MASTERING CHANGE

The Power of Mutual Trust and Respect in Personal Life, Family Life, Business and Society

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Dedicated to the Certified Adizes Practitioners worldwide, without whom the contents of this book could not be a reality.
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The list of people who contributed to this book is quite long. I have been lecturing about this material for twenty-five years. It started as a small simple model and it grew over time as people came forward and made remarks. Some disagreed and enriched me with their disagreements. Some reinforced my presentation and contributed anecdotes, jokes, case histories, even cartoons. Over time I realized that what was applicable to the organizations I was lecturing about applies to personal life too. When I was invited to speak to heads of state and their cabinets, the applicability of the material on the social-political plane became evident as well.

So, whom do I thank? Where do I start? Certain people stand out. First, my parents, who through their Sephardic Jewish wisdom taught me much about life. Outside my family, Mr. Vukadinovic, my first grade teacher in Belgrade, Yugoslavia, stands out for a lesson I will not forget. I was an eight year old child saved from the Holocaust, in which half of my family perished. I was scared and timid. Another child in the class harassed me publicly with anti-Semitic insults. Mr. Vukadinovic put us both in front of the class and lectured us about brotherhood, how we look the same, yet still can enjoy the beauty of being different. He spoke about trust and respect. He had us sit at the same desk for the rest of the year, and my enemy became one of my best friends, remaining so to this day. Next, I want to thank Yehuda Erel, my youth leader in the Israeli Noar La Noar youth movement. I came to Israel after World War II, looking for a home, full of fears of being rejected. He gave me roots and a sense of belonging by teaching me to serve others who were less fortunate than myself.

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About the Author

Dr. Ichak Adizes (Yitz-hak Ah-dee-zes) has applied his theories of mastering change for twenty-five years in 35 countries with over four hundred organizations, with business corporations as well as with not-for-profit organizations, that range in size from 80 employees to 90,000 employees. Furthermore, he has been invited by heads of state to lecture to ministers and members of parliament about his theories and practice and to consult on how to debureaucratize government.

Dr. Adizes is the Founder and Professional Director of the Adizes Institute in Santa Monica, California. The Institute is dedicated to the training and certification of Adizes Practitioners, and to applying the Adizes methodology for solving managerial problems through consulting to organizations with Certified Adizes Practitioners located in twelve countries.

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A sought-after lecturer who is fluent in four languages, his work has been featured in Fortune, Inc., the New York Times, the London Financial Times, and many other major foreign publications.

Dr. Adizes was born in Yugoslavia and raised in Israel. He received his BA from Hebrew University in Jerusalem, his MBA and PhD degrees from Columbia University in New York City.

He practices yoga, loves folk dancing and playing the accordion for a sing-along. He and his two sons reside in Brentwood, California and Tel Aviv, Israel.
Conversation 1

The Meaning of Management

One afternoon I was talking with a student of mine. He was intelligent and intellectually curious. He wanted to learn what I knew about management that enabled me to teach and lecture worldwide. He asked if I would take the time to talk about my field of expertise. I liked his curiosity and offered to answer his questions. As we walked in the park exchanging questions and answers, this book took shape in my mind.

I understand that you have been studying the process of management and leadership for more than twenty years. What is it?

First we have to define what the word manage means.

The Traditional Theory of Management
I've found that in certain languages, such as Swedish, French, and Serbo-Croatian, "manage" does not have a literal translation. In those languages, words like direct, lead, or administer are often used instead. When they mean to say "manage" in the way we use it in the United States, they usually use the English word. In Spanish, for example, the word manejar, the literal translation for "manage", means "to handle" and is used only
when referring to horses or cars. When they want to say "manage" in the American sense of the word, they use direct or administer.

But isn't the process universal?

No. In certain countries the managerial process, as it is practiced in the United States and taught in its business schools, is prohibited by law. In the Yugoslav self-management system, if a manager made a unilateral decision for a company, he could be criminally prosecuted. It would be considered a negation of the democratic process. Instead, a manager had to "suggest," while the workers decided. In Israel, the secretary of a kibbutz, who holds a managerial position, is periodically re-elected so that no one can claim permanence in governing others.

You mean the kibbutz secretaries manage for a while and then go back to milking the cows?

Or to serving in the dining room or washing dishes. Management is not permanent there, just as no elected government is permanent. That would negate democracy. They are not managers by profession.

What, then, is management, if some languages don't have a direct translation and some sociopolitical systems negate it or practically forbid it? Would the synonyms in the dictionary provide a sufficient definition?

Well, what synonyms would you suggest?


In several dictionaries the synonyms for "manage" are the ones you have mentioned. There are other intriguing synonyms, like dominate and govern, from the American Collegiate Dictionary. The Oxford Dictionary adds manipulate and connive. Interestingly enough, none of the dictionaries I looked at listed lead or motivate as synonyms.

I don't like the synonyms "connive" and "manipulate".
And for a very good reason. Let's see what that reason is by analyzing the common denominator shared by all the synonyms we've mentioned, excluding lead and motivate. Imagine the process described by each of these words. Animate their meaning. Can you identify the common denominator? Operate...plan...control...organize...rule...achieve...accomplish.

They are all a one-way process. The managing person is telling the managed person what to do. The manager determines what should be done and the managed person is a means of accomplishing that end.

