

6TH
EDITION

**ARTISTRY,
CHOICE, AND
LEADERSHIP**

**REFRAMING
ORGANIZATIONS**

**LEE G. BOLMAN
TERRENCE E. DEAL**

REFRAMING

ORGANIZATIONS

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*In Memory of Warren Bennis
Exemplar, Mentor, and Friend
With Appreciation for All He Gave Us*

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PREFACE

This is the sixth release of a work that began in 1984 as *Modern Approaches to Understanding and Managing Organizations* and became *Reframing Organizations* in 1991. We're grateful to readers around the world who have told us that our books gave them ideas that make a difference—at work and elsewhere in their lives.

It is again time for an update, and we're gratified to be back by popular demand. Like everything else, organizations and their leadership challenges continue to evolve rapidly, and scholars are running hard to keep pace. This edition tries to capture the current frontiers of both knowledge and art.

The four-frame model, with its view of organizations as factories, families, jungles, and temples, remains the book's conceptual heart. But we have incorporated new research and revised our case examples extensively to keep up with the latest developments. We have updated a feature we inaugurated in the third edition: "Greatest Hits in Organization Studies." These features offer pithy summaries of key ideas from some of the most influential works in the scholarly literature (as indicated by a citation analysis, described in the Appendix at the end of the book). As a counterpoint to the scholarly works, we have also added occasional summaries of management bestsellers. Scholarly and professional literature often run on separate tracks, but the two streams together provide a fuller picture than either alone, and we have tried to capture the best of both in our work.

Life in organizations has produced many stories and examples, and there is new material throughout the book. At the same time, we worked zealously to minimize bloat by tracking down and expunging every redundant sentence, marginal concept, or extraneous example. We've also tried to keep it fun. Collective life is an endless source of vivid examples as entertaining as they are instructive, and we've sprinkled them throughout the text.

We apologize to anyone who finds that an old favorite fell to the cutting-room floor, but we hope readers will find the book an even clearer and more efficient read.

As always, our primary audience is managers and leaders. We have tried to answer the question, what do we know about organizations and leadership that is genuinely relevant and useful to practitioners as well as scholars? We have worked to present a large, complex body of theory, research, and practice as clearly and simply as possible. We tried to avoid watering it down or presenting simplistic views of how to solve managerial problems. This is not a self-help book filled with ready-made answers. Our goal is to offer not solutions but powerful and provocative ways of thinking about opportunities and pitfalls.

We continue to focus on both management *and* leadership. Leading and managing are different, but they're equally important. The difference is nicely summarized in an aphorism from Bennis and Nanus: "Managers do things right. Leaders do the right thing." If an organization is overmanaged but underled, it eventually loses any sense of spirit or purpose. A poorly managed organization with a strong, charismatic leader may soar briefly—only to crash shortly thereafter. Malpractice can be as damaging and unethical for managers and leaders as for physicians.

Myopic managers or overzealous leaders usually harm more than just themselves. The challenges of today's organizations require the objective perspective of managers as well as the brilliant flashes of vision that wise leadership provides. We need more people in managerial roles who can find simplicity and order amid organizational confusion and chaos. We need versatile and flexible leaders who are artists as well as analysts, who can reframe experience to discover new issues and possibilities. We need managers who love their work, their organizations, and the people whose lives they affect. We need leaders who appreciate management as a moral and ethical undertaking, and who combine hardheaded realism with passionate commitment to larger values and purposes. We hope to encourage and nurture such qualities and possibilities.

As in the past, we have tried to produce a clear and readable synthesis and integration of the field's major theoretical traditions. We concentrate mainly on organization theory's implications for practice. We draw on examples from every sector and around the globe. Historically, organization studies has been divided into several intellectual camps, often isolated from one another. Works that seek to give a comprehensive overview of organization theory and research often drown in social science jargon and abstraction and have little to say to practitioners. Works that strive to provide specific answers and tactics often offer advice that applies only under certain conditions. We try to find a balance between misleading oversimplification and mind-boggling complexity.

