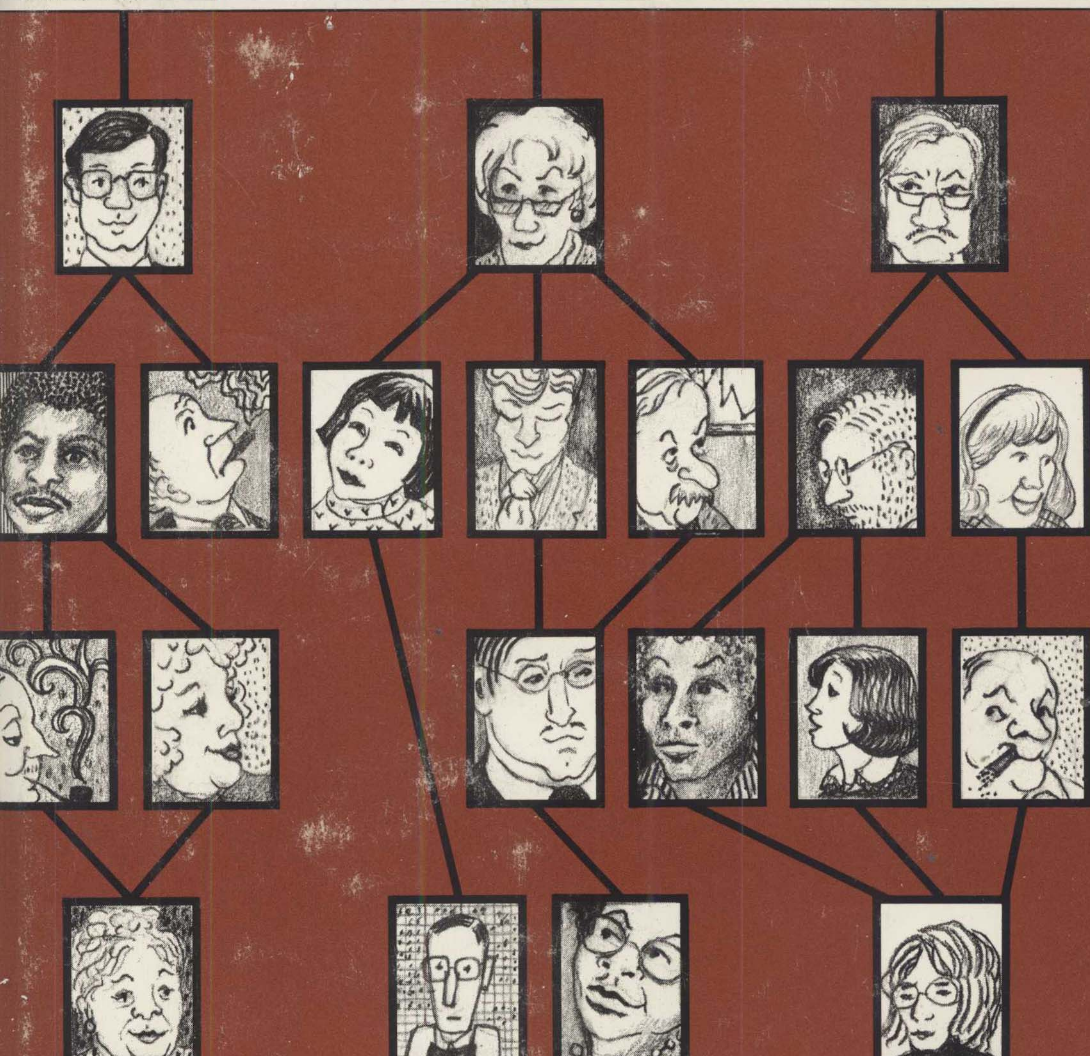
Harry Levinson

EXECUTIVE



he guide to responsive management

EXECUTIVE

Harry Levinson
with the assistance of Cynthia Lang

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and London, England
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Preface

Since the 1960s the business environment has changed radically, forcing executives to learn how to deal with new problems and situations. Top management is now deeply involved in pollution control, complying with health and safety standards, product liability, and affirmative action. Tension has grown between middle and top managers, owing in part to the pressures of inflation. And women and minority-group members are taking positions of managerial responsibility formerly reserved for white, middle-class males.