That's why we call a manager the “head” of the department, and a valued subordinate is called the “right hand.” The right hand does exactly what the head tells it to do, while the left hand behaves as if it had a will of its own. It is not fully controllable.

But managers are also called supervisors.

Because a supervisor is supposed to have superior vision. Look at the insignia for military officers. You can compare the progressive ranks represented by United States' military insignia to climbing a tree and then ascending to the sky. The lieutenants have bars representing the branches of a tree. The captain has two bars; he is going up the tree. The major has a leaf representing the top of the tree. Then the colonel soars like an eagle, and the general has a star. The higher they go up the organizational hierarchy, the better their vision should be. The problem with such a philosophy is the lowliness of the subordinates. The lower they are on the tree, the less they can see and are allowed to know. Listen to the word: subordinates. They are sub-ordinary.

If the manager is called the superior, then are the staff people called inferiors?

In Hebrew, subordinates are literally called “bent,” as if the managers had molded them to do whatever they wanted.

This is a bit upsetting.
It is upsetting because the managerial process, as it is taught and practiced is not a value-free process. It is not only a science and an art, but also an expression of sociopolitical values. It is a value-loaded political process.

_Didn't we leave out "motivate" and "lead"? Don't these synonyms redeem the process of management from what appears to be its hierarchical, one-way-street connotation?_

In that context, what is the meaning of the words _lead_ and _motivate_? Isn't the connotation that, as a manager or leader, I know what I want the subordinates to do? The challenge is finding the way to lead and motivate them to do it. If I can't control, maybe I can motivate. What does that sound like?

_Mani-pu-la-tion._

Right! I remember a cartoon in the _New Yorker_ magazine. A mother who is a psychologist is trying to convince her son to take out the trash. Wearly, the boy says, “OK, OK! I’ll take out the trash, but pleeeease, Mom, don’t try to motivate me.” Even the child sees motivation as a manipulation. What he must do has already been decided. It’s only a matter of how to make him do it. Should it not seem strange that labor unions often oppose programs such as job enrichment or enlargement, which management uses to motivate workers? Labor views these programs as ploys to increase productivity and profitability for the good of management. The only benefit to the workers is that they may keep their jobs.

The same connotation of manipulation comes up in the synonym _lead_. Some theories of leadership, if you read them carefully, discuss leadership not as the process of deciding _what_ needs to be done and _why_, but rather on _how_ to make the followers follow. Should the leader direct the followers or discuss the decision with them? That can be seen as a manipulation because the leader does not have to care about what the followers genuinely need. In some industries management is a dirty word. In the arts in the United States, it is often synonymous with exploitation.

_So what do you suggest?_
The Functionalist View
We have to understand the role of management by the function it performs: why do we need it? And the function should be value-free, without any sociopolitical or cultural biases. It should be the same, whether we are managing ourselves, our family, a business, a nonprofit organization, or a society. Whether we speak of managing, parenting, or governing, it should be one and the same process conceptually. The only difference would be the size and nature of the unit being managed.

This sounds very ambitious. Where do we start?

Do you agree with one thing, that change is constant? The process has been going on since the beginning of time and will continue forever. The world is changing physically, socially, economically. Even you are changing this very minute. Change is here to stay.

Yes?

And change creates problems.

Yes.

And problems require solutions.

Yes.

And solutions create more changes. We can diagram the sequence like this:

Now if change is here to stay, what else is here to stay?
Problems.

And the greater the quantity and velocity of the changes, the greater the quantity and complexity of the problems we will have.

The point is that people should not expect to permanently solve all problems. When one set of problems is solved, a new generation of problems will emerge. We will stop encountering problems only when there is no more change, and that will happen only when we are...

Dead.

Right! Living means solving problems, and growing up means being able to solve bigger problems.

The purpose of management, leadership, parenting, or governing is exactly that: to solve today’s problems and get ready to deal with tomorrow’s problems. This is necessary because there is change. No management is needed when there are no problems, and there are no problems only when we are dead. To manage is to be alive, and to be alive means to experience change with the accompanying problems it brings.

Then how do we manage change?

I suggest that managing change involves two processes. First, you must decide what to do, and then...

You have to implement your decisions.

Right. For managing well, both processes are necessary, and together they are sufficient. So our diagram of the management process looks like this:
And these processes are value-free. You can apply them to manage anything from a criminal underworld to a community of saints. Whenever there is change, you must make decisions and you must carry out those decisions.

_But are both factors really necessary? Some people hate to decide. It's too painful. Do they have to decide?_

Not deciding, or procrastinating, _is_ a decision. They cannot escape the fact that whenever there is change, they must make a decision, or the change itself will de facto make the decision for them. And while making a decision is necessary, it is not sufficient. They also need to implement the decision.

To manage well, you need both to make good decisions and to implement them efficiently. You are not managing well if you make bad decisions that you implement well or if you make good decisions that you implement badly.

_Wait! Why is the implementation factor separate? Shouldn't implementation follow naturally if the decision is a good one? As a matter of fact, a decision is not a good one unless it includes a plan of implementation. Thus, all that is needed for managing is to make outstanding decisions. Period._

It's not so simple. Look at your personal life. How many decisions have you made that you never implemented? Even though you sat down and made a list of exactly what you would do, you still did not implement the decision.

Do you smoke? Or maybe you overeat? Since you know both activities are bad for you, you've probably decided to change these habits. Yet you probably still go on behaving the same way despite a detailed plan to implement change.