The bulk of work in organization studies has focused on the private *or* public *or* nonprofit sector but not all three. We think this is a mistake. Managers need to understand similarities and differences among all types of organizations. All three sectors increasingly interpenetrate one another. Federal, state and local governments create policy that shapes or intends to influence organizations of all types. When bad things happen new laws are promulgated. Public administrators who regulate airlines, nuclear power plants, or pharmaceutical companies face the problem of “indirect management” every day. They struggle to influence the behavior of organizations over which they have very limited authority. Private firms need to manage relationships with multiple levels of government. The situation is even more complicated for managers in multinational companies coping with the subtleties of governments with very different systems and traditions. Around the world, voluntary and nongovernment organizations partner with business and government to address major social and economic challenges. Across sectors and cultures, managers often harbor narrow, stereotypic conceptions of one another that impede effectiveness on all sides. We need common ground and a shared understanding that can help strengthen organizations in every sector. The dialogue between public and private, domestic and multinational organizations has become increasingly important. Because of their generic application, the four frames offer an ecumenical language for the exchange. Our work with a variety of organizations around the world has continually reinforced our confidence that the frames are relevant everywhere. Translations of the book into many languages, including Chinese, Dutch, French, Korean, Norwegian, Russian, Spanish, Swedish, and Turkish, provide ample evidence that this is so. Political and symbolic issues, for example, are universally important, even though the specifics vary greatly from one country or culture to another.

The idea of *reframing* continues to be a central theme. Throughout the book, we show how the same situation can be viewed in at least four unique ways. In Part VI, we include a series of chapters on reframing critical organizational issues such as leadership, change, and ethics. Two chapters are specifically devoted to reframing real-life situations.

We also continue to emphasize artistry. Overemphasizing the rational and technical side of an organization often contributes to its decline or demise. Our counterbalance emphasizes the importance of art in both management and leadership. Artistry is neither exact nor precise; the artist interprets experience, expressing it in forms that can be felt, understood, and appreciated. Art fosters emotion, subtlety, and ambiguity. An artist represents the world to give us a deeper understanding of what is and what might be. In modern organizations, quality, commitment, and creativity are highly valued but often

hard to find. They can be developed and encouraged by leaders or managers who embrace the expressive side of their work.

OUTLINE OF THE BOOK

As its title implies, the first part of the book, “Making Sense of Organizations,” focuses on sense-making and tackles a perplexing question about management: Why is it that smart people so often do dumb things? Chapter 1, “The Power of Reframing,” explains why: Managers often misread situations. They have not learned how to use multiple lenses to get a better sense of what they’re up against and what they might do. Chapter 2, “Simple Ideas, Complex Organizations,” uses well-known cases (such as 9/11) to show how managers’ everyday thinking and theories can lead to catastrophe. We explain basic factors that make organizational life complicated, ambiguous, and unpredictable; discuss common fallacies in managerial thinking; and spell out criteria for more effective approaches to diagnosis and action.

Part II, “The Structural Frame,” explores the key role that social architecture plays in the functioning of organizations. Chapter 3, “Getting Organized,” describes basic issues that managers must consider in designing structure to fit an organization’s strategies, tasks, and context. It demonstrates why organizations—from Amazon to McDonald’s to Harvard University—need different structures in order to be effective in their unique environments. Chapter 4, “Structure and Restructuring,” explains major structural pathologies and pitfalls. It presents guidelines for aligning structures to situations, along with cases illustrating successful structural change. Chapter 5, “Organizing Groups and Teams,” shows that structure is a key to high-performing teams.

