degree, dependent on adequate organizational conditions and managerial solutions" (132).

Deciding which performance measures best facilitate learning is not easy. If public managers know what they need to do to improve performance, they don't need to learn it. But, if they don't know how they might improve, how do they go about learning it? Kravchuck and Schack note that a "measurement system is a reflection of what decision makers expect to see and how they expect to respond" (1996, 356). That is, when designing a performance-measurement system, when deciding what to measure, managers first will decide what they might see and then create a system to see it.

Real learning, however, is often triggered by the unexpected. As Richard Feynman, the Nobel Prize-winning physicist, explained, when experiments produce unexpected results, scientists start guessing at possible explanations (1965, 157). When Mendel crossed a dwarf plant with a large one, he found that he didn't get a medium-sized plant, but either a small or large one, which led him to discover the laws of heredity (Messadié 1991, 90). When the planet Uranus was discovered to be unexpectedly deviating from its predicted orbit, John Couch Adams and Urbain Le Verrier independently calculated the orbit of an unknown planet that could be causing this unanticipated behavior; then, Johan Gottlieb Galle pointed his telescope in the suggested direction and discovered Neptune (Standage 2000). When Karl Jansky observed that the static on his radio peaked every 24 hours and that the peak occurred when the Milky Way was centered on his antenna, he discovered radio waves from space (Messadié 1991, 179). Scientific learning often emerges from an effort to explain the unexpected. So does management learning.

Yet how can public officials design a measurement system for the unexpected when they can't figure out what they don't expect? As Kravchuk and Schack write, "unexpected occurrences may not be apprehended by existing measures" (1996, 356). Nevertheless, the more disaggregated the data, the more likely they are to reveal deviancies that may suggest the need to learn. This is the value of management by walking around—or what might be called "data collection by walking around." The stories that people tell managers are the ultimate in disaggregation; one such story can provide a single deviate datum that the summary statistics have completely masked but that, precisely because it was unexpected, prods further investigation that can produce some real learning (and thus, perhaps, some real improvement).

In fact, the learning process may first be triggered by some deviance from the expected that appeared not in the formal performance data, but in the informal monitoring in which all public managers necessarily (if only implicitly) engage. Then, having noticed this deviancy—some aberration that doesn't fit previous patterns, some number so out of line that it jumps off the page, some subtle sign that suggests that something isn't quite right—the manager can create a measuring strategy to learn what caused the deviance and how it can be fixed or exploited.[27]

Failure is a most obvious deviance from the expected and, therefore, provides a significant opportunity to learn.[28] Indeed, a retrospective investigation into the causes of the failure will uncover a variety of measures that deviated from the expected—that is, either from the agency's prescribed behavior or from the predicted consequences of such prescriptions. Thus, failure provides multiple opportunities to learn (Petroski 1985; Sitkin 1992).

Yet, failure (particularly in the public sector) is usually punished—and severely. Thus, when a failure is revealed (or even presumed), people tend to hide the deviate data, for such data can be used to assign blame. Unfortunately, these are the same deviate data that are needed to learn.

As glaring departures from the expected, failures provide managers with obvious opportunities to learn. Most deviances, however, are more subtle. Thus, to learn from such deviances, managers must be intellectually prepared to recognize them and to examine their causes. They have to possess enough knowledge about the operation and behavior of their organization—and about the operation and behavior of their collaborators and society—to distinguish a significant deviance from a random aberration. And when they think they observe an interesting deviance, they need a learning strategy for probing the causes and possible implications.

Thus, Kravchuk and Schack (1996) caution, "organizational learning cannot depend upon measurement alone" (356)—that is, "performance measurement systems cannot replace the efforts of administrators to truly know, understand, and *manage* their programs" (350). Rather, they argue, the measures should indicate when the organization needs to undertake a serious effort at learning based on the "expert knowledge" (357) of its program managers and "other sources of performance information which can supplement the formal measures" (356). Thus, they suggest, "measures should be placed in a management-by-exception frame, where they are regarded as indicators that will serve to signal the need to investigate further" (357). Similarly, Neves, Wolf, and Benton write that "management indicators are intended to be provocative, to suggest to managers a few areas where it may be appropriate to investigate further why a particular indicator shows up the way it does" (1986, 129). The better the manager understands his or her agency and the political, social, and cultural environment in which it works, the better the manager is able to identify—from among the various deviances that are generated by formal and informal performance measures—the ones that are worthy of additional investigation.

Performance measures that diverge from the expected can create an opportunity to learn. But the measures themselves are more likely to suggest topics for investigation than to directly impart key operational lessons.

Purpose 8: To Improve

To ratchet up performance, public managers need to understand how they can influence the behavior of the people inside their agency (and its collaboratives) who produce their outputs and how they can influence the conduct of citizens who convert these outputs into outcomes. They need to know what is going on inside their organization—including the broader organization that consists of everything and everyone whose behavior can affect these outputs and outcomes. They need to know what is going on inside their entire, operational black box. They need inside-the-black-box data that explains how the inputs, environment, and operations they can change (influence or inspire) do (can, or might) cause (create, or contribute to) improvements in the outputs and outcomes. For example, a fire chief needs to understand how the budget input interacts (inside the fire department's black box) with people, equipment, training, and values to affect how the department's staff implements its fire-fighting strategy and its educational fire-prevention strategy—outputs that further interact with the behavior of citizens to produce the desired outcomes of fewer fires and fewer people injured or killed by fires that do occur.

Unfortunately, what is really going on inside the black box of any public agency is both complex and difficult to perceive. Much of it is going on inside the brains (often the subconscious brains) of the employees who work within the organization, the collaborators who somehow contribute to its outputs, and the citizens who convert these outputs into outcomes. Moreover, any single action may ripple through the agency, collaborators, and society as people adjust their behavior in response to seemingly small or irrelevant changes made by someone in some far-off corner. And when several people simultaneously take several actions, the ripples may interact in complex and unpredictable ways. It is very difficult to understand the black box adjustments and interactions that happen when just a few of the inputs (or processes) are changed, let alone when many of them are changing simultaneously and perhaps in undetected ways.[29]

Once the managers have figured out what is going on inside their black box, they have to figure out how the few things they can do are connected to the internal components they want to affect (because these components are, in turn, connected to the desired outputs or outcomes). How can changes in the budget's size or allocations affect people's behavior?[30] How can changes in one core process affect other processes? How can changes in one strategy support or undermine other strategies? How might they influence people's behavior?

Specifically, how might various leadership activities ripple through the black box? How might frequent, informal recognition of clear, if modest, successes or public attention to some small wins activate others? How might an inspirational speech or a more dramatic statement of the agency's mission affect the diligence, intelligence, and creativity of both organizational employees and collaborating citizens? To improve performance, public managers need measures that illuminate how their own activities affect the behavior of all of the various humans whose actions affect the outputs and outcomes they seek.

Meaningful Performance Measurement Requires a Gauge and a Context

Abstract measures are worthless. To use a performance measure—to extract information from it—a manager needs a specific, comparative gauge, plus an understanding of the relevant context. A truck has been driven 6.0 million. Six million what? Six million miles? That's impressive. Six million feet? That's only 1,136 miles. Six million inches? That's not even 95 miles. Big deal—unless those 95 miles were driven in two hours along a dirt road on a very rainy night.

To use performance measures to achieve any of these eight purposes, the public manager needs some kind of standard with which the measure can be compared.

1. To use a measure to *evaluate* performance, public managers need some kind of desired result with which to compare the data, and thus judge performance.
2. To use a measure of performance to *control* behavior, public managers need first to establish the desired behavioral or input standard from which to gauge individual or collective deviance.
3. To use efficiency measures to *budget*, public managers need an idea of what is a good, acceptable, or poor level of efficiency.[31]
4. To use performance measures to *motivate* people, public managers need some sense of what are reasonable and significant targets.
5. To use performance measures to *promote* an agency's competence, public managers need to understand what the public cares about.
6. To use performance measures to *celebrate*, public managers need to discern the kinds of achievements that employees and collaborators think are worth celebrating.
7. To use performance measures to *learn*, public managers need to be able to detect unexpected (and significant) developments and anticipate a wide variety of common organizational, human, and societal behaviors.
8. To use performance measures to *improve*, public managers need an understanding (or prediction) of how their actions affect the inside-the-black-box behavior of the people who contribute to their desired outputs and outcomes.

All of the eight purposes require (explicitly or implicitly) a baseline with which the measure can be compared. And, of course, the appropriate baseline depends on the context.

The standard against which to compare current performance can come from a variety of sources—each with its own advantages and liabilities. The agency may use its historical record as a baseline, looking to see how much it has improved. It may use comparative information from similar organizations, such as the data collected by the Comparative Performance Measurement Consortium organized by the International City/County Management Association (1999), or the effort to measure and compare the performance of local jurisdictions in North Carolina organized by the University of North Carolina (Rivenbark and Few 2000).[32] Of course, comparative data also may come from dissimilar organizations; citizens may compare—implicitly or quite explicitly—the ease of navigating a government Web site with the ease of navigating those created by private businesses.[33] Or the standard may be an explicit performance target established by the legislature, by political executives, or by career managers. Even to control, managers need some kind of Tayloristic standard to be met by those whose behavior they seek to control. Whether public managers want to evaluate, control, budget, motivate, promote, celebrate, learn, or improve, they need both a measure and a standard of performance.

The Political Complexities of Measuring Performance

Who will pick the purpose, the measure, and the performance standard? The leadership team of a public agency has both the opportunity and the responsibility. But others—elected executives and legislators, political appointees and budget officers, journalists and stakeholders, and of course individual citizens—have the same opportunity, and often the same responsibility. Consequently, the agency's managers may discover that a set of performance measures has been imposed on them.

