

from Heckscher, Charles. *White-Collar Blues: management loyalties in an age of corporate restructuring*. N.Y.: Basic Books, 1995.

## 8

# The Emerging Employment Relation

**I**N THE LAST CHAPTER we saw four examples of apparently successful organizations that did not rely on stability and loyalty. These companies seemed to have overcome the pain and stagnation characteristic of the other ten in my sample by solving some very difficult problems: they gained the enthusiastic support of their managers, and built a real sense of cooperation, without the promise of long-term security.

This violates the traditional image of the employment relation, still prevalent in most of my sample, which favors a dominant organization that supplies both security and direction. In this long-standing conception employees are expected conscientiously to do whatever their jobs demand; in return the company is expected to take care of them permanently. It is the forced breakdown of this compact that causes the pain and paralysis of the troubled group.

Faced with the pain of the destruction of their relation to the company, loyalists sometimes jump to an opposite extreme. They see no alternative but to become "free agents," selling their services to the highest bidder, focusing only on money. Yet *no one* in all the people I interviewed saw this as a good solution either for themselves or for the company.

The ideal image in the dynamic companies is different from either of these: it is of a voluntary coming together of *individuals with commitments* and an *organization with a mission*. This is the relationship that I have referred to as a "professional" one, forming a community of purpose. It is not a full reality anywhere, but it is in some places an ideal shaping definitions of who owes what to whom.

In this conception, to sketch its ideal form, individuals are committed not to any company as such, but to a personal set of skills, goals, interests, and affiliations. The company offers them not permanent employment, but challenges that give them an opportunity to develop their interests, and a promise of mutual dialogue and openness to manage the two sets of needs. When the two are synchronized, the employees become dedicated to accomplishing the cur-

rent mission, working with others who are similarly dedicated. They offer not obedience, but intelligence: they will not do whatever they are asked, but they *will* do whatever they can to further the mission. The relationship lasts as long as the organizational vision and the individual commitments are close enough to lead to a sense of mutual contribution. After that, as several said to me in almost identical words, it is "time to move on to something else."

This seems, to use some modern jargon, like a "win-win" for everyone. If the whole organization is sharply focused on the mission, the professional relation can effectively bring together people who care about and are committed to that particular direction, who *want* to be there. When the mission changes, for whatever reasons, the company should be able to shift its focus; when individuals change, they should be better prepared to pursue their goals. Indeed, for the four dynamic companies I studied, the promise seemed largely fulfilled: most of the managers were enthusiastic, and at least three of the four organizations were clearly performing at very high levels.

Of course the solution is not so simple. There are many obstacles to making this ideal work, and much to be done to make it viable beyond a few special cases. Later I will look at some of the ways in which even the best examples fall short, and the difficulty of solving the problems.

Nevertheless, despite these difficulties, I believe that the "community of purpose" prefigured in these best cases could be an effective model for the future. It solves (at least conceptually) some problems central to modern corporations and even to the broader society. It does what all forms of community must do: it lays the moral basis for mutual obligations and stable relationships, and therefore for effective cooperation. But it does so in a way that avoids the limitations and the major oppressive aspects of traditional communities, including the familiar loyalty bargain in corporations: their inescapable, permanent nature, and their pressure for conformity and homogeneity. The evidence from the best organizations I studied suggests that it is possible, at least in some circumstances, to build such a community.

### The Key Elements

Let me give more detail on the key elements of this ethic.

#### INDIVIDUALS WITH COMMITMENTS

The most positive individuals I spoke to were not those wholly devoted to the company, but those with independent interests. The ones who oriented themselves to the company, like "the organization man," quite naturally felt betrayed

and confused by the sudden shifts in strategy and expectations. Those who had independent bases, by contrast, could be (and often were) very critical of their companies—especially when they were in troubled organizations—but they seemed to know where they stood. They had their own compass to steer them through what to others seemed like incomprehensible events.

The independent interests were of several sorts. A few people, like John Hall in the last chapter, were focused especially on the development of a particular technology or technique. A larger group identified with a profession, especially engineers and accountants. This was not automatic: many engineers—those who considered themselves loyalists—did not feel an independent identity as professionals, and rarely engaged in outside conferences or seminars. But a subset did emphasize the importance of maintaining contacts with the wider profession and keeping in touch with the latest developments in the field, whether their company expressed a need for it or not.

Another interesting group—about a dozen—saw themselves as change agents, able to move from organization to organization while bringing a special ability to mobilize people around projects. Note, for example, this person's use of the language of passion:

I know what I want to do with my own career. I'm focused. I have a burning passion to be a turnaround specialist. It doesn't matter whether inside or outside of Crown.

With my last group I got it working so well that I could let them run themselves and then I could do what I like best, which is developing new programs. Middle management needs to be . . . visionary.

This group often spoke of outside training programs in organization development, leadership, team building, and so on. They attended these themselves, and they encouraged their subordinates to attend, because they saw these skills as generalizable ones that could help build a career across companies.

Still another group defined their focus in terms of the industry—"I'm a car nut"—and imagined moving to another company to better realize their vision of what a car company should be. Some people had actually done it: besides Hall, who had some elements of this focus, I was struck by a person from Saturn:

I came to Saturn three and a half years ago from Ford because of the opportunity and excitement of starting something new, something that hasn't been done since the days of Henry Ford and probably will never be done again. I was a manufacturing engineer in the Taurus Sable program, which was exciting. . . . Here there are so many things that need to be done in developing the team and systems.

Like many in the best companies, this man could be critical of his company, and indeed expressed many things he thought needed to be changed, on the basis

of his previous experiences and his ideals of how a company should be run.

Professionals also talked about important commitments that were not directly related to work—social groups, politics, communities, and families. For loyalists, these types of concerns are defined as “personal,” and therefore not legitimate to raise at work. The professionals were open about them.

This was especially true of women and minorities. There was, for example, a particularly impressive and clearly successful black woman at Glover. She was the *only* one in the more than thirty I spoke to in that organization who had a sophisticated understanding of the business and the competitive reality, and who recognized the serious problems that were being denied by her peers. Yet she also spent considerable time talking about her family and the tensions she felt with her job, especially at crucial moments of her daughter’s adolescence. This never happened among the loyalists: it seemed that they accepted an unspoken code that to speak of family commitments was to put in question the seriousness of their loyalty to the company.