_You mean I'm not in control of my life?_

Are you? Have you implemented all the decisions you've made to change?

_No, I have not. I'm still struggling with losing some weight. I've made the decision to change my diet many times, but have never_
succeeded in doing it. It's embarrassing.

The same holds true for almost any organization. Management might decide to change direction, markets, product line or the culture of the organization. It has great difficulty implementing such changes. The same phenomenon occurs in the governing of countries. Many leaders, even dictators, complain that their decisions involving change do not get implemented. For instance, Hitler could not force the implementation of his decision to burn Germany in front of the advancing Allied forces. His decision was never carried out, although he had total power to execute anyone who didn’t follow his orders.

Both factors, decision-making and implementation, are necessary for managing change, and both factors are sufficient. If I want to solve problems and manage well, whether it's my personal life, career, family, organization or society, I must make good decisions and then implement those decisions efficiently.

Yes, and as your experience with dieting shows, the quality of the decision can neither predict nor assure the probability of implementation. Some decisions that require change, even if they are outstanding, do not get implemented; and some bad decisions, like smoking or overeating, get implemented swiftly.

Why is that?

It's because the two processes, decision making and implementation, are incompatible. It's as if you were holding two books. One book tells you how to make good decisions, the other tells you how to implement decisions. If you follow the instructions on how to make good decisions, those instructions will undermine your efforts to implement the decisions efficiently. And if you follow the instructions on how to implement efficiently, they will undermine your capability to make good decisions.

I'd understand that better if you gave me an example.

Look at political systems. Which system is designed to increase the probability of making good decisions? Which system fosters open discussion
and vehemently protects the freedom of information, speech and the press so that good decisions can be made?

*Democracy.*

That's right. And have you noticed how difficult it is in a democracy to implement public policy decisions that require change? The system may make good decisions, but the legitimate political dissension necessary to make the decision becomes a stumbling block in implementation. Most leaders in democratic systems complain their policies don't get implemented as swiftly as they would like.

Now, which political system allows quick implementation of decisions by not allowing discussion, dissension or questions?

*A totalitarian system.*

Yes. And totalitarian regimes usually make bad decisions. Why? Because efficient implementation is carried out by forbidding freedom of the press, dissension and discussion. It's "do it or else." This inhibits the exchange of information necessary to form educated judgments. Instead of quality decisions, such regimes often produce biased decisions with horrible outcomes.

Are you saying that good management is democracy in decision making and dictatorship in implementation?

Correct! In personal life it means that in order to make a good decision, you must be open minded. You must operate democratically within your own mind and with other people. But once a decision is made, you must become dictatorial, which in personal life means you must commit to the decision, be strong-willed, and carry it through.

That's easier said than done.

Absolutely. Democracy in decision making and dictatorship in implementation is what I call "democratship." It is a difficult process. Many people mismanage by having it upside-down: they're dictatorial in decision making and democratic in implementation.
That’s me, I think. I’m dictatorial in deciding to lose weight. “I have made up my mind absolutely. There will be no more discussion. This is final,” I say. And I remain resolute until the sandwiches arrive. I then conveniently turn democratic and heed the voices of dissension.

You’ve got the idea, my friend. You must have democracy and dictatorship in the right sequence. You must be capable of being democratic and then dictatorial, and the difficulty is in the word then. When do you stop being democratic and start becoming dictatorial? When do you quiet the voices of dissension? Some people are democratic in decision-making and continue being so during implementation. They’re inefficient because they keep changing their decision. On the other hand, resolute people carry out efficient implementation, but their closed minds hurt the decision-making process. They’re difficult to reason with because they don’t listen well. They end up making decisions based on inadequate or biased information. In contrast to the democratic style, which is effective but not efficient, the totalitarian style is efficient but not effective.

Do you mean to say that democracy is not an efficient system?

Yes, I do. If you try to make it an efficient political process, it will lose its effectiveness.

By the same token, are you saying that totalitarian regimes cannot be effective? Come to think of it, they’re not. The Soviet economy, in its central planning mode, has difficulty producing according to plan—it even has food shortages.

Totalitarian regimes are ineffective. The more democratic they become, the more effective they can be.

But then they’d have to give up some political efficiency.

Yes, and that’s not easy. People usually want something more without losing what they have. They prefer “more” to “instead of.”

To manage, lead, parent, or govern well means to decide and implement, to be democratic, then dictatorial. This is very tricky, It’s
tricky not only in managing a business, but in family and personal management as well. It’s one reason why the managerial process is so difficult.

You must decide and implement, be open-minded and resolute at different times. You have to know which frame of mind is correct at which time. Defined this way, the managing process is all-encompassing, universal, and value-free.

\[
\text{quality of management} = f \left\{ \begin{array}{c}
1. \text{quality of decisions;} \\
2. \text{efficiency of implementation.}
\end{array} \right\}
\]

I think I’ve got it. Both factors are necessary, and together they are sufficient. The better our decisions and the more efficient our implementation, the better we manage. But how do we make those good decisions and implement them efficiently? How do we measure the quality of decisions? I could analyze a decision after the fact and say, “That was a good decision.” But isn’t analysis after the fact too late?

That is an excellent subject for our next conversation. Tomorrow? Same time, same place?

Sure. See you soon, and thank you.
Now, where were we?

