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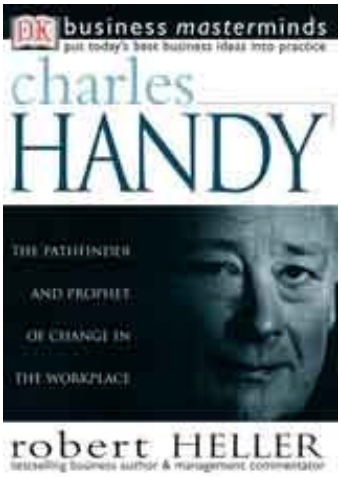
WISDOM IN A NUTSHELL

PRESENTS

INSIDE THE GURU MIND SERIES

Charles Handy



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Charles Handy

Understanding Organizations
Charles Handy first presented his daring and original organizational theories in his first book *Understanding Organizations*, published in 1976, after only six years of teaching management at the London Business School. He points out that at that time there were very few books on management organizations in Britain. He initially sought to discover laws governing behavior and organizations that would prove to be "as sure and immutable as the laws of physical sciences." However, rather than coming up with a scientific theory to govern the understanding of organizations, he found instead the existence of variables which hinge on any one organization. The seven main schools of organizational thought he described were not "proved to be wholly wrong" but none were wholly right either.

Looking at Motivation
Handy looked at motivation as the individual's way of finding his role in the organization. Handy showed that role problems such as ambiguity and conflict led to low morale and poor communications. Role stress, he felt, could be reduced or solved through four remedies:

- Compartmentalize roles between work and family
- Prepare for role transition
- Encourage a second career as a way of the role underload of the sideways-shunted executive
- Remember that problems in organizations arise from role strain, misconceptions about role, role underload or bad communications because of false role expectations.

The Leading Role
In *Understanding Organizations*, Handy revealed ambivalent views on leadership within organizations. He fell short of defining the role of the leader in exercising power and influence. He seemed to express skepticism about how participative management could succeed with its use of persuasion and internalization.

He also showed little faith in the development of good leaders within the "hustle and bustle of organizational life". He saw management groups as prone to failure as a result of inefficient procedures, too many members and too little power. He saw that incompatibilities between structures and cultures produced many organizational ills. He offered a prescriptive approach involving differentiation and integration.

He perceived that too many factors could impede the work of management groups:

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- The task is inappropriate.
- The constraints are impossible.
- The group is badly led.
- It has inefficient procedures.
- It has the wrong people.
- It has too many people.
- It has too little power.
- It meets too infrequently.

Each organization, he said, contains different cultures to cope with different types of activity: steady state (routine), innovation, crisis (the unexpected) and policy. He proposed seven integrative devices to make differentiation succeed.

Handy described four types of organizational culture:

- The power culture
- The role culture
- The task culture
- The individual culture

The power culture usually revolves around one dominant person and is typified by the small entrepreneurial organizations such as trade unions and property, trading and finance companies.

The role culture, which can be found in bureaucracies, can be likened to a Greek temple with its pillars representing its functions. These pillars are composed of the finance department, purchasing department, production facility and so on.

The task culture can be compared to a net because it seeks to bring together the resources, people, and level of organization in order to get a job done.

Handy recognized that organizations have their own ways of achieving their goals. He outlines four basic cultural patterns that illustrate these ways of working. In his second book, *Gods of Management*, published in 1978, he named these patterns after four Greek gods: Zeus (power), Apollo (role), Athena (task) and Dionysius (individual).

The Four Patterns

Handy explained in *Gods of Management* that an organization follows the power culture when it has a leader, a father-figure from whom all authority flows, as in the case or Zeus, the father of the gods.

A culture characterized by Apollo, the god of reason, works through the use of logic and rationality. Authority rests in the system, which is characterized by

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order, rules and roles. In Handy's opinion, the role culture became the model for the world's large organizations.

The goddess of wisdom, Athena, is the model for the task role. In the task culture, people in the Athena organizations are brought together to solve specific problems or perform specific tasks.

Dionysus, whom Handy described as "the god of the self-oriented individual, the first existentialist," represented a form of organization that did not exist in the same way as the other cultures. Running counter, it would seem, to the orderliness of these other previous cultures, the Dionysian culture introduces the element of disorganization within an organization. Handy believed that traditional organizations had failed or arrived at a dead end.

Changing Work Patterns

With its emphasis on rules and logic, Handy thinks that the Apollonian culture will eventually fail. He suggested that the employment organization based on the office would eventually be supplanted by "a more contractual, dispersed and federal organization". He saw that this development would produce

- More small businesses
- More part-time work in all institutions
- More opportunity for more people to combine jobs with other interests in life
- More work located near to where people live

Although Handy's predictions about the demise of the large (Apollo) organizations have not come to pass, he did not hesitate to prescribe advice that would release them from the Apollonian structure.