Today the business leader's fundamental function is to perpetuate the organization. In order to survive the cycles of individual industries, organizations frequently need to diversify. They grow—both in size and complexity—by accretion, acquisition, internal expansion, and agglomeration. Despite the heavy emphasis on MBO (management by objective) programs and on pleasing security analysts, it is clear that the reason for such growth is to ensure the company's survival. Organizations can no longer operate for the short run without considerable cost to themselves, to their geographical localities, and to the nation as a whole, as the predicaments of Lockheed and Chrysler have shown.

Executives who do not build adaptive capacity in their followers or subordinates do their organizations and their employees a disservice. If an executive is to be concerned with perpetuation, then his or her role as a teacher becomes central: this point, made in the original edition of this book (*The Exceptional Executive*, 1968) has been borne out in the years since its publication. Because in 1968 so few executives practiced the role of teacher, I labeled the teaching executive the "exceptional" executive. But the function is now commonplace. Management training at various levels has proliferated, with an increase in M.B.A. candidates, the development of in-house company institutes that frequently rival business schools, and the establishment of other kinds of training institutions. Adult educational opportunities are available in a wide range of community institutions. Not only is learning a life-long process, but a fundamental task of the executive is to teach people how to adapt more effectively, both on their own behalf and on behalf of the organization. For this reason, the title of this revised work is no longer *The Exceptional Executive*, but merely *Executive.*

Since the 1960s almost all managers have become more aware of the importance of psychological issues in management and leadership. This does not necessarily mean that these issues are better understood. People still want quick and immediate answers to complex problems, and much of the new-found "knowledge" about matters psychological is in the form of clichés, gimmicks, slogans, and techniques. Since everyone is human, each presumably is an expert on what motivates humans. This book, while taking into account the complexity of psychological dynamics, attempts to describe them in a straightforward way.

It has also become clear that business leaders must deal with multiple constituencies. Over the years higher management has become increasingly involved with all levels of government; a large company's affairs may even be adjudicated by the Supreme Court. When years ago I described the executive as a social engineer, the need to interact with multiple constituencies was on the horizon. Now it is in full view, and examples of such interaction have been included here.

Another change in the nature of the organization concerns middle management. Fifteen years ago, it was simply assumed that middle management would go along with whatever higher management dictated. Now many middle managers feel that the illusions held out by profit-sharing, stock options,

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bonuses, and other forms of supplementary compensation have turned out to be just that: illusions. Few believe that they have had an opportunity to build an estate, after having sacrificed for many years as their superiors demanded, to attain and sustain the profitability of their organizations. This dissatisfaction and alienation, too, will be examined in the pages that follow.

What about the people who *are* the organization? There is a growing need for executives who have the capacity to abstract at higher levels, to discern complexity and live with ambiguity. This is partly a product of the increasing size of organizations, partly a product of geopolitical and highly complex socioeconomic issues. In turn, expectations have risen regarding the level of competence of executives and the people who follow them. This means that executives must become leaders who will teach their followers to be more effective. Executives who cannot do so tend to withdraw into paralysis and let their organizations drift—to the dismay of their employees and the loss of their stockholders.

As requirements for leadership have become more sharply defined, new actors have entered the arena. The presence of women and minority-group members has engendered both conflict and vitality, and an important task of this book on leadership is to address some of the ramifications of their energy in the world of management.

Things have changed in other ways. The information explosion is now an old story. Organizations must move ever more rapidly. Competition is keen as new discoveries are quickly turned into products and as the costs of advertising and promotion rise astronomically. Organizations that seek to perpetuate themselves must act with aggressive agility, but many have acted too hastily. Decentralization has been effected, often without adequate coordination and communication, and without psychological help for those who must accept, accommodate to, or effect the changes. The cry for greater productivity has become shrill, but most of the widely heralded efforts that have been implemented lack solid psychological foundations and shrivel quickly into obscurity.

As Harvard professor George Lodge has pointed out, our society has become increasingly communitarian. We recognize the interaction of all kinds of forces and their effects on people, particularly those set in motion by business organizations (such as efforts to improve the quality of working life) and those resulting from the social growth of mutual-help and support groups. But neither businesses, communities, nor social groups can accomplish anything without effective leadership. Leaders must be prepared to understand their contemporary role and to act accordingly. This book is designed to foster such understanding—to help senior executives learn more about their role from a psychological point of view and to help them meet the expectations of their organization and the public.