Other commitments besides family matters were important to the professionals. As I have indicated, they were far more involved than the loyalists in outside associations that provided skills and relations beyond the company. Some of them were also committed to social movements, like those of women and minorities, and brought those into the workplace. This was rare in my sample, so I don’t want to overstate it, but it was noticeable that it was far more legitimate to express issues about black or female identity for the professionals than for the loyalists. Occasionally this led to the beginnings of caucuses to pursue these issues.

These commitments often required difficult judgments. For loyalists, the demands of the corporation come first, and all others are subordinate; even their families would have to pick up and move if the company demanded it. For professionals, the mix was far more even. Promotions and career moves were explicitly weighed against family needs, and sometimes against the sense of allegiance to communities or social groups. I heard several stories of promotions foregone or transfers resisted for these reasons, and others of minorities taking their courage in both hands to express to their bosses a sense that they, not as individuals but as social groups, were being wronged. This was never an easy proposition, even in the most enlightened companies; people often had to work themselves up to a pitch of anger in order to take such a “disloyal” step. Challenges of this sort were possible solely due to developed commitments to legitimate social groups. And clearly some companies are struggling to adapt to these pressures. A woman at Emon noted, “Ten years ago you really couldn’t turn down a transfer; now, if you have good family reasons, you can, without destroying your career.”

For professionals, then, there is no easy calculus, and the company does not always come first.

### ORGANIZATIONS WITH A MISSION

The successful organizations had also defined a sense of mission that clarified and limited their commitment to their employees.

“Missions,” like “teams,” have become something of a fad in the recent years: almost all large companies have issued solemn documents that hang on walls throughout the organization. But just as there are teams that mean something and ones that don’t, so missions come in several flavors.

In the dynamic companies, unlike the rest, missions are complex and time-limited. They are not eternal general values, nor are they specific yearly performance goals. They specify a course for the organization for a particular phase, usually over a time frame of two to five years.

This is different from the orientation to very long-term values or culture characteristic of loyalist organizations. The organizations with the highest loyalty are those with the strongest “cultures.” Here is a typical value statement of this type:<sup>1</sup>

Everyone will work together to achieve Mazda’s corporate goals through management policies; “everlasting effort for everlasting cooperation.”

At the other extreme is the very short-term, goal-focused approach advocated by “tough-minded” consultants and managers. This has some conceptual appeal for dealing with rapid change: it is a radical break with the paternalist past. But this was not the way the dynamic organizations in my study worked. They rejected an environment of rapid turnover and short-term focus because it disrupts people’s ability to work together.

Instead, the dynamic groups sought something in the middle: a general sense of enthusiasm and sharing, but for a limited time and a particular project. There was a general definition of the *challenges faced by the organization* in the current period.

This kind of mission is positive and complex. It is not a matter of generalities, nor is it a matter of “beating the competition.” It is a rich picture of the basic issues faced by the organization and what is needed to deal with them. It involves multiple purposes that are often in tension but are intertwined, such as cost reduction and quality improvement.

Given this level of complexity, missions were generally not written up on the walls of the dynamic organizations; but middle managers could define in a consistent way the key priorities and issues in the current phase. And this then

became the frame within which everyone focuses together. At Barclay it was implementing the just-in-time system and reducing costs below the competition; at Apex it was establishing a new market; at Dest, an employee explained,

The president has put a challenge out. He's put out five things that we want to accomplish, including be number one in customer satisfaction and be one of the top three players in the industry, and the result was that everyone stepped back and said what can we do to achieve those goals.

We got together and zeroed in on those goals and figured out what we could do. We focused on customer satisfaction which included getting better coordination with research and development and we also focused on the profit goal. I myself offered to put myself under research and development, because I know that in our competitors R&D and manufacturing are one department. We need better coordination there. That hasn't happened yet, but that offer certainly reduced the turf issues.

#### SHARED PURPOSE: "NEGOTIATING" THE IMPLICIT CONTRACT

The coming together of individual and organization in the professional organization is a kind of balancing act, or negotiation. This was not in any of the cases a formal negotiation, but rather a constant process of open communication about the relationship.

These managers spoke a language of balance: an Apex manager said,

I have a tremendous amount of loyalty to this company because I have a lot of myself in it. But at the same time I have my own personal career objectives and my own values and I don't consider myself a lifelong employee.

One important difference from the loyalist ethic is that in these organizations it was legitimate to talk publicly about individual purposes as well as corporate ones. Complaints about working conditions, which were essentially taboo in loyalist organizations,<sup>2</sup> were far more common in the dynamic group. Because these organizations were not promising permanent security, they had to pay more attention to other needs and commitments of their employees.

For loyalists the idea that corporate purpose could change, and that their particular skills and interests could no longer be needed by the corporation, is a basic violation of the moral contract. They believe that if they have put in time and good-faith effort, the corporation has an obligation to find a way to use them:

They send you along and you are swimming along and then all of a sudden one day they say you don't fit the mold anymore. But I've been here for twenty years. Bang. You send the guy forty-five years old out on the street who's making \$60,000, where is he going to get another job?

For the professionals, by contrast, the assumption is that the match between individual and organization is a temporary one, defined by the frame of the project or mission. The fact that you have done your best for twenty years is not the point, and entails no obligation on the part of the company; contributing to the current direction of the firm is what matters.

The relationship requires a sense from both sides that it is productive. Therefore the main *moral* obligation on both sides is to be aboveboard in discussing interests and commitments. This is essential to the functioning of a system in which both sides are trying to reach an accommodation of purpose: as an Apex "professional" put it,

What's the psychological contract? The main thing is to keep things open. We have agreed to have open agendas, nothing hidden, no hidden agendas, to be open and honest with each other.

On one side, honesty requires managers to talk about their own needs and plans. In the troubled companies these were suppressed: at Lyco, to refer back to chapter 5, we saw how people avoided raising issues of job quality or personal needs. Among professionals, such expression was encouraged. Leaders quickly recognized the legitimacy of family demands, as well as requests for professional development through outside experience. They treated very seriously any complaints about excess pressure. While there was still some reticence, middle managers told me they were generally willing and able to voice these issues.