Ideas into Action
Organize your business to fit its real-life circumstances, not some ideal model.
Remember that many organizational problems stem from people's difficulties with their roles
Make sure that you get the right culture in the right place for the right purpose.
Do not let the "Apollonians", with their specified rules and roles, dominate the organization.
Rely increasingly on "Athenians", task-force members who take specific projects.
Make room for the "Dionysians", talented individuals who "do their own thing".
Provide more opportunities for people to work part-time and near to their homes.

The four gods in the title of the book offered a misleading image of their pre-eminence among organizations. Handy recognized that Apollo remains the god of management. Handy offered the world of academics as an example of the Dionysian culture. And yet, he conceded that within organizations, there are tasks that call for the skills of each of the three gods.

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Large Sets of Jobs
Handy concedes that within large organizations there are large sets of jobs requiring the talents that represented the three Greek gods. These tasks are: steady state, development and “asterisk”.

Apollo methods are used to tackle the steady-state task, which represents about 80 per cent of all work. Athena methods are employed to develop solutions to situations or problems. The third type, the “asterisk”, involves a domain where the rulebook offers no solutions, and where instinct and speed rather than logic or problem solving, are the required attributes. Handy concludes that the manager manages to incorporate within himself all four cultures.

Cultural Co-Existence
Handy’s hypothesis is that the healthy organization uses the appropriate methods and assumptions in a particular culture. It is necessary for the four cultures to co-exist in order to bring about a successful organization. Handy warns that the wrong mix of cultures can result in ineffectiveness. He cites the cycle of growth that requires the introduction of each culture. Once a business reaches a certain size, its founder (Zeus) brings in its professional managers (Apollonians) and introduces Athenians to develop the business. The wrong mix can breed inefficiency.

Handy points to “linkages between cultures”, which allows each part of the organization to develop appropriate methods of coordination and control. Without this coordination, a spiral of distrust is created.

Building Bridges
Handy considers the building of bridges an untidy affair and recommends that as few of them are created as possible. He concedes the need to maintain a careful balance between decentralization and centralization. He points to the variations in the use of language by the Apollonians and the Zeus culture as another barrier. The result is a clash between the need for tidier organizations and the need for “organizational revolution”. Handy goes as far as to predict that the “year 2000 will see the waning of employment society as we have known it.”

The Apollonian organization will be prone to self-destruction as it grows since it becomes less responsible to its environment. Individuals will also tend to reject its rigidity since in society; the young are raised in Dionysian traditions of individuality and self-expression.

Organizational Hijack
Handy warns that the dichotomy between organizational logic and individual’s feelings causes “organizational hijack”, a phenomenon in which a unit within an over-tightly run organization withholds its labor or talent. Handy thinks mega-corporations will become increasingly unmanageable and that within 30 years

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organizations will become looser peopled by workers earning fees rather than wages. The organizations will become smaller but more flexible and looser.

Sharing ownership
Handy believes that the workforce will demand a greater share in the fruits of ownership, particularly among the lower levels of the organization. He also predicts that the workers will acquire a "proper influence" in organizations and that they will assume multiple-job portfolios as opposed to only a single occupation. Handy thinks that employees will be less likely to identify themselves with their organizations and emphasize more their personal credentials. They will live "flexilives", highlighting their different skills and abilities.

Problems of Change
Handy's predictions of change include the decline of large labor unions. He also foresees a resulting decay in society that will parallel the decline of organizations.

Ideas into Action
Adopt the academic work-style, where command operates only by consent.
Prepare for the exceptions and emergencies where the rulebook will fail you.
Combine the four basic types of culture to obtain lasting success.
Continuously review the organization and adjust it to the changing environment.
Give individuals as much scope, as many rights and as much independence as you can.
Keep the organization design flexible and loose to reduce vulnerability
Spread the fruits of ownership as widely in the organization as possible

The Structure of the Shamrock
Handy came out with a third book, *The Age of Unreason* in 1989, in which he presented responses to contemporary changes among organization. He compares today's organizations into the shamrock leaf, the Irish national emblem, with three leaves composed of:

1. The professional core of qualified professionals, technicians and managers
2. People outside the organization but who work for it as subcontractors.
3. The flexible labor force of part-time workers and temporary workers.

Handy explains that the first group is the most valuable in an organization and is continuously enticed to render service with glittering benefits packages. However he considers the work of second group as "non-essential". The third is currently the fastest growing segment of the employment sector.