Although a great deal of research has been conducted on various aspects of leadership, much of it is still in an early stage of development and is not yet sufficiently refined and integrated to form a firm base for a theory about the leadership role. Readers therefore should view much of what I offer here as conceptual and not experimental. The test should be whether what I have written fits their experiences or helps them better understand and respond to the problems they face as executives. The addition of case studies—a major new element in this revised edition—will help define the links between theory and practice and should enable the reader to work with the ideas more concretely. These case studies, along with other situational examples used in the book, have been adapted from problems presented to me by executives over the years. The names of the persons involved have been altered.

Finally, I wish to recognize the contributions of Cynthia Lang, whose perceptive insights and editorial contributions helped shape this book.

H.L.

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PART 1

Management is, all things considered, the most creative of all arts. It is the art of arts. Because it is the organizer of talent.
—Jean-Jacques Servan-Schreiber

Defining the Problem

The essence of management is indeed the organization of talent, as Servan-Schreiber says. But what sort of talent? The answers to this question are as numerous as the problems faced by an executive during a lifetime of work. The art of executive management, as it has been developing, is just able to keep pace with the changes presented by the larger world. Its greatest source of strength lies not in computer modeling or the use of econometric forecasts, helpful though these tools clearly are, but in the best use of human resources. The leader is the one who can use these resources, but in order to use them well he or she must understand them.

The human landscape is made up of geography and atmosphere, personal psychology and social cross-currents, changing patterns and lasting perspectives. Part One examines some of the complex interactions of power relationships, personality theory, social change, and assumptions about motivation. It draws on some classic conceptual outlines and augments them with events and discoveries currently taking place in the fields of medicine, management, psychology, and marketing—in fact, in any of the fields that contribute to an understanding of the way in which people operate and of the problems they encounter in the context of achieving personal and organizational goals.

Rate of change is one of the most conspicuous aspects of organizational life. The problem is not so much that we cannot be sure what tomorrow will bring, but that each executive must decide how best to marshal the abilities and talents of the people with whom he or she works and to focus them on the tasks at hand and—at the same time—on the task of inventing the future.

ONE Tomorrow's Executive

"I'd just mastered the game, and then they changed the rules" is a complaint heard often in the last quarter of a century, which has seen more changes than any other in the history of man. The changing rules and the changing nature of the game are features of life in family structures, political strategy, personal life stories, and cultural trends. They are a major feature of the construct we call "the organization" and the character part we call "the executive." We speak frequently of "the organization" as if it were a clearly defined concept. Yet the definition in the sense of "a body of persons organized for some specific purpose" is so diffuse that it could be applied, without criticism, to a bridge club or the United States Congress. Many of the difficulties encountered by organizations and their members derive from this lack of understanding, or, more probably, from a misunderstanding: we think we know what is meant, but on closer examination it turns out that we do not.

Specifying that in a given context "organization" means a private business, and not the bridge club or Congress, trims away some of the ambiguity but not nearly enough. The problem, of course, is not to rewrite definitions of the organization for use in upcoming editions of Webster's—a job for the lexicographer—but to surmount the difficulties inherent in managing an organization when misunderstanding exists about its boundaries, purpose, and responsibilities. And managing the organization *is* the job for executives.

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The corporation, as has been obvious for years, is not a feudal empire run at one person's pleasure for arbitrary reasons. It survives at the pleasure and discretion of the public, which purchases its goods and services; when the public no longer wants these goods, the corporation's days are numbered. But the links between the organization and the consumer public go beyond this level of quid pro quo. What is less obvious is that the corporation is a public trust and not simply an economic instrument. The corporation has an impact on all sides of society, exerting power that is social as well as economic. A corporation, not to mention an entire industry, can manipulate prices, influence housing and employment patterns by opening and closing plants, make changes in governmental and legislative practices through lobbying, and affect the natural environment through pollution or conservation. When businesses were owned and managed by the same people, as family-owned businesses still are, the double investment of ownership plus management served to integrate them socially and economically with the community. The divorce of ownership from management has had a ripple effect: corporate managers are less sensitive to the social implications of their actions. Being transient, they are not as personally involved in the community as they would be if they had always lived there and always would. Power, with some exceptions, is no longer the feudal issue that it used to be.

Ambiguity about the nature of the organization contributes to uncertainty about the role of executives. The definition of an executive as "someone capable of carrying out duties and functions" still begs the question, and leaves unanswered the crucial one: What are those duties and functions, and who is to decide which are the most important?

