

Venturing Your Concept

Organization via Governance 10

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Have you ever seen two organizations locked in a titanic battle? One is driven by the taskmaster who demands compliance. The other is led by a coach who mentors all on the common goal and who asks for feedback continuously. Which style is winning and why? These are my subjects for this issue. By governance, I mean the style by which we manage our enterprise. Let me start with some groundwork.

The political history of the last 200+ years carries a simple yet profound message. Jeffersonian democracy is now widespread and gaining in much of the third world. Political systems having regard for the individual simply work better than do authoritarian ones. And so with organizations and business. The U. S. Constitution is a leading model.

Throughout history, enterprise has been shaped first by feudal lords then by economic chieftains who were replaced by the big boss for hire. The big boss is authoritarian and exclusionary. His solo command-and-control style, Theory X, for which 14-hour days and child labor drove the wheels of capitalism, was the only norm for industry until the early 19th century. That changed, briefly, when Robert Owen opened a textile factory in the Scottish mill town of New Lanarck. No one knew it at the time but a new day had dawned. Among other things, Owen instituted: shortened working hours, a grievance procedure, pay continuance during business downturns, and contributory health, disability and retirement plans. He did these things while getting rich in the process. Ordinary stuff today, but remarkable (and highly profitable) in his time. But in Victorian England, Owen's reduction of child labor and other advanced ideas were not just novel—they were threatening. He was attacked from all directions. In the end, theory X survived alive and well. Remarkably, most of Owen's ideas came to pass eventually, too late for the prophet to appreciate (or be appreciated for) during his life time.

In the early 20th century Douglas McGregor began advocating the importance of the human side of enterprise. He used his experience at Western Electric where hard data pointed to a better way. To be brief, these early experiments addressed the needs of a group of workers with a series of small changes. Productivity increased in pace with each change—*whether positive or negative*. Workers were involved in decisions with supervisors who earned their respect. By becoming part of the process, they had realized their own dignity and self worth. Management changed in character with personal respect, involvement

and team play enhancing all dimensions of the human experience including the bottom line. In short, bosses became leaders. Theory Y was reborn.

Here was solid evidence—complete with scientific controls. Yet it was largely ignored for some decades primarily because:

- it went counter to prevailing thought;
- it undermined the most basic tenets of command and control;
- it gave some power to the masses;
- it was not the intended result;
- it was scary to consider giving away any power, and
- it was certainly not the boss's idea.

Industrial histories in the 20th century show the gradual but steady adoption of Jefferson's ideals by industry. By the latter 20th century, the market economies that flourished were those with innovative managements that were both participative and inclusionary (where people largely make their own work decisions). Personnel Departments, controlled by regulations, became Human Resource Offices, focusing on the value of employees as human beings. The postwar Japanese experience (in contrast to Detroit) was a dramatic case in point. And so was the belated response of Detroit, where Chrysler went the Japanese one better in some respects.

Such organizations are dynamic and "fit for battle" because they make continuous learning and distributed decision-making their daily business and part of their strategies. Instead of fighting each other, every employee gives his/her all toward making the organization what it can be, focusing on:

- manufacturing quality products at lowest possible cost,
- customer service, and
- besting the competition.

The clearly defined issue is how to balance authority between a central figure and those who actually get all the work done. Clearly some structure and central authority is needed for legal reasons. Just as clearly, in a team of people having various disciplines, it does not often pay to challenge the experts as the team struggles for understanding and integration of thinking. I am reminded of a lecture I once heard in a business psychology course. "If you are in a burning building, you better follow the person who knows the way out."

A proper application of theory Y recognizes the need for structure. The difference is that theory Y leaders earn their jobs by the respect they earn relative to the job requirements, while theory X managers are appointed and exert command and control. We all differ in our abilities to do this or that job while having a fundamental human need for personal regard from others. This implies a perspective. Respect cannot be commanded; we earn it by what we

can do, how we interact with the group, and for what we are (character). How successful we are is up to the group to decide. It is both that simple and that complex.

