Managing All Barriers to Organizational Success

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Creating and maintaining organizational success is a different kind of problem now than it was a few decades ago. The information explosion, worldwide communications and greater interdependence among world economies make our world more dynamic and complex than in the past. This dynamic complexity means that organizations do not remain stable for long. Constant external change requires constant internal change. Success is determined largely by how well the organization adjusts all its tangible and intangible properties to keep itself on track with its surroundings.

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The older and larger the firm, the more difficulty it has changing. Essentially, the organization becomes rigid. If the organization has been successful in the past, its managers may fall into the trap of erroneous extrapolation, the false assumption

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that what worked in the last decade will work in the next.

With dynamic complexity, the new rule, the very thing that brought the organization success can bring about its sudden downfall.

The temptation for both managers and consultants is to gravitate toward every new approach offering the promise of organizational success. Like the search for the Holy Grail, each new approach looks for the one single answer. In the 1950s, management by objectives was heralded as the new solution to performance problems. In the 1960s, organizational structure was believed to be the best solution. In the 1970s, corporate strategy was the new panacea. In the 1980s, the rage is corporate culture.

That managers again will have to learn the hard way that a brand new culture cannot solve their performance problems either is a shame. Eventually, managers will drop the culture fad and move to the next remedy, and the cycle will continue. Too often, single approaches are discarded because they are not given a fair test. The single approaches are not inherently ineffective. Rather, each is ineffective only if applied by itself, as a quick fix.

Organizations generate complex problems that cannot be solved by simple, quick-fix solutions. The only alternative is to develop a truly integrated approach that examines *all* the tangible and intangible properties of an organization. Three ways of viewing the world are as a simple machine, as an open system and as a complex hologram. These contrasting world views highlight why an integrated approach is so necessary for organizational success and why any quick fix inevitably will lead to failure.

The holographic world

Viewing the world as a simple machine argues for single efforts at change, much like replacing one defective part in some mechanical apparatus. The one defective part can be replaced without affecting any other part. This single approach works for fixing a physical, nonliving system, but it cannot heal a human being, much less a living, breathing organization. The simple machine view represents one-dimensional thinking.

Viewing the world as an open system is a more integrated approach in which several parts are balanced simultaneously to manage the whole organization. Here, a dynamic equilibrium exists between an organization and its changing environment. The organization consists of systems, such as strategies, structures and rewards. The environment contains its own systems, too, such as the government, suppliers, competitors and consumers. This view, however, remains at the surface level, where things can be easily observed and measured. The open system represents two-dimensional thinking.

Viewing the world as a complex hologram adds depth to the open system, probing below the surface to examine cultures (shared but unwritten rules for each member's behavior), assumptions (unquestioned beliefs behind all decisions and actions) and psyches (the deepest reaches of the mind). To ignore the deeper aspects of organizational life is to assume that what cannot be seen or touched directly is unimportant. The complex hologram view seems to capture the essence of today's world, although three-dimensional approaches rarely are discussed, let alone utilized.

Barriers to success

Figure 1 shows organizational life as a complex hologram. The model consists of five broad categories representing the open system aspects of an organization, plus, at center stage, three holographic aspects that add the dimension of depth. The five broad categories are: the setting, the organization, the manager, the group and the results. The three holographic aspects are: culture, assumptions and psyches. The double arrows surrounding the holographic diamond signify the strong reciprocal influence between the three below-the-surface aspects and the other categories. The single arrows show the primary impact one category has on another, particularly how several categories combine to determine decision making, action taking, morale and performance.

Examples from the recent transformation of the American Telephone and Telegraph Company (AT&T) illustrate both the separateness and interconnectedness of the categories shown in Figure 1. This case is powerful because it requires the world's largest company to make an unprecedented break from the past. Simply put, the future success of AT&T requires a radical change in every category in the model.

The setting

At the top of the model is the broadest category of all. The setting includes every possible event and force that can affect the survival of the organization. Even if many possible events are irrelevant, they can become a significant factor for the organization at any time. For example, the world can be caught in an economic recession that ultimately affects organizations in every industrial nation. An energy crisis, like the one in the 1970s, can affect many