One problem with being an executive these days is that a person can no longer be an executive in the classical sense. Traditional ways of wielding managerial power have become obsolete. The historical conception of the executive, whether company president, admiral, secretary of state, or bishop, is that he directs and commands. (And in the historical view, of course, the executive is a man.) He plans, decides, assigns, and controls. True, he may have assistants with varying responsibilities, but in such a conception it is he who *does*. If the business year has been a successful one, he has made it so. If the war is won, he has won it. He may be magnanimous enough to share his glory with his subordinates or democratic enough to share his decision-making with some of them, but there is no question that when he does so, *he shares.*

Characteristically, the executive has an image of himself as combination coach, quarterback, linebacker, and end. He designs the plays and calls the signals. He evolves strategy and manages tactics. He tackles the competition head-on, or makes brilliant broken-field marketing runs, or throws surprise product passes over the heads of the competition, or punts the economic ball safely out of danger by merger, cost-cutting, or some other emergency device. And he does it every season.

Such an image is largely fantasy. No executive can run an organization this way any more than a football coach can both execute strategy and play on the team. The contemporary business scene is vastly different from that of a century ago. With less outright power to face greater responsibility, the executive can no longer function effectively by control and command. The Imperial German General Staff Plan—the most commonly used organization chart, with its underlying assumption of control from the top—is obsolete, for the more rigidly an organization is controlled the less its adaptibility. The executive role has changed, too. Current executive practice is as radically different from nineteenth-century procedure as is driving a stagecoach from piloting a supersonic airliner. Often, however, executives are trapped by the organizational structure and reward-punishment concept of management that keeps them from being able to act as freely as they would like. It is the conflict between this expectation of themselves and the realities of organizational life that causes much of the pain of leadership.

These realities are a function of the distribution of power. Power exists only in relation to other people who also have certain kinds of power. These people have expectations of the way in which leadership power should be used. Unless they can be coerced into doing what the leader wishes them to do, they will use their power against him. Therefore, the task of the executive in dealing with these realities is not to pit his or her power against other sources of power, although sometimes this may be necessary. Rather it is to meet the expectations of the other powerholders so that they willingly lend their power to further the interests of the organization.

There are essentially five sources of power related to organizations. Each has its own expectations. These facets of power can be illustrated by the experience of a small businessman. A man or woman who goes into business to earn a livelihood may have acquired a skill or invented a product, rented a shop or bought a truck. Sometimes the business grows because the owner is very capable, or perhaps innovative, or sometimes just lucky. Whatever the case, as soon as the business begins to expand, it is no longer merely a means of earning a livelihood. It becomes a locus of power, and the owner begins to create both expectations of and responsibility for himself.[1]

First, the owner creates a dual relationship with the public: he incurs both the obligation to serve and the obligation not to harm. Football fans, the clientele of a government bureau, and the customers of a department store all have one thing in common: they require services or goods and they demand that certain needs be met. The more they demand of a given vendor or entrepreneur, the more powerful they make him—that is, the larger and more successful he becomes. This success has two consequences: the more powerful the owner becomes the more he has a vested interest in maintaining and protecting that power, and the greater is his potential power to hurt those who avail themselves of his goods or services. Leaders of such an enterprise lose their power when the fans no longer come to watch the game, the clientele disappears, or the customers turn to other products. They therefore must continuously generate special publics if they are to retain power.

The executive creates an obligation to serve when his company offers goods or services; indeed, an organization must continue to exist if it is to serve. When it becomes apparent that people are injured by what the owner does or sells, the owner's obligations to the customer are increased in number and complexity. Government controls were established to counteract the increasing power of the entrepreneur to hurt others, however unintentionally. Every corner drive-in needs half a dozen licenses. Every pharmaceutical manufacturer must conform to the requirements of the Food and Drug Administration before marketing a new drug. If a mail-order book club fails to live up to its promises, a purchaser can use the strength of the United States Postal Service to obtain redress. The entrepreneur as an executive thus incurs both public responsibility and public obligation.

Second, when an owner's business grows, he or she creates a financial obligation. A fundamental problem of every small business is the fact that the owner rarely has sufficient capital for growth needs. Sooner or later the entrepreneur must "go public" with a stock-offering or obtain long-term credit from banks, in either case incurring an obligation to those who invest in the business, an obligation backed by law and assorted regulatory bodies. Once this step is taken, others have an interest in the survival of the business beyond the owner's lifetime.

This, too, is a power relationship in which owners must maintain their own strength while at the same time drawing on the strength of others. The executive must cope with the broad, uncrystallized power of mass ownership—stockholders, alumni, constituents, or (if leading a trade association, professional organization, or union) various kinds of publics such as grocers, teachers, and bricklayers. From this source of power owners must draw and maintain support without harming. They must prevent the inherent power in the mass from being fragmented and destroying the group, as in a proxy fight, and must keep the power from being used against themselves if they want to maintain their leadership position. They must capitalize on the resources inherent in the mass to further the organization and to return value to the investors.

