



***The Essence of the Adizes Program as a Vehicle for
Organizational Therapy***

- An Adizes White Paper -

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The following is a transcript of Dr. Ichak Kalderon Adizes' Founders Session delivered at the 2011 Adizes International Convention, in Vilnius, Lithuania.

First, I am going to react to the presentation the Minister of Education made, because it relates to the Adizes Methodology, and to being a CEO, a manager, and a human being.

I'm very happy to be here, and to have this opportunity to share what I hope can be helpful to you in leading change.

On Education

The day I got my doctorate from Columbia University, I was extremely proud. I was carrying my diploma in my hand, walking down the corridors as if on a cloud, feeling full of myself. A classroom door opened and students who had just took the qualifying exams for the doctoral program came out. They were about two years behind me. I was so arrogant, I said, "Let me see that exam." But when I looked at it I realized I would have failed that exam. The day I got my doctorate I was already obsolete.

We live in a world with such a high rate of change that our education should not teach us *to know*, it should teach us *how to learn*. We have to realize that whatever we learn has a short lifespan. It becomes obsolete very fast.

The danger in management, and in education—not only management education; but in all education, even in the sciences—is that someone finishing his degree believes he is done learning. That's the beginning of ignorance.

Adizes Associates are the agents of leading change. We must constantly be learning. Every night before you go to sleep, ask yourself, "What did I learn today?" Learning is not necessarily from books. Too much of our education is based on studying books. You actually can learn from anything. Part of my lifecycle theory, for example, was based on watching stones. I was rafting down the Colorado River with my son, and the guide was telling us about the stones. One was from 2,000 years ago, another one from 200,000 years ago. I thought to myself, stones have a lifecycle. Human, trees, and cars all have a lifecycle.

What is the difference between the human lifecycle and the lifecycle of stones? We are conscious; they are not. We can control our lifecycle by being conscious.

You can be 70 years young, or you can be old at 20. What makes a difference is how much you are willing to learn. As long as you are constantly learning, you will stay young, because you are growing. The day you stop learning, you start dying.

Let Go of Your Past

Aging organizations don't learn. They repeat what they have done in the past. They rely on past success to produce future success. It doesn't work. The world changes. The reason for your past success could be the reason for your future failure.

Do you know how to catch a monkey? You put a coconut inside a hole in a tree—such a small hole that you can hardly put the coconut in. Once the monkey grabs the coconut he wants to escape, but he doesn't want to lose the coconut. He holds on to the coconut, but the hole is too small to get the coconut out while he is holding on to it. Many companies are like this. They are holding on to the coconut, their past, but then the market catches up with them and they die.

Let go of your past.

This is also true for personal career development. Perhaps you were a very successful engineer in the past. You told everyone what to do, had all the answers, and knew everything. Leadership to you was analogous to pointing your finger. You had a big mouth but small ears. But as you climb higher in the organizational pyramid, this approach doesn't work anymore. There are too many people for you to be able to point them all in the right direction. What do you do now?

You have to switch from being the pointer finger to being the thumb. The thumb is the only finger that works with every other finger. It is a hand maker, a team builder. If you don't have a thumb you don't have a hand. Now your job is not to tell people what to do, but to get them to work together. Now you need a small mouth and big ears.

This change—from pointer finger to the thumb, from a big mouth to a small mouth—is a major shift in style. Some people cannot make the transition, because the secret of their past success had been to drive people, to be a pointer finger. Now, they have to stop relying on their past success and learn something new.

You have to change, without fear of changing. Continuously learning is a prerequisite for being a leader.

What Is a Leader?

What makes you a good wife, husband, executive, leader, or human being is not what you know, not what you have, but what you are. What you know will become obsolete very fast. With the stock market going up and down, and economic bubbles, what you have, can disappear in no time. But what you *are* is forever: willing to change, willing to learn, flexible and open-minded, and learning from everything, whether it's storms or trees or babies. It's not all in the books.

I had a big client in Australia say to me, "You know, Dr. Adizes, you are absolutely right. I have three doctorates and I did not finish high school."

"How did you do that?" I asked him.

"I hired them," he said. "I hired three doctorates. It was easy."

To know is very easy. You can hire the people who know. *To be*—that's a different story. That you cannot buy. It's not a degree that makes a good executive. It's not how many books you can quote. It is how clearly you can think. How fast you can change. How open-minded you are. Where do those traits come from? From mutual trust and respect.

Mutual Trust and Respect

Why is MT&R so important for learning, and for changing? Because you don't learn from sameness.

There is a Zen Buddhist expression: If all people think alike, none of them is thinking too hard. When you go to a meeting and everyone says, "Oh, I agree, I agree," it is boring as hell. You don't learn anything.