You said that the quality of management, leadership, parenting, or governing depends on the quality of the decisions made and on the efficiency of implementation. Today we were going to discuss how to make good decisions.

Let's start. In order to make a good decision, we need to know how to predict the quality of a decision. We don't want to analyze a decision after it's been implemented, and then judge it by its success or failure.

But how do you do that?

Let's use an example. Let's say we have a write-up of a problem or a case that contains all the information necessary to diagnose and solve the problem. Let's assume we give that case to a group of four people. These four people don't know anything more about the case than what's presented in the write-up. They have no additional information beyond that.
We ask them to study the problem together and devise the solution. They are instructed to write down both the problem and the solution, seal the result inside an envelope and return it to us.

Now let's take another group of four people and give them the same assignment. They too have no additional information beyond what's written up. They have the same case and the same assignment. After the two groups complete their task, we have two sealed envelopes.

Now, are we going to find that these envelopes contain the same problem and the same solution?

No. Most likely they will contain different problems and different solutions.

Right, but why? The case is the same. Both groups have exactly the same information. Why are the problems and solutions different?

Because the people are different!

You have just discovered the key factor in the managerial or leadership process! In order to manage well you have to manage the people who write what is in the envelope instead of managing the problem itself that is in the envelope. There are managers who say, “I love to manage. It's people I can't stand!” If you do not like working with people, you are in the wrong profession. Too many managers, leaders, or parents of grown-up children say, “Give me the envelope.” They open it and say, “Wrong problem! Wrong solution! The right problem and the right solution are...” They think they are managing, leading, or parenting, when what they are really doing is just working hard. Even if they accept what is written in the envelope, how do they know they have found the right problem and the right solution?

But if they're the managers, they should know better than their employees. That's why they get paid more, isn't it? Isn't that why leaders get elected?

They should know better, but do they? Is getting paid more an assurance that a person knows more? Does a leader necessarily know more?
Then why is the manager getting paid more? What do we reward leaders for?

It's not for knowing more about the problem or the solution. They should get paid more for knowing how to find the right people, the "knowledgeables," and for managing them to the right answer. If a manager claims to know everything, the organization is in trouble.

If managers want to have the right problem and the right solution, they must match the right people to the case at hand. They must create the environment which will enable these people to arrive at the right problem and the right solution.

But as a leader or manager, how do I recognize the real problem and the real solution? How do I distinguish the right problem and solution from the wrong ones? If I don't necessarily know more than the people I lead or manage, then how do I evaluate their decision? I could make a mistake, right?

To know whether the people are proposing a good decision or not, you must ask two questions. If the answer is yes to both questions, you have the right problem and the right solution. If the answer is no to either of the two questions, you have the wrong problem and the wrong solution.

What are the questions?

To understand what those two questions are will take several conversations. At the beginning, our conversations may seem somewhat complicated and overly academic. Later, the usefulness and applicability of these concepts and how they can lead to the answers to those two questions will become clear.

I'm ready. Let's proceed!

The Four Roles of Decision-Making

No decision is made in a vacuum. It is made to achieve something. A decision is good if it achieves the desired results. The quality of a decision should be evaluated in light of the impact it has on the system for which it was made. Thus, if a decision can make an organization both effective and efficient in the short and the long run, the decision is a good one.
Now we'll discuss the characteristics of a good decision that will cause an organization to be effective and efficient in the short and long run. We can present it as a chart:

```
Input --------------------------------------------------------------- Output
four decision roles                                             organizational characteristics
-                                                     effective } short
-                                                     efficient } run
-                                                     effective } long
-                                                     efficient } run
```

I've studied management practices in several countries and have observed what happens under different conditions. I was like the British naval doctor who, from an isolated ship, observed that when people's diets are deficient in vitamin C, they develop scurvy. I studied management practices in countries where certain managerial roles were forbidden by law, and I observed and analyzed the managerial "diseases" that emerged. By doing that, I identified the necessary characteristics, the four "vitamins" which I call the "decision roles" that produce healthy organizations, organizations that are effective and efficient in the short and the long run. When any one of the roles is missing, a pattern of corresponding mismanagement will occur. I can analyze and predict the outcome of a decision by analyzing which roles are being performed and which ones are missing.

You mean to say that anytime one of the roles is missing, typical mismanagement will occur. And that by knowing which role is missing, you can predict whether the organization will be mismanaged and whether it will be ineffective and/or inefficient in the short and/or the long run.

That's correct.

Then you can look at managerial problems as you would diseases, identify which missing role caused them, inject the missing role, or roles, into the system, and lead the organization back to health.
Yes! I look at an organization as a total system and at what makes it “healthy” or “sick.” I solve specific problems by treating a total system. I call this the Adizes methodology. The Adizes methodology offers a holistic theory of management, both therapeutic and preventive. One company, for instance, helped by this methodology and other factors has increased sales from $12 million to $750 million in sales in ten years without any dilution of ownership.4

Another company grew profitably from $150 million to $2.5 billion in sales in ten years and again without any dilution of ownership.5

Is the benefit permanent?

It can be if the company is constantly nourished and nurtured by repeatedly using the methodology. Otherwise, in the long run, the methodology's effectiveness will diminish, and eventually the organization will lose the benefits. It's like exercising or eating right.

Can anyone do it?

If properly trained.

How different is it from what traditional consultants do?