Managing the Leaves
Handy thinks that economic necessity will force organizations to begin turning their first-leaf core of professionals into partners rather than employees. He also believes that organizations will emphasize results rather than methods of the

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second-leaf group of contractual workers. He is generally positive about what he considers the more explicit and healthier contract between the contractual worker and the organization.

For the third-leaf group of part-time and temporary workers, Handy believes organizations would do well to provide them with training to upgrade their qualifications. He envisions an evolving world in which more of the work force will opt to work at home.

Handy foresees the development of a "federal organization" constituting an alliance between individual groups sharing one identity, thereby incorporating the paradox of being both big and small at the same time.

The Federal Organization

According to Handy, the large size of organizations imparts financial clout as well as a sense of community among individuals. In his view of federalism, the initiative of an organization comes from its parts while the center exerts only an influencing force. He sees federalism as an inevitable development with the federal center devising strategies to link the autonomous parts. In this manner, the center becomes "a place of persuasion, of argument leading to consensus."

Independence and Unity

Handy says federal organizations must let go of some of their power in order to work and implement the right decisions. He expounds a new theory called subsidiarity by which organizations give responsibility to people, trusting that they will be capable of carrying it out.

Handy sees jobs as "inside-out" doughnuts, which are tasked to produce specified results. He invents a new language to fit into this Management by Results concept. He spurns scientific management, which, he thinks, cannot be applied to an essentially soft system.

Principles for Leaders

Vision is an attribute that lies at the core of Handy's concept of leadership. He says. "A leader shares a vision which gives point to the work of others." He explains five principles of leaders:

1. The vision must be different: "A plan or strategy which is a projection of the present or a replica of what everybody else is going is not a vision."

2. The vision must make sense to others: "It must stretch the people's imaginations but still be within the bounds of possibility." It must be related to people's work and not to some grand design.

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3. The vision must be understandable: “No one can communicate a vision that takes two pages … or is too full of numbers and jargon.” It has to stick in the mind.

4. The leader must live the vision: “He, or she, must not only believe in it but must be seen to believe in it … The total pragmatist cannot be a transforming leader.”

5. The leader must remember that the vision will be the work of others. Otherwise the vision will just stay just a dream. “A leader with no followers is a voice in the wilderness.”

Thinking like Leaders

Handy urges managers to think like leaders. Eschewing the traditional vertical path of promotion, he recommends a Japanese-style career path for young people. This is a horizontal fast-track road with managers being assigned to different jobs but on the same level. This method allows people to discover new abilities and interests.

Handy puts forward a new formula: I^3 = AV “where I stands for Intelligence, Information and Ideas, and AV means added value in cash or in kind”, which gave him another catchphrase, “the triple I organization”.

Handy avers that organizations will have to rethink their traditional focus on short-term profit and prioritize quality in their goods and services. He argues that it is not enough for smart machines to be operated by “sometimes very dumb people”. He upholds that quality can only come about with the combination of smart people operating smart machines within a smart environment. He believes that organizations will be compelled to invest in smart machines as well as thinking people, many of whom, he believes, will be women.

At the same time, managers will be not just managers but “team leaders with responsibility for money, people and projects”. This new concept of management will identify management as an activity. This will require managers not only to possess the particular expertise for a specific role but also to have a combination of technical, human and conceptual skills.

The Culture of Consent

The new concepts that Handy puts forward hurls a new challenge to organizations, that they respond to a new culture of consent, for which people need to be educated and prepared. In *The Age of Unreason*, Handy expresses six hopes that involve “work for others”, religion, “village living”, early success and the nature of man and woman. He believes that the new trend in looseness among organizations will encourage truly adult behavior, thereby turning the Age of Unreason into the Age of Greatness.

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Ideas into Action
Contract out anything that can be done better and/or cheaper by others
Exercise control by specifying the results, not by overseeing the methods.
Ensure that decisions are taken with the advice of key subordinates and by consensus.
Make your vision different, sensible, understandable, then live it as transforming leader.
Use flatter organizations to allow people to discover new abilities and interests.
Employ skilled and thinking people to get the best from investment in smart machines.
Run the organization by persuasion and by consent, putting a premium on competence.

Managing the Paradoxes

Handy's book *The Empty Raincoat* published in 1994, insists that people are "not nameless numbers on a payroll". He points out that large corporations have trimmed their workforces to about half but demand triple their productivity. The result is a high level of stress contributing to burnout. Handy argues that there must be more to life than this competitiveness. He sees that not everything "could be understood, predicted or therefore managed."

