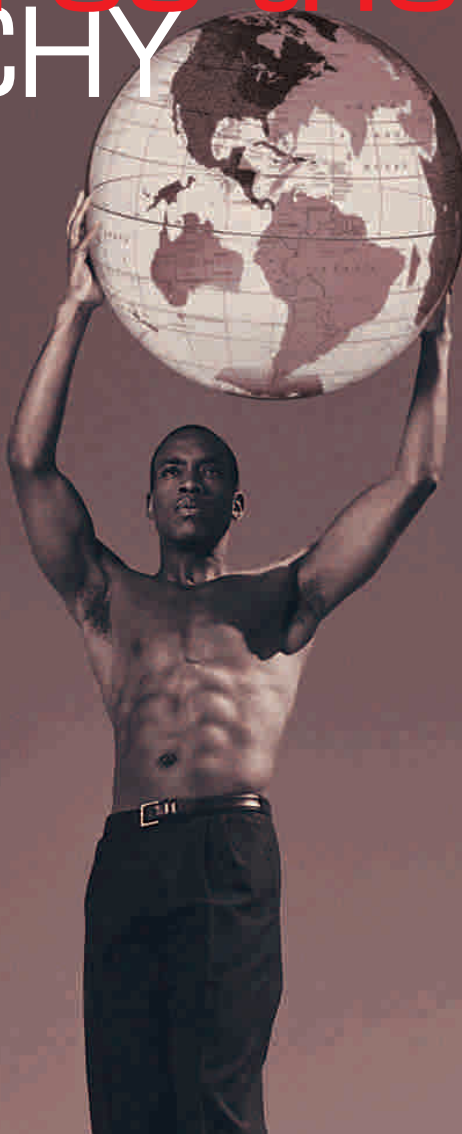


WHEN WISDOM Ignores the HIERARCHY

A winning
strategy for the
21st century

Published in the May 2000 edition
of HUMAN RESOURCES
The Official Magazine of the Hong
Kong Institute of Human Resource
Management



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“W

isdom is knowing what to do next,” said President Roosevelt. We never really like tautologies, but in this case we want to take Roosevelt at face value. We want to assume that wisdom really is knowing what to do next, in such a way that what is done next actually leads to consequences that are desirable both for the person doing the knowing and the greater context within which he or she operates. History tells us that without wisdom people are ultimately always going to fail. With wisdom, however, success is just a matter of time.

The ‘know-body’

When it comes to organizations, the conventional view is that if we put wise people into positions of power, then, as a matter of course, the organization as a whole will behave wisely. True, senior leadership is very skilled in formulating a strategy in a relatively short period of time. But when it comes to implementation, there is often ‘no-body’, and the action slows down to a snail’s pace. Surely something must be missing.

The missing link

What’s missing is at once simple and elusive. It is organizational wisdom. It is about linking individual wisdom throughout the enterprise. It is about people using individual experiences

and talents together to reach higher operational effectiveness. A simple statement, at the start, that leads to more questions than it probably answers.

Nurturing organizational wisdom

Sure enough, the reality is that almost every organization struggles to establish the mechanisms that will lead to a state where employees have the true power to apply wisdom. Reflecting on 20 years of management experience, this article disputes the wisdom of the hierarchy and suggests non-conventional ways to start nurturing the distribution of wisdom.

Why should we?

Why should we disseminate the power of wisdom throughout the organization? For one thing, such an organization would be more profitable. And there are other things. Just imagine an organization where employees proudly say to their friends: “At work, I can speak up and I am not seen as someone with a bad attitude. I can talk about things that are not going right, instead of having to shut up and live with them.”

Wouldn’t it be nice to be part of an organization that succeeded in breaking away from a culture of fragmentation, compromise, defensiveness



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and fear? A group where members live with integrity, commitment and collective intelligence? If this is the sort of organization that we all want to be a part of, how do we create such an organization? The first step is to rethink wisdom – what it is, or is not, and how to attain it.

Rethinking wisdom

Are we born with it or do we acquire it? And, if we acquire it, how? Should we team up with Oscar Wilde and claim: “experience is the name we give to our failures”?

When experience is not wisdom

How many of us can secure a job by repeating for 20 years the experience we gained in the first few years after graduation? Unless there is a continuous process of reflection of the meaning of one’s experience, and a rethinking of what one knows, years of experience do not equate to wisdom.

