

FROM THE AUTHOR OF THE EMPTY RAINCOAT

CHARLES HANDY

BEYOND CERTAINTY

WE MUST NOT LET OUR PAST, HOWEVER GLORIOUS,
GET IN THE WAY OF OUR FUTURE.'

*The changing
worlds of*



CHARLES HANDY

BEYOND CERTAINTY

The Changing Worlds of Organisations



ARROW
BUSINESS BOOKS

Arrow Books Limited 1996

1 3 5 7 9 10 8 6 4 2

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20 Vauxhall Bridge Road, London SW1V 2SA

Random House Australia (Pty) Limited
16 Dalmore Drive, Scoresby, Victoria 3179, Australia

Random House New Zealand Limited
18 Poland Road, Glenfield
Auckland 10, New Zealand

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Printed and bound in Great Britain by
Cox & Wyman Ltd, Reading, Berkshire

ISBN 0 09 954991 3

ACKNOWLEDGEMENTS

The author and publishers are grateful to the following for permission to reproduce the essays in this collection:

Harvard Business School Press, for 'Beyond Certainty' (copyright © 1994 by the President and Fellows of Harvard College)

Lear's magazine, for 'The Coming Work Culture'

Harvard Business Review, for 'Balancing Corporate Power: A New Federalist Paper' (copyright © 1992 by the President and Fellows of Harvard College)

RSA Journal, for 'What is a Company For?'

Director magazine, for 'Are Jobs For Life Killing Enterprise?' and all subsequent essays

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INTRODUCTION



THE CLOUDS ON THE HORIZON

Adam Smith, the high priest of market economies and of modern capitalism, may well be the most quoted and least read of all authors. Who, for instance, knows that he wrote this:

A profitable speculation is presented as a public good because growth will stimulate demand, and everywhere diffuse comfort and improvement. No patriot or man of feeling could therefore oppose it. [But] the nature of this growth, in opposition, for example, to older ideas such as cultivation, is that it is at once undirected and infinitely self-generating in the endless demand for all the useless things in the world.

Adam Smith, you should be alive today, to take a walk through the shopping malls or the tourist streets of our cities. You would see windows stacked high with trivia, with all the detritus of a throwaway society, where growth depends on persuading more and more people to buy more and more things that they may want but can hardly need. Yet, without that induced demand, there wouldn't be the growth which would spread Adam Smith's 'comfort and improvement' to those who really need it. We need our economies of glitz and sleaze to provide work of a sort for many of our people.

'Work of a sort' is, indeed, all that much of it can ever be. The best management in the world can't make meaningful work out of stacking shelves or packing boxes, or out of selling T-shirts, mugs or plastic toys, or even plastic food. This is toil and drudgery, not the decent work we demand as the right of all. It is toil done for money, the money which alone provides access to the rich economy we have promised ourselves.

It is a strange irony, just one of many which itch away at our modern state. To give our people the necessities of modern life we have to spend more of our money and more of their time on the non-necessities, on the 'useless things', the junk of life. Worse – to produce these things we consume the world's resources, pollute its environment, muck up its countryside and dirty its towns and cities. This was not the brave new world that capitalism promised with its freedom of choice in the markets of the world.

We thought, once, that we could have it all, that money could buy us choice in everything, and technology would deliver it. If we wanted no children, then technology would allow us the joys of mating without the consequences, and if later we changed our minds, technology could put that right, too. Death could be postponed, if not indefinitely, at least for a decade or so, and society would make sure that the old did not clutter up the lives of their children by making the state responsible for their wellbeing. The state, in fact, would take care of everything we did not want to do for ourselves. The Basic German Law, for example, lists 17 basic individual rights but not one individual duty except to pay taxes, sometimes. Unlimited economic growth, in short, would provide the wherewithal for all our wants, and technology would somehow deal with any unwanted consequences.