The Nine Paradoxes

Handy thinks that the nine paradoxes are bringing about the evolution of society. The first paradox is **Intelligence**, which according to Handy now constitutes the first new form of property, the ownership of which will ultimately divide the society into those that have it and those that do not.

In the second paradox, **Work**, Handy points out that organizations wish to pay less for the most work while individuals are aiming to put in the least amount of work for the highest pay. He sums it up: "the more you price work, the less paid work gets done, because so much of it (like small home repairs) is not now worth the cost". Specialization has also resulted in too high a price being paid for work, leading to higher joblessness.

Productivity, the third paradox, is linked to the phenomenon of specialization, which means that fewer people are doing more and better work. Such specialization however has reached such lengths that it is becoming ridiculously expensive for organizations.

In the fourth paradox, **Time**, Handy observes the availability of so much time i.e., longer lives or longer available time due to part-time work, as well as increased number of work hours. There is also the conflict between companies reducing their workforce to save money and people agreeing to work longer in order to earn more money.

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The fifth paradox, **Riches**, is premised on the traditional principle that in order to spur economic growth, more individuals need to buy more goods and services. Ironically, the population of such individuals is dwindling. Randy observes that investing in potential competitors can stimulate economic growth.

With the sixth paradox, **Organizations**, Handy sees organizations facing the challenge of reconciling opposing concepts in order to define itself. Is it global or local? Is it centralized or decentralized? The bottom line is that an organization will be organizing rather than employing.

Social changes will be reflected in the seventh paradox, **Age**. These changes will see less available jobs, shorter working lives, longer education, the participation of both men and women in child rearing and the revolution in values as the roles of the sexes are given newer definitions.

The **Individual** becomes the eighth paradox, in the sense that never has society encouraged greater individualism while at the same time fostering organizations that stifle this individualism. These organizations prize teamwork and yet fully expect each member of the team to remain self-motivated.

Justice, the ninth paradox, is linked to the reality that capitalism seems to foster injustice. Handy says, “There will be no good reason for anything other than selfishness.” Society rewards those who gain the most for themselves, leading to unequal distribution of wealth.

Handy offers three theories for the resolution of the Nine Paradoxes: the Sigmoid Curb, the Doughnut Principle and the Chinese Contract.

The Sigmoid Curve

The S-shaped Sigmoid Curve reflects the waxing and waning trends of life itself. In order to constantly grow, one must start a new curve before the crest of the old one, even if this might appear to contradict present success. Handy teaches that organizations should not fall into the mistake of riding too long on its first curve without preparing itself for the downward trend of that curve. Even if the organizations are not in a position to predict when to move on to the next curve, Handy advises them to assume that strategies may be successful only within a two or three-year period. This attitude imparts the “discipline of the second curve” which constantly keeps organizations flexible and inventive enough to avoid the downward trend.

Older members of the organization should open themselves to the “curvilinear” thinking of younger generations, Handy suggests, and not to obstruct it with their rigid views.

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The Chinese Contract
The title of this theory reveals Handy's propensity for mysterious titles. Taking a page from traditional Asian business ethics, Handy presents the apparent paradox of a compromise that is both moral and reveals one's strength rather than weakness. He argues that agreements in Asia rest upon compromise that is mutually beneficial to both parties.

Third-Angle Thinking
Handy uses this approach to resolve the need to reconcile opposing solutions with a third solution, the third angle. Continuing the train of ideas originating from the "Chinese Contract", Handy suggests the following concepts:

- Reject the idea that winning necessarily means that someone loses.
- Regard compromise as a sign of strength.
- Seek a good agreement, not a good lawyer.
- Reject the idea that if you look after the present, the future will look after itself.

One of Handy's most intriguing theories is the Doughnut Principle, in which the middle of an inverted ring doughnut represents the core of essential activities surrounded by discretionary space. Handy holds the view that a company makes profit in order to do or make things better and more abundantly. He recognizes that a company should combine selfishness with public contribution, a hexagonal contract involving the cooperation of the financiers, employees, suppliers, customers, environment and society. The idea that a company grows better, not bigger, holds the recipe for immortality.

Institutional Immortality
Very few companies set out to achieve this immortality and practice a sort of built-in shortsightedness. Handy expresses hope that companies aim for permanence although he concedes that there are no perfect solutions.

Ideas Into Action
Assume that your present strategies will need replacing in two to three years' time.
Entrust planning radical "second-curve" strategy to the younger generation.
Be prepared to compromise in the interests of reaching a better solution.
Always look out for another approach to resolving conflict – the third angle. Be alert for paradox, and use its contradictions as a springboard for success.
Satisfy all six stakeholders: financiers, employees, suppliers, customers, the environment, and society.
Build a company with a recipe for immortality – like being better, not bigger.