We recall a classified ad in the South China Morning Post. A bank was looking for a director of re-engineering. To qualify, applicants had to have at least ten years’ experience in retail banking. It puzzled us. Had there been any major service breakthrough in the Hong Kong retail-banking sector during the last ten years? How many years of experience does one need to comprehend that double-data entry by tellers creates long queues of frustrated customers? When experience is the memory of the past, experience is of no value to the organization.

When education is not wisdom

Gone are the days when learning stopped the very moment we graduated. Learning is a transformation that takes place over time. It is, as we all know, a lifelong project. But, how many management books did we read, rather studied, since we got our bachelor or master degree? I opened a management book four years after my promotion to manager. I did it because my boss told me to do so. Worst, he asked me to report to him not only what I had learnt from the book, but also what it meant to me! He did not send me to training. A wise man, indeed.

When training is not wisdom

Seminars are usually a waste of time and money. Cost center managers know this, which is why the training budget is the number one candidate in any cost-cutting exercise. One does not learn tennis by reading a book, listening to Agassi or watching Sabatini. This sort of observation builds awareness only. When there is no opportunity to practise, training is just an expensive reward for privileged employees. However, when the opportunity is given to practise again and again, and mistakes are allowed, then training is an investment in wisdom.

When making mistakes is wisdom

If wisdom (good judgment) comes from experience, and experience comes from bad judgment, then the truism that ‘the one who never failed has never been tested’ is more relevant than ever. Some of us have been looking at measuring the effectiveness of training without much success. Wouldn’t it be smart to count how many times people fail instead? This would be a neat way to



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assess employees' wisdom, wouldn't it?

In 1981, I hired a database designer. I knew nothing about databases then, and still don't now. My selection criteria? Must have designed four databases and screwed up the first three! During the interviews, I focused on the screw-ups and what the applicants had learnt from them. Guess who I hired? The database application was ready for field-testing six months later. Our own IT department was asking for two years! Yes, I was given the power to bypass the established procedures of the organization. That was wisdom.

When controversy is wisdom

No man is an island. We build our knowledge from others. We grow because we share knowledge, because we know how to give and receive feedback, and because we can build on one another's perceptions and visions of the world.

To come back to my database application example, the IT department claimed that it would take at least six months to create the data dictionary. We did it in three days, and it remained valid for ten years! Did I have the wisdom to know what would be needed in the future? No, I did not. But with the 15 other egos we did pretty well.

Coming from ten different countries, they were the most argumentative, undisciplined

people I have ever had in one room: they were administrative specialists in their mid-to late 20s, who had a full knowledge of the issues and 15 different viewpoints from which to look at them! At that time, I didn't know that open controversy, when a clear purpose exists, creates wisdom.

The arrogance of being right

What stops most people from becoming wiser is the belief that rank, age, experience and education are sine qua non for wisdom.



"The concept is interesting and well formed, but in order to earn better than a 'C', the idea must be feasible," wrote a Yale University professor in response to Fred Smith's paper proposing reliable overnight delivery service. Of course, Smith took this "interesting and well-formed" concept and went on to set up Federal Express. It is very unfortunate that too many of the people who got 'A's reign high in the MBA food chain – sorry, chain of command. This chain of command is sometimes the chain of mediocrity.

We are all familiar with the question, are managers born or made? Well, there is a follow-up question to it: If they are made, can we return them under warranty? If we could, many MBA schools would go bust! Could they, would they, be accountable for those



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companies, once very successful in the 20th century, that failed to see the dawn of the 21st century?

Rethinking the hierarchy

Today, people in business have the wisdom to recognize that we can no longer rely on the experience of the hierarchy to respond swiftly to the ever-increasing variety of and shifts in market requirements and customer needs. We look for employees who can be team players, who can think about the customer, take the initiative, and be flexible and creative. In other words, we hire brilliant people.

And then the chain of command treats them like turkeys.

All too often, the reality of a job calls for two things: learning the rules, and learning how to do the job faster. The boss decides what needs to be done and how it must be done. The problem is, of course, that eagles don't like to be managed like turkeys. One day they will fly away, and they will fly away with their wisdom. Turkeys, on the other hand, cannot fly, so they work hard and try their best to stay on forever.

The chain of loyalty

As people, we are eager to change because we need to respond to new conditions. We are motivated either by a personal desire to succeed, or by understanding (and fearing) the consequences of not changing.