When do you learn? When someone disagrees with you. Granted, you don't learn from all people who disagree with you. Some people have nothing to say but they have to say something. They waste your time. Ignore them. Look instead for people from whom you can learn something. These are called colleagues, from the Latin words for "arrive together." Colleagues are supposed to disagree with each other, but they end up together. How? By respectfully exchanging information. That's why we say, "May I respectfully disagree with my learned colleague."

A colleague is someone who disagrees with you for whom you have respect. You respect him because he enriches you with his disagreement, and you enrich him

with your disagreement. At the end of the disagreement you've created something new that did not exist before. It couldn't have happened unless there was an interaction between people who disagree.

Disagreement is cross-pollination. If everything is the same, it's called a cemetery. You need diversity in order to cross-pollinate. Ecological balance requires diversity, because diversity cross-pollinates. We benefit by being different.

That is what we are trying to teach people: to be open-minded, to learn, and to be willing to change. You don't learn by contemplating your navel. I disagree with Diogenes, the Greek philosopher, who sat in a barrel trying to contemplate what life was all about. You will not find the meaning of life sitting in a barrel. I support Socrates, who went to the market, challenged people, and learned from the disagreements, discussion, and discourse. Get out and learn from others who do not necessarily agree with you. Learn from diversity.

That is what we are we trying to do with the Adizes Methodology: teaching people to appreciate diversity. But diversity can be constructive only if there is mutual trust and respect.

On a company level, we have been very successful. People start realizing there is benefit in diversity. The benefit lies in not rejecting our differences, but appreciating our differences, because they enrich us. That is what creates synergy.

What is synergy? Two plus three is not five; it's six. The interaction between two and three, interaction between differences, creates a new value.

That is, to me, the meaning of "to be." To be willing to change, to learn, to go out to the street, talk to people, learn from people.

Integration

We know that a medical doctor will tell you to listen to your body, because if you don't listen to your body, you are going to get sick. Years ago I was practicing yoga, trying to learn from yoga what it means to change. I was doing a pose and my back was hurting. So I told the teacher, "Hey! You are hurting me!" He said, "I'm not hurting you. Your back is telling you: 'I need help. I've been frozen for so long.' Your back is talking to you. Not me."

To whom should heads of companies and top executives listen? To the body: Listen to the workers; they're the body of the organization. Too many companies

have their head detached from the body, and the body's crying; the body is hurting, trying to tell the head something, but the head does not hear it.

What we are doing with Adizes Methodology is putting the head and the body together, so the head can feel the organization, feel the pain, and do something about it. That is integration, God forbid your liver doesn't talk to your kidneys. God forbid your heart doesn't talk to your brain. The whole body has to be integrated.

In an organization, everyone is important. Integration must extend all the way to the workers on the line, because they know what's going on. That is what we try to do, and that is where the real results are.

Listen to the body. Integrate the whole organization, from the bottom up. Listening doesn't mean you have to agree with them, or that you have to do what they say, but listen. As the leader you still keep your independence. But listen! That is what we try to do in the methodology.

Once again, what does it mean *to be*? Not to know it all, but to be open-minded, having no fear of disagreements, and to learn from every problem, because every problem is really a chance for learning. Every disagreement is an opportunity to develop or be developed by a colleague. That is why we need mutual respect. Pay attention to the word *mutual*.

We have to surround ourselves with colleagues—colleagues are not necessarily management. Don't look at "management" or "leadership" as elites in an organizational hierarchy. Management is a process. Anyone who can contribute to the company's success is part of the managerial team. Everybody. Workers on the line are colleagues, too. If you're willing to learn from a stone why not to learn from a worker? You will find out that people who don't have too much education can teach you a hell of a lot, because they have common sense.

What we try to do with the Adizes Methodology is eradicate elitism. In Hebrew it is called talking to people at eye level—not from above, not from below, but at eye level. That is how you learn. That's mutual respect.

Mutual trust is when I believe that you have my interests at heart and I have your interests at heart. We are in it together. Those who share common interests are called friends. A friend is someone you trust. Because my friend has my interests at heart, I'm not afraid to turn my back to her. She is not going to stab me, because if she stabs me she hurts herself, too, because my interest is her interest. We are one.

That is what the Adizes Methodology tries to do in companies: create a culture where people feel they are one, not us against them, not management against the workers, or workers against each other, or unions against management.

Healthy Organizations

The secret of the market economy that made capitalism so successful is bringing adversarial relations, competition, into the marketplace. The mistake is that this adversarial culture has penetrated companies. What is good for the marketplace is not good for the companies. Adversarial relations are even penetrating families: Look at the divorce rate.

It is good to have competitiveness in the marketplace, but leave it in the marketplace.

What we try to do with the Adizes Methodology is change organizational cultures. Our aim is not just to make more money. If a potential client says, "I want to know how to cut costs, and make more money," they have the wrong consulting firm.