In some ways, however, public managers have more flexibility in selecting the performance measures that will be used by outsiders than do private-sector managers. After all, investment analysts long ago settled on a specific collection of performance measures—from return on equity to growth in market share—that they use when examining a business. For public agencies, however, no such broadly applicable and widely acceptable performance measures exist. Thus, every time those outsiders—whether they are budget officers or stakeholders—wish to examine a particular agency's management, they have to create some performance measures.

Sometimes, some will. Sometimes, a legislator or a budget officer will know exactly how he or she thinks the performance of a particular public agency should be measured. Sometimes, none will. Sometimes, no outsider will be able to devise a performance measure that makes much sense. Sometimes, many will. Sometimes several outsiders—an elected executive, a newspaper editor, and a stakeholder organization—will each develop a performance measure (or several such measures) for the agency. And when this happens, these measures may well conflict.

Mostly, these outsiders use their performance measures to evaluate, control, budget, or punish. Some might say, "We need this performance measure to hold the agency accountable." By this, they really mean, "We need this performance measure to evaluate the agency and if (as we suspect) the agency doesn't measure up, we will punish it by cutting its budget (or saying nasty things that will be reported by journalists)."[34] Outsiders are less likely to use performance measures to motivate, promote, or celebrate—though they could try to use them to force improvements.

Thus, the managers of a public agency may not have complete freedom to choose their own performance measures. They may have to pay attention to measures chosen by others. Even when they must respond to measures imposed by outsiders, however, the leaders of a public agency have not lost their obligation to create a collection of performance measures that they will use to manage the agency. The leadership team still must report the measures that outsiders are, legitimately, requesting. And they may be able to use some of these measures for one or more of their own eight purposes. But even when others have chosen their own measures of the agency's performance, its leaders still need to seriously examine the eight managerial purposes for which performance measures may prove useful and carefully select the best measures available for each purpose.

The Futile Search for the One Best Measure

"What gets measured gets done" is, perhaps, the most famous aphorism of performance measurement.[35] If you measure it, people will do it. Unfortunately, what people measure often is not precisely what they want done. And people—responding to the explicit or implicit incentives of the measurement—will do what people are measuring, not what these people actually want done. This is, as Steven Kerr, now chief learning officer at Goldman Sachs, wisely observes, "the folly of rewarding A while hoping for B" (1975). Thus, although performance measures shape behavior, they may shape behavior in both desirable and undesirable ways.[36]

For a business, the traditional performance measure has been the infamous bottom line—although any business has not just one bottom line, but many of them: a variety of financial ratios (return on equity, return on sales) that collectively suggest how well the firm is doing—or, at least, how well it has done. But as Kaplan and Norton observe, "many have criticized financial measures because of their well-documented inadequacies, their backward-looking focus, and their inability to reflect contemporary value-creating actions." Thus, Kaplan and Norton invented their now-famous balanced scorecard to give businesses a broader set of measures that capture more than the firm's most recent financial numbers. They want performance measures that answer four questions from four different perspectives:

- How do customers see us? (customer perspective)
- What must we excel at? (internal business perspective)
- Can we continue to improve and create value? (innovation and learning perspective)
- How do we look to shareholders? (financial perspective)

No single measure of performance answers all four questions (1992, 77, 72).

Similarly, there is no one magic performance measure that public managers can use for all of their eight purposes.

The search for the one best measurement is just as futile as the search for the one best way (Behn 1996). Indeed, this is precisely the argument behind Kaplan and Norton's balanced scorecard: Private-sector managers, they argue, "should not have to choose between financial and operational measures"; instead, business executives need "a balanced presentation of both financial and operational measures" (1992, 71). The same applies to public managers, who are faced with a more diverse set of stakeholders (not just customers and shareholders), a more contradictory set of demands for activities in which they ought to excel, and a more complex set of obstacles that must be overcome to improve and create value.[37] Consequently, they need an even more heterogeneous family of measures than the four that Kaplan and Norton propose for business.

The leaders of a public agency should not go looking for their one magic performance measure. Instead, they should begin by deciding on the managerial purposes to which performance measurement may contribute. Only then can they select a collection of performance measures with the characteristics necessary to help them (directly and indirectly) achieve these purposes.

Notes

1. Okay, not *everyone* is measuring performance. From a survey of municipalities in the United States, Poister and Streib find that "some 38 percent of the [695] respondents indicate that their cities use performance measures, a significantly lower percentage than reported by some of the earlier surveys" (1999, 328). Similarly, Ammons reports on municipal governments' "meager record" of using performance measures (1995, 42). And, of course, people who *report* they are measuring performance may not really be *using* these measures for any real purpose. Joyce notes there is "little evidence that performance information is actually used in the process of making budget decisions" (1997, 59).
2. People can measure the performance of (1) a public agency; (2) a public program; (3) a nonprofit or for-profit contractor that is providing a public service; or (4) a collaborative of public, nonprofit, and for-profit organizations. For brevity, I usually mention only the agency—though I clearly intend my reference to a public agency's performance to include the performance of its programs, contractors, and collaboratives.
3. Although Hatry provides the usual list of different types of performance information—input, process, output, outcome, efficiency, workload, and impact data (1999b, 12)—when discussing his 10 different purposes (chapter 11), he refers almost exclusively to outcome measures.
4. These eight purposes are not completely distinct. For example, learning itself is valuable only when put to some use. Obviously, two ways to use the learning extracted from performance measurements are to improve and to budget. Similarly, evaluation is not an ultimate purpose; to be valuable, any evaluation has to be used either to redesign programs (to improve) or to reallocate resources (to budget) by moving funds into more valuable uses. Even the budgetary purpose is subordinate to improvement.

   Indeed, the other seven purposes are all subordinate to improvement. Whenever public managers use performance measures to evaluate, control, budget, motivate, promote, celebrate, or learn, they do so only because these activities—they believe or hope—will help to improve the performance of government.

   There is, however, no guarantee that every use of performance measures to budget or celebrate will automatically enhance performance. There is no guarantee that every controlling or motivational strategy will improve performance. Public managers who seek evaluation or learning measures as a step toward improving performance need to think carefully not only about *why* they are measuring, but also about *what* they will do with these measurements and *how* they will employ them to improve performance.
5. Jolie Bain Pillsbury deserves the credit for explicitly pointing out to me that distinctly different purposes for measuring performance exist. On April 16, 1996, at a seminar at Duke University, she defined five purposes: evaluate, motivate, learn, promote, and celebrate (Behn 1997b).

   Others, however, have also observed this. For example, Osborne and Gaebler (1992), in their chapter on "Results Oriented Government," employ five headings that capture five of my eight purposes: "If you don't measure results, you can't tell success from failure" (147) (evaluate); "If you can't see success, you can't reward it" (148) (motivate); "If you can't see success, you can't learn from it" (150) (learn); "If you can't recognize failure, you can't correct it" (152) (improve); "If you can demonstrate results, you can win public support" (154) (promote).
6. Anyone who wishes to add a purpose to this list should also define the characteristics of potential measures that will be most appropriate for this additional purpose.
7. But isn't promoting accountability a quite distinct and also very important purpose for measuring performance? After all, scholars and practitioners emphasize the connection between performance measurement and accountability. Indeed, it is Hatry's first use of performance information (1999b, 158).

   In a report commissioned by the Governmental Accounting Standards Board on what it calls "service efforts and accomplishments [SEA] reporting," Hatry, Fountain, and Sullivan (1990) note that SEA measurement reflects the board's desire "to assist in fulfilling government's duty to be publicly accountable and ... enable users to assess that accountability" (2). Moreover, they argue, without such performance measures, elected officials, citizens, and other users "are not able to fully assess the adequacy of the governmental entity's performance or hold it accountable for the management of taxpayer and other resources" (2–3). Indeed, they continue, elected officials and public managers have a responsibility "to be accountable by giving information that will assist the public in assessing the results of operations" (5).

But what exactly does it mean to hold government accountable? In a 1989 resolution, the Governmental Accounting Standards Board called SEA information "an essential element of accountability." Indeed, in this resolution, the agency "gave considerable weight to the concept of accountability: of 'being obliged to explain one's actions, to justify what one does'; of being required 'to answer to the citizenry—justify the raising of public resources and the purposes for which they are used'" (Hatry et al. 1990, v). But does the phrase "hold government accountable" cover only the requirements to explain, justify, and answer? Or does accountability really mean punishment?

I find the use of the word "accountability" to be both ubiquitous and ambiguous. Yet it is difficult to examine how performance measurement will or might promote accountability without first deciding what citizens collectively mean by accountability—particularly, what we mean by accountability for performance. What does it mean to hold a public agency or manager accountable for performance? Presumably, this holding-people-accountable-for-performance process would employ some measure of performance. But what measures would be most useful for this promoting-accountability purpose? And how would those measures actually be used to promote accountability? (Or to revise the logical sequence: How might we use performance measures to promote accountability? Then, what measures would be most useful for promoting this accountability?) Before we as a polity can think analytically and creatively about how we might use performance measures to promote accountability, we need to think more analytically and creatively about what we mean by accountability. For a more detailed discussion of accountability—particularly of accountability for performance—see Behn (2001).

8. Joyce (1997) makes a similar argument: "The ability to measure performance is inexorably related to a clear understanding of what an agency or program is trying to accomplish" (50). Unfortunately, he continues, "the U.S. constitutional and political traditions, particularly at the national and state levels, work against this kind of clarity, because objectives are open to constant interpretation and reinterpretation at every stage of the policy process" (60).

9. Although a controlling approach to managing superior–subordinate relations may be out of style, the same is not necessarily true for how policy makers manage operating agencies. The New Public Management consists of two conflicting approaches: *Letting* the managers manage, versus *making* the managers manage (Kettl 1997, 447–48). And while the let-the-managers-manage strategy does, indeed, empower the managers of public agencies (for example, by giving them more flexibility), the make-the-managers-manage strategy does, in some ways, seek to control the managers. Yes, under a make-the-manager-manage performance contract, the manager has the flexibility to achieve his or her performance targets; at the same time, these output targets can be thought of as output "controls." I am grateful to an anonymous referee for this insight.