Part III, “The Human Resource Frame,” explores the properties of both people and organizations, and what happens when the two intersect. Chapter 6, “People and Organizations,” focuses on the relationship between organizations and human nature. It shows how managers’ practices and assumptions about people can lead either to alienation and hostility or to commitment and high motivation. It contrasts two strategies for achieving effectiveness: “lean and mean,” or investing in people. Chapter 7, “Improving Human Resource Management,” is an overview of practices that build a more motivated and committed workforce—including participative management, job enrichment, self-managing workgroups, management of diversity, and organization development. Chapter 8, “Interpersonal and Group Dynamics,” presents an example of interpersonal conflict to illustrate how managers can enhance or undermine relationships. It also discusses emotional intelligence and how group members can increase their effectiveness by attending to

group process, including informal norms and roles, interpersonal conflict, leadership, and decision making.

Part IV, “The Political Frame,” views organizations as arenas. Individuals and groups compete to achieve their parochial interests in a world of conflicting viewpoints, scarce resources, and struggles for power. Chapter 9, “Power, Conflict, and Coalition,” analyzes the tragic loss of the space shuttles *Columbia* and *Challenger*, illustrating the influence of political dynamics in decision making. It shows how scarcity and diversity lead to conflict, bargaining, and games of power; the chapter also distinguishes constructive and destructive political dynamics. Chapter 10, “The Manager as Politician,” uses leadership examples from a nonprofit organization in India and a software development effort at Microsoft to illustrate basic skills of the constructive politician: diagnosing political realities, setting agendas, building networks, negotiating, and making choices that are both effective and ethical. Chapter 11, “Organizations as Political Arenas and Political Agents,” highlights organizations as both arenas for political contests and political actors influencing broader social, political, and economic trends. Case examples such as Walmart and Ross Johnson explore political dynamics both inside and outside organizations.

Part V explores the symbolic frame. Chapter 12, “Organizational Symbols and Culture,” spells out basic symbolic elements in organizations: myths, heroes, metaphors, stories, humor, play, rituals, and ceremonies. It defines organizational culture and shows its central role in shaping performance. The power of symbol and culture is illustrated in cases as diverse as the U.S. Congress, Nordstrom department stores, the U.S. Air Force, Zappos, and a unique horse race in Italy. Chapter 13, “Culture in Action,” uses the case of a computer development team to show what leaders and group members can do collectively to build a culture that bonds people in pursuit of a shared mission. Initiation rituals, specialized language, group stories, humor and play, and ceremonies all combine to transform diverse individuals into a cohesive team with purpose, spirit, and soul. Chapter 14, “Organization as Theater,” draws on dramaturgical and institutional theory to reveal how organizational structures, activities, and events serve as secular dramas, expressing our fears and joys, arousing our emotions, and kindling our spirit. It also shows how organizational structures and processes—such as planning, evaluation, and decision making—are often more important for what they express than for what they accomplish.

Part VI, “Improving Leadership Practice,” focuses on the implications of the frames for central issues in managerial practice, including leadership, change, and ethics. Chapter 15, “Integrating Frames for Effective Practice,” shows how managers can blend the frames to improve their effectiveness. It looks at organizations as multiple realities and gives guidelines for aligning frames with situations. Chapter 16, “Reframing in Action,” presents four

scenarios, or scripts, derived from the frames. It applies the scenarios to the harrowing experience of a young manager whose first day in a new job turns out to be far more challenging than she expected. The discussion illustrates how leaders can expand their options and enhance their effectiveness by considering alternative approaches. Chapter 17, “Reframing Leadership,” discusses limitations in traditional views of leadership and proposes a more comprehensive view of how leadership works in organizations. It summarizes and critiques current knowledge on the characteristics of leaders, including the relationship of leadership to culture and gender. It shows how frames generate distinctive images of effective leaders as architects, servants, advocates, and prophets.