We are in the business of making organizations healthy, a result of which is that the organization will make a lot of money. We look at money as a result, not as a purpose. The purpose is to be a healthy organization.

What makes an organization healthy? Integration. When you are not integrated, your immune system is too weak and any change makes you sick. But when you are very healthy, change invigorates you.

We make invigorated companies. When there is a change, labor and management work together to make a needed change. In a disintegrated company, when there is a change, opportunity, or a threat, people start fighting, and as they start fighting each other, they miss opportunities.

In our forty years of experience, all our clients that work with the methodology eventually become leaders of their industry, or receive a prize for entrepreneurship, or for being the best company that most people want to work for. This success results from creating an environment where people want to work, and where they are not afraid to speak.

I have an emotional reaction to this last point: Many times I have wondered what the hell I am doing, working so hard, traveling all over the world, teaching, lecturing, writing. Why am I doing this? I have two memories that give me the energy to continue.

The first is of a company in Houston, which was doing a Syndag corporate diagnosis. There was an immigrant from Russia, an engineer, in the group. At the end of session, when we opened the discussion—with respect and trust, no finger-pointing, no attacking, but discussing things openly—he started to cry. It was very emotional. We asked him why he was crying. He explained, “This is why I came to America: to have an environment where you can talk, where you can share, when you can be listened to.”

The other experience was at the beginning of my career. I was working with a company in Atlanta. One vice president there was dying from cancer, and didn’t have much time to live. He did not want to sit at home and wait for death; he was going to continue to be of value until he died. At the end of the Adizes session, he came to me and said he wanted to drive me to the airport. The guy was dying, and I wondered why on earth he wanted to waste his time driving me to the airport. I suggested that I could take a taxi. He said, “No, no, no. I insist. I want to take you to the airport.” As we were driving, I asked him why. He responded, “I pray for you in church.” I was in shock. It was he who was dying, so why was he praying for me? He explained, “For years I tried to change this organization. I couldn’t do it. Finally, we’re changing it. It will happen before I die. Thank you.”

That is the business we are in: enabling organizations to change in a way that is safe, constructive, supportive, and loving. Truly loving.

This kind of change calls for a leader who commands and grants respect and trust. It is not easy to be that kind of a person. (I am not the model leader, either.) The reason why it’s not easy is because of change. A high rate of change threatens respect and trust. Change causes you to be tense: Why do we need to change? What should we do? What’s going to happen?

In Adizes we teach people to develop trust and respect, and nourish that culture, while the company is nevertheless changing. As a result, the company is very successful. We have a great track record, second to none.

Organizational Healing

The first part of this presentation has discussed why we, in Adizes, exist. But what we do is not easy. Machiavelli already said it: If you want to be hated, try changing people. When we work with companies there is always someone who doesn’t like us because we are trying to cause change.

The lifespan of a consultant is about seven years, unless he becomes a partner—then he manages other guys to suffer. With our methodology we have

consultants who have been with us for over thirty years, because we are not consultants. We are organizational healers. We make organizations healthy, strong, and capable of changing.

Now, how do we do it?

We Are Structuralists

I like companies where they fight a lot, because there is energy. When I go to a company where they all agree and everything is fine, it's like a cemetery. There's no energy.

Energy is like waterfall. If you do not channel it, it will make a flood and destroy everything in the way. If you channel it, you can make electricity. What we do is to channel energy by *structuring* it.

We are different from what are called phenomenologists. There are millions of phenomenologists doing organizational development, who also believe they are healers because they try to fix interpersonal relations: "Why don't we understand each other; let's communicate better; let's change our attitude," etc.

We are structuralists. We structure energy so it flows in the right channels, and it's not like the Nile, spreading itself all over the place, creating a flood.

Let me give you an analogy. One summer, when my son Shoham was about five years old, I bought him a globe. He came to me with the globe in his hands and asked, "Daddy, why is the globe tilted?"

"Well, son," I explained, "if the globe was not tilted—if the globe was horizontal or vertical—what would we lose?"

We'd lose the seasons! What would happen to life if we had a 12-month, non-stop winter? Who would be the only ones to survive? Polar bears. If a camel, by mistake, ended up in the North Pole, it would have several choices. Choice one: die. Choice two: get the hell out of here while he's still alive. But if you're an intelligent camel, and there's no place to go, what would you do? Choice three: adapt. Develop a polar bear's skin.

When we take on a company that is very bureaucratic, it is like the North Pole. Nothing grows there. In these cases, I remind myself of the story with my son. In a North Pole organization the people all look like polar bears, but many of them are camels in polar bear skin. They are very entrepreneurial after working hours, but during working hours they act like polar bears, bureaucrats.

