Why do People and Organizations Produce the Opposite of What they Intend? [*]

Prepared for:

The Honourable Dennis R. O'Connor
Commissioner
The Walkerton Inquiry

Prepared by:

Roger L. Martin, M.BA.
Dean, Rotman School of Management
University of Toronto

Mary Ann Archer, Ed.D.
Principal, Archer/Henderson and Associates

Loretta Brill, M.Sc.
Partner, Infinity Consulting Team Ltd.

---

[*] This paper was commissioned by the Walkerton Inquiry. It is concerned, not so much with organizational failings in the Walkerton tragedy itself, as by the need to understand organizations at a general level. The lessons can be drawn by all concerned with the supply of safe drinking water in Ontario. The authors are students of people working together in organizations - not water specialists. As such, we have chosen to keep the discussion general in hopes of not moving beyond our sphere of competence. However, we believe that modern organizational theory has much to contribute to the design of the entities that supply water, treat wastes, measure environmental results and regulate the system. Modestly, we leave the readers to draw the conclusions for the specific organizations with which they are most concerned.

Abstract

This paper poses several critical questions. What causes well-intentioned organizations to make bad decisions and produce poor, even disastrous results? Why do good people in them appear to produce bad things? Why are some of our most difficult lessons so often learned as a result of a catastrophe or crisis where serious harm is done? Why indeed do many people in the wake of catastrophes acknowledge that it was obvious to them that something bad was likely to happen but did nothing to stop it?

Using the lens of Chris Argyris' theories of individual and organizational behaviour, the authors provide an explanation for this pattern of behaviour (Argyris, 1990). Argyris' extensive research suggests that people are universally predisposed to engage in counterproductive behaviour – behaviour that produces outcomes contrary to their hopes and wishes. This counterproductive behaviour is driven by a set of values that are focused on winning, staying in control and avoiding embarrassment. When pushed beyond our comfort levels, we will engage in defensive behaviour aimed at avoiding failure and the resultant embarrassment and loss of control. We will avoid telling the truth or asking questions, especially if it involves challenging the opinions of others in a manner that threatens to produce embarrassment. The result is that we will cover-up our mistakes, even if it means making a bad situation worse.

While this universal frailty lurks at all times, there is substantial variance as to its capacity to produce counterproductive results. First, there is variance as to the defensiveness of individuals. Other things being equal, some will find themselves within their comfort zone and capable of acting without defensiveness most of the time, while others will find themselves feeling frightened and defensive a significant amount of the

time. Second, however, is that other things are not equal. The organizations in which

these individual actors operate also vary in their impact on the defensiveness of

individuals. Organizations have steering mechanisms – formal systems, interpersonal

patterns and cultures - that can either exacerbate or ameliorate the individual tendency

toward defensive behaviour.

Because organizations are populated with individuals possessing the human

frailty that makes them prone in varying degrees to defensive behaviour, it is critical that

organizations work hard to create a set of formal, interpersonal and cultural steering

mechanisms that ameliorate the tendency toward defensive behaviour. Otherwise, it will

fall prey to the errors generated by self-protective patterns operating at all levels.

Introduction

Why do good people do bad things? What causes well-intentioned organizations to make bad decisions and produce poor, even disastrous results? Why are some of our most difficult lessons so often learned as a result of a catastrophe or crisis where serious harm is done?

These and similar questions have been posed by a variety of organizational and behavioural theorists from different of schools of thought. Companies, bureaucracies, utility commissions, municipal water works, armies – all are organizations of human beings nominally trying to accomplish goals bigger than individuals can achieve alone. The similarities in behaviour at both the individual and organizational levels are much greater than the differences that stem from whether they search for profit of not, or whether they are socially or privately owned.

Indeed, the organization development field emerged in the late 1950's and early 1960's as an integrated framework of theories and practices with the goal of increasing individual and organizational effectiveness. (French & Bell, 1995). Practitioners, approached this goal from varied perspectives, at times building on one another's research and, at times, taking diverging points of view.

More recently, organizational thought has shifted from seeing companies as machines where control is paramount, to viewing them as living systems or networks, where learning and partnerships predominate (Archer, 2000). Along with this has come the shift in leadership which focuses on the empowerment of employees, with individuals entrusted to make decisions on their own, learn from one another and assume responsibility for results (Albert, 1999; Block, 1993;

Champy, 1995; Handy, 1996; Hersey and Blanchard, 1977; Schein, 1996; Senge, 1990; Watkins & Marsick, 1993).