Chapter 18, “Reframing Change in Organizations,” describes four fundamental issues that arise in any change effort: individual needs, structural alignment, political conflict, and existential loss. It uses cases of successful and unsuccessful change to document key strategies, such as training, realigning, creating arenas, and using symbol and ceremony. Chapter 19, “Reframing Ethics and Spirit,” discusses four ethical mandates that emerge from the frames: excellence, caring, justice, and faith. It argues that leaders can build more ethical organizations through gifts of authorship, love, power, and significance. Chapter 20, “Bringing It All Together,” is an integrative treatment of the reframing process. It takes a troubled school administrator through a weekend of reflection on critical difficulties he faces. The chapter shows how reframing can help managers move from feeling confused and stuck to discovering a renewed sense of clarity and confidence. The Epilogue describes strategies and characteristics needed in future leaders. It explains why they will need an artistic combination of conceptual flexibility and commitment to core values. Efforts to prepare future leaders have to focus as much on spiritual as on intellectual development.

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July 2017

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We noted in our first edition, “Book writing often feels like a lonely process, even when an odd couple is doing the writing.” This odd couple keeps getting older (ancient, to be more precise) and—some would say—even odder and grumpier. It seems like only yesterday we were young, vibrant new authors, but that was 40 years ago. To our amazement, we’re still at it and have remained close friends. The best thing about teaching and book writing is that you learn so much from your readers and students, and we have been blessed to have so many of both.

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are trespassed in a class of aspiring undergraduate leaders. This experience led to the founding of the Terrence E. Deal Leadership Institute.

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We're delighted to be well into the fourth decade of our partnership with Jossey-Bass and Wiley. We're grateful to the many friends who have helped us over the years, including Bill Henry, Steve Piersanti, Lynn Luckow, Bill Hicks, Debra Hunter, Cedric Crocker, Byron Schneider, Kathe Sweeney, and many others. In recent years, Jeanenne Ray has been a wonderful editor and friend. Jenny Ng and Lauren Freestone of Wiley have done vital and

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We again dedicate this book to our wives, who have more than earned all the credit and appreciation that we can give them. Joan Gallos, Lee's spouse and closest colleague, combines intellectual challenge and critique with support and love. She has been an active collaborator in developing our ideas, and her teaching manual for previous editions has been a frame-breaking model for the genre. Her contributions have become so integrated into our own thinking that we are no longer able to thank her for all the ways that the book has gained from her wisdom and insights.

Sandy Deal's psychological training enables her to approach the field of organizations with a distinctive and illuminating slant. Her successful practice produces examples that have helped us make some even stronger connections to the concepts of clinical psychology. She is one of the most gifted diagnosticians in the field, as well as a delightful partner whose love and support over the long run have made all the difference. She is a rare combination of courage and caring, intimacy and independence, responsibility and playfulness.

To Joan and Sandy, thanks again. As the years accumulate (rapidly), we love you even more.

Lee G. Bolman
Brookline, Massachusetts

Terrence E. Deal
San Luis Obispo, California

July 2017

PART ONE

Making Sense of Organizations

*Sit no longer at your dusty window
I urge you to break the gaze
from your oh so cherished glass*

—Gian Torrano Jacobs

Journeys through the Windows of Perception

Reprinted by permission of the poet, Gian Torrano Jacobs.

Introduction

The Power of Reframing

By the second decade of the twenty-first century, the German carmaker Volkswagen and the U.S. bank Wells Fargo were among the world's largest, most successful, and most admired firms. Then both trashed their own brand by following the same script. It's a drama in three acts:

Act I: Set daunting standards for employees to improve performance.

Act II: Look the other way when employees cheat because they think it's the only way to meet the targets.

Act III: When the cheating leads to a media firestorm and public outrage, blame the workers and paint top managers as blameless.

In Wells Fargo's case, the bank fired more than 5,000 lower-level employees but offered an exit bonus of \$125 million to the executive who oversaw them (Sorkin, 2016).