How would phenomenologists, or people from OD organizations, or from psychological, sociological backgrounds, try to change the culture? Take them to a seminar, in a beautiful resort, and make these polar bears exercise and experience the beauty of being a camel. They get very excited, doing all kinds of exercises to increase mutual trust: fall into my arms, jump over this, or climb over a wall—all kinds of exercises to develop mutual trust and respect.

What happens when the people go back to the company? It's snowing here, and all the training to be a camel is very short-lived. They become, very quickly, polar bears again.

It is not just regression; there was damage done. People lose hope. When the next consultant comes and tells them to trust each other, the company reacts with, "Get out of here. I've heard this before."

In Adizes, only in this kind of a lecture do we talk about mutual trust and respect. After that, we don't use these words anymore. We *do* it. We don't talk about it. Talk is cheap. We do it following the adage: don't tell me you love me, start bringing flowers.

What do we do? We tilt the globe so there is space for polar bears, and space for camels. There is even space for snakes. There is space for all. Tilting the globe creates diversity based on mutual trust and respect.

Our main focus is organizational structure, but we go about it differently from typical consultants. They map out organizational structures from a penthouse office somewhere. They design a chart and give it to the company as a recommendation. I don't believe in that. That method is like a prescription, a drug.

Organizational Homeopathy

I believe more in homeopathy. You can treat yourself. We provide tools for the company to structure itself. We give the company tools to learn how to resolve conflicts constructively, by themselves. We give them tools to define their mission correctly, themselves.

Treat yourself. That is why we have such a high rate of implementation. I will not be so arrogant to say 100%, but to tell you the truth, I think it is 100%. We have no problems with implementation. I just finished helping a company in Russia, with 65,000 employees, with their structure. I asked them when they were going to implement it. They looked at me and said, "We already have."

We have zero problems with implementation because we did not decide on the changes, the organization did. Some clients, by the way, say, “What did we pay you for? We did all the work.” I don’t consider it an offense. I think it is success. I feel like a good music teacher, whose student is giving a beautiful concerto while I am in the audience. We get paid for organizations to take care of themselves.

By the way, you don’t have to use Adizes Associates to take care of yourself. Read my books, and if you can develop your own ways of building a culture of mutual trust and respect, getting the right organizational structure, etc., do it!

Most companies, however, need somebody to come in and tell them what they have to do. They need someone to remind them to do their homework. We have forty years of experience, and 1,200 pages of manuals. It takes three years to train a good Associate to start producing results. We have a graduate school to train people in the Adizes Methodology for organizational transformation. So, this is serious stuff.

The Therapy

How long does it take? On my fortieth birthday, which was quite a long time ago, I went to a “fat farm,” where you go to lose weight and exercise. A teacher there was making us go through some aerobic movements—jumping and twirling around—but I couldn’t do it. I remembered that when I was a student, I used to do this as a warm-up for my folk dancing group. I went to the instructor and asked, “How long will it take me to get in shape?” He replied, “How long have you been out of shape?”

I had been out of shape for twenty years, but I wanted to get back in shape in two hours. It does not work that way. There is a ratio between how long you’ve been out of shape and how long it takes to get back in shape.

Some companies can do it fast. The Company of the Year today has actually done most of it in a year and a half. (That is why they’re Company of the Year.) Some companies take longer.

How long? When executives ask me whether we have ever failed, I respond, “Yes, we did.”

“Oh, what caused you to fail?”

“Our relationship,” I say. “You and me. The day you don’t trust us, we are out. And the day we don’t trust you, we are out.”

How can we work together? We're not going to change you, and you cannot change yourself by yourself. Together, we will change the company. That's a lot of togetherness.

The more togetherness, the faster it goes.

How long it will take to change depends on you. Our contract says that how fast the work will be done depends on how collaborative you are as a company. The more cooperative you are, the less money you'll spend, and the faster you'll do it.

Here is how the system works.

The Sequence

If a client says, "Our salesmen are not motivated. Can you design a reward system to motivate the salespeople?" What we are going to say? "Next year." Putting a cherry on a pile of crap does not make it a cherry pie.

The whole company is a mess. The poor salesmen are isolated in the market, with nobody to talk to. The assembly department is making low-quality products. Production doesn't listen to sales. Sales doesn't listen to marketing. And the company wants a reward system? Please, save me. I don't care how much money they are offering to pay us, we're not going to do it because it's the wrong thing to do. We would be solving the problem in the wrong sequence.

Sneezing then wiping your nose is the right sequence. Some people first wipe their nose, then they sneeze, and wonder why they look ridiculous. Sequence is very important. For forty years we have been developing the right sequence for our interventions, and we're still working on it.

It took me three years to change Bank of America—the largest bank in the world at the time, with \$120 billion in assets. What we learned there we used in reorganizing Royal Dutch Shell, one of the largest companies on Earth with \$5 billion profits in a year. That restructuring was done in six months. We are learning how to do it faster and faster.