10. For a discussion of the pervasive efforts of public officials to control the behavior of their subordinates, see the classic discussion by Landau and Stout (1979).

11. For example, Robert Anthony's business texts on accounting include *The Management Control Function* (1988) and (with Vijay Govindarajan) *Management Control Systems* (1998). Similarly, his equivalent book (with David W. Young) for the public and nonprofit sectors is titled *Management Control in Nonprofit Organizations* (1999).

12. "Do management information systems lead to greater management control?" Overman and Loraine (1994, 193) ask this question and conclude they do not. From an analysis of 99 Air Force contracts, they could not find any relationship between the quality, detail, and timeliness of information received from the vendors and the cost, schedule, or quality of the project. Instead, they argue, "information can symbolize other values in the organization" (194). Still, legislatures, overhead agencies, and line managers seek control through performance measurement.

13. Melkers and Willoughby (2001) report that 47 of the 50 states have some form of performance budgeting, which they define "as requiring strategic planning regarding agency mission, goals and objectives, and a process that requests quantifiable data that provides meaningful information about program outcomes" (54). Yet when they asked people in both the executive and legislative branches of state government if their state had implemented performance budgeting, they found that "surprisingly, budgeters from a handful of states (10) disagreed across the branches as to implementation of performance budget in their state" (59). A handful? Melkers and Willoughby received responses from both branches from only 32 states. Thus, in nearly a third of the states that responded, the legislative-branch respondent disagreed with the executive-branch respondent. Not only is it difficult to define what performance budgeting is, it is also difficult to determine whether it has been implemented.

14. A more controversial use of performance measurement to motivate is the linking of performance data to an individual's pay. For a discussion, see Smith and Wallace (1995).

15. Williams, McShane, and Sechrest (1994) worry that "raw data may be misinterpreted by those without statistical training" (538), while at the same time "summaries of management information based on aggregate data are potentially dangerous to decision makers" (539). Moreover, they note the differing assumptions that managers and evaluators bring to the task of interpreting data: "The administrator often makes the implicit assumption that a project or operation is fully capable of succeeding" (541), while "the evaluator is apt to see the very core of his role as a questioning of the assumptions behind the project" (541). The evaluator starts

with the assumption that the program doesn't work; the manager, of course, believes that it does.

16. Understanding what is going on inside the black box is difficult in all of the sciences. Physicists, for example, do not know what is going on inside the black box of gravity. They know what happens—they know that two physical objects attract each other, and they can calculate the strength of that attraction—but they don't understand *how* the inputs of mass and distance are converted into the output of physical attraction. Newton figured out that, to determine very accurately (in a very wide variety of circumstances) the force of attraction between two objects, you need only three measurable inputs: the mass of the first object, the mass of the second object, and the distance between them:

$$F = G \times m_1 \times m_2 / d^2$$

(where G is the universal gravitational constant)

Unfortunately for physicists, this universal law doesn't work at the subatomic level: Here, the classical laws of gravitational and electrical attraction between physical objects do not hold. Thus, when confronted with their inability to even calculate (using an existing formula) what is happening inside one of their black boxes, physicists invent new concepts (Behn 1992)—in this case, for example, the strong force and the weak force—that they can use to produce calculations that match the behavior they observe. But this does not mean that physicists understand what creates these inside-the-black-box forces.

17. My black box of performance management differs from the one defined by Ingraham and Kneedler (2000) and Ingraham and Donahue (2000). In their "new performance model," the black box is government management, and the inputs are politics, policy direction, and resources, all of which are imbedded in a set of environmental factors or contingencies. In my conception, the black box is the agency (or, more accurately, the people who work in the agency), the collaborative (that is, the people who staff both the agency and its various partners), or society (the collection of citizens). Management and leadership are inputs that seek to improve the performance of the black box by convincing the environment to provide better inputs and by attempting to influence the diligence, intelligence, and creativity with which those inside the black box convert the other inputs into outputs and outcomes.

18. If all of the data are indeed random, analysts who use the traditional 5 percent threshold for statistical significance and who check out 20 potentially causal variables will identify (on average) one of these variables as statistically significant. If they test 100 variables, they will (on average) find five that are statistically significant.

19. Perhaps this explains why formal performance evaluation has attracted a larger following and literature than has performance learning, let alone performance improvement.

20. A note of caution: Using outcomes to evaluate an organization's performance makes sense, except that the organization's performance is not the only factor affecting the outcomes. Yet, cognitive psychologists have identified the "outcome effect" in the evaluation of managerial performance. This outcome effect causes the evaluators of a manager's decision to give more weight to the actual outcome than is warranted given the circumstances—particularly, the uncertainty—under which the original decision was made. That is, when an evaluator considers a decision made by a manager, who could only make an uncertain, probabilistic guess about the future state of one or more important variables, the evaluator will give higher marks when the outcome seems to validate the initial choice than when the outcome doesn't—even when the circumstances of the decision are precisely the same (Baron and Hershey 1988; Lipshitz 1989; Hawkins and Hastie 1990; Hershey and Baron 1992; Ghosh and Ray 2000).

21. In business, Kaplan and Norton (1992) emphasize, the challenge is to figure out how to make an "explicit linkage between operations and finance" (79). They emphasize, "the hard truth is that if improved [internal, operational] performance fails to be reflected in the bottom line, executives should reexamine the basic assumptions of their strategy and mission" (77).

The same applies in government. Public managers need an explicit link between operations and outcomes. If they use output (or process) measures to motivate people in their agency to ratchet up performance, and yet the outcomes that these outputs (or processes) are supposed to produce don't improve, they need to reexamine their strategy—and their assumptions about how these outputs (or processes) may or may not contribute to the desired outcomes.

22. In some ways, measures that are designed to motivate internal improvements in a public agency's performance appear to correspond to the measures that Kaplan and Norton design for their internal business perspective. Such internal measures help managers to focus on critical internal operations, write Kaplan and Norton. "Companies should decide what processes and competencies they must excel at and specify measures for each." Then, they continue "managers must devise measures that are influenced by employees' actions" (1992, 74–75). That is, to motivate their employees to improve internal operations, a firm's leaders need output measures.

23. In January 2002, when he announced his campaign for state treasurer, Daniel A. Grabauskas emphasized that, as the Massachusetts registrar of motor vehicles, he had cut waiting time by over an hour (Klein 2002).

24. For the general public, NAPA's advisory panel suggests, performance measures need to be suitably summarized (NAPA 1994, 23).

25. When attempting to select a measure to promote a public agency's achievements, it is not obvious which performance measure will capture citizens' concerns. What, for example, do the citizens visiting their state division of motor vehicles really care about? They might care about how long they wait in line. They might care less about how long they wait in line if they know, when they first get in line, how long they will have to wait. Some might say they will be quite

happy to wait 29 minutes, but not 30. Or, they might not care how long they wait as long as they can do it in a comfortable chair. Thus, before selecting a measure to promote the agency's performance, the agency's leadership should make some effort—through polls, focus groups, or customer surveys—to determine what the public wants.

Polls or focus groups, however, may produce only a theoretical answer. Have people who visit the DMV only biennially really thought through what they want? A customer survey—administered as people leave the DMV (or while they wait)—might produce a better sense of how people really measure the agency's performance.

26. Actually, managers don't need to identify *the best* practice. To improve their organization's performance, they need only to identify *a better* practice.

27. To promote the division of motor vehicles with the public, managers may simply publish the *average* length of time that citizens wait in line at the DMV office (compared, perhaps, with the average wait in similar lines). Waiting time is an easily understood concept. Yet, when an organization reports its waiting time, it rarely explains that this number is the *average* waiting time because this is what people implicitly assume.

To learn, however, the *average* wait is too much of a summary statistic. The average wait obscures all of the interesting deviances that can be found only in the disaggregated data: What branch has a wait time that is half the statewide average (and what can the division learn from this)? What day of the month or hour of the day has the longest wait time (and what might the division do about this)? From such deviances, the DMV's managers can learn what is working best within their agency and what needs to be fixed.

28. After all, if any individual had expected a major deviance, he or she presumably would have done something to prevent it. Of course, an individual might have anticipated this deviance but also anticipated that it would be labeled a minor mistake rather than a huge failure (and thus they, too, have an opportunity to learn because, although they had expected the event, they did not expect it would be called a failure.) Or, an individual may have anticipated the failure but may not have been in a position to prevent it or to convince those who could prevent it that it would really happen. Or an individual may have anticipated the failure and hoped it would occur because its consequences (which were unanticipated by others) would further the individual's own agenda. Or an individual may have anticipated the failure but gambled that the probability of the failure, combined with its personal costs, were less than the certain personal costs of exposing his or her own responsibility for the causes behind this (potential, future) failure. Some people may have anticipated the failure, but certainly not everyone did.

29. The evaluator's ideal, of course, is that "only one new strategy should be introduced in one [organization]," while the baseline strategy "would go on in a demographically similar [organization]." Public executives, however, rarely are able to conduct the evaluator's "carefully controlled field experiment" (Karmen 2000, 95). Moreover, if the manager believes that two strategies will have an synergistic effect, he or she will—quite naturally—choose to implement them simultaneously in the same jurisdiction.

30. This suggests the limitations of performance budgeting as a strategy for improving performance: How much do budget officials know about how budget allocations affect the inside-the-black-box behaviors that improve performance? Do they really know which changes in the budget inputs will create the kind of complex inside-the-black-box interactions that can create improvements in organizational outputs, and thus societal outcomes?

31. Managers could simply allocate the available funds to the existing activities that are (using strictly internal comparisons) most efficient. Without some external standard of efficiency, however, they could spend all of their appropriations on completely inefficient operations.