Volkswagen CEO Martin Winterkorn was known as an eagle-eyed micromanager but pleaded ignorance when his company admitted in 2015 that it had been cheating for years on emissions tests of its "clean" diesels. He was quickly replaced by Matthias Müller, who claimed that he didn't know anything about VW's cheating either. Müller also explained why VW wasn't exactly guilty: "It was a technical problem. We had not

the interpretation of the American law . . . We didn't lie. We didn't understand the question first" (Smith and Parloff, 2016). Apparently VW was smart enough to design clever software to fudge emissions tests but not smart enough to know that cheating might be illegal.

The smokescreen worked for years—VW sold a lot of diesels to consumers who wanted just what Volkswagen claimed to offer, a car at the sweet spot of low emissions, high performance, and great fuel economy. The cheating apparently began around 2008, seven years before it became public, when Volkswagen engineers realized they could not make good on the company's public, clean-diesel promises (Ewing, 2015). Bob Lutz, an industry insider, described VW's management system as "a reign of terror and a culture where performance was driven by fear and intimidation" (Lutz, 2015). VW engineers faced a tough choice. Should they tell the truth and lose their jobs now or cheat and *maybe* lose their jobs later? The engineers chose option B. The story did not end happily. In January, 2017, VW pleaded guilty to cheating on emissions tests and agreed to pay a fine of \$4.3 billion. In the same week, six VW executives were indicted for conspiring to defraud the United States.¹ In Spring of 2017, VW's legal troubles appeared to be winding down in the United States, at a total cost of more than \$20 billion, but were still ramping up in Germany, where authorities had launched criminal investigations (Ewing, 2017).

The story at Wells Fargo was similar. For years, it had successfully billed itself as the friendly, community bank. It ran warm and fuzzy ads around themes of working together and caring about people. The ads did not mention that in 2010 a federal judge ruled that the bank had cheated customers by deliberately manipulating customer transactions to increase overdraft fees (Randall, 2010), nor that in August, 2016, the bank agreed to pay a \$4.1 million penalty for cheating student borrowers. But no amount of advertising would have helped in September, 2016, when the news broke that employees in Wells Fargo branches, under pressure from their bosses to sell more "solutions," had opened some two million accounts that customers didn't want and usually didn't know about, at least not until they received an unexpected credit card in the mail or got hit with fees on an account they didn't know they had.

None of it should have been news to Wells Fargo's leadership. Back in 2005, employees began to call the firm's human resources department and ethics hotline to report that some of their coworkers were cheating (Cowley, 2016). The bank sometimes solved that problem by firing the whistleblowers. Take the case of a branch manager in Arizona. While covering for a colleague at another branch, he found that employees were

opening accounts for fake businesses. He called HR, which told him to call the ethics hotline. Ethics asked him for specific data to support the allegations. He pulled data from the system and reported it. A month later, he was fired for improperly looking up account information.

In 2013, the *Los Angeles Times* ran a story about phony accounts in some local branches. Wells Fargo's solution was not to lower the flame under the pot but to try and screw down the lid even tighter. They kept up the intense push for cross-selling but sent employees to ethics seminars where they were instructed not to open accounts customers didn't want. CEO John Stumpf achieved plausible deniability by proclaiming that he didn't want "want anyone ever offering a product to someone when they don't know what the benefit is, or the customer doesn't understand it, or doesn't want it, or doesn't need it" (Sorkin, 2016, p. B1). But despite his public assurances, the incentives up and down the line still rewarded sales rather than ethical squeamishness. Many employees felt they were in a bind: they'd been told not to cheat, but that was the best way to keep their jobs (Corkery and Cowley, 2016). Like the VW engineers, many decided to cheat now and hope that later never came.

Maybe leaders at Volkswagen and Wells Fargo knew about the cheating and hoped it would never come to light. Maybe they were just out of touch. Either way, they were clueless—failing to see that their companies were headed for costly public-relations nightmares. But they are far from alone. Cluelessness is a pervasive affliction for leaders, even the best and brightest. Often it leads to personal and institutional disaster. But, sometimes there are second chances.

