

PECULIARITIES OF ORGANIZATIONS

Human organizations can be exciting and challenging places. That's how they are often depicted in management texts, corporate annual reports, and fanciful managerial thinking. But they can also be deceptive, confusing, and demoralizing. It is a big mistake to assume that organizations are either snake pits or rose gardens (Schwartz, 1986). Managers need to recognize characteristics of life at work that create opportunities for the wise as well as hidden traps for the unwary. A case from the public sector provides a typical example:

When Bosses Rush In

Helen Demarco arrived in her office to discover a clipping from the local paper. The headline read, "Osborne Announces Plan." Paul Osborne had arrived two months earlier as Amtran's new chief executive. His mandate was to "revitalize, cut costs, and improve efficiency."

After 20 years, Demarco had achieved a senior management position at the agency. She had little contact with Osborne, but her boss reported to him. Demarco and her colleagues had been waiting to learn what the new chief had in mind. She was startled as she read the newspaper account. Osborne's plan made technical assumptions directly related to her area of expertise. "He might be a change agent," she thought, "but he doesn't know much about our technology." She immediately saw the new plan's fatal flaws. "If he tries to implement this, it'll be the worst management mistake since the Edsel."

Two days later, Demarco and her colleagues received a memo instructing them to form a committee to work on the revitalization plan. When the group convened, everyone agreed it was crazy.

"What do we do?" someone asked.

"Why don't we just tell him it won't work?" said one hopeful soul.

"He's already gone public! You want to tell him his baby is ugly?"

"Not me. Besides, he already thinks a lot of us are deadwood. If we tell him it's no good, he'll just think we're defensive."

"Well, we can't go ahead with it. It'll never work and we'd be throwing away money."

"That's true," said Demarco thoughtfully. "But what if we tell him we're conducting a study of how to implement the plan?"

Her suggestion was approved overwhelmingly. The group informed Osborne that they were moving ahead on the "implementation study" and expected excellent results. They got a substantial budget to support their "research." They did not say that the real purpose was to buy time and find a way to minimize the damage without alienating the boss.

Over time, the group assembled a lengthy technical report, filled with graphs, tables, and impenetrable jargon. The report offered two options. Option A, Osborne's original plan, was presented as technically feasible but well beyond anything Amtran could afford. Option B, billed as a "modest downscaling" of the original plan, was projected as a more cost-effective alternative.

When Osborne pressed the group on the huge cost disparity between the two proposals, he received a barrage of complicated cost-benefit projections and inscrutable technical terms. Hidden in a fog was the reality that even Option B offered few benefits at a very high cost. Osborne argued and pressed for more information. But given the apparent facts, he agreed to proceed with Option B. The “Osborne plan” was announced with fanfare and widely heralded as another instance of Paul Osborne’s talent for revitalizing ailing organizations. Osborne had moved on to work his management magic on another organization by the time the plan came online, and his successor had to defend the underwhelming results.

Helen Demarco came away with deep feelings of frustration and failure. The Osborne plan, in her view, was a wasteful mistake, and she had knowingly participated in a charade. But, she rationalized to herself, she had no other choice. Osborne was adamant. It would have been career suicide to try to stop him.

You might have noticed that Helen Demarco’s case is more than a little similar to the scandals at Volkswagen in 2015 and Wells Fargo in 2016. At the Geneva International Motor Show in 2012, VW CEO Martin Winterkorn proclaimed that by 2015 the company would cut its vehicles’ carbon dioxide emissions by 30 percent from 2006 levels. It was an ambitious goal that would have beat the targets set by European regulators to combat global warming.

But just like Paul Osborne, Winterkorn had set the bar too high. The engineers saw no way to meet the boss’s goals, but no one wanted to tell him it couldn’t be done. So, they cheated instead. There was a precedent because VW’s cheating on diesel emissions had started back in 2008, and observers reported that “an ingrained fear of delivering bad news to superiors” (Ewing, 2015, p. B3) was a feature of VW’s culture.

Like Helen Demarco and her colleagues, the VW engineers had other options but couldn’t see them. Paul Osborne and Martin Winterkorn both thought they were providing bold leadership to vault their organizations forward. They were tripped up in part by human fallibility but also by how hard it can be to know what’s really going on in any organization. Managerial wisdom and artistry require a well-honed understanding of four key characteristics of organizations.

First, *organizations are complex*. The behavior of the people who populate them is notoriously hard to predict. Large organizations in particular include a bewildering array of people, departments, technologies, strategies, and goals. Moreover, organizations are open systems dealing with a changing, challenging, and erratic environment. Things can get even messier across multiple organizations. The 9/11 disaster resulted from a chain of events that involved several separate systems. Almost anything can affect everything else in collective activity, generating causal knots that are hard to untangle. After an exhaustive investigation, our picture of 9/11 is woven from sundry evidence, conflicting testimony, and conjecture.