countries, including their economies and political strategies. The term "dynamic complexity" summarizes the two qualities that are having increasing impact on all organizations: rapid change and interdependence.
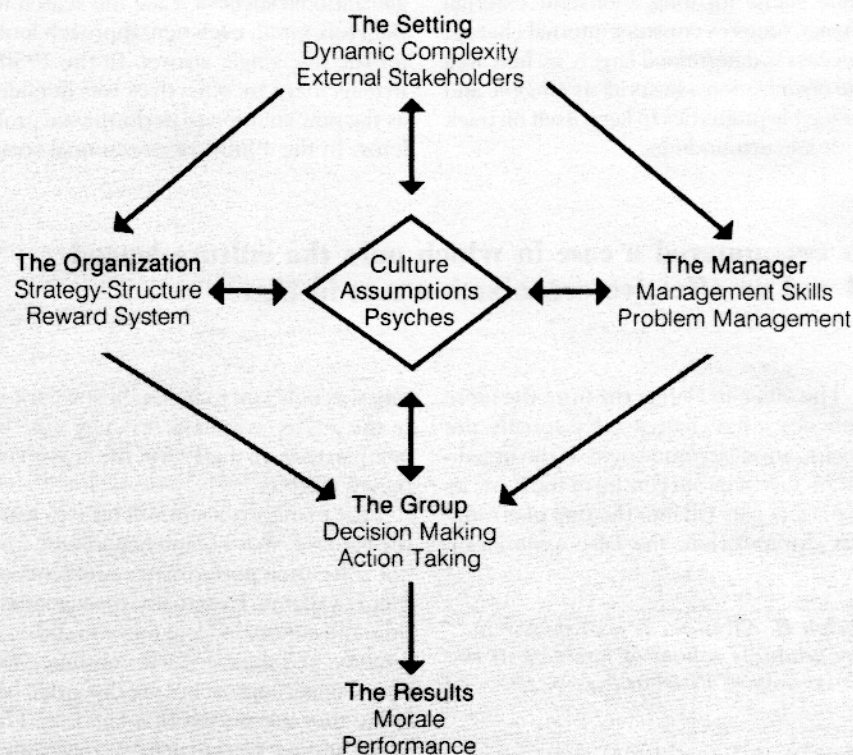
A useful way of looking at the setting of the organization is through the concept of stakeholder: any individual, group, other organization or community that has some stake in what the focal organization does. While most organizations would consider similar stakeholders—government, stockholders, competitors and financial institutions—as relevant to their setting, different strategies, products and services (markets) result in different stakeholders. Further, new stakeholders can enter the organization's setting at any time: new competitors with improved products; new government agencies with new regulations; new research groups developing new production methods; and new consumers with different tastes.

Once the largest company in the world,

AT&T existed within a stable, regulated, monopolistic setting. In the 1980s, AT&T found itself in the throngs of dynamic complexity as a result of just two decisions by external stakeholders: the Federal Trade Commission required AT&T to form a separate, unregulated subsidiary to provide new telephone equipment at customer locations, effective January 1, 1983; and after an eight-year study, the Department of Justice decided to break up AT&T's monopoly as a telephone company, effective January 1, 1984.

W. Brooke Tunstall, assistant vice president and director of corporate planning of AT&T, aptly describes how the decisions by two stakeholders so powerfully affected the very soul of the organization and its members: "While the critical research, manufacturing and long distance operating capabilities remain intact, it must be recognized that the two government mandates will mean the disintegration of the Bell System as the nation has known it. This, of course, strikes at the heart of

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Figure 1—Barriers to Success

The Setting
Dynamic Complexity
External Stakeholders

The Organization
Strategy-Structure
Reward System

Culture
Assumptions
Psyches

The Manager
Management Skills
Problem Management

The Group
Decision Making
Action Taking

The Results
Morale
Performance

Bell's historical legacy—its sense of unification over the course of a century.

"The culture shock created by these changes is difficult to exaggerate. In fact, when Bell System people began to verbalize their feelings on January 8, 1982 (the day divestiture was announced), they spoke in metaphors of personal grief, almost as if they had been deserted or there had been a death in the family. Gradually, the initial shock began to abate, helped along by occasional flashes of grim humor. 'My initial reaction,' one company president said, 'was that my best horse had just been shot out from under me.'"[1]

Most problems that beset organizations stem from the actions of stakeholders. Stakeholders change their plans, alter their decisions, modify their demands and adapt to changes in their own environment of stakeholders. Any organization existing in a complex and changing environment will face a continual stream of dilemmas, no matter how perfectly the organization is designed and managed internally.

The organization

The formally documented systems of any organization include: strategy, structure and reward systems. Strategy is the way the organization positions itself in its setting in relation to its stakeholders given the organization's resources, capabilities and mission. More specifically, strategy involves specific objectives, policies and plans that are guides to all decisions and actions. Structure is the design of divisions and departments, including job descriptions, rules and work procedures that guide activities within each unit of the organization. The reward system includes all methods of attracting and retaining employees, particularly those for motivating employees to high levels of performance. All approaches to performance appraisal are in this category.