On the other side, honesty requires "full disclosure" by the company of its plans and prospects. Again, those struggling in the troubled organizations frequently found the task complicated by a systematic lack of openness. A major reason for this is that it is part of the paternalistic aspect of the culture of loyalty to protect subordinates. With the best of intentions, higher managers (as we saw in the case of Lyco)<sup>3</sup> typically pull punches, disguise the extent of the problems, try to take the burdens on themselves rather than "worrying" those dependent on them.

But such an attitude makes impossible a genuine accommodation between individual and organization: it puts power in the hands of the latter, which then has to take on the responsibility to use it wisely. For the more successful companies, it was a central principle to be fully honest about the future—not making promises which could not be kept, not softening or shading the extent of potential changes.

The central point of reference for the "negotiation" process is the company's mission—its direction over the next few years:

I think one of the best things that a company must do is to set clearly what the goals are, in order for everybody to know if those goals fit with your personal goals. Because if you have that information in advance and they don't fit, you better not go in. I always say what I perceive my personal success in doing this is that my personal goals and the goals of the company are positive ones, and they don't conflict.

Though the professional view is more conditional, less embracing than the paternalist community, it is not entirely "cold"; not is it amoral. The relationship does involve moral obligations for both parties. The "negotiation" between individual and organizational interests, if both sides are honest, establishes *commitments* for the duration of the project or phase.

These commitments are not absolute, but they are still binding. If things change—if business gets drastically worse than expected, or the employee finds a hot new career opportunity—there is an obligation to make the other party whole as much as possible for that period. The company does not have an obligation to guarantee employment, but it does have one to help employees cope with changes that were not predicted and are beyond their control: sudden layoffs, for instance, should entail significant help in finding something else. Employees do not have an obligation to stay forever, but if they want to leave suddenly they do need to help make sure the project gets done: by staying long enough to find a replacement, by helping to train new people, and so on.

It is clear that the balance, the coming together of commitments and missions, is much more complex than the implied contract of loyalty. While loyalty is simple and permanent, the professional relationship is mixed and temporary. It requires constant attention and care from all parties.

### The Potential Strengths of a Community of Purpose

The traditional corporate community, as we saw in chapter 4, is fundamentally unable to manage the growing challenges of diversity and continuous change. In order to build the needed level of trust it makes long-term promises to individuals, and expects in return subordination of personal needs. But this bargain leads both to suppression of claims of diversity and to inflexibility in the face of outside pressures.

One alternative is the "free agent" ethic espoused by many economists. This renounces the search for community and sets individuals free to sink or swim on their own. But that is not what the "professionals" have in mind: they believe in the need for deliberate cooperation. What they represent is an attempt, however imperfect, to find a way of working together that does not involve dependence on an organization.

### THE INADEQUACY OF A "FREE-AGENT" ETHIC

The ethic of the marketplace gained greatly during the 1980s. As an ethic, it is extremely meager: the obligations of employees and companies are limited to specific legally binding contracts. In this view there is nothing wrong with leav-

ing for a little more money somewhere else, and there is nothing wrong with laying off people on short notice.

This attitude is the polar opposite of the ethic of loyalty, and it is therefore one dramatic way of breaking free of the past. It is not purely a coincidence that the 1980s, which marked the downfall of old corporate loyalties, also saw the Reaganite celebration of individualism.

But in the context of corporations, the market approach is less useful for building the new than for breaking down the old. Virtually no one in my interviews embraced a free-agent ethic. The loyalists, quite naturally, viewed it with intense contempt, almost horror. But the professionals were also critical of pure individualism and pursuit of personal gain. Though they were open about their personal needs, they always stressed the element of challenge. For them, to leave without completing the task that drew them is both wrong and an admission of defeat.

They also argued strongly that the free-agent approach was bad for a business. Even those who had moved through several companies in their careers did not support a "superstar" mentality: people who were only interested in their own advancement, they said, break up the teamwork necessary to get things done. A Dest manager told me, "When I first started I tried to hire superstars. I was thinking of a company like the Dallas Cowboys, where everybody was a star. But I found that they would work for six months and then want to do something else. So now we have a more diverse group." Again, the touchstone was the project: people had to stay together long enough to get the project done, to meet the challenge, and then they could move on to other things.

One popular policy that reflects the assumptions of free agency is the move to link pay more tightly with performance. This idea seems so logical, and had such currency in the 1980s, that most of the companies in my sample had introduced or enlarged variable-pay schemes. This seems like a promising way to distinguish those who are performing well from those who are not, and to encourage the former to stay and the latter to go.

But very few managers I spoke to liked pay-for-performance plans much or thought they were effective. Among loyalists, not surprisingly, the reaction was fiercely negative. Indeed, at GM, a bastion of loyalism, a 1986 attempt to force managers to give differential rewards to their subordinates met with such resistance that it was withdrawn a year later. Such schemes attack a fundamental assumption of loyalty: that all employees will be protected if they do their best.<sup>4</sup>

What is significant is that most *professionals* were also critical, though more mildly, of pay-for-performance plans. They too stressed the importance of maintaining teamwork and avoiding a pure dog-eat-dog environment. In keeping with their general approach, they sought a balance—somehow recognizing individual contribution without denying the importance of the group. They were not satisfied with the pay system in any of the organizations in my study. The problem of balancing individual versus group contribution, and short-term

versus long-term performance, still seems too complex to have produced a good system, in their eyes.

Overall, my evidence on the effectiveness of the free-agent relationship is almost entirely negative: nobody and no organization I studied really practiced it. This in itself certainly suggests there is something wrong with it. Rejection of free agency was just as characteristic of those who embraced change in general as of those who resisted it. I can't prove that they are right, but I can make an argument about why I think they are.

The problem is that business organizations need a higher level of cooperation than can be achieved through market systems. On a broad scale markets can work pretty well to focus collective effort by moving the highest rewards to the areas of highest demand. What Adam Smith meant by "the invisible hand" was that markets lead people to cooperate without being aware of it. But large-scale production requires more than that: it requires conscious cooperation. It would be far too slow and cumbersome to get people to sign contracts for specific services every time you want to adjust your goals. There needs to be some general commitment by a group of people to work together.<sup>5</sup>

Loyalty is one form of general commitment: in exchange for protection, people agree to do what they are told. The professional relation is a different form, in which people agree to work together on a task. The free-agent approach, however, fails to provide any basis for conscious working together.