Consider Steve Jobs. He had to fail before he could succeed. Fail he did. He was fired from Apple Computer, the company he founded, and then spent 11 years "in the wilderness" (Schlender, 2004). During this time of reflection he discovered capacities as a leader—and human being—that set the stage for his triumphant second act at Apple.

He failed initially for the same reason that countless managers stumble: like the executives at VW and Wells Fargo, Jobs was operating on a limited understanding of leadership and organizations. He was always a brilliant and charismatic product visionary. That enabled him to take Apple from startup to major computer vendor, but didn't equip him to lead Apple to its next phase. Being fired was painful, but Jobs later concluded that it was the best thing that ever happened to him. "It freed me to enter one of the most creative periods of my life. I'm pretty sure none of this would have happened if I hadn't been fired from Apple. It was awful-tasting medicine, but I guess the patient needed it."

During his period of self-reflection, Jobs kept busy. He focused on Pixar, a computer graphics company he bought for \$10 million, and on NeXT, a new computer company that he founded. One succeeded and the other didn't, but he learned from both. Pixar became so successful it made Jobs a billionaire. NeXT never made money, but it developed technology that proved vital when Jobs was recalled from the wilderness to save Apple from a death spiral.

His experiences at NeXT and Pixar provided two vital lessons. One was the importance of aligning an organization with its strategy and mission. He understood more clearly that he needed a great company to build great products. Lesson two was about people. Jobs had always understood the importance of talent, but now he had a better appreciation for the importance of relationships and teamwork.

Jobs's basic character did not change during his wilderness years. The Steve Jobs who returned to Apple in 1997 was much like the human paradox fired 12 years earlier—demanding and charismatic, charming and infuriating, erratic and focused, opinionated and curious. The difference was in how he interpreted what was going on around him and how he led. To his long-time gifts as a magician and warrior, he had added newfound capacities as an organizational architect and team builder.

Shortly after his return, he radically simplified Apple's product line, built a loyal and talented leadership team, and turned his old company into a hit-making machine as reliable as Pixar. The iMac, iPod, iPhone, and iPad made Jobs the world's most admired chief executive, and Apple passed ExxonMobil to become the world's most valuable company. His success in building an organization and a leadership team was validated as Apple's business results continued to impress after his death in October 2011. Like many other executives, Steve Jobs seemed to have it all until he lost it—but most never get it back.

Martin Winterkorn had seemed to be on track to make Volkswagen the world's biggest car company, and Wells Fargo CEO John Stumpf was one of America's most admired bankers. But both became so cocooned in imperfect worldviews that they misread their circumstances and couldn't see other options. That's what it means to be clueless. You don't know what's going on, but you think you do, and you don't see better choices. So you do more of what you know, even though it's not working. You hope in vain that steady on course will get you where you want to go.

How do leaders become clueless? That is what we explore next. Then we introduce *reframing*—the conceptual core of the book and our basic prescription for sizing things up. Reframing requires an ability to think about situations from more than one angle, which lets you develop alternative diagnoses and strategies. We introduce four distinct frames—

structural, human resource, political, and symbolic—each logical and powerful in capturing a detailed snapshot. Together, they help to paint a more comprehensive picture of what’s going on and what to do.

VIRTUES AND DRAWBACKS OF ORGANIZED ACTIVITY

There was little need for professional managers when individuals mostly managed their own affairs, drawing goods and services from family farms and small local businesses. Since the dawn of the industrial revolution some 200 years ago, explosive technological and social changes have produced a world that is far more interconnected, frantic, and complicated. Humans struggle to avoid drowning in complexity that continually threatens to pull them in over their heads (Kegan, 1998). Forms of management and organization effective a few years ago are now obsolete. Sérieyx (1993) calls it the organizational big bang: “The information revolution, the globalization of economies, the proliferation of events that undermine all our certainties, the collapse of the grand ideologies, the arrival of the CNN society which transforms us into an immense, planetary village—all these shocks have overturned the rules of the game and suddenly turned yesterday’s organizations into antiques” (pp. 14–15).