32. Measuring performance against similar public agencies in a way that facilitates useful comparisons among jurisdictions is not easy. Agencies and jurisdictions organize themselves differently. They collect different kinds of data. They define inputs, processes, outputs, and outcomes differently. Consequently, obtaining comparable data is difficult—sometimes impossible. To make valid comparisons, someone must undertake the time-consuming task that Ammons, Coe, and Lombardo call "data cleaning" (2001, 102).

Still, even when perfectly similar data have been collected from multiple jurisdictions, making useful comparisons is also difficult. Is one city reporting higher performance data for a particular agency because its leadership is more inspiring or inventive, because the agency has inherited a more effective organizational structure, because its political and managerial leadership has adopted a strategy designed to focus on some outcomes and not others, because the city council established the agency's mission as a higher priority, because the city council was willing to invest in modern technology, or because more of its citizens are cooperating fully? Even comparing performance measures for such a fundamental public service as trash collection is not simple. For a more detailed discussion of why benchmarking performance results among local governments may be more difficult than theorized, see Coe (1999, 111).

33. Criticism of public-sector service delivery has increased in the last two decades because a number of the traditional process measures for public-sector services—such as the time spent in a line or the ease of navigating a Web site—can easily be compared with the same process measures for the private sector, and because many private-sector firms have made a concerted effort to improve the process measures that customers value. Once people become accustomed to a short wait at their bank or when calling a toll-free number—once they learn that it is technically possible to ensure the wait is brief—they expect the same short wait from all other organizations, both private and public.

34. For a discussion of how accountability has become a code word for punishment and how we might make it mean something very different, see Behn (2001).

35. Peters and Waterman (1982, 268) attribute it to Mason Haire.
36. For example, in business, Kaplan and Norton write, "return-on-investment and earnings-per-share can give misleading signals for continuous improvement and innovation" (1992, 71).
37. Kaplan and Norton also argue their balanced scorecard "guards against suboptimization." Because the leadership is measuring a variety of indicators of the organization's performance, people in the organization will avoid focusing on one measure (or one kind of measure) at the expense of some others; after all, an "improvement in one area may have been achieved at the expense of another." And, even if a part of the organization chooses to focus on one performance indicator and ignore the others, the leadership—because it is measuring a variety of things—is much more apt to catch this suboptimal behavior (1992, 72).

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6

Managing Oneself

What Are My Strengths? • How Do I Perform? • Where Do I Belong? • What Is *My* Contribution? • Relationship Responsibility • The Second Half of Your Life • The Parallel Career

Introduction

More and more people in the workforce—and most knowledge workers—will have to MANAGE THEMSELVES. They will have to place themselves where they can make the greatest contribution; they will have to learn to develop themselves. They will have to learn to stay young and mentally alive during a fifty-year working life. They will have to learn how and when to change what they do, how they do it and when they do it.

Knowledge workers are likely to outlive their employing organization. Even if knowledge workers postpone entry into the labor force as long as possible—if, for instance, they stay in school till their late twenties to get a doctorate—they are likely, with present life expectancies in the developed countries, to live into their eighties. And they are likely to have to keep working, if only part-time, until they are around seventy-five or older. The average working life, in other words, is likely to be fifty years, especially for knowledge workers. But the average life expectancy of a successful business is only thirty years—and in a period of great turbulence such as the one we are living in, it is unlikely to be even that long. Even organizations that normally are long-lived if not expected to live forever—schools and universities, hospitals, government agencies—will see rapid changes in the period of turbulence we have already entered. Even if they survive—and a great many surely will not, at least not in their present form—they will change their structure, the work they are doing, the knowledges they require and the kind of people they employ. Increasingly, therefore, workers, and especially knowledge workers, will outlive any one employer, and will have to be prepared for more than one job, more than one assignment, more than one career.

So far, this book has dealt with changes in the environment: in society, economy, politics, technology. *This concluding chapter deals with the new demands on the individual.*

The very great achievers, a Napoleon, a Leonardo da Vinci, a Mozart, have always managed themselves. This in large measure made them great achievers. But they were the rarest of exceptions. And they were so unusual, both in their talents and in their achievements, as to be considered outside the boundaries of normal human existence. Now even people of modest endowments, that is, average mediocrities, will have to learn to manage themselves.

Knowledge workers, therefore, face drastically new demands:

1. They have to ask: Who Am I? What Are My Strengths? *HOW* Do I Work?
2. They have to ask: Where Do I Belong?
3. They have to ask: What Is My Contribution?
4. They have to take Relationship Responsibility.
5. They have to plan for the Second Half of Their Lives.

I
What Are My Strengths?

Most people think they know what they are good at. They are usually wrong. People know what they are *not* good at more often—and even there people are more often wrong than right. And yet, one can only perform with one's strengths. One cannot build performance on weaknesses, let alone on something one cannot do at all.

For the great majority of people, to know their strengths was irrelevant only a few decades ago. One was born into a job and into a line of work. The peasant's son became a peasant. If he was not good at being a peasant, he failed. The artisan's son was similarly going to be an artisan, and so on. But now people have choices. They therefore have to know their strengths so that they can know where they belong.

There is only one way to find out: *The Feedback Analysis.* Whenever one makes a key decision, and whenever one does a key action, one writes down what one expects will happen. And nine months or twelve months later one then feeds back from results to expectations. I have been doing this for some fifteen to twenty years now. And every time I do it I am surprised. And so is everyone who has ever done this.

> This is by no means a new method. It was invented sometime in the 14th century, by an otherwise totally obscure German theologian. Some 150 years later Jean Calvin in Geneva (1509–1564), father of Calvinism, and Ignatius Loyola (1491–1556), the founder of the Jesuit Order, quite independent of each other, picked up the idea and incorporated it into their rules for every member of their groups, that is, for the Calvinist pastor and the Jesuit priest. This explains why these two new institutions (both founded in the same year, in 1536) had come within thirty years to dominate Europe: Calvinism the Protestant north; the Jesuit Order the Catholic south. By that time each group contained so many thousands of members that most of them had to be ordinary rather than exceptional. Many of them worked alone, if not in complete isolation. Many of them had to work underground and in constant fear of persecution. Yet very few defected. The routine feedback from results to expectations reaffirmed them in their commitment. It enabled them to focus on performance and results, and with it, on achievement and satisfaction.

Within a fairly short period of time, maybe two or three years, this simple procedure will tell people first where their strengths are—and this is probably the most important thing to know about oneself. It will show them what they do or fail to do that deprives them of the full yield from their strengths. It will show them where they are not particularly competent. And it will finally show them where they have no strengths and cannot perform.

Several *action conclusions* follow from the feedback analysis.

The first, and most important, conclusion: *Concentrate on your* *strengths*. Place yourself where your strengths can produce performance and results.

Second: Work on improving your strengths. The feedback analysis rapidly shows where a person needs to improve skills or has to acquire new knowledge. It will show where skills and knowledge are no longer adequate and have to be updated. It will also show the gaps in one's knowledge.

And one can usually acquire enough of any skill or knowledge not to be incompetent in it.

> Mathematicians are born. But almost everyone can learn trigonometry. And the same holds for foreign languages or for major disciplines, whether history or economics or chemistry.

Of particular importance is the third conclusion: the feedback analysis soon identifies the areas where intellectual arrogance causes *disabling ignorance*. Far too many people—and especially people with high knowledge in one area—are contemptuous of knowledge in other areas or believe that being "bright" is a substitute for knowing. And then the feedback analysis soon shows that a main reason for poor performance is the result of simply not knowing enough, or the result of being contemptuous of knowledge outside one's own specialty.

> First-rate engineers tend to take pride in not knowing anything about people—human beings are much too disorderly for the good engineering mind. And accountants, too, tend to think it unnecessary to know about people. Human Resources people, by contrast, often pride themselves of their ignorance of elementary accounting or of quantitative methods altogether. Brilliant executives who are being posted abroad often believe that business skill is sufficient, and dismiss learning about the history, the arts, the culture, the traditions of the country where they are now expected to perform—only to find that their brilliant business skills produce no results.

One important action conclusion from the feedback analysis is thus to overcome intellectual arrogance and work on acquiring the skills and knowledge needed to make one's strengths fully productive.

An equally important action conclusion is to remedy one's *bad habits*—things one does or fails to do that inhibit effectiveness and performance. They quickly show up in the feedback analysis.

> The analysis may show, for instance, that a planner's beautiful plans die because he or she does not follow through. Like so many brilliant people, he or she believes that ideas move mountains. But bulldozers move mountains; ideas show where the bulldozers have to go to work. The most brilliant planners far too often stop when the plan is completed. But that is when the *work* begins. Then the planner needs to find the people to carry out the plan, explain the plan to them, teach them, adapt and change the plan as it moves from planning to doing and, finally, decide when to stop pushing the plan.

But the analysis may also show that a person fails to obtain results because he or she lacks *manners*. Bright people—especially bright young people—often do not understand that manners are the "lubricating oil" of an organization.

> It is a Law of Nature that two moving bodies in contact with each other create friction. Two human beings in contact with each other therefore always create friction. And then manners are the lubricating oil that enables these two moving bodies to work together, whether they like each other or not—simple things like saying "please" and "thank you" and knowing a person's birthday or name, and remembering to ask after the person's family. If the analysis shows that brilliant work fails again and again as soon as it requires cooperation by others, it probably indicates a lack of courtesy, that is, of manners.

The next action conclusion from the feedback analysis is what *not* to do.

Feeding back from results to expectations soon shows where a person should not try to do anything at all. It shows the areas in which a person lacks the minimum endowment needed—and there are always many such areas for any person. Not enough people have even one first-rate skill or knowledge area, but all of us have an infinite number of areas in which we have no talent, no skill and little chance to become even mediocre. And in these areas a person—and especially a knowledge worker—should not take on work, jobs, assignments.