Living in a Doughnut
In *The Empty Raincoat*, Handy applies the Doughnut Principle to organizations. At the core of these companies are necessary jobs and people. But around this

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core lies a space occupied by flexible workers on flexible contracts. Handy specified his own experience with Shell as Regional Coordinator Marketing (Oil) to show how a job, which was, all core and no space induced frustration.

Types of Error
Handy differentiates between Type 1 errors, which are not getting a job wrong and Type 2, which is not getting it right. The leaner and flatter organizations he envisions also assume the extra responsibility of doing the things that can be done. He also cautions that those who seek the totality of their fulfillment in life in their work may be disappointed. He advises filling in the vacuum of the personal doughnut with other aspects of one's life.

The Portfolio Career
At 50, Handy made a daring decision to leave fulltime employment. Others would follow this trend increasingly. He went on to establish a "portfolio career", incorporating different interests and skills. He felt that the individual would benefit from just such a variety of challenges within the organization through a portfolio career. This option offers an alternative to the rigid stratification of the organization that boxes people in within their specified job descriptions.

Describing a "doughnut organization", Handy saw outsiders or portfolio workers being used to supplement a small core of key people within an organization. To avoid lapsing into the tightness that would sacrifice its flexibility, the organization would use flexible contracts. The relationship between the designer and the occupant of the doughnut would be characterized by mutual respect and trust. He points to the success of the Brazilian company, Semco, which has partners and associates around a core of counselors at its core.

The doughnut concept is already being applied by organizations, says Handy, even down to its physical layout. He adds, "The center no longer dominates from a headquarters tower block. It is smaller and more club-like, with outlying or satellite offices around the country."

Handy applied his pet theory in his own professional and personal life. He organized his time into a doughnut with the core representing his various fee-charging activities to which he allotted 200 days a year. These were speaking, consulting, teaching and writing. Around this core he organized his charity work, which was given 100 days and holidays, which took up 65 days.

Overdoing the Core
Handy thinks that organizations may be overdoing the core by trying to attain more security, necessitating bigger cores. He advocates allowing individuals more space to exercise responsible behavior.

Handy sees organizations utilizing a system of u\interlocking double circles of doughnuts in which the core defines the limits of authority. However, it is vital that

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there be a clear consensus about the individual and corporate goals. Without this consensus, anarchy follows. The corporate world has begun to show the fulfillment of Handy's predictions with their development of task forces, teams and work groups among employees. Some employees may even juggle different roles.

The advertising agency is Handy's model for this type of organization. Task-groups are assigned to handle a particular account or campaign. But the members of the groups may work on other groups depending upon the demands of the work.

Organizations are beginning to exercise flexibility and discretion as insiders become independent workers, capable of working with other clients and charging fees, not wages. However, these professionals receive compensation for their output and its market value, not for the time and effort they have invested in the work.

Knowledge Workers

Handy is emphatic in his observation that it is how professionals use their time to produce their output that is important and not how much of their time they do use. They are merely given an objective of a deadline but also the discretion to produce in whatever manner they deem necessary. Handy also foresees an equalization of benefits between the salaried full-time employee and the fee-charging professional.

However, Handy concedes the very human need of portfolio workers for a "club" where they can ward off the atrophy that can arise from too much isolation. He also points out that even for those who are officially part of the core, the organization can only show them the boundary of their discretion. The role of managers become important in that it is they who must communicate the core content, boundaries and results to their workers. Among the required attributes of such managers would have to be an ability to forgive mistakes.

The New Manager

The new structure of the doughnut demands a new set of skills from the new manager. He should be able to set the parameters of both success and failure and give his or her people the freedom to achieve their goals.

In his collection of essays, *Beyond Certainty*, published in 1995, Handy offers his own optimism about the future possibilities. But he openly casts doubt on the willingness of future generations to seize them.

Ideas into Action
Seek and pursue the essential core of your personal and business activities.
Unearth and prevent the unseen errors – the undone things you should have done.

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Help people to develop portfolio careers, either inside or outside the firm.
Organize clusters of experts from whom you select task forces for specific projects.
Employ and pay people for their results, not for the time they spend on getting them.
Learn how to forgive mistakes and make them the crux of important lessons.
Allow your people to get on with their work in their own way.

Handy ends his book with a puzzling paradox of his own: “I remain optimistic about the possibilities of the future but pessimistic about our willingness to seize them.” Yet all of Handy’s books chart the growth of ideas that may have come to fruition or remain unfulfilled predictions but remain consistently original and intriguing.

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