Benner and Tushman (2015) argue that the twenty-first century is making managers’ challenges ever more vexing:

The paradoxical challenges facing organizations have become more numerous and strategic (Besharov & Smith, 2014; Smith & Lewis, 2011). Beyond the innovation challenges of exploration and exploitation, organizations are now challenged to be local and global (e.g., Marquis & Battilana, 2009), doing well and doing good (e.g., Battilana & Lee, 2014; Margolis & Walsh, 2003), social and commercial (e.g., Battilana & Dorado, 2010), artistic or scientific and profitable (e.g., Glynn, 2000), high commitment and high performance (e.g., Beer & Eisenstadt, 2009), and profitable and sustainable (e.g., Eccles, Ioannou, & Serafeim, 2014; Henderson, Gulati, & Tushman, 2015; Jay, 2013). These contradictions are more prevalent, persistent, and consequential. Further, these contradictions can be sustained and managed, but not resolved (Smith, 2014).

The demands on managers’ wisdom, imagination and agility have never been greater, and the impact of organizations on people’s well-being and happiness has never been more consequential. The proliferation of complex organizations has made most human activities

more formalized than they once were. We grow up in families and then start our own. We work for business, government, or nonprofits. We learn in schools and universities. We worship in churches, mosques, and synagogues. We play sports in teams, franchises, and leagues. We join clubs and associations. Many of us will grow old and die in hospitals or nursing homes. We build these enterprises because of what they can do for us. They offer goods, entertainment, social services, health care, and almost everything else that we use or consume.

All too often, however, we experience a darker side of these enterprises. Organizations can frustrate and exploit people. Too often, products are flawed, families are dysfunctional, students fail to learn, patients get worse, and policies backfire. Work often has so little meaning that jobs offer nothing beyond a paycheck. If we believe mission statements and public pronouncements, almost every organization these days aims to nurture its employees and delight its customers. But many miss the mark. Schools are blamed for “mis-educating,” universities are said to close more minds than they open, and government is criticized for corruption, red tape, and rigidity.

The private sector has its own problems. Manufacturers recall faulty cars or inflammable cellphones. Producers of food and pharmaceuticals make people sick with tainted products. Software companies deliver bugs and “vaporware.” Industrial accidents dump chemicals, oil, toxic gas, and radioactive materials into the air and water. Too often, corporate greed, incompetence, and insensitivity create havoc for communities and individuals. The bottom line: We seem hard-pressed to manage organizations so that their virtues exceed their vices. The big question: Why?

Management’s Track Record

Year after year, the best and brightest managers maneuver or meander their way to the apex of enterprises great and small. Then they do really dumb things. How do bright people turn out so dim? One theory is that they’re too smart for their own good. Feinberg and Tarrant (1995) label it the “self-destructive intelligence syndrome.” They argue that smart people act stupid because of personality flaws—things like pride, arrogance, and an unconscious desire to fail. It’s true that psychological flaws have been apparent in brilliant, self-destructive individuals such as Adolf Hitler, Richard Nixon, and Bill Clinton. But on the whole, the best and brightest have no more psychological problems than everyone else. The primary source of cluelessness is not personality or IQ but a failure to make sense of complex situations. If we misread a situation, we’ll do the wrong thing. But if we don’t know we’re seeing things inaccurately, we won’t understand why we’re not getting the results we want. So we insist we’re right even when we’re off track.

Vaughan (1995), in trying to unravel the causes of the 1986 disaster that destroyed the *Challenger* space shuttle and its crew, underscored how hard it is for people to surrender their entrenched conceptions of reality:

They puzzle over contradictory evidence, but usually succeed in pushing it aside—until they come across a piece of evidence too fascinating to ignore, too clear to misperceive, too painful to deny, which makes vivid still other signals they do not want to see, forcing them to alter and surrender the world-view they have so meticulously constructed (p. 235).