The final action conclusion is to waste as little effort as possible on improving areas of low competence. Concentration should be on areas of high competence and high skill. It takes far more energy and far more work to improve from incompetence to low mediocrity than it takes to improve from first-rate performance to excellence. And yet most people—and equally most teachers and most organizations—try to concentrate on making an incompetent person into a low mediocrity. The energy and resources—and time—should instead go into making a competent person into a star performer.

How Do I Perform?

How Do I Perform? is as important a question—and especially for knowledge workers—as What Are My Strengths?

In fact, it may be an even more important question. Amazingly few people know *how* they get things done. On the contrary, most of us do not even know that different people work and perform differently. They therefore work in ways that are not their ways—and that almost guarantees nonperformance.

> The main reason perhaps that so many people do not know how they perform is that the schools throughout history insisted out of necessity on there being only one

> way for everybody to do his or her schoolwork. The teacher who ran a classroom of forty youngsters simply did not have the time to find out how each of the students performed. The teacher, on the contrary, had to insist that all do the same work, the same way, the same time. And so historically everybody grew up with one way of doing the work. Here perhaps is where the new technology may have the greatest and most beneficial impact. It should enable even the merely competent teacher to find out how a student learns and then to encourage the student to do the work the way that fits the individual student.

Like one's strengths, how one performs is *individual.* It is *personality.* Whether personality be "nature" or "nurture," it surely is formed long before the person goes to work. And *how* a person performs is a "given," just as *what* a person is good at or not good at is a "given." It can be modified, but it is unlikely to be changed. And just as people have results by doing *what* they are good at, people have results by performing *how* they perform.

The feedback analysis may indicate that there is something amiss in how one performs. But rarely does it identify the cause. It is, however, normally not too difficult to find out. It takes a few years of work experience. And then one can ask—and quickly answer—*how* one performs. For a few common personality traits usually determine how one achieves results.

Am I a Reader or a Listener?

The first thing to know about how one performs is whether one is a reader or a listener. Yet very few people even know that there are readers and there are listeners, and that very few people are both. Even fewer know which of the two they themselves are. But a few examples will show how damaging it is not to know.

> When he was Commander-in-Chief of the Allied Forces in Europe, *General* Dwight (Ike) Eisenhower was the darling

> of the press, and attendance at one of his press conferences was considered a rare treat. These conferences were famous for their style, for Eisenhower's total command of whatever question was being asked and, equally, for his ability to describe a situation or to explain a policy in two or three beautifully polished and elegant sentences. Ten years later, *President* Eisenhower was held in open contempt by his former admirers. They considered him a buffoon. He never, they complained, even addressed himself to the question asked, but rambled on endlessly about something else. And he was constantly ridiculed for butchering the King's English in his incoherent and ungrammatical answers. Yet Eisenhower had owed his brilliant earlier career in large measure to a virtuoso performance as a speechwriter for General MacArthur, one of the most demanding stylists in American public life.

The explanation: Eisenhower apparently did not know himself that he was a *reader* and not a listener. When he was Commander-in-Chief in Europe, his aides made sure that every question from the press was handed in *in writing* at least half an hour before the conference began. And then Eisenhower was in total command. When he became President he succeeded two listeners, Franklin D. Roosevelt and Harry Truman. Both men knew this and both enjoyed free-for-all press conferences. Roosevelt knew himself to be so much of a listener that he insisted that everything first be read out loud to him—only then did he look at anything in writing. And when Truman realized, after becoming President, that he needed to learn about foreign and military affairs—neither of which he had ever been much interested in before—he arranged for his two ablest Cabinet members, General Marshall and Dean Acheson, to give him a daily tutorial in which each delivered a forty-minute *spoken* presentation, after which the President asked questions. Eisenhower, apparently, felt that he had to do what his two famous predecessors had done. As a result, he never even heard the question the journalists asked. And he was not even an extreme case of a nonlistener.

> A few years later Lyndon Johnson destroyed his Presidency, in large measure, by not knowing that he—unlike Eisenhower—was a listener. His predecessor, John Kennedy, who knew that he was a reader, had assembled as his assistants a brilliant group of *writers* such as Arthur Schlesinger, Jr., the historian, and Bill Moyers, a first-rate journalist. Kennedy made sure that they first wrote to him before discussing their memos in person. Johnson kept these people as his staff—and they kept on writing. He never, apparently, got one word of what they wrote. Yet, as a senator, Johnson, only four years earlier, had been superb; for parliamentarians have, above all, to be listeners.

Only a century ago very few people, even in the most highly developed country, knew whether they were right-handed or left-handed. Left-handers were suppressed. Few actually became competent right-handers. Most of them ended up as incompetent no-handers and with severe emotional damage such as stuttering.

But only one of every ten human beings is left-handed. The ratio of listeners to readers seems, however, to be close to fifty-fifty. Yet, just as few left-handers became competent right-handers, few listeners can be made, or can make themselves, into competent readers—and vice versa.

The listener who tries to be a reader will, therefore, suffer the fate of Lyndon Johnson, while the reader who tries to be a listener will suffer the fate of Dwight Eisenhower. They will not perform or achieve.

How Do I Learn?

The second thing to know about how one performs is to know how one *learns*. There things may be even worse than they are in respect to readers and listeners. For schools everywhere are organized on the assumption that there is one right way to learn, and that it is the same way for everybody.

> Many first-class writers—Winston Churchill is but one example—do poorly in school, and they tend to remember their school as pure torture. Yet few of their classmates have the same memory of the same school and the same teachers; they may not have enjoyed the school very much but the worst they suffered was boredom. The explanation is that first-rate writers do not, as a rule, learn by listening and reading. They learn by writing. Since this is not the way the school allows them to learn, they get poor grades. And to be forced to learn the way the school teaches is sheer hell for them and pure torture.

Here are a few examples of different ways in which people learn.

> Beethoven left behind an enormous number of sketchbooks. Yet he himself said that he never looked at a sketchbook when he actually wrote his compositions. When asked, "Why then, do you keep a sketchbook?" he is reported to have answered, "If I don't write it down immediately I forget it right away. If I put it into a sketchbook I never forget it, and I never have to look it up again."

Alfred Sloan—the man who built General Motors into the world's largest, and for sixty years the world's most successful, manufacturing company—conducted most of his management business in small and lively meetings. As soon as a meeting was over, Sloan went to his office and spent several hours composing a letter to one of the meeting's participants, in which he brought out the key questions discussed in the meeting, the issues the meeting raised, the decisions it reached and the problems it uncovered but did not solve. When complimented on these letters, he is reported to have said, "If I do not sit down immediately after the meeting and think through what it actually was all about, and then put it down in writing, I will have forgotten it within twenty-four hours. That's why I write these letters."

• • •

A chief executive officer who, in the 1950s and 1960s, converted what was a small and mediocre family firm into the world's leading company in its industry, was in the habit of calling his entire senior staff into his office, usually once a week, having them sit in a half-circle around his desk, and then talking *at* them for two or three hours. He very rarely asked these people for their comments or their questions. He argued with himself. He raised the possibility of a policy move—acquisition of a small and failing company in the industry that had, however, some special technology, for instance. He always took three different positions on every one of these questions: one in favor of the move, one against the move and one on the conditions under which such a move might make sense. *He needed an audience to hear himself talk.* It was the way he learned. And again, while a fairly extreme case, he was by no means an unusual one. Successful trial lawyers learn the same way; so do many medical diagnosticians.

There are probably half a dozen different ways to learn. There are people who learn by taking copious notes—the way Beethoven did. But Alfred Sloan never took a note in a meeting, nor did the CEO mentioned above. There are people who learn by hearing themselves talk. There are people who learn by writing. There are people who learn by doing. And in an (informal) survey I once took of professors in American universities who successfully publish scholarly books of wide appeal, I was told again and again, "To hear myself talk is the reason why I teach; because then I can write."

Actually, of all the important pieces of self-knowledge, this is one of the easiest to acquire. When I ask people, "How do you learn?" most of them know it. But when I then ask, "Do you act on this knowledge?" few do. And yet to act on this knowledge is the key to performance—or rather *not* to act on this knowledge is to condemn oneself to nonperformance.

To ask "How do I perform?" and "How do I learn?" are the most important first questions to ask. But they are by no means the only ones. To manage oneself one has to ask: "Do I work well with people, or am I a loner?" And if one finds out that one works well with people, one asks: "In what relationship do I work well with people?"

Some people work best as subordinates.

> The prime example is the great American military hero of World War II, General George Patton. He was America's top troop commander. Yet, when he was proposed for an independent command, General George Marshall, the American Chief of Staff—and probably the most successful picker of men in American history—said: "Patton is the best subordinate the American Army has ever produced, but he would be the worst commander."

Some people work best as team members. Some people work exceedingly well as coaches and mentors, and some people are simply incompetent to be mentors.

Another important thing to know about how one performs is whether one performs well under *stress*, or whether one needs a highly structured and predictable environment. Another trait: Does one work best as a minnow in a big organization, or best as a big fish in a small organization? Few people work well in both ways. Again and again people who have been very successful in a large organization—for example, the General Electric Company or Citibank—flounder miserably when they move into a small organization. And again and again people who perform brilliantly in a small organization flounder miserably when they take a job with a big organization.

Another crucial question: "Do I produce results as a decision maker or as an adviser?" A great many people perform best as advisers, but cannot take the burden and pressure of the decision. A good many people, by contrast, need an adviser to force themselves to think, but then they can take the decision and act on it with speed, self-confidence and courage.

> This is a reason, by the way, why the number-two person in an organization often fails when promoted into the top spot. The top spot requires a decision maker. Strong decision makers in the top spot often put somebody whom

> they trust into the number-two spot as their adviser—and in that position that person is outstanding. But when then promoted into the number-one spot, the person fails. He or she knows what the decision should be but cannot take decision-*making* responsibility.