We do not prescribe medicine, meaning we do not write consulting reports. We empower the organization to release and utilize its own energies to take care of itself. We coach the organization to generate those “vitamins” so it can stay healthy without further intervention from us. Typical consultants do not teach you how to stay healthy. Usually you need continuous periodic infusions of their consulting services. This methodology is different. While helping the organization change, it simultaneously empowers it to handle future problems so it doesn't develop an addiction to outside intervention. It teaches the organization how to manage itself correctly and continuously.

I'm interested in hearing more. What are the four roles?

Short and Long Run Effectiveness

First, a decision must make the organization effective. If the decision doesn't produce effectiveness, then the decision is not a good one.
What does “effective” mean?

In the short run an organization is effective if its immediate short-run actions are functional.

What do you mean by “functional”?

A decision is functional when it satisfies the immediate needs for which it was made. Whenever we make a decision, we have an objective. We want to accomplish something. Hammering a nail is functional if it hammers in nails. We do not, however, hammer nails for nothing. There must be a purpose. Let’s say we are constructing a cabinet. We have needs we want to satisfy, problems we want to solve. Hammering the nail a certain way so that it goes in properly is short term effectiveness. Continuously hammering so that a cabinet is produced is long term effectiveness. If the decision we made to hammer nails and/or build a cabinet does not satisfy the needs or solve the problem, then the decision doesn’t work.

Give me another example.

When you read a book you have expectations about what you will get out of it. If reading the book doesn’t satisfy your expectations, you might feel you wasted your money and time. It’s the same with marriage. We marry somebody because we have certain needs and expectations. If those expectations are not satisfied, we might feel we made the wrong decision, we married the wrong person. The marriage is not functioning. Every decision, whether we are aware of it or not, is made to satisfy certain needs, although we often don’t—or can’t—articulate those needs. Every decision is made to function, to produce certain expected results.

Go on.

Long run effectiveness means the organization is achieving the purpose for which it exists. Short term effectiveness means that doing whatever we are doing propels us toward the satisfaction of that purpose.

For a business it’s profits, right?
Yes, that’s the final outcome, but don’t make the same mistake I did in my book *How to Solve the Mismanagement Crisis*. The mistake is to confuse input, throughput, and output. Have you ever seen companies so preoccupied with profits that they’re going bankrupt? They’re losing money not *in spite of*, but *because of* their preoccupation with profits. If you are preoccupied with happiness as a goal and you wake up every morning telling yourself, “I must be happy today,” you can make yourself quite miserable. The same with health. Obsession with the subject can make you a hypochondriac. Profits, like happiness, health, and democracy, are an output, not an input. Profits are like the score in a tennis match. Too many people watch the score rather than the ball when they’re playing tennis. If you have a good tennis coach, he’ll tell you not to think about the score when you’re playing. Every volley should be like the first of the match, as if you were starting from zero. If you’re preoccupied with the score, you can’t play well.

It’s the same with managing. I disagree with books whose exclusive focus is management *by* results. It should be management *for* results and *by* the right process. Management by results is mechanistic. It’s primarily managing by output, or by the score, with a lower focus on input and throughput. No *primary* attention is given to the means of achieving the goals.

Marksmanship is a good example of paying attention to the means of achieving a goal, which is to hit the bull’s-eye. To hit the bull’s-eye, you must align the sights of your gun with the target. The sights are the means by which you hit the target.

*What does this have to do with the means of achieving a goal?*

The human eye is like a camera. It cannot focus simultaneously with the same clarity on the target, which is a hundred yards away, as on the sights, which are inches away. Most people focus on the target, on what they want to achieve. In the process of doing so they necessarily de-emphasize the sights, the means of achieving the goal. And a single hundredth–of–an–inch mistake in the sights can make all the difference in where the bullet will hit the target, or whether it will hit it at all.

There are people who believe that the goal is more important than the means, so they ignore the importance of the process by which the goal is achieved. Yet a slight misalignment in the process can defeat the desired results. You must focus on the sights and accept the relative haziness of the
Predicting the quality of decisions

target. Train your mind to focus on the means, in the direction of the goal or the results you want to achieve.

That's interesting. I always think more about where I want to go than about how to get there.

You're not the only one. Goals are exciting. Thinking about means and the values that should govern how those goals are achieved is frequently boring and complicated.

But what should we focus on in managing a company, if not on profits? Are you ignoring profits? Isn't the purpose of playing to win?

First of all, it's not profit as such. If you make effective and efficient decisions, you will produce added value. Profit is one way to measure added value. It is the right measurement for some business organizations and the totally wrong one for other organizations, such as not-for-profits.

Let's look at this more closely. If you are effective, you have done something functional. You have satisfied a need. The satisfaction is manifested by the fact that people are willing to pay for it. And payment does not have to be in monetary terms. It could be measured by how long people are willing to wait in line for a free service that is available competitively. If you provided the service efficiently, you have done it at minimum cost. When people in a competitive environment are willing to pay you more than what it costs you to provide it, you have created added value. The value of satisfying the need is higher than the cost of producing that satisfaction. Thus, profit is one manifestation of value added and is the appropriate measurement for business organizations, because their purpose in society is economic.