Not too long ago, we had a client who told his employees that all trivial tasks would be

subcontracted within the next two years. Future core competencies and learning paths were explained. Employees knew they had to adjust and develop new capabilities should they wish to stay and grow. This is what we call loyalty – loyalty to employees.

It is unfortunate that, too often than not, the hierarchy lacks the integrity to tell people what it will take to keep a job. Is it a lack of integrity? Maybe not. Personally, we bet it is a lack of wisdom and a lack of courage.

The chain of control

In many ways, the barrier to wisdom growing in an organization is the organization itself. Typically, there are two functions that possess the inner belief that their mission is about controlling what the organization has become. They devise policies and spend their time enforcing them. Does anybody get the favor of the boss by asking why this, why that? We usually don't. So we keep doing work that has lost its original purpose.

For example, when the accounting department has proof of delivery matching a signed purchase order, who needs an invoice from the supplier? One day when you want some fun and are bold enough, just ask the question and challenge the answers. We never found an answer that made any real sense. If you ever do, we'd love to hear about it.

How about collecting all the policies and procedures of the company, then piling up the paper and measuring the height? At the very least, we estimate this pile would stand around six-feet high. Double that number if



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you are ISO 9000-certified. To reduce the height, we suggest enforcing one new policy only: for every new policy introduced, three old ones must be removed. People will soon feel the winds of freedom – freedom to think and freedom to talk.

The chain of empowerment

But we do empower people! At least we act as if we do. But is it really empowerment? We expect people to understand what was done before and after their own work, and to find ways to do it not only faster but better. When problems arise, employees are empowered to gather facts, define the ‘real’ problem, and submit solutions to functional managers, who, in turn, decide which one is acceptable by all parties involved in the system. It is pretty much the same as in schools: well-behaved students are expected to acquire and store facts and present them in well-accepted rational frames aligned to the wisdom of the day.

The chain of servants

When job postings ask for people to be masters of their own work and be accountable for results, why do we need managers? We need them to add value! To add value by being ‘servants’ to subordinates, not to their own bosses.

In 1986, I got a new boss. At the very beginning of our first meeting he asked me a simple question: “What do you want from me?” It took me some years to digest how smart this question was.

Confucius never did, though. He planted the roots of discipline, obedience and conformity,

thus turning people into servants of (benevolent?) masters. And these roots grew for centuries. A Confucius-minded person does not expect people to take the initiative without prior permission from the father. Initiative means change, and change rocks the boat. For too many people, it is better to stay put and enjoy a smooth sailing for another millennium. A sure way for future generations to be left to admire the Pyramids or the Great Wall.

Change, hierarchy and wisdom

Some 20 years ago, the conventional wisdom was ‘if it works, don’t change it’. In those days, change was approved when it was a well-articulated answer to a well-defined problem. About ten years ago, thanks to the Japanese, the rest of the world woke up, and the wisdom became ‘we don’t have to be sick to become better’. Change was, and still is, a way for continuous improvement of the current state, as approved by management.

Today, however, markets are far more complex and existing models hardly explain the world of business. Finding the right answer is no longer the challenge; finding the next question is. It is a prerequisite to ‘knowing what to do next’.

When it comes to building the future, we are as good as any expert. Experts are not wiser than us. And so it is for the hierarchy and all who dwell within. None is without shame or blindness. In 1977, Ken Olson, president of Digital Equipment Corporation, foretold the future of PCs: “There is no reason why anyone would want a computer in their home.” It is to be remembered that he was the one behind



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the invention of interactive computing (screen and keyboard) in the late 1950s. At that time, the world was happy with card punching and batch processing. He was wise not to be, wasn't he?

If it works, it must be out of date

We would like to see an organization where people are wise enough to recognize that by the time they finally make it work, the reasons that originally triggered the change are gone. In our view, a mindset of systemic change is the only strategy for survival in a world where the pace of change is rocketing.

And because the time to make decisions has become a scarce resource, responsibility to make operational decisions should bypass the traditional chain of command and shift to the most competent individuals. They must be allowed to link up when they wish, assemble as a 'virtual team', and disband once the situation has been responded to. For senior leadership, the difficulty is no longer finding the solution but finding the 'solvers', i.e., the change masters.

From Master of Administration to Master of Change

We have one wish: that MBA program directors will soon add project management and consulting skills to the MBA curriculum. Consulting skills, the art of influencing others with integrity when you don't have control over their decisions, will prepare future managers for how to handle cross-functional project groups and groups staffed with knowledge workers – these being talented

egos, younger and wiser than the boss in producing results.