So when we don't know what to do, we do more of what we know. We construct our own psychic prisons and then lock ourselves in and throw away the key. This helps explain a number of unsettling reports from the managerial front lines:

- Hogan, Curphy, and Hogan (1994) estimate that the skills of one half to three quarters of American managers are inadequate for the demands of their jobs. Gallup (2015) puts the number even higher, estimating that more than 80 percent of American managers lack the talent they need. But most probably don't realize it: Kruger and Dunning (1999) found that the less competent people are, the more they overestimate their performance, partly because they don't know good performance when they see it.
- About half of the high-profile senior executives that companies hire fail within two years, according to a 2006 study (Burns and Kiley, 2007).
- The annual value of corporate mergers has grown more than a hundredfold since 1980, yet evidence suggests that 70 to 90 percent “are unsuccessful in producing any business benefit as regards shareholder value” (KPMG, 2000; Christensen, Alton, Rising, and Waldeck, 2011). Mergers typically benefit shareholders of the acquired firm but hurt almost everyone else—customers, employees, and, ironically, the buyers who initiated the deal (King et al., 2004). Stockholders in the acquiring firm typically suffer a 10 percent loss on their investment (Agrawal, Jaffe, and Mandelker, 1992), while consumers feel that they're paying more and getting less. Despite this dismal record, the vast majority of the managers who engineered mergers insisted they were successful (KPMG, 2000; Graffin, Haleblan, and Kiley, 2016).
- Year after year, management miscues cause once highly successful companies to skid into bankruptcy. In just the first quarter of 2015, for example, 26 companies went under, including six with claimed assets of more than \$1 billion. (Among the biggest were the casino giant, Caesars Entertainment, and the venerable electronics retailer, RadioShack.)

Small wonder that so many organizational veterans nod in assent to Scott Adams's admittedly unscientific "Dilbert principle": "the most ineffective workers are systematically moved to the place where they can do the least damage—management" (1996, p. 14).

Strategies for Improving Organizations

We have certainly made a noble effort to improve organizations despite our limited ability to understand them. Legions of managers report to work each day with hope for a better future in mind. Authors and consultants spin out a torrent of new answers and promising solutions. Policymakers develop laws and regulations to guide or shove organizations on the right path.

The most universal improvement strategy is upgrading management talent. Modern mythology promises that organizations will work splendidly if well managed. Managers are supposed to see the big picture and look out for their organization's overall well-being. They have not always been equal to the task, even when armed with the full array of modern tools and techniques. They go forth with this rational arsenal to try to tame our wild and primitive workplaces. Yet in the end, irrational forces too often prevail.

When managers find problems too hard to solve, they hire consultants. The number and variety of advice givers keeps growing. Most have a specialty: strategy, technology, quality, finance, marketing, mergers, human resource management, executive search, outplacement, coaching, organization development, and many more. For every managerial challenge, there is a consultant willing to offer assistance—at a price.

For all their sage advice and remarkable fees, consultants often make little dent in persistent problems plaguing organizations, though they may blame the clients for failing to implement their profound insights. McKinsey & Co., "the high priest of high-level consulting" (Byrne, 2002a, p. 66), worked so closely with Enron that its managing partner (Rajat Gupta, who eventually went to jail for insider trading) sent his chief lawyer to Houston after Enron's collapse to see if his firm might be in legal trouble.² The lawyer reported that McKinsey was safe, and a relieved Gupta insisted bravely, "We stand by all the work we did. Beyond that, we can only empathize with the trouble they are going through. It's a sad thing to see" (p. 68).

When managers and consultants fail, government recurrently responds with legislation, policies, and regulations. Constituents badger elected officials to "do something" about a variety of ills: pollution, dangerous products, hazardous working conditions, discrimination, and low performing schools, to name a few. Governing bodies respond by making "policy." But policymakers don't always understand the problem well enough to get the solution right, and a sizable body of research records a continuing saga of perverse ways in