<table>
<thead>
<tr>
<th>Input</th>
<th>Output</th>
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<tbody>
<tr>
<td><strong>Decision roles</strong></td>
<td><strong>Organizational Characteristics</strong></td>
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Long and Short Term Profit = Added Value
For other organizations, the not-for-profit organizations whose purpose or function for the society is different, the added value should be measured differently. Consider a hospital. Depending on the type of hospital, the method of measuring value added will necessarily be different. For a teaching hospital, added value can be measured by the number of medical doctors it graduated while maintaining its economic viability. If it is a research hospital, it can be measured by the contributions the staff has made to professional journals.

The focus of the not-for-profit should be first on its function in society, then on the value it has to create and how to measure that value, and finally on minimizing the cost of creating that value. We should start with how to create value, how to be functional. In the long run, we should focus on how to contribute to the bigger system the organization belongs to. And that means we must focus on how to accomplish the purpose for which the organization exists.

_How do I do this?_

The reason an organization exists is clearest at its inception. At that time, it is established for a definite purpose. Let's illustrate it through an analogy.

Five friends get together Friday night and have some beers. As they are drinking, someone suggests they go on a hike to the nearest lake the next morning. The rest of the group enthusiastically agrees. The next day, they walk down a narrow mountain path on their way to the lake. As they are walking, they're whistling, joking, laughing, maybe even arguing with each other.

Now imagine that the group arrives at a point on this narrow path where a rock is blocking their passage. The rock is so big that none of them alone can lift it. What does the group have to do now?

_Move that rock._

And since no one alone can lift it, they have to interrelate and decide what to do.

They may decide to move the rock, or they may decide to camp out then and there instead of trying to reach the lake, or they may go back home and have a barbecue.

First note that these five people were friends. Their friendship and sense of belonging expressed itself in a need to do something together.
First, that need was satisfied by drinking beer. Then it was satisfied by going on a hike to a lake. Then it was satisfied by working together either to lift the rock or to come up with another plan. Relating and interrelating is the ultimate purpose for our existence. There is nothing in this world that doesn't exist to serve something else by functionally interrelating to it. The pen I write with has no meaning if it does not leave a mark on paper. Breathing is useless unless the oxygen feeds my body. Nothing in itself is functional. The ability of anything to function is evaluated by how it serves its clients. The final purpose of existence of any system is (I)ntegration, the (I) role. The process of identifying a new need that satisfies that ultimate purpose—going on a hike rather than drinking beer—is (E)ntrepreneuring, the (E) role. The actual act of drinking beer, hiking to a lake, or removing the rock on the road, the act of doing whatever satisfies the purpose of the interrelationship at that moment, is (P)erforming, the (P) role.

Now let's assume one of the five friends had a system for removing rocks efficiently. This person had done it many times before and had developed an efficient procedure. The group will not have to do the job through trial and error. That is (A)dministering, the (A) role.

**Could you detail these four roles for me and give some examples.**

The (P) role focuses on what to do now and is derived from why we do what we do. The (E) role focuses on why we do something—the what for of our actions. It focuses on satisfying our long-term need. But both in the short and long run whatever we do is a call for interrelationship. Behind every problem there is a relationship that does not function, and the solution is to make the relationship functional. In personal life this need to interrelate is called the need for love. Every problem is a manifestation of a lack of love, and the solution is to experience it. The ultimate why we do anything, the interrelationship, is the (I) role. That is the ultimate and constant need, (I)ntegration. It expresses itself by different yearnings, such as to go and drink beer together, hike together, or paddle a canoe together. The process of identifying a new need that will help encourage and express that interrelationship is (E)ntrepreneuring. The act of satisfying the need is to (P)rovide a needed service.

*So the (E) role is to identify a new need that expresses, encourages, and satisfies this purpose of interrelationship; and the (P) role is to*
fulfill the immediate purpose for which the organization exists, that is, to fulfill the purpose of the interrelationship.

Right. The problem with some large organizations is that by the time they employ several thousand people, very few, if any, of the employees know why they are walking or where they are walking or where the rock is.

Because they're all sitting on the rock?

Yes, and pushing each other. "You're stepping on me." "No, you're stepping on me." They are preoccupied with turf wars. They spend their time dwelling on the liability rather than on the purpose and benefit of their interrelationship and interdependence.

This is interesting, but where are you going with your argument?

Interrelationship, (I)ntegration, is forever and constant. It expresses itself in different needs we wish to satisfy in the future. It is like saying that spirit is constant and forever. It expresses itself through different bodies when we are born, and it continues to exist when we die. And this (I)ntegration exists as long as we serve each other for a totality that will in turn serve us. That's the road to being alive forever through your deeds and not through your body.

The ultimate purpose, to be (I)ntegrated, to be functionally interdependent, is constant, just as spirit is constant. An organization as a form of functional interdependence is born in the way a body as an embodiment of the spirit is born, when a particular functional interdependence is identified and a commitment is made to fulfill it.

And what is that? How does that happen? When does a particular expression of this constant interdependence start? When is an organization born?

When founders of a company become inspired to start the company, they call their banker, their parents, and anyone else they need to call. They take out loans and set up the company. Now, what did they see before their eyes that day they were inspired? Did they see profits?
I don't think so. When people start companies, they won't see any profits in the first few months, or maybe even years. As a matter of fact, if they closed up shop and went to work for somebody else during that time, they'd make more money.

So what did they see?

An opportunity to make profits.

Note the choice of words: an opportunity to make profits. That tells you that you have to focus on the opportunity, and if you exploit the opportunity correctly you will reap profits. From our previous analogy you can see that the profit is the bull’s-eye and the opportunity the sights. You must focus on the opportunity, and if you do it efficiently, you will make profits. And what do you think that opportunity is?