This move toward shared responsibility has highlighted the need for people at all levels to develop the ability to make sound decisions. With increased collaboration comes greater interpersonal complexity and dependence on communication skills. The questions posed above can be addressed from a number of different perspectives. Jeffrey Pfeffer (1996) argues that strategy, power and financial, social and political barriers all contribute to "smart organizations doing dumb things." Ross and Staw (1993) believe that organizational decisions to persist or withdraw from a course of action involve the interplay of a number of factors including project variables, and psychological and social determinants. Messick and Bazerman (1996) suggest that managers can make higher quality ethical decisions by understanding how they make the judgments on which they base their decisions.

The structuralist school as represented by Foucault (Bernauer & Keenan, 1988) and Levi-Strauss (2000) look at people's behaviours as related to organizational structure. Elliott Jacques' "requisite organization" (1996) argues for a focus on organizational structure and a top-down hierarchy that establishes clear accountabilities with managers in a relationship of authority over their subordinates. Jacques would suggest that when a sufficient clarity of goals, roles and expectations is established, including making people clearly accountable for the learning and performance of their subordinates, then learning is virtually automatic and unintended results are minimized.

The authors argue that the organizational context in which people determine their actions is not limited to the formal systems and structures. Rather, we suggest that the

questions posed at the outset of the paper can only be answered by looking first at the individual and his relationship with others. These interpersonal dynamics in combination with the formal systems and structures create a culture that shapes the quality both of the decisions that are made and the results that are achieved.

In the past twenty years, there has been a proliferation of writing on the impact of individual and interpersonal factors on organizational performance. A number of the researchers mentioned above have cited their influence. Yet, it would be difficult to find a more extensive field of research on the subject than that of Chris Argyris, a Harvard University professor and author of thirty-one books with over fifty years of research in organizations.

Argyris, like many social scientists, relies on qualitative research as the approach of choice for understanding human behaviour (Brieschke, 1992). More specifically, he uses an action research methodology termed action science with its emphasis both on seeking "knowledge that will serve action" (Argyris, Putnam, Smith, 1985, p. 36) and on helping people see their behavior from a systems view - that is, how their actions are shaped by culture and organization. His consistent focus on the impact of individual values on organizational results is unparalleled.

The authors acknowledge that not all organizational theorists would unequivocally support Argyris' work. Levinthal and March's (1993) views on learning stand in contrast to some of Argyris' thinking as does Frederick Taylor's Scientific Management theory. Yet even Taylor argues that the mental attitudes and habits of managers and workers are significant barriers to effective organizational change management (Taylor 1964).

Chris Argyris and the predisposition toward defensive behaviour

Argyris' fifty-year body of work seeks to understand why people move to actions that produce results that are at odds with their intent. More specifically, he sought to explain why the outcomes are often the polar opposite of the intent and why these undesired outcomes persist and often become progressively worse.

In his extensive research across cultures, geographic boundaries, age, gender and socio-economic status, Argyris found that individuals operate on the basis of a highly consistent set of rules or governing values, which he called Model I:

- remain in unilateral control;

- win; do not lose;

- suppress negative feelings;

- act as rationally as possible. (Argyris, 2000)

This may be played out in a variety of ways in day-to-day interactions.

> In a conversation with a colleague about the merits of my plan over his I would see it as successful if:
> 1. I convince him that mine is the better course of action;
> 2. We stick to my agenda throughout and don't go off on 'tangents';
> 3. We avoid a contentious and embarrassing exchange about my point of view having prevailed over his.

"I see Bing's plan and mine for next year's capital spending is up for discussion next week. I know my plan is better. This meeting will be a success if I can convince Bing of that. That means I'll have to manage the agenda so we don't go off on irrelevant tangents. It will take some finesse. After all, the worst thing would be some contentious and embarrassing exchange about my view prevailing over his."

Without awareness that they are doing so, individuals become skilled at designing their behaviour to avoid violating the values, even though the cost may be an outcome they neither intended nor desired. As a result, individuals pursue what Argyris came to call defensive routines aimed at ensuring that they and others avoid embarrassment, getting upset or feeling threatened.

> Although I may disagree entirely with someone's point of view at a dinner party, I am more likely to skillfully change the subject than to confront the difference. In confronting the difference, I may create embarrassment and negative feelings.