The *action conclusion*: Again, do not try to change yourself—it is unlikely to be successful. But work, and hard, to improve the way you perform. And try not to do work of any kind in a way you do not perform or perform poorly.

What Are My Values?

To be able to manage oneself, one finally has to know: "What are my values?"

In respect to *ethics*, the rules are the same for everybody, and the test is a simple one—I call it the "*mirror test.*"

> As the story goes, the most highly respected diplomatist of all the Great Powers in the early years of this century was the German Ambassador in London. He was clearly destined for higher things, at least to become his country's Foreign Minister, if not German Federal Chancellor. Yet, in 1906, he abruptly resigned. King Edward VII had then been on the British throne for five years, and the diplomatic corps was going to give him a big dinner. The German ambassador, being the dean of the diplomatic corps—he had been in London for close to fifteen years—was to be the chairman of that dinner. King Edward VII was a notorious womanizer and made it clear what kind of dinner he wanted—at the end, after the desert had been served, a huge cake was going to appear, and out of it would jump a dozen or more naked prostitutes as the lights were dimmed. And the German ambassador resigned rather than preside over this dinner. "I refuse to see a pimp in the mirror in the morning, when I shave."

This is the mirror test. What ethics requires is to ask oneself: "What kind of person do I want to see when I shave myself in the morning, or put on my lipstick in the morning?" Ethics, in other words, are a clear value system. And they do not vary much—what is ethical behavior in one kind of organization or situation is ethical behavior in another kind of organization or situation.

But ethics are only a part of the value system and, especially, only a part of the value system of an organization.

To work in an organization the value system of which is unacceptable to a person, or incompatible with it, condemns the person both to frustration and to nonperformance.

Here are some examples of values people have to learn about themselves.

> A brilliant and highly successful executive found herself totally frustrated after her old company was acquired by a bigger one. She actually got a big promotion—and a promotion into doing the kind of work she did best. It was part of her job to select people for important positions. She deeply believed that one only hired people from the outside into important positions after having exhausted all inside possibilities. The company in which she now found herself as a senior human resources executive believed, however, that in staffing an important position that had become vacant, one first looked at the outside, "to bring in fresh blood." There is something to be said for either way (though, in my experience, the proper one is to do some of both). But they are fundamentally incompatible, not as policies but as values. They bespeak a different view of the relationship between organization and people; a different view of the responsibility of an organization to its people and in respect to developing them; a different view in what is the most important contribution of a person to an enterprise, and so on. After several years of frustration, the human resources executive quit, at considerable financial loss to herself. Her values and the values of the organization simply were not compatible.

> Similarly, whether to try to obtain results in a pharmaceutical company by making constant, small improvements, or by occasional, highly expensive and risky "breakthroughs" is not primarily an economic question. The results of either strategy may be pretty much the same. It is at bottom a conflict of values—between a value system that sees the contribution of a pharmaceutical company to help the already successful physician to do better what he or she already does well, and a value system that is "science" oriented.

It is similarly a value question whether a business should be run for short-term results or for "the long run." Financial analysts believe that businesses can be run for both, simultaneously. Successful businessmen know better. To be sure, everyone has to produce short-term results. But in any conflict between short-term results and long-term growth, one company decides in favor of long-term growth; another company decides such a conflict in favor of short-term results. Again, this is not primarily a disagreement on economics. It is fundamentally a value conflict regarding the function of a business and the responsibility of management.

> In one of the fastest-growing pastoral churches in the United States, success is being measured by the number of new parishioners. It is believed that what matters is how many people join, and become regular churchgoers, who never before came to church. The Good Lord, this church believes, will then take care of the spiritual needs of a sufficient number. Another pastoral, evangelical church believes that what matters is the spiritual experience of people. It will ease out newcomers who join the church but who then do not enter into the spiritual life of the church.

Again, this is not a matter of numbers. At first glance it appears that the second church grows more slowly. But it retains a far larger proportion of newcomers than the first one does. Its growth, in other words, is far more solid. This is also not a theological problem, or only secondarily so. It is a *value problem.* One of the two pastors said in a public debate, "Unless you first come to church you will never find the Gate to the Kingdom of Heaven." "No," answered the other one. "Until you first look for the Gate to the Kingdom of Heaven, you don't belong in church."

Organizations have to have values. But so do people. To be effective in an organization, one's own values must be compatible with the organization's values. They do not need to be the same. But they must be close enough so that they can coexist. Otherwise, the person will be frustrated, but also the person will not produce results.

What to Do in a Value Conflict?

There rarely is a conflict between a person's strengths and the way that person performs. The two are complementary. But there is sometimes a conflict between a person's values and the same person's strengths. What one does well—even very well—and successfully may not fit with one's value system. It may not appear to that person as making a contribution and as something to which to devote one's life (or even a substantial portion thereof).

> If I may inject a personal note: I too, many years ago, had to decide between what I was doing well and successfully, and my values. I was doing extremely well as a young investment banker in London in the mid-1930s; it clearly fitted my strengths. Yet I did not see myself making a contribution as an asset manager of any kind. People, I realized, were my values. And I saw no point in being the richest man in the cemetery. I had no money, no job in a deep Depression and no prospects. But I quit—and it was the right thing.

Values, in other words, are and should be the ultimate test.

II
Where Do I Belong?

The answers to the three questions: "What are my strengths? How do I perform? What are my values?" should enable the individual, and especially the individual knowledge worker, to decide where he or she belongs.

This is not a decision that most people can or should make at the beginning of their careers.

> To be sure, a small minority know very early where they belong. Mathematicians, musicians or cooks, for instance, are usually mathematicians, musicians or cooks by the time they are four or five years old. Physicians usually decide in their teens, if not earlier. But most people, and especially highly gifted people, do not really know where they belong till they are well past their mid-twenties. By that time, however, they should know where their strengths are. They should know how they perform. And they should know what their values are.

And then they can and should decide where they belong. Or rather, they should be able to decide where they do *not belong*. The person who has learned that he or she does not really perform in a big organization should have learned to say "no" when offered a position in a big organization. The person who has learned that he or she is not a decision maker should have learned to say "no" when offered a decision-making assignment. A General Patton (who probably himself never learned it) should have learned to say "no" when offered an independent command, rather than a position as a high-level subordinate.

But also knowing the answer to these three questions enables people to say to an opportunity, to an offer, to an assignment: "Yes, I'll do that. But this is the way *I* should be doing it. This is the way it should be structured. This is the way my relationships should be. These are the kind of results you should expect from me, and in this time frame, because *this is who I am*."

Successful careers are not "planned." They are the careers of people who are prepared for the opportunity because they know their strengths, the way they work and their values. For knowing where one belongs makes ordinary people—hardworking, competent but mediocre otherwise—into outstanding performers.

III
What Is My *Contribution?*

To ask "What is my contribution?" means moving from knowledge to action. The question is not: "What do I *want* to contribute?" It is not: "What am I *told* to contribute?" It is: "What *should* I contribute?"

> This is a new question in human history. Traditionally, the task was given. It was given either by the work itself—as was the task of the peasant or the artisan. Or it was given by a master or a mistress, as was the task of the domestic servant. And, until very recently, it was taken for granted that most people were subordinates who did as they were told.

The advent of the knowledge worker is changing this, and fast. The first reaction to this change was to look at the employing *organization* to give the answer.

"Career Planning" is what the Personnel Department—especially of the large organization—was supposed to do in the 1950s and 1960s, for the "Organization Man," the new knowledge worker employee. In Japan it is still the way knowledge workers are being managed. But even in Japan the knowledge worker can increasingly expect to outlive the employing organization.

Except in Japan, however, the "Organization Man" and the career-planning Personnel Department have long become history. And with them disappeared the notion that anyone but oneself can—or should—be the "career planner." The reaction in the sixties was for knowledge people to ask: "What do I *want* to do?" People were told that "to do one's own thing" was the way to contribute. This was, for instance, what the "student rebellion" of 1968 believed.

We soon found out, however, that it was as wrong an answer as was the Organization Man. Very few of the people who believed that "doing one's own thing" leads to contribution, to self-fulfillment or to success achieved any of the three.

But still, there is no return to the old answer, that is, to do what you are being told, or what you are being assigned to. Knowledge workers, in particular, will have to learn to ask: *"What should MY contribution be?"* Only then should they ask: "Does this fit my strengths? Is this what I want to do?" And "Do I find this rewarding and stimulating?"

> The best example I know of is the way Harry Truman repositioned himself when he became President of the United States, upon the sudden death of Franklin D. Roosevelt at the end of World War II. Truman had been picked for the Vice Presidency because he was totally concerned with domestic issues. For it was then generally believed that with the end of the war—and the end was clearly in sight—the U.S. would return to almost exclusive concern with domestic affairs. Truman had never shown the slightest interest in foreign affairs, knew nothing about them, and was kept in total ignorance of them. He was still totally focused on domestic affairs when, within a few weeks after his ascendancy, he went to the Potsdam Conference after Germany surrendered. There he sat for a week, with Churchill on one side and Stalin on the other, and realized, to his horror, that foreign affairs would dominate, but also that he knew absolutely nothing about them. He came back from Potsdam convinced that he had to give up what he wanted to do and instead had to concentrate on what he *had* to do, that is, on foreign affairs. He immediately—as already mentioned—put himself into school with General Marshall and Dean Acheson as his tutors. Within in a few months he was a master of foreign affairs and he, rather than Churchill or Stalin, created the postwar world—with

> his policy of containing Communism and pushing it back from Iran and Greece; with the Marshall Plan that rescued Western Europe; with the decision to rebuild Japan; and finally, with the call for worldwide economic development.