In the mid-1980s, we had a serious quality issue with our frontline technical support staff. At an operations meeting, I committed to fix the problem if countries would lend me ten of their best specialists for two weeks. They asked me how did I plan to do this. I confessed that I had not made up my mind yet. That was shocking, not letting decision-makers assess the solution beforehand! And honestly I didn't have one.

In a systemic change environment, the hierarchy frees people to invent new intuitive models on the spot and decide in real-time, without the need to ask for permission. The trial-and-error process is seeded everywhere, so that there is no fear of being wrong or making mistakes. And it is safe to ask for the rationale behind a decision. 'Why' is not a dirty word.

After the success of the ten-specialists-two-weeks experiment, I received the funding to establish an organization dedicated to the engineering of service. I selected people for their expertise and their attitude against the status quo. (Incidentally, always look for people with an attitude – their bosses will be more than happy to hand them over to you!) I kept them 'disorganized' (i.e., no control) for about a year. But they knew their marching orders: deliver the promise, no excuse for failure, do what it takes.

From their experiences and mistakes we formalized the process of service engineering. For three years the group delivered all of its projects on time, on budget, and to the



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satisfaction of customers. My contribution to the group's success was to secure the resources they needed and to protect them from internal politics. ('Protection management' – a new topic for MBA students perhaps?) Eventually, after three years, the team turned my vision of service quality into a "worldwide reality" (Pier-Carlo Falotti, then CEO of Digital Equipment Corporation, Europe).

You may say, "Nice story, but you were lucky – you had the right people and the right boss." Certainly. But there was more to it. Wisely, or by chance, one can start on the right foot. In retrospect, we do believe there are three fundamental moves prior to distributing wisdom within your organization.

The three moves

1. Establish clarity of purpose and unity of action

Start by asking yourself a few questions. Can I articulate the mission, objectives and strategy of my group, without having to turn around and pick up a binder from the shelf? Can I, in less than two minutes, explain the purpose of my group and its contributions to the company's success, as judged by senior leadership? If you cannot, neither can your staff, so you 'know what to do next'.

It is not a trivial task, for achieving clarity and simplicity is hard work. In our opinion, it should be the sole responsibility of managers. It is their tangible contribution to organizational wisdom. Clarity and simplicity remove confusion.

We are not fanatics of the armed forces, but

we do appreciate their ability to cascade clear and simple messages down to the trenches. When one is confused, one doesn't take the initiative, as it is safer to wait for the boss to decide. Long working hours, boring and lengthy meetings, and frustration are the consequences. Think about the benefits if you invest time with your subordinates to develop something crystal clear that everyone can understand and carry in their heads.

The critical start is the mission statement (or purpose, or goal, or strategic intent). It is the reason for existing, the reason for action. It is the big 'Why?' Consciously or unconsciously, it influences people in the definition of their objectives, and in their decisions of what is right or wrong for the organization as well as for them.

2. Make sure your mission and objectives are bought in

Imagine for a moment that you are in charge of an army-training center. As the commanding officer, you define the mission as "Combat Readiness". Sounds good to you and your subordinates. So, all of you work really hard and do the best you can. But one day, much to your surprise, army headquarters tells you that getting soldiers ready to fight is not what they ever wanted, and so they remove you from your command and downsize your company. Nobody wants this to happen at work!

The second move, therefore, is to ensure that the mission of your group is periodically reviewed, and that your operating objectives (the results of action) are aligned to the corporate strategy (the directions for action) and sold to the hierarchy. (The mission and



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the objective of an army-training center are to ensure that when soldiers fight, they win. Being ready is surely not enough for a general. We bet that soldiers – the ultimate customers – would feel the same!)

3. Do not interfere with the ‘how’

Once your subordinates’ objectives are aligned to your approved mission and objectives and there are enough eagles around, unity of action comes naturally. They know what to do next. Of course they know how to plan, organize, execute and measure what they are responsible for, because you were wise enough to select them in the first place. So, logically, your third move is to give them full authority for the ‘how’, as long as they deliver their promises.

In 1986, my answer to my boss’ question “What do you want from me?” was: “Once we agree on what has to be achieved and we both understand why, the ‘how’ is mine!” We both abided by this principle when working together.

Once these three moves have been completed, you will sleep better at night, for you will not have to make all the right decisions anymore! ●