Still, it can be painful, because you are opening the can of worms and putting it on the table. Some people don't like to look the problems in the eye. It is much more comfortable to hide. We don't let you hide, because, like in a marriage, what will destroy your company is the subjects you don't want to talk about.

The problems companies have, or that you have as a human being, are like shadows. If you run away from the shadow, the shadow chases you. Turn around

and chase the shadow, and the shadow will run away from you. Face your problems. Don't run away from your problems.

How do we help you face them? My best example is what we did at Bank of America. The president of Bank of America happened to listen to my tapes, called me, and said, "Dr. Adizes, we need you." Most of consulting firms went crazy. Why was the largest bank in the world hiring the smallest consulting firm in the world? We are small, yes. We're a boutique, and we're proud of it. We don't want to be the biggest. We want to be the best.

When I went to see Bank of America's president he told me, "This is a very large organization and we are kind of arrogant. We don't hire consultants who tell us what to do. But we need help. How do I turn it around?"

I asked him if we could get all the movers and shakers of the company, all the important people, in one room. People who row the boat don't rock the boat. I wanted whoever could sabotage our efforts to be involved in managing change.

Who are the people who can rock the boat? Who can make a mess of our desired changes? Who can undermine the changes? Who are the driving, biggest forces? The president said he needed thirty people.

Please realize: Thirty people can change the whole company. You don't need 100,000. Who are the key people that can rock the boat? Our job is to get them to rowing.

The president was worried. "They cannot agree on the day of the week. We are going to get them in one room? It is going to be a mess."

"Trust me," I said. This program takes trust. Anyone who is going to hire us first has to trust us, because they are putting their company in our hands. You need to trust us like you trust a surgeon. Like you trust a psychotherapist, a lawyer, your tax accountant. Otherwise, it cannot work.

So I told him, "Trust me. If you have any doubts, ask my clients. We have a track record."

Make the Client Take Responsibility

At the meeting of the thirty people who could rock to boat, I gave a lecture about the lifecycle of an organization. (I have a book about the topic; I strongly recommend you read it: *Managing Corporate Lifecycles*, Volumes I & II, available from www.Adizes.com or www.Amazon.com.) For about half an hour I talked

about how organizations grow, age, and die, and what is normal and abnormal at every stage. Then I asked, "Would you like to know where you are on the lifecycle?"

"Oh, sure!" they said. "Where are we?"

"I don't know," I replied, "you know."

I had them take some index cards and gave them three rules. Rule number one: Write the top three to five problems that your company has. One problem per card. Don't share it. I told them I was not going to collect them. When they finished writing it was fine with me if they tore the cards to pieces. What was important was that they were honest with themselves. In bureaucratic organizations people play politics and do not say what is on their mind, so I had to overcome that.

Next rule: Each problem has to be controllable by the people in the room. (That is why all the movers and shakers were invited.) Otherwise this exercise is not a diagnosis, it's a bitch session. Don't write, *our problem is that it's raining*, because that's not your problem. You cannot control the rain. Your problem is that you don't have an umbrella, you didn't listen to the weather report, or that your roof is leaking. Don't write, *our problem is unpredictable interest rates*. Unpredictable rates are the Central Bank's problem, not yours. Say instead, *we don't have a strategy to deal with unpredictable interest rates*. A problem has to be controllable by the people who make up the organization.

The final rule: It is forbidden to mention names. You cannot write, *X is a bad leader*. You can say, *we have a leadership problem*. Why? Because in the diagnosis we don't look for who is wrong. That is a witch-hunt. We look for what needs to be improved.

After the people at Bank of America spent a few minutes writing down their problems, I asked them: "How many of these problems did you have last year?" I do not need to know what the problems are. The answer is always the same, all over the world, in 52 countries, in any industry.

The answer: All of them. Or at least 90% of them.

How many of these problems did you have two years ago? Same answer.

How many of these problems did you have three years ago? Most of them.

Now, the wake-up call. If you have not solved the problems you have in front of you in the last three years, what is the probability that three years from now

you're going to have these same problems, plus new ones? Change has a very interesting characteristic. It is either going to be better or it is going to be worse.

I can tell you why you have not solved these problems in the last three years, and what change you have to make in order to solve these problems in the next three years.

How many of these problems can any individual solve? People often point to the president of the organization: "Mr. President; you're responsible for all this, right? Why don't we give you all the problems and you solve them?"

Can he? Not if the organization doesn't cooperate.

But if all the movers and shakers could agree, how many of these problems are they going to solve? By definition, all of them. Remember, the rule was that the problems had to be controllable by the people in the room. So the answer is that all of the problems will be solved if you work together.