That is the essence of the practical argument that almost everyone I spoke to made: that if you are dealing with people who put their personal interests too far above those of the organization, you can't work effectively with them and you can't get things done. The moral argument about the value of organizations is another matter, to which I will return.<sup>6</sup>

## RESOLVING THE TENSIONS

The first part of this study argued in essence that loyalty is too limited to hold people together in situations of rapid change and diversity. Free agency moves to the other extreme, which creates its own problems. One might say loyalty creates too thick a bond, and free agency a bond too thin.

Professionalism balances the two ends of the continuum. It places neither the organization's needs nor those of the individual in the dominant position, but values them both. It therefore looks for ways to negotiate the relationship and to build common interests.

Faced with the pressures of change, loyalists are lost, bewildered, often angered. They have no good solutions. Many of them feel they are being forced into a free-agent attitude, which they hate. In effect they jump from one extreme to the other: from a focus on the group to a focus on themselves. But they find this so repugnant that they tend to jump right back again. They hang onto loy-

alty as long as there is any possibility of maintaining it, leading to the defensive conservatism we observed in chapters 4 and 5.

The professionals, however, feel much more confident: they can give up loyalty without feeling lost, and also without embracing the opposite ethic of pure individualism. They hold a balance that maintains both the freedom of the individual and a commitment to cooperation.

Let me illustrate by tracing a discussion I had, centering on this theme, with a mixed group of managers at an executive education program. I started by laying out the three types of responses to corporate restructuring: loyalism, free agency, and professionalism. Most of the group immediately said they *wanted* to be loyalists. But like so many we have already heard in the troubled companies, they felt bewildered. They felt that since their companies had violated the compact they perhaps had no choice but free agency; yet they resisted this alternative mightily:

I am an extreme loyalist, but because of the pain that I have been put through as a young middle management person for twelve years now, I am heading toward free agency. I work for an organization that was able to get people to be so loyal because . . . they don't have a lot of other business experiences, they worked their way up this organization.

But what happened is that we had to implement painful decisions that we were not a part of making—having to sit across the table from somebody and saying, "You don't have a job. Your \$80,000 is gone now. Your house payment of \$3,200 a month cannot be made."

Then you begin to realize this isn't a family. This is a business. It's like a husband who has an affair on you. What I mean is, you may forgive, but you never forget. So you say, "Maybe I should be a little bit more of a free agent."

In the same group, though, were several people who clearly and strongly identified themselves with the "professional" category.

I have no intention to be a loyalist to any company, whatever it can do for me. As far as I'm concerned, if you want loyalty go get a dog.

Today, it's almost impossible in my industry to be a loyalist. You can't do it, because you can walk in on any given morning and your job is gone. It's just a fact of life.

*So is it basically a free agent?*

No, I would say professional, . . . in the sense that I'm there to do the best I can. I will stay for as long as that relationship remains positive for both of us, for the bank and myself.

What is significant is that as the "professionals" in the group talked, the loyalists started to embrace this ethic as a better alternative. Though they had a hard

time grasping it, it seemed more attractive than pure free agency. One professed loyalist responded to my summary of the professional point of view by struggling to adapt his beliefs:

I think it's a more progressive loyalist view. If you want to have a family-type atmosphere in your business, if you want people to be loyal to you, there are two different ways. One is what my dad had in his job years back: you were loyal, you had a good job, you were going to get a 7 percent cost-of-living increase every year. Now companies have more of an obligation to earn that loyalty. So they earn that loyalty, but we all know it's a business.

This person is trying on the one hand to hold on to the idea of a "family-type atmosphere" like that in his father's day, and on the other hand to deal with the fact that "we all know it's a business." He moves toward thinking of it as a negotiated, "earned" relationship centered on the business, rather than the unconditional acceptance of the past.

Another person who described himself as a former loyalist who has been pushed away from that attitude added:

I don't think, as a manager, you want loyalty—you don't want blind loyalty, anyway. I think it doesn't do the organization any good to have just total blind loyalists on everything you want to do. The organization doesn't grow, because everybody is just following the line of what is being said instead of bringing new ideas to the organization.

That's the balance. Again, I think we are groping for something in the middle. That's what I feel.

This discussion captures in microcosm the pattern of this study: the loss of loyalty, the rejection of free agency, and the effort to construct the balance I have called "professional." The fundamental strength of the professional ethic as I have described it is that it balances the sense of meeting one's own needs with that of contributing to something larger, in a way that allows for dynamic change. It enables people to deal with the loss of a "family" atmosphere without falling into cynicism and it allows companies to adapt to new circumstances without falling into a cold "sink or swim" philosophy.

### Problems and Cautions: The Limitations of the Best Cases

The suggestion that mobility is a good thing and that loyalty is not troubles most people I have tried it on, whether corporate managers or just interested

observers. It violates their basic perceptions of how people work together, and contradicts basic moral definitions of good relationships. It seems to lead toward loss of caring and community and to open the door to unhealthy selfishness rather than cooperation.

That skepticism must be taken seriously. I have a few cases that seem to go against the accepted wisdom, but that does not make them right. The leap from cases to general principles is often made far too easily, which produces a lot of fads. In moving from an example (or even four examples) to a model, it is necessary to think about the underlying logic, and to examine closely the weaknesses, limitations, and long-term prospects of the examples used.

I believe, as I have just argued, that the professional ethic and the community of purpose offer the best way out of the problems posed for middle managers by continuous change and increased diversity. I also believe we can outline the things that have to be done to make it work. But the truth is that there remain many serious problems to overcome. Even the most successful organizations in my study have major limitations.

The first problem is obvious, and I have not forgotten it: the issue of career security is not really resolved in these companies. What happens to people who can't get jobs when they need to "move on to something else"?

I did not interview people who were currently unemployed, but I know it is a desperate circumstance.<sup>7</sup> For the purposes of this study, which is about the employment relationship, the question is whether the fear of unemployment will eventually corrode the links of shared purpose between organization and employees.

Aside from the few who had actually demonstrated an ability to market their skills, most of the professional types I spoke to remained uneasy about the future. They were, to be sure, far more optimistic than their loyalist counterparts, believing that the experience they were gaining would serve them well if they needed to go into the outside market, but they were not fully sure it would work.