Third, the owner must contend with the concentrated distillation of the power of the mass in the form of a board of directors or its equivalent. This means that owners have to deal with others who are, as they experience it, intruders into the business. Furthermore, in many organizations the government shares control with the corporation's board (antitrust, the Federal Trade Commission, the National Labor Relations Board, and so on) to minimize harm to the public.

Fourth, owners enter their power into competition with the power of others when they begin competing for the same public. Much of the time they compete under tournament rules: codes of ethics, trade association policies, informal norms, industry self-policing, and accrediting bodies. In addition, they often have the protection of governmental practices such as tariffs, rate controls, inspections, and quotas. These controlling and protecting devices become instruments for the survival of the organization beyond the individual. The license to operate a television station, a farmer's wheat allotment quota, and a commuter airline's subsidy all have commercial value and ensure the continued function of that production or service unit.

Fifth, owners incur obligations to the people to whom they give direct leadership—employees, subordinates, colleagues. This is the facet of power with which the modern executive has the most difficulty and the greatest pain. Just how much pain is reflected in a common issue in labor relations, "management's right to manage," and in the widespread phenomenon called "management by guilt."[2]

The social importance of the executive's power in relation to employees is evident in the process of hiring and firing. A firm with only a few employees would create little stir if it went out of business or discharged long-term employees. But a larger firm which does the same is resented by the community at large for being irresponsible. Both employees and community regard such action as unfair. The employer's obligation to employees is reinforced by court decisions holding that a person has a vested interest in his or her job. Workers cannot be deprived of this interest as a result of a merger or of capricious relocation of the firm.[3] Economic obligations to employees are now fixed by tradition and union contract.

Think again of the executive's expectation of himself. People's expectations of themselves and of the way in which they should use power have many origins—in the personalities of the individuals who seek positions of power, in the traditional conceptions of the way in which power is to be used, in the modes by which power is acquired, and in the multiple sources of power already discussed. Power accretes like fat on a middle-aged man. Before a man realizes it, he has girth. Even when he becomes aware of his girth, it does not seem nearly as large to him as it is in reality and as it appears to others. Similarly, often before he realizes it, a man has power—power that seems greater to others than it does to him.

The head of an organization unwittingly assumes the responsibility of being all things to all employees who work for the organization. Chief executives must revere the past, predict and succeed in the future, make a profit, carry the burdens of people and operations no longer efficient, and enjoy themselves besides. Their whims become magnified into other people's law, try as they may to make it clear that a whim is not the same as a law.

If an executive demands that the people produce, he is exploitative. If he treats them with beneficence, he is paternalistic. If he is unconcerned about their worries, he is rejecting. If he opposes what he believes to be irrational, he is hostile. If he gives in, he is weak. Unlike his predecessors, he does not always know which way to turn.

In addition to more complex responsibilities within the organization itself, contemporary executives are the pivots for vast technological and social changes. They are expected to assume a major responsibility for training and employing the disadvantaged members of society—drop-outs, the handicapped, the aging, and minority groups. They also are expected to arrange matters so that as technical efficiency increases, those whose skills have become obsolete will not be discharged. Furthermore, they are expected to assume a leadership role in their industry and community. Indeed, they expect themselves to fulfill these responsibilities. They are frequently conscience-driven.

These people suffer the same internal turmoil that every other person must live with and, in some respects, a little more. The leader must never admit to being frightened or ignorant, for the leader's doubts become the subordinates' panic. Yet leaders are perennially vulnerable, sometimes like blind people who must operate by echoes and soundings. They can never know all that they need to know to make wise decisions. Counselors advise, often for their own purposes. A trusted secretary is no less manipulative than a lieutenant, not because they both are dishonest but because each sees the world in his or her own way and wants to go that way.

Rivalry is also a problem. To achieve the pinnacle, leaders must pass others by, some older, some seemingly more capable. They may have arrived at the top by dethroning a less successful predecessor. If they came from humble origins, each advancing step was also a step further away from the family. For some, these experiences produce feelings of guilt and the anxiety of adapting to successively higher social roles. Additional anxiety results from knowing that others are competing for the top spot. Ultimately leaders will have to give up their position, and the higher they rise, the more painful will be the fall if they fail.

In one direction, then, executives must grasp the realities

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