Critical government decisions that affect AT&T require sweeping changes in strategy and structure. If these documented systems are not realigned with AT&T's new mission (to be competitive in the telecommunications industry), they can become massive barriers to success.

Radical changes in strategy and structure, however, have to be supported by a new reward system that encourages a market orientation. The reward system should encourage employees to make the mental and behavioral switch to the new corporate mission and discourage employees from living in the past.

The manager

While employees are an important part of the membership, the barriers-to-success model emphasizes the role of managers. The management aspects emphasized in Figure 1 concern skills and methods for problem management. The greater the changes in the setting, the more the mix of current skills might have to be questioned and modified.

Problem management refers to a special class of skills needed by managers for today's complex problems. Until recently, managers have been thought of primarily as decision makers—persons who must choose among a set of given alternatives to arrive at an optimal or satisfactory solution. This can work if the alternatives are already determined and the rules for choosing among the alternatives are clear-cut. With dynamic complexity, however, the problem itself often is unclear, let alone the alternative choices. Today's managers must be more than decision makers; they must be able to sense and define problems, select and implement solutions.

The split-up of the Bell system represents not only the biggest breakup in corporate history, but also the most enormous task of reorienting managers that any company has ever faced. Some critics charge that senior management is the biggest obstacle to change.[2] AT&T's previous management style of caretaking in its stable, regulated setting seems to fit better with a simple machine view of the world. A management style of risk taking, in contrast, is mandatory in a world characterized by dynamic complexity.

Culture

The three below-the-surface aspects of culture, assumptions and psyches each function at a different depth in the organization. Just below the surface, and thus easiest of the three to manage, is culture—the invisible force behind observable characteristics in any organization, a social energy that moves the membership into action. Culture is to the organization what personality is to the individual. It provides a hidden, yet unifying theme of meaning, direction and mobilization. Strategy, structure and reward systems are insufficient to get members working together in the right direction.

Operationally, culture is defined as shared values, beliefs, expectations and norms. Norms are easiest to define. They are the unwritten rules of the game. Some norms are: maintain the status quo; don't disagree with your boss; don't rock the boat; don't share information with other groups; follow all rules and procedures to the letter; do as little as is necessary to get by. Seldom written or discussed, such norms are learned by living in the organization and becoming a part of it. Culture, as manifested in norms of behavior, greatly affects how formal statements are interpreted and fills in what written documents omit. This affects all decision making and action taking, which in turn affect morale and performance.

Of special concern is how culture often steers behavior in the opposite direction from what is "requested" by job descriptions and work procedures or "dictated" by supervisors and higher level managers. This is when culture becomes a barrier to productive efforts instead of a channel for success.

The role of culture in managing change and transition is a major problem for AT&T. Just acknowledging the cultural aspects of the reorganization is certainly a step in the right direction. The next step is to manage culture explicitly rather than to assume it will resolve itself when the tangible aspects of the organization are addressed.

Assumptions

The next level of depth after culture, assumptions, are all beliefs that are assumed to be true but that may be false under closer analysis. Underlying any decision or action is a set of generally unstated and untested assumptions.

For example, managers might assume that the following unstated beliefs are unquestionably true: No new competitors will enter the industry; the economy will improve steadily; the government will continue to restrict foreign imports for the industry; the consumer will buy whatever the firm produces; the availability of capital will remain the same; employees will continue to accept the same compensation package and benefits plan; yesterday's structures are best for solving today's problems. In short, all previous decisions and actions might be based more on fantasy and habit than on reality and choice.

If the setting changes substantially, assumptions that guided the past can spell disaster for the future. If assumptions are not examined and discussed, managers may assume wrongly that their tried-and-true ways still are appropriate—a case of erroneous extrapolation. This thinking is dangerous for the modern organization. The need to expose and update all as-

sumptions is essential for high-quality decisions. Even one outdated assumption can result in a poor decision.

Psyches

The third holographic aspect of organizations is the deepest: the innermost qualities of the human mind and spirit. While psyches cannot be changed in a short time, if at all, an accurate understanding of human nature is essential in order to design strategy, structure, reward systems, cultures and the implementation of all business decisions. In essence, the assumptions members make concerning what people want, fear, resist, support and defend underlie the eventual success or failure of all systems and decisions.

Accurate assumptions about human behavior reflect the facts that human beings: are not entirely rational; have limited memory and tend to distort the recall of events; are often insecure; have strong desires for power and control; have a strong need to be accepted by a group; do not like massive change; and do not universally have the ability to learn.

Only when we make naive assumptions that human beings are all rational, allknowing, honest, good and pure are we surprised and shocked as the membership, or any stakeholder, acts differently than expected.