By contrast, Lyndon Johnson lost both the Vietnam War and his domestic policies because he clung to "What do I want to do?" instead of asking himself "What *should* my contribution be?"

> Johnson, like Truman, had been entirely focused on domestic affairs. He too came into the Presidency wanting to complete what the New Deal had left unfinished. He very soon realized that the Vietnam War was what he *had* to concentrate on. But he could not give up what he *wanted* his contribution to be. He splintered himself between the Vietnam War and domestic reforms—and he lost both.

One more question has to be asked to decide "What should I contribute?": "*Where and how can I have results that make a difference?*"

The answer to this question has to balance a number of things. Results should be hard to achieve. They should require "stretching," to use the present buzzword. But they should be within reach. To aim at results that cannot be achieved—or can be achieved only under the most unlikely circumstances—is not being "ambitious." It is being foolish. At the same time, results should be meaningful. They should make a difference. And they should be visible and, if at all possible, measurable.

Here is one example from a nonprofit institution.

> A newly appointed hospital administrator asked himself the question "What should be my contribution?" The hospital was big and highly prestigious. But it had been coasting on its reputation for thirty years and had become mediocre. The new hospital administrator decided that his contribution should be to establish a standard of excellence in one important area within two years. And so

he decided to concentrate on turning around the Emergency Room and the Trauma Center—both big, visible and sloppy. The new hospital administrator thought through what to demand of an Emergency Room, and how to measure its performance. He decided that every patient who came into the Emergency Room had to be seen by a qualified nurse within sixty seconds. Within twelve months that hospital's Emergency Room had become a model for the entire United States. And its turnaround also showed that there can be standards, discipline, measurements in a hospital—and within another two years the whole hospital had been transformed.

The decision "What should my contribution be?" thus balances three elements. First comes the question: "What does the *situation* require?" Then comes the question: "How could *I* make the greatest *contribution* with my strengths, my way of performing, my values, to what needs to be done?" Finally, there is the question: "What *results* have to be achieved to make a difference?"

This then leads to the *action conclusions*: what to do, where to start, how to start, what goals and deadlines to set.

Throughout history, few people had any choices. The task was imposed on them either by nature or by a master. And so, in large measure, was the way in which they were supposed to perform the task. But so also were the expected results—they were given. To "do one's own thing" is, however, not freedom. It is license. It does not have results. It does not contribute. But to start out with the question "*What should I contribute?*" gives freedom. It gives freedom because it gives responsibility.

IV
Relationship Responsibility

Very few people work by themselves and achieve results by themselves—a few great artists, a few great scientists, a few great athletes. Most people work with other people and are effective through other people. That is true whether they are members of an organization or legally independent. To manage oneself, therefore, requires *taking relationship responsibility.*

There are two parts to it.

The first one is to accept the fact that other people are as much individuals as one is oneself. They insist on behaving like human beings. This means that they too have their strengths. It means that they too have their ways of getting things done. It means that they too have their values. To be effective, one therefore has to know the strengths, the performance modes and the values of the people one works with.

This sounds obvious. But few people pay attention to it.

> Typical are people who, in their first assignment, worked for a man who is a reader. They therefore were trained in writing reports. Their next boss is a listener. But these people keep on writing reports to the new boss—the way President Johnson's assistants kept on writing reports to him because Jack Kennedy, who had hired them, had been a reader. Invariably, these people have no results. Invariably, their new boss thinks they are stupid, incompetent, lazy. They become failures. All that would have been needed to avoid this would have been *one* look at the boss and ask the question: "How does he or she perform?"

Bosses are not a title on the organization chart or a "function." They are individuals and entitled to do the work the way *they* do it. And it is incumbent on the people who work with them to observe them, to find out how they work and to adapt themselves to the way the bosses are effective.

There are bosses, for instance, who have to see the figures first—Alfred Sloan at General Motors was one of them. He himself was not a financial person but an engineer with strong marketing instincts. But as an engineer he had been trained to look first at figures.

> Three of the ablest younger executives in General Motors did not make it into the top ranks because they did not

> look at Sloan—they did not realize that there was no point writing to him or talking to him until he first had spent time with the figures. They went in and presented their reports. Then they left the figures. But by that time they had lost Sloan.

As said before, readers are unlikely ever to become listeners, and listeners are unlikely ever to become readers. But everyone can learn to make a decent oral presentation or to write a decent report. It is simply the duty of the subordinate to enable the boss to do his or her work. And that requires looking at the boss and asking "What are his or her strengths? How does he or she do the work and perform? What are his or her values?" In fact, this is the secret of "managing" the boss.

One does the same with all the people one works with. Each of them works his or her way and not *my* way. And each of them is entitled to work in his or her way. What matters is whether they perform, and what their values are. How they perform—each is likely to do it differently. The first secret of effectiveness is to understand the people with whom one works and on whom one depends, and to make use of *their* strengths, *their* ways of working, *their* values. For working relations are as much based on the person as they are based on the work.

The second thing to do to manage oneself and to become effective is to *take responsibility for communications.* After people have thought through what their *strengths* are, how they *perform*, what their *values* are and especially what their *contribution* should be, they then have to ask: "Who needs to know this? On whom do I depend? And who depends on me?" And then one goes and tells all these people—and tells them in the way in which they receive a message, that is, in a memo if they are readers, or by talking to them if they are listeners and so on.

> Whenever I—or any other consultant—have started to work with an organization, I am first told of all the "personality conflicts" within it. Most of them arise from the fact that one person does not know *what* the other person does, or does not know *how* the other person does his or

her work, or does not know what *contribution* the other person concentrates on, and what results he or she expects. And the reason that they do not know is that they do not ask and therefore are not being told.

This reflects human stupidity less than it reflects human history. It was unnecessary until very recently to tell any of these things to anybody. Everybody in a district of the medieval city plied the same trade—there was a street of goldsmiths, and a street of shoemakers, and a street of armorers. (In Japan's Kyoto there are still the streets of the potters, the streets of the silk weavers, the streets of the lacquer makers.) One goldsmith knew exactly what every other goldsmith was doing; one shoemaker knew exactly what every other shoemaker was doing; one armorer knew exactly what every other armorer was doing. There was no need to explain anything. The same was true on the land where everybody in a valley planted the same crop as soon as the frost was out of the ground. There was no need to tell one's neighbor that one was going to plant potatoes—that, after all, was exactly what the neighbor did too, and at the same time.

And those few people who did things that were not "common," the few professionals, for instance, worked alone, and also did not have to tell anybody what they were doing. Today the great majority of people work with others who do different things.

As said before, the marketing vice-president may have come out of sales and knows everything about sales. But she knows nothing about promotion and pricing and advertising and packaging and sales planning, and so on—she has never done any of these things. Then it is incumbent on the people who do these things to make sure that the marketing vice-president understands what they are trying to do, why they are trying to do it, how they are going to do it and what results to expect.

If the marketing vice-president does not understand what these high-grade knowledge specialists are doing, it is primarily *their* fault, and not that of the marketing vice-president. They have not told her. They have not educated her. Conversely, it is the marketing vice-president's responsibility to make sure that every one of the people she works with understands how *she* looks on marketing, what her goals are, how she works and what she expects of herself and of every one of them.

Even people who understand the importance of relationship responsibility often do not tell their associates and do not ask them. They are afraid of being thought presumptuous, inquisitive or stupid. *They are wrong.* Whenever anyone goes to his or her associates and says: "This is *what* I am good at. This is *how* I work. These are my *values*. This is the contribution I plan to concentrate on and the results I should be expected to deliver," the response is *always*: "This is *most helpful*. But why haven't you told me *earlier*?"

And one gets the same reaction—without a single exception in my experience—if one then asks: "And what do I need to know about *your* strengths, how *you* perform, your *values* and your proposed *contribution*?"

In fact, a knowledge worker should request of people with whom he or she works—whether as subordinates, superiors, colleagues, team members—that they adjust their behavior to the knowledge worker's strengths, and to the way the knowledge worker works. Readers should request that their associates *write* to them, listeners should request that their associates first *talk* to them and so on. And again, whenever that is being done, the reaction of the other person will be: "Thanks for telling me. It's enormously helpful. But why didn't you ask me earlier?"

Organizations are no longer built on force. They are increasingly built on trust. Trust does not mean that people like one another. It means that people can trust one another. And this presupposes that people understand one another. Taking relationship responsibility is therefore an absolute necessity. *It is a duty.* Whether one is a member of the organization, a consultant to it, a supplier to it, a distributor, one owes relationship responsibility to every one with whom one works, on whose work one depends; and who in turn depends on one's own work.

V
The Second Half of Your Life

As said before: For the first time in human history, individuals can expect to outlive organizations. This creates a totally new challenge: *What to do with the second half of one's life?*

One can no longer expect that the organization for which one works at age thirty will still be around when one reaches age sixty. But also, forty or fifty years in the same kind of work is much too long for most people. They deteriorate, get bored, lose all joy in their work, "retire on the job" and become a burden to themselves and to everyone around them.

> This is not necessarily true of the very top achievers such as very great artists. Claude Monet (1840–1926), the greatest Impressionist painter, was still painting masterpieces in his eighties, and working twelve hours a day, even though he had lost almost all his eyesight. Pablo Picasso (1881–1973), perhaps the greatest Post-Impressionist painter, similarly painted till he died in his nineties—and in his seventies invented a new style. The greatest musical instrumentalist of this century, the Spanish cellist Pablo Casals (1876–1973), planned to perform a new piece of music and practiced it on the very day on which he died at age ninety-seven. But these are the rarest of exceptions even among very great achievers. Neither Max Planck (1858–1947) nor Albert Einstein (1879–1955), the two giants of modern physics, did important scientific work after their forties. Planck had *two* more careers. After 1918—aged sixty—he reorganized German science. After being forced into retirement by the Nazis in 1933, he, in

1945, almost ninety, started once more to rebuild German science after Hitler's fall. But Einstein retired in his forties to become a "famous man."