It was always an unlikely dream. There are always unintended consequences to rational policies. The understandable attempt, in China, to ration children to one per family is producing a generation of 'child emperors', only sons, spoilt rotten, the daughters too often aborted. The American freedom to live where you choose, and to choose whom you live with, in that vast country, results in ghettos of the rich, ghettos of the old and, inevitably, ghettos of the underclass. Community as an ideal turns into a selfish exclusivity, reminiscent of the city-states of medieval Europe – great for those inside, but tough for the outsiders, which is why the insiders built high walls around themselves.

And when we finally confront some of the costs of our extravagances in the First World, and ask the Third World of developing countries to do things differently lest we destroy our firmament, they, not unnaturally, want some of those extravagances for themselves before they make the sacrifices which we ask for. We are caught in a trap of our own devising, unwilling to accept that freedom of choice can't easily be rationed. How nice it would be, I sometimes think, when crushed in a tourist mob in Florence or Seville, if only a fortunate few (including myself, naturally) had the means and the choice to travel. Freedom of choice for all can easily create misery for most.

Organizations have not been immune to the lure of false promises. Good jobs for all, well-paid jobs, was one of those promises. As a result, more and more people, particularly women, wanted those jobs. But organizations also needed to be efficient, and that meant doing the same, or, if possible, more, with fewer people. In the last 25 years Europe's economy grew by 70%, but only 10% new jobs were created, not nearly enough for all those that wanted them. The faster

we grow, it begins to seem, the fewer people we need to work our organizations.

Our people are now our assets, proclaim those same organizations, offering the promise of a caring, nurturing community at work; a Japanese tradition translated to Western ways. But assets, it turned out, were things to be milked as well as nurtured, and those lucky enough to have one of those proper jobs inside the organization found themselves working ever harder and longer, squeezing the traditional 100,000 hours of a working life into 30 years instead of 50. That works out at 67 hours a week, leaving little time for families, or for anything else, come to that. Organizations are rightly seen as the instruments of wealth creation, whether the wealth be money, health, education or service of one type or another, but we now see more clearly that, in their turn, the individuals inside the organization have become *its* instruments, subordinated to the goals of the organization, used and/or discarded as needed. This was not intended.

Nor was it intended that the brilliant invention of limited liability would end up with companies 'owned' by people who had never been near them, let alone met with their people or devised their products and their strategies. Companies as pieces of property, to be bought and sold by speculators, makes money the measure of all things and shortens the time-horizons of all those involved.

Many other things were not intended. It was not intended that women should be squeezed out of the new, efficient organizations. A more liberal age wanted it quite otherwise, but those 67-hour weeks meant that too often it had to be a choice between job or children. We must hope that many women will, in future, choose children, or find some better

way to combine the two, because the birthrate in most affluent societies is now less than 1.5 children per woman. Too many children may be China's problem, but too few children is little better – a society of greying elders with ever fewer people to support them, and no way, this time, that technology can change things inside of 50 years. We shall all be worse off than our fathers and mothers were, a state which many Americans already are shocked to find themselves in today.

THERE IS BETTER NEWS

It is now clear that economic growth for all forever is not on the cards. Even if it were, it would be no guarantee of happiness. In the last 20 years the British economy grew by 40%, the German by 50% and the Japanese by 60%, but it is by no means obvious that the Germans and the Japanese are any happier. In fact, surveys show the reverse, with the Japanese envious of the lifestyles of almost everyone. Perhaps we will soon cease to pursue the chimera of everlasting economic growth and harken to Adam Smith's reminder of 'cultivation' as a primary goal.

If we do, it will be more from the force of circumstance than from choice, but events shape values as much as values shape events, and the events which are coming up will confront us all with new choices. In the past, most of us were seemingly content to sell all our working time to the organization, to do with it what they willed, within reason. Our choices were mainly to do with how we spent the money they gave us and the time which they left us. Not unnaturally, money dominated our values, and the things that money

might be able to buy. The more money the more choice. It was, inevitably, for most people, a materialistic world.