Thus the problem is not what you have written on the card. What is on the card is a manifestation of the problem. What is the problem? You're not working together. Instead of having one manager chasing ten problems, which is what usually organizations do, we should have ten managers chasing one problem at a time. We need the cooperation of everyone to solve the problems. You cannot solve the problems alone even if you are a top-notch executive. Integration is the answer.

The challenge is that every one of the thirty people has five problems. Some problems likely overlap, so net there are probably a hundred problems. Now you must decide which one of these hundred to attack first; and, conversely, which ninety-nine problems to solve later. You have to stop attacking each other and unite to attack the problems in the right sequence.

I can promise one thing, and this is an honest promise: If you follow the Adizes Methodology, within a year, many problems will disappear. If you don't believe me for any reason, talk to clients that have experience. At minimum, 40% of the problems you have today will disappear. We're not going to make that decision; you are. We don't solve a company's problems. The company solves them, with our tools.

Forty percent more problems will disappear within two years, and 100% in three years. Some companies solve 80% of their problems in the first year.

Does this mean that three years from now you will have no problems? No. You are going to have new problems! And, here is the good news: They will be bigger problems.

How can it be good news to have bigger problems? Because you are only as big as the problems you are dealing with. Small people deal with who drives what car, who has what kind of furniture in their house, and whether their wallpaper is the most beautiful and expensive. Big people deal with the future of mankind, the future of education, of the environment, and what's going to happen with our children, and with our lives. Tell me what preoccupies you and I'll tell you how big you are. In order to be a big person you need to get rid of the small problems that preoccupy you.

This year you are dealing with small problems. Next year you're going to deal with bigger problems, and the year after that, even bigger problems. I once had a New Year's card that went to all our clients saying: I wish you bigger problems next year than this year—that you can solve.

This year the problem is how to deal with sales. The next year it is how to grow from a local company to a regional company. The year after that, how to be a multinational company, and the year after that, how to solve the problems of the community in which you live.

Do you see what is happening? That's growing. Having fewer problems is not growing, it is dying. People who are dying have only one problem: they're dying. People who are very much alive have a lot of problems. The more alive we are, the more problems we have. *That you, yourself can solve.* So, are you growing or are you dying?

The Adizes Program

The first step in the Adizes program is to bring all top management together and do what I did for Bank of America, to get to the awakening: "We have problems. We need to solve them. We have to change." To come to the realization that the organization has to start working together. Don't look for a savior to solve your problems. You are the problem, thus you must be the solver.

This first step takes two days. In these two days, you'll find out where you are in the lifecycle, what is normal, what is abnormal, and what, God forbid, is fatal to your company, so you can focus on the real problems at the right time in the right sequence. At the end of these two days we make a plan of action: what is going to happen, and how long it is going to take.

The program from there on takes one to three days a month, depending on the company. It is therapy. You cannot delegate someone else to go to therapy for you.

We first address low-hanging fruit. Why? People need to learn how to work together because working together is not easy. It's natural not to work together because we are different. If it were so easy, then we wouldn't have so many marriage and family problems. What is happening here? People are starting to trust each other. They discover they can solve problems.

After that, we create a bottom-up channel, so people can communicate from the bottom up.

So far what has happened? We learned to diagnose problems without killing each other. We learned to solve problems together. We created communication channels. Now we are ready to make strategic changes.

The next step is to discuss and agree on the real mission of the organization. Some companies say they already have a mission statement. Usually, a mission sounds like this: "Our purpose is to satisfy our clients profitably and be responsible to the community in which we live." Bravo. It makes for a beautiful plaque on the wall. But what happens? Nothing. It's too generic.

I claim that if your mission applies to anybody else, it's the wrong mission. It has to be particular to you. To say we're in the business of satisfying our clients, investors, and owners, and being socially responsible applies to everybody. It is like saying your mission in life is to be happy. Good luck.

In Adizes we lead an exercise to develop a company's mission. At Bank of America, when we worked with them in 1982, I asked, "What business are you in?"

Their answer: "We're a bank."

"I know you are a bank. But what is a bank?" (We are not scared to ask stupid questions.)

"We take savings and we give loans." Then the discussion led to a realization: It was a dead business. They had competition on the demand side and on the supply side, and they were disadvantaged by laws that prohibited banks from competing with them. In the modern world, how many people put money in a savings account? You hardly make enough money to cover the inflation. You put the money somewhere else, in stocks or in bonds. On the demand side there are other institutions that provide capital: private equity funds and private investors, the stock market—tremendous competition here. The traditional business model of a bank—trying to make money on the difference they pay in interest on savings and earn in interest on loans—was getting squeezed. (This was in 1982. Years later the whole savings and loan industry went bankrupt.)

What to do? You have to change who you are. Remember I started this lecture with the admonition to leave behind what made you successful in the past. It might be the reason why you're going to fail in the future. Don't drive forward looking in the rearview mirror. Forget the past. Where are you going?