The group

While individuals make decisions and take actions on their own, complex organizational problems require multiple input from members of one or more groups. The team approach usually provides the most comprehensive source of expertise and information to solve complex problems. Synergism enables the team to contribute more than the sum of its members, resulting in high-quality decisions and commitment to implement decisions effectively. When several groups must work jointly on a problem, the degree to which information and expertise flow between groups affects the quality of all decisions. Only if the groups break artificial boundaries and look at the larger, holographic picture, will the organization benefit from interteam activities.

Because of the dynamic complexity now facing AT&T, interteam effectiveness is imperative. Nowhere is this more evident than in the problems created by switching from a manufacturing to a marketing orientation: "Ultimately, whether it's silicon chips, computers or plain

respect, the marketers feel they're not getting enough from the manufacturers," a former marketing manager says. Mr Bosomworth, president of International Resource Development, Inc., calls the present situation of manufacturers dominating marketers a "ticking time bomb."[3]

A holographic view shows that the "ticking time bomb" reflects an unstable transition of AT&T's culture, management skills, strategy, structure and reward system. As Figure 1 shows, the group is directly affected by all the previous categories in the model. If the tangible properties of the organization result in multiple barriers to success, rendering high-quality decisions and action will be difficult. A group or intergroup effort will be caught in a bureaucratic grip even before it begins discussion of a complex problem.

The results

The two primary outcomes that interest organizations have been referred to most frequently as morale and performance. Morale is the human resources side of the equation, the extent to which members have a positive feeling about and commitment to their work and their organization. Morale includes job satisfaction and satisfaction with one's work group, supervisor, physical surroundings, salary and fringe benefits. Performance is viewed in different ways depending on which stakeholder is considered. For example, stockholders emphasize return on investment, consumers emphasize quality and reliability of products, and the community emphasizes more jobs and clean air. Organizational success is creating and maintaining high performance and morale for all or most stakeholders over an extended period of time.

Distinguishing decisions and actions from morale and performance is important for two reasons. First, each decision and action does not translate directly into specific increments in morale and performance. Sometimes, only a series of decisions and actions makes a noticeable difference in the results. Other times, one critical decision or action can make or break an organization. Second, a time lag exists between decisions and actions on the one hand and performance and morale on the other. Building morale takes time; destroying it takes little time. Regarding performance, developing new products and bringing them to the marketplace requires time, but one bad decision can affect many stakeholders quickly.

Key implications

Are organizations continually applying the same simple theories and models to manage complex problems when in fact these no longer produce successful results? The solution is not a matter of using the old models better, but of adopting a new filter. When the time comes that the holographic world view no longer reflects accurately phenomena of the world, then new models will be needed to guide our efforts. Only by making our theories explicit in the form of models, including the assumptions that drive them, will we be able to disband old models and move forward.

Moreover, do our systems of organization, management skills, assumptions and cultures keep step with the world as a complex hologram? The major problem facing organizations is change in response to new problems imposed by new stakeholders.

An almost uncanny pattern emerges from all the research and consulting I have done in organizations. Rarely do I find that the formally documented systems alone need readjustment for organizational success, or that managers' learning of new skills about complex problems will by itself solve the organization's performance and morale problems. I never encountered a case in which only the culture lagged behind and an effective organization already was in place, with managers applying up-to-date skills. The culture problem always was associated with problems in the organization, the group and the manager.

These observations are really not surprising. The world as a complex hologram adds to the interrelated view of the open system an assortment of individual and collective nonrational aspects of human life. The likelihood that an organization can cope with a new world by adjusting only some categories in the barriers to success model is slim. Rather, all categories have to be considered and acted upon in all cases. This is the new rule of organizational change, not the exception. Management development, organizational design and culture change, implemented with an enlightened view of the world and all its stakeholders, are necessary to revitalize our organizations.

Consider the unparalleled challenge facing AT&T as its strategic shift must be supported by fundamental changes in all the other categories in the barriers to success model. As AT&T learned from its earlier attempt to sell specialized services,

change cannot be implemented merely by sending people to school. Nor can it be made by hiring new staff, by acquiring new businesses, by changing the name of the company or by redefining its business. Even exhortations by the chief executive to operate differently will not succeed unless they are backed up by a changed structure, new role models, new incentive systems and new rewards and punishments built into operations.[4]

The need for a holographic approach to organizational success was reported several years before AT&T was deregulated and split apart. The handwriting was already on the wall. In just a few years, we will know if AT&T was able to overcome all its barriers to success. The same will be true for all organizations living in today's dynamic complexity.

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