What appears to be happening is that people have simply not confronted the issue yet. Career aspirations are relatively long-term and can be somewhat delayed, especially in a crisis, without major readjustment. But no one in my sample had an answer for the longer term, and most agreed that the piper would have to be paid in the end.

In short, the ethic of career mobility had for most people not really been tested. Only a small minority had actually proved their ability to move from company to company.

This leads to the second limitation: none of the examples I have been using has survived long enough or succeeded thoroughly enough to prove that it is possible permanently to run an organization in the shifting, open, flexible way that characterized the dynamic group. None of them had institutionalized a professional community on a wide scale for a long period of time. Though they had succeeded in some instances in building flexible teamwork, they all showed

shortcomings and signs of fragility. They were, at best, partway along the road.

Some people in Apex were particularly conscious of their distance from the target. They stressed that most effective "teaming" still took place within the restricted community of the small work group. The cooperation beyond that scope was, by all indications, better than most, but still far below what was sought:

The camaraderie has not spilled over into other business units. There are so many things that need to be done in developing the team and systems within the business units, but [there is] not enough opportunity to get out and interface with other divisions.

Decision making therefore fell short of the ideal in most parts of the organization, especially when problems went beyond the scope of the small team. There was a tendency to blur responsibility and to avoid clear commitments:

I have trouble finding people to make decisions. In theory it allows you to get in touch with the actual end-users and get people with ownership involved in decision-making processes. In actuality often someone has responsibility but not authority, so the decision doesn't stick, or more people want to get in later.

The other "dynamic" cases had their problems as well. In the case of Dest, the culture I have been describing was well-developed only in parts of the organization, and only at a relatively high level—within three or four levels of the CEO. Though this was far enough to move beyond the scope of immediate personal relationships, it left a great deal of resistance and confusion at crucial levels of management. The organization was still in big trouble overall. Barclay was a small organization—a single plant—so the problem of working out an extended impersonal network was not really put to the test. Yet even in this context many noted a continuing tendency for subparts of the organization to assert autonomy rather than interdependence.

Most interesting of all, from this perspective, was Crown. This division, it seemed, had gone a long way toward a professional community about three years previously. There had been a remarkable change process spurred by new competition, culminating in a complex set of task forces and committees that, according to most sources, had worked quite well. But this "Quality Improvement Process" (QIP) had fallen on hard times. Although there had been no layoffs, the new mechanisms of cooperation had been put under a series of intense pressures: the parent company had acquired another company with a traditional culture that had taken away much of Crown's work; they had moved to a new location; and at the time of my interviews they were in the middle of a very stressful shift to a new information management system.

These pressures appear to have been too much for the cooperative commu-

nity that had existed previously, forcing most people back toward individualistic autonomy. There were many remnants of the professional perspective: a sense of pride in the mission, a very sharp business focus, a sense of commitment rather than loyalty. Clearly a good deal of spontaneous cross-functional coordination was continuing in the framework of the QIP network. Yet the predominant mood was one of exhaustion and an inability to sustain the new connections:

"The organization's having a tough time, it's really just this overload of things so you turn off for a while. People just feel left alone with little support."

"QIP is going through a valley now. We haven't had time recently to go through the process. It's true that people feel alone. We don't have the opportunity to sit down very often and talk about our problems."

In short, the professional structure had not yet proved itself anywhere in this sample to be deeply institutionalized or robust. Though its level of teamwork was clearly higher than the troubled organizations, it had not consistently solved the essential problem: how to put together teams as needed for problem solving without the lengthy process of personal trust building. "Teamwork" tended to get stuck within small and stable teams, rather than framing a flexible problem-solving approach throughout the larger organization. In one case where the larger community was put under pressure, it tended to fragment.

Finally, I would note some evidence that not everyone could make the move to a professional orientation. I was impressed, on the whole, by how thoroughly lifetime loyalists, when moved into one of the dynamic organizations, seemed to convert to the new values and to feel liberated by them. Most said that they were growing and learning more than ever before, and that their work was more interesting, even less stressful. But a few I spoke to didn't seem to be making it. By all accounts (besides the ones I met myself, I heard stories of others) such outright failures were a small minority, perhaps on the order of 10 percent. But that is certainly enough to pose an ethical problem, and to bring into focus the fact that we don't know much about what it takes for people to make this transition.

These difficulties tell us that none of the actual cases, even the most positive, has yet solved the problem: none has achieved a stable form of unity without loyalty. Both moral and practical problems remain. The system does not treat everyone fairly—indeed, it may increase the gap between the fortunate and the unfortunate. And it has not produced the kind of reliable large-scale cooperation that was characteristic of loyal bureaucracies at their best. These companies have only indicated a possibility.

## What Is Still Needed for It to Work?

There remain, then, two big problems.

1. Organizing firms so that they can function effectively with less hierarchy and more discourse, freedom of movement, and acceptance of employee needs.
2. Opening labor markets so that mobility is a real option for more employees—including providing support for those caught by circumstances.

This study has paid a good deal of attention to the first of these—the transformation of organizations, since my data come from managers within companies. The second level, “above” the firm, has received a lot less attention here and elsewhere, but it is equally important. The transformation of the employment contract does not only happen inside individual firms; it also changes the whole labor market among firms.

These two areas are crucial for the development of the community of purpose. A third issue, I think, is less central for practice, though important for understanding: that is the psychological changes involved for managers in making the transition. I treat it as less important because I don’t see much need for intervention on this level. Most managers do not need to be psychoanalyzed to deal with the current changes. My evidence is that, on the contrary, an effective organization can help most people change their orientation from loyalist to professional in a very positive way. But there are some individuals who have more trouble with it, and it is still important to think about how to make this move less painful for individuals.

### TEAM-BASED ORGANIZATIONS

The organizational issues touch on a large body of current practice and literature. Professionals fit best in organizations that do most of their work in project teams put together from multiple levels, functional specialties, and stakes to accomplish a task. The community of purpose matches challenges with interests; temporary teams are the natural organizational form for it.

This is why the companies who had moved furthest in the “team” direction were also those who had most developed the professional ethic. But we also saw that none of them had really stabilized the system. Team-based systems are not easy to build: they are not just a modification of bureaucracy, but a fundamentally different type of organization that is now being invented.

undoing a century’s experience in the construction of stable hierarchies.<sup>8</sup>

There are at least two major problems which remain for making this new form work.