"Old Buggins was sounding off again at that dinner party last night. Even if I do say so myself, it took a lot of skill to change the subject and skate him off to the boards. Confronting the old buffer directly is such poor form. It only creates embarrassment."

This same interaction could just as easily have been played out in a work-related conversation. In each of these scenarios, what is most important is to save face and stay in control.

Because failure is viewed in a negative light and is seen to violate all four governing values, the over-riding goal in people's interactions and behaviour is to avoid or, at the very least, cover up any failure. Failure violates the win-don't-lose governing value. With failure comes the possibility that an employee will lose control over a job or task that was previously assigned to him[*]. Finally, if he fails at something, he may receive negative and embarrassing feedback and risk reacting emotionally rather than rationally.

Fear of failure becomes the critical trigger of defensive behaviour. In the absence of fear, individuals are inclined to proceed without attempting to cover up potential error or disagreement. However, when an individual is faced with sufficiently intense fear of

---

[*] Henceforth, the authors will alternate the use of the masculine and feminine pronouns.

failure, it triggers a natural fight/flight (Bion, cited in Rioch, 1975)[*] response. The

response is instinctive and extreme, either fight or flee and nothing in between. Martin

has used the term "responsibility virus" [**] (Martin, 2000) to describe the extreme

response of individuals to fear of failure. Either they 'fight' in which case they seize total

responsibility for success or 'flee' in which case they abdicate responsibility entirely in

order to distance themselves from failure. In the

former case, the fear of failure results in them

seizing control, often without consultation with

others.

> *"Look, I've been burned by this stuff before. I know a lot more than the others about how to avoid the inevitable embarrassment and risk of it going wrong. It's tough, but the only reasonable choices are to take over and do it myself, or to force the others to do it my way – the right way."*

   When individuals chooses to flee, they abdicate responsibility to others, making the

case that someone else was responsible

for success and that there was absolutely

nothing they could do about the failure

if it occurs.

> *"Look, I've been burned by this stuff before. The only way to get of this with your skin intact is to keep out of the line of fire. Let those eager beavers across the hall stick their heads over the parapet. As for me, it's a good time for my annual leave. See you next month."*

Narrow perfectionism helps avoid blame

An implicit technique that individuals use, in either fight or flight mode, to avoid

failure and maintain adherence to Argyris Model I governing values is to pursue a stance

Martin calls "narrow perfectionism" (Martin, 2000). In this stance, people narrow the

range of their responsibility to a such an extent that they can ensure themselves that they

---

[*]   The tendency of people to either flee from an "enemy" - difficult manager , task or situation

[**]   A term used to describe the self-reinforcing cycle in which people vacillate unproductively between
      heroic leadership and passive followership" (Martin, 2000, p. 4).

will acquit those responsibilities perfectly, and thereby avoid failure and maintain control.

For example, the airline check-in agent during a storm in which numerous flights are cancelled or delayed may define her job as simply checking in customers for his one assigned flight. Faced with a distraught passenger, who needs advice on rebooking on a new flight, the agent may well respond: "My job is to check in passengers for this flight, you will have to go to the main terminal to rebook." In doing so, the agent ensures that she will be able to do her job of checking in passengers perfectly. However, the irate passenger will receive terrible service. And the agent will know in the back of her mind that this passenger will remember the bad service and will fly the competitor airline next time. If enough such passengers take such actions, the airline will suffer and go out of business, and she will lose her job. But trying to remedy such problems courts failure and this creates fear. Narrow perfectionism is a preferred though flawed alternative in such situations.

The key problem with the fight or flight reaction is that the thinking and actions are unilateral and not open to scrutiny. Driven by narrow perfectionism, people neither share their own thinking nor inquire into that of others. Their reasoning and actions become undiscussable. The agent above does not share the thinking behind her decision not to help the passenger, because to share the thinking would be profoundly embarrassing, thus violating a governing value. The result is the development of a web of deceit, characterized by breakdown in communication, assumptions being made without testing, poor choices, escalating error and cover-up, designed to protect them and others from embarrassment and the appearance of vulnerability.

This cycle of deceit is only reinforced as individuals attempt to guess at the motivation behind other people's choices.   The passenger may attempt to guess at why the agent is being unhelpful. But even the most discerning, intuitive and empathic person will likely have only mediocre accuracy in speculating about the reasoning of others. Indeed, the passenger's guessing will be biased by his own interpretation of their governing values. As both parties continue to make assumptions about what the other is thinking, the opportunity for misunderstanding increases. As misunderstanding increases, people's assumptions tend to be validated and mistrust and resentment grow.