Well, added value is created by satisfying the needs that someone is willing to pay to have satisfied. So the opportunities we are talking about are the needs in the marketplace that are currently not being satisfied well or at all, and that could be satisfied by the new company the founder is contemplating. Founders see needs they believe they can satisfy and that should be satisfied. When needs meet capabilities, an opportunity is born.

Right. An organization is born when the interdependence is realized and a commitment is made to satisfy it. The first thing to note is that the founders were conscious; they were not sleeping. They were conscious, aware, sensitive to something else beyond themselves. Out of that consciousness of interdependence, the (I) role, came a specific awareness of specific perceived needs that can and should be satisfied. That need could be for ice cream or a new medicine that will cure a disease. This is the (E) role, identifying the specific long–term need that should be satisfied. Then the founders get moving on the path towards satisfying that long-term need and in the process encounter obstacles (rocks). Removing rocks, (P), is functional when it enables the founders to move closer to their long term goal, (E), without ruining the grand purpose of the whole enterprise, which is to functionally (I)nterrelate.

The person who on that Friday night suggested a hike noted a new need to experientially interrelate. It could have been to a lake or to a
mountain peak. He or she is sensitive to what the people aspire to. When the group comes across the rock, this person should still be sensitive to the grand need to interrelate functionally. And in light of that, he or she should lead the process of removing the rock or abandoning the hike.

**But what do you mean by “interrelate functionally”?**

I mean create added value. If the process of removing the rock creates tension and fighting while the purpose of the hike was to have fun together, what should he or she do?

*Change the destination.*

The same holds true for a marriage. What is the purpose of being married? Is it to have children or to love and be loved, in which case the children are an expression of the couple’s love for one another? What about a couple that cannot have children? Should they divorce, or can they find another manifestation of love through which they can experience their purpose of being together? What if they have problems in their marriage? Those problems are “rocks” blocking their passage to the lake: issues like career decisions, what house to buy, how to spend money. How can those rocks be removed? What are the right decisions? It depends on what they are committed to or why they are together in the first place. If it is love, being right about how to remove the rock correctly and vigorously insisting on it can be quite wrong. They may move the rock, arrive at the lake, and find they destroyed the purpose of why they went to the lake in the first place.

In managing, leading, parenting, interrelating in a marriage, and interrelating in general, always ask yourself: What is the purpose of the relationship in the first place? What are you committed to first and above all? The answer, if you are conscious, is love, and if you are confused as to how love got into the conversation, relax. It will become clearer later. For the time being, ask yourself as far as you can be conscious, what are you committed to? What is the long and short-term need for which the interrelationship of your organization exists, whether that organization is you personally, your marriage, your business, or society? Next, ask yourself how you should satisfy those needs without undermining the interrelationship itself.

An organization is born when those needs cannot be satisfied by any single individual. If they could be, there would be no need for an organiza-
tion whether it be a family, a business, a state, or a global society. The purpose of any organization is to satisfy its clients' needs that cannot be satisfied by an individual alone. When an organization is very young, the purpose is clearly visible, because a young organization cannot forget the clients. If it does, it goes bankrupt. The company wants the clients' repeat business, or else it may not have the cash to pay salaries.

As organizations grow older, they focus more and more on the score, on profits, on measurable output, on the lake. They forget who the clients are and what needs they must satisfy. They start to focus exclusively on profits. At that point many companies go bankrupt, not in spite of focusing on profits, but because they were focusing exclusively on profits.

*But why? Why do they become more far–sighted as they get older? It's like what happens to people's vision as they age.*

That is the subject of another book of mine, *Corporate Lifecycles*. Look there if you're interested.

To make effective decisions in the short and long run, you must satisfy the immediate reasons for your actions and satisfy the long–term needs for why you do what you do. And it has to be done within the reason of your existence. That reason is to functionally interrelate and that means, as will become clearer later, to love and be loved. You do that by satisfying your clients' needs. Simply stated, analyze your clients. Identify what it is that they need and expect from you that you can and should provide. Then go and do it.

*I see. I should analyze my customers!*

No. I purposely used the word clients, not customers. Many people confuse the two.

*What's the difference?*

Every organizational entity has clients. These are the individuals or groups of individuals for which the entity was established in order to satisfy their needs. Every organizational unit, even if it does not deal with customers, has clients. Paying clients are called customers. For the sales department, their clients are the...
Customers.

Right. They are the outside-paying clients. And where are the clients of the accounting department?

Inside the organization.

You should do with the inside what you do with the outside. With customers you do marketing research, don't you? You ask them, "What do you want? Are you satisfied?" Well, do the same thing with internal clients. Research their needs. You'll learn a lot, just as companies learn when they (P)erform marketing research. Sometimes companies learn that what the customers don't want is being provided amply, while what the customers do want is not provided at all. The same holds true for internal clients.

If you want to be effective in the short term, the first step you must take in decision making is to find out who your present clients are and what their present needs are. You do that by being aware of interrelationships and interdependencies, by having a sense of belonging to a larger scheme of things. That is the (I) role. Identifying the clients' long-term needs that call out to be satisfied is the (E) role. We will discuss these roles in detail later. For now, these roles function to identify for whom the organization exists and why it exists. The immediate action itself, the (P)role, (P)erforming the task, (P)roviding for the satisfaction of the need for which the interrelationships exist.