Command-and-control has long been a military tradition. But guess what? Even there it is changing, at least in the US. Military after-action reports weigh the opinions of everyone. A private is expected to find fault with a general if the latter erred. The Gulf War was the first field test of the new training procedure.

When people feel safe, creativity and unity of purpose arise spontaneously. They let down their defenses. So we must remove all causes for fear, for example, the rational fear of a theory X boss. The human component here relates to Chapter IX. In fact, being reality based, Theory Y fails when applied by phony people in authority. The reason is simple. The “X” style boss wearing a “Y” leader mask is transparent, no matter how loudly he may proclaim otherwise. I once observed such a man. He had an “open door” policy, which he broadcast loudly and repeatedly—yet virtually never did employees visit.

This man installed a hand-picked, would-be successor only to discharge her after she alienated suppliers, customers, and employees alike. This theory X manager was soon replaced as well. In contrast, their successors never said a word about open doors. Within a month streams of coworkers were giving them the low-down on how they felt and about what was going on in the shop and in the market. These new managers were Theory Y by nature. The organization took quite a while to revive; some customers never returned.

Being phony (defended), these command-and-control types missed the vistas and left damage in their wake.

Participative systems face reality more effectively than can the traditional command-and-control view of a single boss, no matter how smart he/she is. Because of his/her power to intimidate or fire, a boss with an idea that is off-track is rarely stood up to. His/her power (or perception thereof) instills fear in the organization. Employees do not question the boss's rationalizations that misplace blame away from management. In these matters the following tend to be among barriers. Some people:

- are handicapped by their own inexperience and naiveté in dealing with a "tough boss";
- fear being ridiculed in public;
- have a deep-seated sense of duty to authority;
- have a mindset of blind obedience;
- feel social pressure to not rock the boat;
- do not challenge the obviously absurd because they lack confidence;
- do not take the time needed to think the issues through;
- have hang-ups (defenses) that blind them to reality;

- simply fear losing their jobs;
- too readily accept the status quo because prior experience demands no less.

In Theory Y leadership, the struggle between power at the top (telling you) and interdependence in the ranks (asking you) is seen in a new light. The insecure boss can only compensate for his own weaknesses (whether or not perceived) by being an overly aggressive commandant. That way he counters his inner fear of being a weak person. It is the human psyche in action.

By recognizing values in the workplace, theory Y respects the value of the individual. In fact, when self-motivated, each individual can achieve beyond all expectations. You have a theory Y leader when you hear him/her respectfully ask, "What do you think?" with feeling, sincerity, and empathy. You have a theory Y leader when no issue important to the group is hidden.

My own personal experience teaches me that I can never know enough or be clever enough. Only by consulting my friends can I broaden my view, deepen my thoughts, and find a measure of wisdom. This article is no exception. It comes from long dialogues with many individuals over a long period of time. It also comes from a very hard look at my own biases and how they affect what I think. And it comes from interactions with my editor who suggests and smoothes content while fixing punctuation.

Further clues about governance can be found in nature itself. Everywhere I look I see interdependence, among individuals, groups, species, and bio-systems. On the grand scale, we all depend upon the sun—which was born of the universe we are part of. We are born helpless and, if we live out a natural life, we often end up the same way. In between, for one example, city folk depend on farmers for food and farmers rely on city folk to improve farming technology. This is cooperation; it is not command and control.

My personal governance choice comes down to being real and having empathy with others. It works. My numerous achievements were all enabled by my many friends, colleagues, and co-workers at all levels. Take Ed Gubler, a lab tech, whose job it was to heat-treat experimental alloys. He goofed one time. But before I realized something was wrong with the test data, he hunted me down with the message. I thanked him, of course. His mistake helped give us a key to we needed to file for a patent and take the alloy commercial. Think about this anecdote next time you fly on a Boeing 777. The main landing gear beams are in part a product of serendipity and honesty in a Theory Y environment.

Now that we have our venture in hand, I will turn next to market and business development.

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