The change for Bank of America was fee-based banking: charging fees for every service. It was a paradigm shift. Now they were not a bank, but in financial services. "Then we should buy a brokerage firm," they thought, "and we should have an insurance firm and we should do mortgages."

That is where we are going. Not where we are coming from.

What do we do next in the program? Build an organizational structure that is designed to deliver the mission. As they say in America, good fences make good neighbors.

The next phase of the program is to divide authority correctly, and the following step is to cascade the program through the organization. In this phase we train and certify people in the company in the Adizes methodology. We transfer our know-how so the company can be emancipated from external support. We are proud of every client we lose—I really mean it—because we are organizational therapists. Just imagine a psychotherapist saying, "I've had this for twenty years and he's going to be with me for the next twenty years." What kind of a psychotherapist is that?

We want to train the company, start moving the iceberg, transfer the technology, and depart. We tell the company to call us only in an emergency; otherwise, they're on their own. We train people in the company, we license them, and they come to our conventions. They are part of our professional community. We share knowledge, update ourselves on the technology, and impart that knowledge to the community.

Once we are working together and have cascaded, hopefully, to the last worker, down the guy who cleans your bathroom, and they're solving problems from the bottom up—now we can stretch the company to peak performance. That's where you get all your return on your investment. Now we find all the holes, where you are wasting money.

You cannot only stretch your hand; if you really want to stretch the whole body you need to stretch arms, hands, shoulder, hips, toes—everything. Everyone, down to the last worker, has to cooperate for the whole culture to change.

At this point we are ready to do strategic planning. Usually consultants say: “Tell us your goals and then we’ll do strategic planning.” But if the company is a mess, how can your strategic planning be successfully implemented?

Now that we are all working together, everything is transparent and we know where the money is being lost or made, and we have a direction, and a structure—now we can talk about major direction changes. At this point it will be very easy to turn the company around, because everybody’s on board, participating, and collaborating.

In the next phase we teach companies how to start moving the energy from the bottom up. Energy cannot move top-down and bottom-up in the same channels. It will get stuck. That’s why the people who resent changes the most in your organization are the first-line managers, the foremen: They get pressure from the top to change and resentment from the bottom. They are at the neck of the hourglass. We create a bypass system, a cybernetic structure: top-down, bottom-up, everything is flowing.

The last step in the program is reward systems. If you make these changes earlier, you will pay much more. When the people are frustrated, they hate their work: “You want me to work for you? Pay me.” When everything is working smoothly, they still want money, but less.

There are eleven steps, and twelve months of the year: in January do step one, February step two...November step eleven. In December, do nothing. Rest, or go on vacation. What should you do in January? Start all over again. But not *we*. You.

That is the methodology for changing an organizational culture, for healing a sick organization, for making an organization the best it can be.

The Formula of Success

Are the companies always successful? No. There are some companies that we worked with that are bankrupt today. What happened?

I was talking with my medical doctor, and I told him I had worked so hard on a company that went bankrupt. He said, “You know, Ichak. I’m a medical doctor. All my patients eventually die.”

You cannot make them live forever. But why these companies die? One reason is that they stop practicing healthy behavior. They just go back to their old ways. It requires discipline to maintain this methodology. It’s not that easy to do. Some

clients maintained it for a while, then stopped, and they deteriorated until eventually they went bankrupt.

I don't know of any companies that continue to practice that are in trouble. They're constantly changing, and if you're constantly changing there is no reason to get into trouble. If you are listening to each other, looking at problems up front, identifying them from the bottom up and sideways, and dealing with them together, why would you get into trouble? When you are not conscious, when you fall asleep on the job, when you don't listen, when you become arrogant, you will go bankrupt.

Why does this methodology make companies successful? There is a formula I call the Adizes Formula of Success. It applies to success in any way you define it—in personal life, family life, and companies; it applies to society and to this little planet; it applies to everything.

Success is a function of the ratio of external integration to internal disintegration.

The denominator in this formula, internal disintegration, depends on two factors that in turn depend on four factors. These four factors depend on eighteen factors, and so on. At the bottom of the pyramid there could be a million factors. I have dedicated my professional life, so far forty-one years, to studying this map. Let's look at how it applies to business.

What is external integration? If you pick up all the books on marketing, and you summarize every book, then you summarize the summary of the books, then summarize the summary of the summary, and so on, you are going to get to the kernel of what marketing and strategic planning is all about. It is how to integrate externally with the market. That is why you do market research, market segmentation, product differentiation, pricing, and chose channels. You have to look at what the changing opportunities are and what your changing capabilities are, and try to match opportunities to capabilities. The aim is to be integrated with the market.

In your personal life it could be career planning. What am I good at? What does the market need? How do I place myself in the right place for my career growth? What are my capabilities versus opportunities? For a country, it shows up in economic policy. What needs to be encouraged, textiles or high tech? How do we integrate with the global economic situation?