### *Large-Scale Consensus Building*

The first problem is how to build shared understanding and purpose in a large group. Bureaucracy doesn’t really require this: as we have seen, few middle managers have traditionally had any real understanding of strategy beyond their own narrow slice of the business. It is held together not by shared understanding in all parts, but by a kind of blind faith in the authority of the top. The professional form, however, demands that everyone orient to the overall purpose and think independently, breaking out of the bureaucratic box. It requires a more open level of discussion, including a willingness to challenge superiors and to cross functional lines. We have seen how uncomfortable this makes those used to the rules of bureaucracy: they see a danger of fragmentation, faction, and general confusion.

The four most successful companies nevertheless show that it can be done, at least sometimes. They, along with many others, have pioneered the development of “organizational process”: systematic consensus-building discussions throughout large organizations bringing together groups of people based on their relation to a problem rather than their position in an organization. Apex and Crown in particular conducted elaborate processes with representative multilevel groups to develop new organizational structures.

Let me recall two perspectives already discussed to show the contrast between old and new ways of acting. Sam Lax, quoted at length in chapter 6, believed that bureaucracy was necessary in order to “arbitrate” disputes among people at the same level of an organization. But Apex, when faced with a dispute between two high-level managers, explicitly avoided referring it to higher levels for arbitration. Instead it created a group including the two in question, and also the representatives of the major groups they dealt with or affected. This “stakeholder group” then worked on the issue until a consensus was reached. In this situation, a turf battle, the process avoided the bitterness typically caused by higher-level arbitration, which often pleases no one. Furthermore, by involving people with interests in the solution, it came up with something that better met everyone’s needs than anything that either side proposed at first.

These processes are very hard to do. I heard about several failures at Apex as well as successes. Frequent obstacles include people who seek to play old-style “politics” and who undermine trust, and simple lack of understanding among many participants. But this is also an area of tremendous innovation. Public consensus-building dialogues were unknown in traditional organizations;

today there are many successes.<sup>9</sup> Thus, though it is still not possible to *reliably* build shared purpose in an organization, it is increasingly possible to do it some of the time.

### *Accountability Without Bureaucracy*

A second problem I see frequently is accountability. When individuals move frequently among teams, when they work with many different people, when they may have many supervisors or (in the case of "autonomous" teams) none at all, how can they be held accountable?

This, too, is an area of great ferment. I think the basic path is clear, though the implementation is difficult. In bureaucracy, accountability is built into the structure—it is, in effect, automatic and doesn't have to be thought about much. In a team-based organization, accountability has to be constructed, or negotiated, for each project, and it may look different for each.

Many aspects of tasks have to have some individual to make them happen. In that case those working on a project need to agree who will take it on and what the milestones will be. So it is common, in these organizations, for teams to spend a lot of time negotiating who will take on specific projects: some volunteer, some are jokingly shamed into taking things on, others do it because they are the only ones who know a given task. Then they discuss when reports will be given and what the expectations are for each stage. When the process works well, these review points are actually remembered and held to. But it takes new habits and skills to pull off those negotiations effectively and to keep people accountable in such a varied and flexible environment, and in the early stages it can easily break down.

It is also important to have accountability and rewards for teams. Companies I am familiar with are experimenting with an enormous array of practices for dividing pay among teams and individuals, and getting assessments from all those affected by a project or an individual. Sometimes it seems that more energy is being spent in measuring performance than in actually performing. Though no clear system or answer is yet visible, many companies are managing to do it well enough to keep functioning effectively without the clarity of simple bureaucratic accountability.

There remains much to be learned in these two areas. The point I would stress, however, is that the partial successes of the dynamic companies are already the result of a great deal of learning during the last twenty years or so. This gives me faith that remaining hurdles can be worked through in time. Many companies are continuing to extend the principles of team-based organization, especially in "Total Quality" efforts, which rebuild organizations around processes—major tasks—rather than functional specialties. Much of the most

popular management writing of the past decade has tried to preach this gospel or to codify the learnings.<sup>10</sup> The further development of these efforts is the first condition for the extension of the professional model.

### OPEN LABOR MARKETS

While the development of flexible organizations has gotten a lot of attention, there is a second major problem that has gotten much less: how to improve labor markets so that movement across companies is a real option for more people. This issue can't be solved by individual firms. It lies "above" that level, involving ways of connecting firms to each other.<sup>11</sup>

The United States is already better in this respect than many countries. In Japan, most notably, it is apparently virtually impossible for middle managers to change companies: the internal focus of large companies is so strong that people cannot pick up in a new organization in midcareer. Still, the barriers to movement in this country, too, are substantial. We have reviewed the degree to which outsiders are treated with suspicion in most of the corporations in my study. Benefits have also been systematically structured since the early years of this century to discourage movement, especially by making pensions dependent on years of service within one company. Other common policies with the same effect include highly company-specific training programs and strong emphasis on particular corporate "cultures." Finally, since most benefits—including health insurance—are tied to employment, the risks involved in moving between companies are much higher than in countries where these benefits are provided by governments.

In order to build a professional culture, major changes are needed to make movement more feasible. These include better information for managers about opportunities and conditions of work in different companies; better access to skill training and development; and security of income and benefits during the transitions. A basic sense of security is especially important: if leaving a company carries high penalties and risks, it is impossible to have an open labor market.

The direction of change is less charted here than at the level of the organization. A natural solution might be to look to the government to provide these mechanisms—through expanded unemployment insurance, national health care and improved pensions, and skills training. But government has been caught up, too, in the rebellion against paternalism: the idea that it should "take care" of people is accepted much less than twenty years ago. The difficulty of getting even modest health care reform through a Democratic Congress is a current measure of how deep the suspicion runs.

So far, then, not much innovation has yet occurred at this trans-firm level. In

thinking about how to manage this critical area, one has to build off fragmentary efforts. My view is that a solution will need to combine three key elements: a strong network of private service and insurance providers; governmental coordination and oversight; and national associations of managers.

### *Market Mechanisms for Security and Mobility*

Some of the most important developments so far have been in private systems to help managers deal with transitions. I am especially struck by the growing role of "headhunting" organizations, which are employed by companies to help them hire managers. They have penetrated far in a short time: a great many of the people I interviewed had been contacted by headhunters. These firms have formed, on an entirely private basis, a substantial network that cuts across firms and spreads some information about opportunities. A second growth area has been in associations for laid-off managers, which have also proliferated for the same purpose.