It was also an institutional world. Most people got their sustenance and their structure from organizations of one sort or another. Those organizations resonated with power, authority and control. We may not always have liked what they said or what they required of us, but it was clear where authority resided. That is about to change.

Our world is about to see a change as significant as the technological event which, in many ways, launched Europe into a new age 600 years ago when the printing press was invented and developed. For the first time, then, people were able to read the Bible in their own language in their own home in their own time. No longer did they have to go to church to hear the word of God, in Latin, interpreted by a licensed minister of the Church. They could now make up their own minds about right and wrong, God and the devil. As a result, the authority of the Church crumbled, and with it the authority of most institutions. Individual freedom led to creativity, which blossomed into the Renaissance; but this freedom also produced schisms and anarchy, conflict and repression as people everywhere sought to flex their muscles and to take charge of their own destiny. Others, naturally, yearned for the days of order and discipline and, where they could, tried to restore them.

The television set and the telephone, with the computer at the end of it, the wired and unwired world which we now contemplate, are the modern equivalents of the printing press. When Motorola achieves its dream of a personal telephone for everyone with a personal number for each of us at birth, then a telephone will truly belong to a person not a place. Insignificant as that sounds, it means that the office will

become as unnecessary as the churches became. Television already allows each of us to make up our own minds about the affairs of the world, eroding the mystique of presidents, prime ministers, queens and corporate chairmen. CD-Roms and the Internet make the knowledge of the world available to all, depriving teachers everywhere of their competitive advantage over their students, authority eroded there as well.

As in the Renaissance, it will be an exciting time, a time of great opportunities for those who can see and seize them, but of great threat and fear for many. It will be more difficult to hold organizations and societies together. The softer words of leadership and vision and common purpose will replace the tougher words of control and authority because the tough words won't bite any more. Organizations will have to become communities rather than properties, with members not employees, because few will be content to be owned by others. Societies will break down into smaller units but will also regroup into even larger ones than now for particular purposes. Federalism, an old doctrine, will become fashionable once again, in spite of its inherent contradictions.

Interestingly, many of the products of this new wired age will be less destructive of our environment. CD-Roms consume no trees. The new economic growth areas of health, education, personal services and leisure activity need far fewer raw materials and are more to do with psychological and physical enrichment than with 'things'. These new growth areas also come in smaller, more people-friendly organizations than the manufacturing giants of the past. 'Things' will be increasingly made by 'things' anyway, and not by human automatons. As society ages, more people will have enough of things, mostly, and will be in the slimming-down stage of life. They may, in fact, be more interested in Adam Smith's

'cultivation' than in 'useless things', and if cultivation is marketable we shall have economic growth as well.

We may discover that when we can, increasingly, choose how to spend our time, it may not always make sense to sell it as expensively as we can or as much of it as we can. There are other things which we can do with time, even if it is only to sit and talk with friends. Many will use their time to increase their skills and enlarge their range of talents because intelligence is now the pathway to wealth and power. Time and talent will become the commodities in most demand, and they will be the property of each individual, not of the corporation, changing the balance of power quite radically. Education will, once again, become a prized and precious thing, at all ages and of all types.

The danger, of course, is that this 'cultivation' becomes a reality only for the privileged few in the privileged world of the rich countries. We shall have to take on board the truth that you don't make the poor rich by making the rich richer and hoping that the riches will trickle down, because they don't. Paradoxically, it works the other way round – you make the rich richer by making the poor rich, because then they have more money to spend. To start the cycle, however, you first have to invest in the poor, enlarging their capabilities, enhancing their skills, underwriting their initiatives. This works for the world at large as well as for individual societies, and even for organizations, but it always calls for short-term sacrifice by the rich in the beginning.

Sacrifices, however, are only made, voluntarily, for goals and ideals we believe in, and when we have confidence in those who may lead us there. Leadership, therefore, becomes more important than ever in this new world, and philosophy, or the search for the meaning of things, becomes the driving

force of economics. Individually, we shall each of us be more responsible for our own destiny, with no organizations there to run our lives for us, and that will force us to be clear about our own priorities in life. Circumstances will, therefore, make philosophers of us all.