Perhaps this chart will help you see this more clearly.

<table>
<thead>
<tr>
<th>Purpose of Decision Making</th>
<th>Role</th>
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<tbody>
<tr>
<td>For Whom, Who are the clients, Why we exist</td>
<td>(I)</td>
</tr>
<tr>
<td>What are their needs,</td>
<td></td>
</tr>
<tr>
<td>i.e., Why do we do anything</td>
<td>(E)</td>
</tr>
<tr>
<td>What we do to satisfy those needs</td>
<td>(P)</td>
</tr>
<tr>
<td>How do we satisfy those needs</td>
<td></td>
</tr>
<tr>
<td>repetitively with minimum energy</td>
<td>(A)</td>
</tr>
</tbody>
</table>
How do you measure and validate what you are performing, let's say, the (P) role?

Short-term effectiveness can be measured by repeat business. If the clients are not coming back, apparently you're not satisfying their needs. This applies to a society too, you know! Isn't it interesting that they don't check your passport going out of the United States, only coming in? In the Soviet Union, until recently, they had guards with machine guns keeping people in. Which people's needs are being satisfied more? The same is true for a marriage!

What if the internal clients have no choice? If they are not allowed to have their needs satisfied by outside people?

Some clients have to come back because you have a monopoly over what they need. At best, they will complain. The worst is when you hear no complaints. It seems good because you hear nothing, but apathy is one step away from death. In these cases, you have an even bigger responsibility to take the initiative and find out if clients are coming back because you are satisfying their needs or because they have to come back. It's a difficult assignment to self-start, because you could easily avoid doing it. There is no external pressure to do it. That is also why in a marriage we have to pay special attention to the needs of our spouse, of what he or she expects from the marriage. We should not take our spouse for granted simply because, supposedly, he or she doesn't have a choice to go outside the marriage to satisfy his or her needs.

You want to be effective in the short term? Identify the clients, the (I) role, then their needs, the (E) role, and satisfy those needs, the (P) role, and your clients will return to you.

Could you repeat that, please?

The (I) role tells you who the clients are, the (E) role what their long-term needs are. To perform the (P) role, you have to go and remove whatever "rocks" are blocking you from satisfying the need for which you are interrelating without destroying the ability of the relationship to function in the process. I disagree with books that say "a manager is a manager is a manager. If you are a manager, you can manage anything." This is wrong—unless you add three more words: after some time.
What does that mean?

When you change jobs, either within a company or when you leave for another company, you come across a new organization, a new set of clients. No two identical organizations exist, just as no two identical people exist. They may be similar, but never identical. No two identical branches of the same bank exist. They’re on different corners, have different parking problems, and attract different customers from different industries.

So what do I have to do?

You have to study the new rock. And what should you focus on? The normal tendency of people is to focus on what? On similarities or on differences?

People usually focus on similarities. They try to find out whether they recognize anything. They find comfort when they recognize a task they already know. You’re wincing. Is this a typical mistake?

You have to look for the differences too. Only then can you design a custom made strategy to satisfy the specific needs of that moment. When you meet a new love in your life, do you look for similarities and say, “You remind me of an old flame,” or do you look for what is unique in this new person?

Better the latter obviously.

The same is true in managing. You should ask, “How is this ‘rock’ different from any other rock I know?” To be effective, good managers, whether supervisors, department managers, parents, or sociopolitical leaders, should know the unique needs of their clients at that moment and then be skillful with their unique capabilities to satisfy those needs.

You’re saying that to manage is to decide and implement. In order to decide, four roles need to be performed. The first one, the (P) role, will make the organization effective in the short run. It requires that we satisfy the immediate needs of the client for whom the system exists and do what it takes to satisfy those needs. Right?
Right, and for that you need what psychologists call achievement motivation. You must want to accomplish things. If you know the client’s needs and how to satisfy them, but lack achievement motivation, you could be a good staff person. You could assist managers to manage, write memos, and make recommendations. On the other hand, if you have the motivation to achieve, but don’t know what must be accomplished or how, you are dangerous. You’re an unguided missile. This combination of qualities is often seen in eager young executives. They are eager but lack knowledge or experience.

In government we have examples of nonelected technocrats who are given power and are eager to use it. The politicians who need things done use these people, but if these technocrats have little political experience and judgment, they overuse their power and endanger the political survival of their bosses.

Good managers, to be functional and make effective decisions, must be knowledgeable achievers, not just knowledgeable, and not just achievers.

That covers how to be effective in the short run: (P)! (P)! (P)! First identify the clients (I), second, identify the needs you are uniquely qualified to satisfy (E), and third, go and do it, (P). I’m still unclear about those roles, but I trust it will become clearer in future conversations.

Yes, it will. We will definitely clarify these roles many more times. This is enough for today. Let’s take a swim, rest and come back some other time.

Thank you.
Endnotes


3 Ichak Adizes, How to Solve the Mismanagement Crisis.

4 Per Stewart Resnick, Chairman and President of The Franklin Mint. See quotation on back cover of this book.


6 Ichak Adizes, Corporate Lifecycles.


Thank you for reading the free sample of Dr. Adizes’ book. Visit our blog for Dr. Adizes’ latest insights on issues of management, leadership development, business, personal growth and much more: http://www.ichakadizes.com/blog


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