This is hardly enough. These networks are still extremely limited compared to the extent of the labor market: they certainly do not reliably get news of openings to the right people, and they deal only with one of the needs—information about job opportunities. They do nothing about income security, health coverage, and so on. In combination with other innovations, though, they could contribute to a more effective system than we have now.

One piece of a more complete system would be an extensive development of private insurance and services. There is no essential reason managers could not buy unemployment insurance for themselves, for example. The idea has not developed yet, in part, I think, because most managers and employers still cling to the image of traditional career tracks within one company. But if current trends continue for much longer, there will have to be a large-scale recognition of the need to protect oneself. Other forms of security—health insurance and pensions, for example—could similarly be provided by insurance mechanisms.

Insurance companies are not very popular at the moment, as their role in health care is hotly debated. There are serious problems, from preventing fraud to guaranteeing that those at high risk will be covered. To meet the needs of managers private insurance would have to be mediated by government and intermediate associations.

### *The Role of Government*

Government could almost certainly not, in the current political environment, provide security on its own. But it still has a role, though a changing one: it has been shifting away from being a provider of security to coordinating private

efforts. There are certainly things it could do to develop labor markets which would fit this image, and therefore be politically feasible.

- It could organize data banks of managers and jobs to improve the ability to get matches—several states have already begun to do this, though they tend to focus so far at the blue-collar level.
- Through tax incentives, it could encourage savings to cover transitional periods. Individual Retirement Accounts, Keoughs, 401(K)s, and so on are existing ways to encourage people to save for retirement. The government would do well to encourage similar accounts to be drawn on in periods of unemployment.
- It could provide back-up support and a regulatory framework for private insurance networks—a "safety net," to use a much-abused term.

The role of government in relation to markets and insurance companies is much debated now; I won't try to canvass that issue here. The essential point is that the change in the employment relation requires mechanisms that cut across many firms, rather than the single-firm benefit systems we have now. Government is one such higher-level mechanism, and markets are another. The nation seems to be groping for a new relation between the two in many spheres, and this is one where it is greatly needed.

Another area much in need of development is the law of the employment relationship. The traditional doctrine of "employment at will," dating to the 1880s, is based on old master-servant codes. It supports a crude version of personal loyalty, placing heavy obligations of loyalty on employees, but allowing employers to dismiss people without notice or justification.

Clearly a professional employment relation does not fit with such a conception of law. There needs to be some recognition of the mutual nature of the relationship, balancing the commitments of employees with the requirements of employers for the completion of particular tasks.

Significant movement has been made in this direction in the past few decades, though without overall coherence. The employment at will doctrine has been deeply eroded by both legislation and court rulings. "Personal" needs of employees, viewed as illegitimate in a loyalist conception, have gained some protection: employers are now required to respect such demands as (depending on the jurisdiction) family obligations, religious convictions, sexual orientation, political beliefs, and physical disabilities.

But we are still a long way from a coherent doctrine defining the rights and obligations of a professional relationship. Some in the legal community—most notably Ian MacNeil—have begun to sketch the norms underlying such an employment contract.<sup>12</sup> Without getting too far into alien terrain, I would note a few basic principles of the ethic sketched above that might well form a basis for lawyerly elaboration:

1. The obligation of both parties to full disclosure of all information that might affect the mutual commitment, including business prospects on the part of the employer and personal obligations on the part of the employee.
2. The right of employees to voice personal concerns, with a corresponding obligation of employers to make "reasonable accommodations" (to use the existing language of the Americans with Disabilities Act).
3. The right of employees to commitment from employers for the term of given projects; with a corresponding obligation for the employee, if seeking to leave in the middle of the task, to help find a replacement or other means of completing it.
4. The obligation of the employer to provide predictability and security for the term of the project, including a duty, if unforeseen crises arise, to make the employee whole as much as possible through job placement, severance, or other means.

#### *Intermediate Bodies: Managerial Associations*

Part of the answer is that markets and government are not enough: there needs to be a third set of institutions between them, pulling together groups with common interests. Government regulation is appropriate for things that must be uniform on a large scale; markets are appropriate for things that are truly individual choices. But when there are concerns that touch on social groups, something needs to organize those interests.

In the case of middle managers this would mean managerial associations. They are needed for two major purposes: to make sure that benefit systems (whether coming from government or the private market, or in combination) meet the needs of this group, and to help individual managers make sense of the choices.

An obvious role is in organizing an insurance market for unemployment and benefits. If this remains a purely individual matter, the same thing will happen here as in health care: those who really need it won't get it. The people at greatest risk—those in troubled companies or shrinking industries, or with outdated skills—will be left out. The solution is to pull together the whole class, high- and low-risk, to negotiate pooled agreements. This, of course, is the approach long ago developed by the American Association of Retired Persons for its members, and adopted by health care groups, unions, and other membership associations.

A second function of managerial groups would be to give members the information they need to choose among all the options in planning their careers. Few people have the knowledge to do effective financial planning, to prepare for the inevitable risks of shifting jobs, or to structure themselves a good package

of retirement and health benefits. This lack of knowledge can be a powerful force keeping people anchored in jobs they don't like, with employers who don't really want them.

A third function would be to give managers information about different companies, so that they have a basis for the negotiation process I have described as central to the professional relationship. Some professional associations have been doing this, circulating summaries of wages and working conditions at corporations where their members work. Some have even published standards they expect employers to meet, which gives individuals a little more leverage in the discussion.

A fourth role would be to help members develop the generalizable skills needed for flexible careers. This is a service that professional associations have increasingly provided for their members: classically, groups like the Institute of Electrical and Electronics Engineers (IEEE) have offered courses and certification programs so that members could gain knowledge beyond company-specific training programs. A good managerial association might provide education in "general management" skills like strategy, organization change, team-based management, and the use of advanced information systems; such knowledge would greatly increase most people's mobility.<sup>13</sup>

So far managers, unlike professionals, have not organized effectively in this way. Very few in my interviews referred to any kinds of associations at all (even though this was a question I asked regularly). Those who did referred to two types: professional associations of the kind just described—of engineers or accountants; or internal "caucuses" around social identity—women, gays, and blacks, and the disabled.