THE LOGIC OF THIS BOOK

The essays in this book reflect my concerns with this world we are entering. An essay is, literally, an attempt or a test, a stab at the answer. My essays and speeches are exactly that – a sighting shot at the truth. They are, for me, therefore, the raw material of my other writings. Sometimes the raw material makes for more interesting reading than the finished book, being more tentative and more of the moment. It also comes in bite-sized bits which, for busy people, can make it more digestible.

The essays in this book cover the last five years. They contain the seeds of what were to be two books in that time – *The Age of Unreason* and *The Empty Raincoat* – but there is much else besides, depending on the context of the times and the particular audience to whom they were addressed. Putting what I think are the better essays together in a book resurrects them from the files and allows me to share them with a wider group than their first audiences. Like all collections of this sort, however, it is a book to dip into, rather than to read through at a sitting.

The common strand of all the essays is Uncertainty. Two and a half thousand years ago, Heraclitus reminded his listeners that you could never step into the same river twice – it was forever changing, as was life. We have never wanted to

believe him. In the first of these essays – ‘Beyond Certainty: A Personal Odyssey’ – I explain how I myself came to realize that there was no certainty any more in human things, and how a search for point and meaning had to move up our agendas if we were not to be caught hanging around waiting for some mythical leader to tell us where to go and how to get there.

The next three essays deal with what have been, for me, the most important building blocks in my thinking about how the world of work and business can best develop. The first, ‘The Coming Work Culture’, was written to introduce the idea of ‘portfolio’ working to an American public. It was written for *Lear’s*, a magazine for the new generation of working women. It reflects my feeling that work is getting more fragmented, that the independents would be a key feature of the new workplace and, most importantly, that this signalled a new opportunity for women.

The second, ‘Balancing Corporate Power: A New Federalist Paper’, written for the *Harvard Business Review*, explores what seems to be happening to the organization as it tries to be all things to all people, big but small, global but local, specialist but general. The title is meant to suggest that we can sometimes find the clues to the future in ideas from the past. Federalism has been around, as a concept, for 2,000 or more years, but we seem to have forgotten, both in politics and in business, what its key principles really are, as spelt out by, among others, the writers of the Federalist Papers in early America. This essay was awarded the McKinsey Award for the best article that year in the *Review*.

The third of these three core essays, ‘What is a Company For?’, was a speech delivered to a gathering at the Royal Society for the Encouragement of Arts, Manufactures and

Commerce, in London, in memory of Michael Shanks, one of Britain's stirrers and shakers in the early 1980s. In it, I challenge whether the conventional view of the company, as a piece of property owned by the shareholders, is a viable concept as we move into a more interwoven society, one where shareholders are not so much owners as investors. Who, then, are the real trustees of the future of our corporate wealth? This paper later stimulated an important enquiry by the Society into Tomorrow's Company, its role and responsibilities in our society.

Looking again at these papers, there is nothing which I regret saying and, apart from some minor updating of the figures, nothing which I want to change. The world is still unfolding as I suspected it would, and the discomforts are as great, but the changes too little. I remain optimistic about the possibilities of the future but pessimistic about our willingness to seize them.

There then follow 31 shorter pieces from the *Director* magazine, the journal of Britain's Institute of Directors. Once every two months, for the last five years, the editor of this journal, Stuart Rock, and his colleagues, have allowed and encouraged me to sound off on any subject which I would like to bring to the notice of their readers, the senior managers and directors of Britain's businesses. I have left these essays unabridged and in chronological order because they offer a sort of diary of my preoccupations of the moment.

Having said that, I have been startled to realize that my 31 preoccupations are still valid, now. Things, surprisingly, have not changed that much. We are not, as I see it, doing very much to influence our destinies, either as a country, as businesses, or, indeed, as individuals. None of these essays seems dated except, in one or two instances, in their