What is internal disintegration? For a company, it is all the internal waste of energy; so-called "politics." All the fighting, rumors, suspicions, backstabbing, backbiting, all the troubles in the company—which we all hate, don't we?

Internal disintegration is a function of mutual trust and respect. If there is no trust, we waste lots of time wondering, “Why did she say that? What did she mean by that? What is she doing?”

Why does this formula, of external integration over internal disintegration, predict success? We know from physics that energy is fixed at any point in time. I have found that the fixed energy in an organization is predictably allocated. First it goes to where there is internal disintegration. Then only the surplus, if there is any, goes to external integration. For example, God forbid your very good friend is in the hospital. When you go to visit him what does the doctor say? “Please. No more than five minutes’ visit.” Why? Because the poor guy has no energy for you. He needs what energy he has to heal himself. If you have a cold, what does the doctor tell you? Take aspirin and go lie down. Why lie down? What does whether I stand or lie down have to do with my running nose? Because if you lie down, and you rest, you free the energy to heal your cold.

The whole goal is to free energy. If I have internal problems, it takes all my energy. Companies where there is no mutual trust and respect are fighting all the time. When a client comes they say, “Come tomorrow. I am exhausted today.”

We have worked with companies that had plenty of money and a technology the market was dying for, but they were failing because their infighting left no time or energy for fighting the competition.

What does the Adizes program do in companies? We minimize internal disintegration by increasing mutual trust and respect. That frees the energy for external integration. The company, instead of looking inside, turns around and looks outside. Now it is ready to attack the world.

How do you create mutual trust and respect? Four factors impact whether there is mutual trust and respect in a company.

One is the quality of people, of course, but that is the last factor we deal with, not the first. In organizational consulting they often focus on needing good people. They’re absolutely right—you need people who command and grant respect—but that is the last factor you should address.

In my experience, if you take very wonderful people and put them in a messed up company, after one or two years they lose all their trust and respect. It is like taking good steak and making hamburgers out of it. The environment killed them. I have seen this in Russia—I tip my hat to the Russian executives, who as individuals are very good. If you take a Russian executive out of Russia and put him in America or England he will do very well. But in Russia the system is no good.

Changing people without changing the system does not work. Unless, by changing the people, we change the system.

I first try to fix the car. Then I will fix the driver. Changing the driver of a broken car does not fix the problem.

What, then, are the other three factors we should address first?

Do we have common vision and values? In the Adizes Institute we have an Ethics Committee. We insist on values, and if somebody breaks the values, I don't care how much money he makes for the organization, he is kicked out. Values come first.

The next step is structure. Do we have a diversified structure that enables all (PAEI) roles to be performed? How do we divide the organizational responsibilities, authority, and rewards? These are the three components of structure. I'm going to give you a tip: Never have one vice president for sales and marketing. Never have what's often called a CFO, in charge of accounting and finance. Don't have human resources development and human resources administration together. And don't have one vice president for engineering and manufacturing. That is the wrong structure. (I explain more about why it is wrong in my books.)

The structure has to be right, authority has to be right, and the rewards have to be divided correctly. Usually, companies have an individual rewards system, but expect teamwork. Why would you expect teamwork when the rewards system focuses on individuals? Does the rewards system reflect the vision and values? Does it reflect what people should be doing?

Next is the process. What is process? We want to work together. But we don't have a protocol. You talk. I interrupt. Then someone else talks. Then this guy talks. Finally the chairman says, "Thank you very much. I heard you all. Here's what we are going to do." Is that teamwork?

We teach a system for running meetings as a team—not as a committee. There is a Jewish children's song that says, "Don't walk in front of me, I may not follow. Don't walk behind me, I may not lead. Just walk beside me, and be my friend." In the methodology, we walk together, one step at a time. It is like a wounded army crossing a jungle. One man is blind, another lost his legs. Alone, the blind guy will go until he hits a tree and will stop. The guy that lost his legs is going to crawl until he can crawl no more. But the blind man has legs, and the man with no legs has eyes. "Sit on my shoulders, and we'll cross the jungle together."

That is what we do in organizations: build a complementary team that knows how to decide together. To teach a company the discipline of deciding together—because there is no respect without discipline—takes about six days.

Our goal is for the organization to have common vision and values, a functional structure that nurtures diversity, and a disciplined process for making decisions as a team. Then we can develop the people who command and grant trust and respect. The result of this program is that there will be a culture based on mutual trust and respect, and the organization will be healthy, which is what really counts.

Thank you very much.

Dr. Ichak Adizes

Find out more about Dr. Adizes and the Adizes Methodology, including video lectures, free chapters, valuable tools and more by visiting www.Adizes.com.