There is a great deal of talk today about the "mid-life crisis" of the executive. It is mostly boredom. At age forty-five most executives have reached the peak of their business career and know it. After twenty years of doing very much the same kind of work, they are good at their jobs. But few are learning anything anymore, few are contributing anything anymore and few expect the job again to become a challenge and a satisfaction.

Manual workers who have been working for forty years—in the steel mill for instance, or in the cab of a locomotive—are physically and mentally tired long before they reach the end of their normal life expectancy, that is, well before they reach even traditional retirement age. They are "finished." If they survive—and their life expectancy too has gone up to an average of seventy-five years or so—they are quite happy spending ten or fifteen years doing nothing, playing golf, going fishing, engaging in some minor hobby and so on. But knowledge workers are not "finished." They are perfectly capable of functioning despite all kinds of minor complaints. And yet the original work that was so challenging when the knowledge worker was thirty has become a deadly bore when the knowledge worker is fifty—and still he or she is likely to face another fifteen if not another twenty years of work.

To manage oneself, therefore, will increasingly require preparing oneself for the second half of one's life. (The best books on this subject are by Bob Buford—a very successful businessman who himself has created his own second half of life. They are *Half Time* [Grand Rapids: Zondervan, 1994] and *Game Plan* [Grand Rapids: Zondervan, 1997].)

There are three answers:

The first is actually to start a second and different career (as Max Planck did). Often this means only moving from one kind of an organization to another.

> Typical are the middle-level American business executives who in substantial numbers move to a hospital, a university or some other nonprofit organization, around age forty-five or forty-eight, when the children are grown and the retirement pension is vested. In many cases they stay in the same kind of work. The divisional controller in the big corporation becomes, for instance, controller in a medium-sized hospital. But there are also a growing number of people who actually move into a different line of work. Increasingly, for instance, students in American Protestant theological seminaries are forty-five—rather than twenty-five—years old. They made a first career in business or government—some in medicine—and then, when the children are grown, move into the ministry. And so did a friend of mine who, after thirty years as a successful art museum director and curator, entered a seminary at age 55.

In the United States there is a fairly substantial number of middle-aged women who have worked for twenty years, in business or in local government, have risen to a junior management position and now, at age forty-five and with the children grown, enter law school. Three or four years later they then establish themselves as small-time lawyers in their local communities.

We will see much more of such second-career people who have achieved fair success in their first job. These people have substantial skills, for example, the divisional controller who moves into the local community hospital. They know how to work. They need a community—and the house is empty with the children gone. They need the income, too. But above all, they need the challenge.

The Parallel Career

The second answer to the question of what to do with the second half of one's life is to develop a *parallel* career.

A large and rapidly growing number of people—especially people who are very successful in their first careers—stay in the work they have been doing for twenty or twenty-five years. Many keep on working forty or fifty hours a week in their main and paid job. Some move from busy full-time to being part-time employees or become consultants. But then they create for themselves a parallel job—usually in a nonprofit organization—and one that often takes another ten hours of work a week. They take over the administration of their church, for instance, or the presidency of the local Girl Scouts Council, they run the battered women shelter, they work for the local public library as children's librarian, they sit on the local school board and so on.

And then, finally, the third answer—there are the "social entrepreneurs." These are usually people who have been very successful in their first profession, as businessmen, as physicians, as consultants, as university professors. They love their work, but it no longer challenges them. In many cases they keep on doing what they have been doing all along, though they spend less and less of their time on it. But they *start* another, and usually a nonprofit, activity.

> Here are some examples—beginning with Bob Buford, the author of the two books, mentioned above, about preparing for the second half of one's life. Having built a very successful television and radio business, Buford still keeps on running it. But he first started and built a successful nonprofit organization to make the Protestant churches in America capable of survival; now he is building a second, equally successful organization to teach other social entrepreneurs how to manage their own private, nonprofit ventures while still running their original businesses. But there is also the equally successful lawyer—legal counsel to a big corporation—who has started a venture to establish model schools in his state.

People who manage the "second half" may always be a minority only. The majority may keep doing what they are doing now, that is, to retire on the job, being bored, keeping on with their routine and counting the years until retirement. But it will be this minority, the people who see the long working-life expectancy as an opportunity both for themselves and for society, who may increasingly become the leaders and the models. They, increasingly, will be the "success stories."

There is one requirement for managing the second half of one's life: to begin creating it long before one enters it.

> When it first became clear thirty years ago that working-life expectancies were lengthening very fast, many observers (including myself) believed that retired people would increasingly become volunteers for American nonprofit institutions. This has not happened. If one does not begin to volunteer before one is forty or so, one will not volunteer when past sixty.

Similarly, all the social entrepreneurs I know began to work in their chosen second enterprise long before they reached their peak in their original business. The lawyer mentioned above began to do volunteer legal work for the schools in his state when he was around thirty-five. He got himself elected to a school board at age forty. When he reached fifty, and had amassed a substantial fortune, he then started his own enterprise to build and run model schools. He is, however, still working near-full-time as the lead counsel in the very big company that, as a very young lawyer, he had helped found.

There is another reason that managing yourself will increasingly mean that the knowledge worker develops a second *major interest*, and develops it early.

No one can expect to live very long without experiencing a serious setback in one's life or in one's work.

> There is the competent engineer who at age forty-two is being passed over for promotion in the company. There is the competent college professor who at age forty-two realizes that she will stay forever in the small college in which

> she got her first appointment and will never get the professorship at the big university—even though she may be fully qualified for it. There are tragedies in one's personal family life—the breakup of one's marriage, the loss of a child.

And then a second major interest—and not just another hobby—may make all the difference. The competent engineer passed over for promotion now knows that he has not been very successful in his job. But in his outside activity—for example, as treasurer in his local church—he has achieved success and continues to have success. One's own family may break up, but in that outside activity there is still a community.

This will be increasingly important in a society in which *success* has become important.

> Historically there was no such thing. The overwhelming majority of people did not expect anything but to stay in their "proper station," as an old English prayer has it. The only mobility there was downward mobility. Success was practically unknown.

In a knowledge society we expect everyone to be a "success." But this is clearly an impossibility. For a great many people there is, at best, absence of failure. For where there is success, there has to be failure. And then it is vitally important for the individual—but equally for the individual's family—that there be an area in which the individual contributes, makes a difference, and is *somebody*. That means having a second area, whether a second career, a parallel career, a social venture, a serious outside interest, all of them offering an opportunity for being a leader, for being respected, for being a success.

The changes and challenges of Managing Oneself may seem obvious, if not elementary, compared to the changes and challenges discussed in the earlier chapters. And the answers may seem to be self-evident to the point of appearing naïve. To be sure, many topics in the earlier chapters—for example, Being a Change

Leader or some of the Information Challenges—are far more complex and require more advanced and more difficult policies, technologies, methodologies. But most of the new behavior—the new policies, technologies, methodologies—called for in these earlier chapters can be considered EVOLUTIONS.

Managing Oneself is a REVOLUTION in human affairs. It requires new and unprecedented things from the individual, and especially from the knowledge worker. For in effect it demands that each knowledge worker *think* and behave as a *Chief Executive Officer*. It also requires an almost 180-degree change in the knowledge workers' thoughts and actions from what most of us—even of the younger generation—still take for granted as the way to think and the way to act. Knowledge workers, after all, first came into being in any substantial numbers a generation ago. (I coined the term "knowledge worker," but only thirty years ago, in my 1969 book *The Age of Discontinuity*.)

But also the shift from manual workers who do as they are being told—either by the task or by the boss—to knowledge workers who have to manage themselves profoundly challenges social structure. For every existing society, even the most "individualist" one, takes two things for granted, if only subconsciously: Organizations outlive workers, and most people stay put. Managing Oneself is based on the very opposite *realities*: Workers are likely to outlive organizations, and the knowledge worker has mobility.

In the United States MOBILITY is accepted. But even in the United States, workers outliving organizations—and with it the need to be prepared for a *Second and Different Half of One's Life*—is a revolution for which practically no one is prepared. Nor is any existing institution, for example, the present retirement system. In the rest of the developed world, however, *immobility* is expected and accepted. It is "stability."

> In Germany, for instance, mobility—until very recently—came to an end with the individual's reaching age ten or, at the latest, age sixteen. If a child did not enter *Gymnasium* at age ten, he or she had lost any chance ever to go to the university. And the apprenticeship that the great majority who did not go to the *Gymnasium* entered

> at age fifteen or sixteen as a mechanic, a bank clerk, a cook—irrevocably and irreversibly—decided what work the person was going to do the rest of his or her life. Moving from the occupation of one's apprenticeship into another occupation was simply not done even when not actually forbidden.

The developed society that faces the greatest challenge and will have to make the most difficult changes is the society that has been most successful in the last fifty years: Japan. Japan's success—and there is no precedent for it in history—very largely rested on *organized immobility*—the immobility of "lifetime employment." In lifetime employment it is the organization that manages the individual. And it does so, of course, on the assumption that the individual has no choice. The individual is being managed.

I very much hope that Japan will find a solution that *preserves* the social stability, the community—and the social harmony—that lifetime employment provided, and yet creates the mobility that knowledge work and knowledge workers must have. Far more is at stake than Japan's own society and civic harmony. A Japanese solution would provide a model—for in every country a functioning society does require cohesion. Still, a successful Japan will be a very different Japan.

But so will be every other developed country. The emergence of the knowledge worker who both *can* and *must* manage himself or herself is transforming every society.

This book has intentionally confined itself to MANAGEMENT CHALLENGES. Even in this last chapter, it has talked about the individual, that is, the knowledge worker. But the changes discussed in this book go way beyond management. They go way beyond the individual and his or her career. What this book actually dealt with is:

THE FUTURE OF SOCIETY.