Caucuses remain a largely hidden phenomenon, and it is hard to know how widespread they are. I ran across a number among my interviewees. Two of them, at Emon, were encouraged by company management and were brand-new. One, a black group at Karet, was highly adversarial and underground, and had recently surfaced to file a suit against the company. (I did not manage to track down any of its members.) I heard references to groups of women and blacks, at Apex and Dest, that met independently to discuss career opportunities and skill development.

Some recent research has uncovered similar caucuses at many companies. One of the best-documented is the black caucus at Xerox, which in over more than a decade of life has had a huge impact in increasing the number of blacks at high levels of the company. The computer industry is apparently full of electronic bulletin-board discussion groups around social identities. Many companies in this industry, being new, stress loyalty less than most, and they also have developed the technology of network communication to a high degree.<sup>14</sup>

In general, the members of caucuses I spoke to saw them not as adversarial bodies, but as ways of helping members balance their personal interests with the company needs. These associations often do offer courses in general man-

agement skills, and occasionally organize private benefit pools. But they tend to be single-company organizations, and therefore don't go far in helping people think beyond their current career horizons.

Caucuses and professional groups do some things, but not the most important things: they do not provide *cross-company* support for managers. At the moment, there is very little activity in this area. For example, involvement with national groups of women or minorities, among the managers I interviewed, was rare—or at least they didn't relate it to their work lives. And no one mentioned the American Management Association, which would seem to be a natural to play the kinds of roles I have described but apparently has failed to do so.

The reason, I think, is that most companies still strongly oppose any kind of managerial association. Within the logic of loyalty, which most companies and managers still hold to, getting involved in something that encourages looking beyond the firm is tantamount to treason. It is a career-killer within the company, even though it might be a career-saver beyond it. Few are willing to risk their current positions, fragile though they may be, for an alternative that doesn't even exist yet.

But this is a short-sighted view. If companies want to move beyond the limitations of loyalty and bureaucratic stability, they must accept that their employees will constantly explore opportunities. Management associations are essential to giving managers anchors of skills, security, and information outside the firm. This is a third crucial piece in the development of open labor markets.<sup>15</sup>

### THE PSYCHOLOGY OF ADAPTABILITY

I will add only a few words about the psychological perspective. The evidence from my interviews clearly supports that of other studies that have stressed the trauma and pain caused by the managerial layoffs.<sup>16</sup> This pain involves not only the obvious loss of income and standard of living but also the moral upheaval of losing a community, of trust betrayed. While other studies have documented it among the laid-off, I found it as strongly among those who remained employed. Among the latter, it produced a set of defensive reactions, including the "retreat to autonomy" described in chapter 4.

Does the adoption of a professional orientation involve a fundamental psychological transformation? The people I spoke to implied that it was relatively easy. I observed managers who were lifelong loyalists who, when transplanted into Apex or one of the other dynamic organizations, quickly felt rejuvenated and enthusiastic about the idea of increased independence and mobility.

This seems to me to speak for the enormous power of community in defining individual orientations. Community is the boundary between the group and the

individual: it defines whom individuals want to please, or whose standards they feel are important. Communities are powerful because their standards (as Freud would say) are internalized in individuals and become personal motivations. Thus when individuals are put into a context where the people they care about and respect are enthusiastically adopting a new set of standards, they can very quickly join in. This is perhaps especially easy in cases like Apex or Crown, where the top leaders were also lifetime loyalists who had converted.

But there may be more to it than my interviews showed. Most of those I talked to had not been put to the test yet—they hadn't really had to face the pain of detaching their own identity from the company. And I didn't explore the psychological learning process of those who had in fact built careers across multiple companies. This may be a harder process than they let on or the others expect.

There is one very impressive study, by Paul Leinberger and Bruce Tucker, which complements this one by looking more deeply at the psychological angle, focusing on managers who had been laid off. Their evidence suggests that building a personality which is tough enough and flexible enough to avoid dependence on an organization is a difficult process.<sup>17</sup>

Their description of managers who have successfully coped with layoffs has much in common with what I have called a "professional" orientation: their word is "subject-directed." These managers have constructed their own identities, not from any single social role, but from many influences. They are not primarily "managers" or "General Motors men" or any other particular role; they have put together an individual pattern that combines the identity of manager with social attachments, families, and so on. These authors come, in other words, to the same place as I have in stressing the *complexity* of commitments among managers who can cope with change.

Getting to this orientation, they find, involves a process of mourning: it is this that keeps complexity from just falling apart into depression or narcissism. People who have negotiated the trauma of change pass through a period of loss that leaves them less fixed on a single goal, more humble, and more open to discussion and dialogue with others. They become not radically individualist, but interactive; they shape their sense of right and wrong not from the absolutes of a single social group, but from discourse. Again, there is overlap between the psychological mechanisms they describe and the process of "negotiated" relationships that I outlined at the organizational level.

The managers studied by Leinberger and Tucker are not "can-do" individualists who love risk. They are people who accept the reality of constant change through a psychology of *reluctant* risk taking. Again, this connects to my own finding that the most successful managers are not "free agents," but rather people who make commitments for limited times, and who are prepared to move on when necessary.

In my terms, Leinberger and Tucker trace the psychodynamics of the professional orientation, and one crucial trajectory that brings people there from loyalism. For the people they looked at, who had been laid off, the process was a long and difficult one. But because their interviews centered on people outside of organizations, they do not answer the question of whether people can make this transition without going through actual layoffs: whether organization change of the type I have described in the dynamic companies can enable people to stretch their identity and goals in this way, and what are the marks of the passage. This is an area that needs further study.

## Conclusion

The professional employment relation is a complicated balance between independent individuals and mission-focused companies. The expectations are sharply different from those built into loyalty. Rather than requiring employees to subordinate their needs to the corporation, it expects them to build their own identities and careers. From the company it demands not protection but honesty. This relation is in principle flexible enough to meet the needs of rapid change, and open enough to adapt to the demands of diverse employees.

But there is danger in this image. It can easily become an excuse for companies to reject all responsibility; it can be destructive for managers who don't have the skills or the strength to separate themselves from a paternalistic organization. There is a great deal that must still be done, within companies and in the wider society, to prepare both sides of the relationship for their new roles. I have suggested a substantial list of innovations that will be needed to make the system work; if they are left incomplete the result may be worse distress than we have now.