In the end, the defensive routine produces misunderstanding and mistrust. None of these outcomes is intended, but each is the inevitable result of the fight or flight reaction to fear of failure. With these outcomes, comes escalating error. The error can have a small impact such as the breakdown of a relationship between two individuals.   However, the error can have a terrible impact if, for example, those practicing narrow perfectionism are airplane mechanics or air traffic controllers, for example, rather than just a gate agent. It can also have wider ramifications when the defensive patterns described occur across departments or organizations.

Argyris' research suggests that the propensity to be defensive when faced with losing control, failing or being embarrassed is universal and in place as a result of our early socialization. His thinking is borne out by a wide body of literature that argues that all individuals harbour "wounds" related to their self images and that these wounds will surface and be played out defensively in work relationships (Abrams & Zweig, 1991; Czander, 1993; de Board; 1978, Gemmill, 1986; Hirschhorn, 1993). However, there is variance in the degree to which individuals are driven to react defensively to the threat of

failure and embarrassment. Those whose emotional competence is significantly

compromised will be more likely to engage in defensive behaviour, sometimes with

disastrous results for the organizations in which they work. Alternatively, individuals

with a more positive self-image and higher emotional competence will respond to day-to-
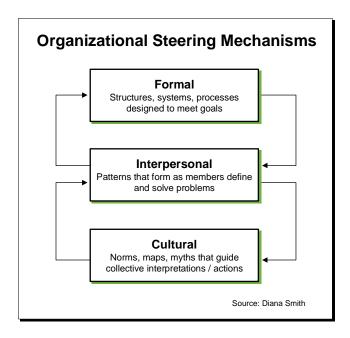
day problems with greater resilience.

Having said this, it would be unrealistic to suggest that the emotionally mature

individual with a positive self-image will never experience a level of fear that drives

defensive behaviour. When faced with unusual or unexpected stress (whether originating

at work or in their personal lives), even the most secure of individuals may find

themselves operating from Model I values and therefore reacting in unhealthy and

unproductive ways.

The Role of Organizational Steering Mechanisms

Thus every organization will be comprised of individuals who possess the universal

frailty identified by Argyris.   However, they will have varying levels of propensity to

experience a level of fear that will trigger defensive behaviour including narrow

perfectionism. Organizational dynamics in turn influence the degree to which its

members are triggered to act defensively. They can operate in such a fashion as to

exacerbate the natural tendency toward defensive behaviour or ameliorate it.

Martin (2000) suggests that three levels of organizational steering mechanisms

create the context in which members determine their actions: formal, interpersonal and

cultural mechanisms. These mechanisms must be understood to determine the extent to

which they combine to exacerbate or ameliorate the defensiveness of their members. The
organizational steering mechanisms operate as a system as follows:

Organizational Steering Mechanisms

Formal
Structures, systems, processes
designed to meet goals

Interpersonal
Patterns that form as members define
and solve problems

Cultural
Norms, maps, myths that guide
collective interpretations / actions

Source: Diana Smith

Formal Steering Mechanisms

The formal mechanisms of an organization are the structures, systems and processes
that are designed to help the organization meet its goals. In turn, three aspects define the
heart of the operation of the formal mechanisms: allocation of decision rights, design of
performance measurement, and reward and consequence systems.

Decision Rights Allocation

This formal mechanism specifies who has the right and responsibility to make the
decisions required to achieve the organization's business goals. Where in the hierarchy
choices get made is a function of a tension between choice-making skills and access to
data (in particular, what Michael Jensen refers to as "specific knowledge"(Jensen, 1998).

Typically, the higher one moves in the organization, the greater one's decision-making skills – that is, the greater one's ability to process more complicated data in more difficult contexts and make difficult decisions. However, as one moves higher, one typically becomes more and more distant from the data that are critical to making strategic choices. Such data may include how customers think and react in the moment, what competitors are actually doing in the marketplace, how the service actually gets delivered to the customer or the product produced on the shop floor. Many of these data must be seen and experienced to be understood fully.

The irony is that those with the greatest skills and experience in decision-making are most distant from the data on which to make those decisions, especially in today's large bureaucracies. This creates a natural tension in how to structure the cascade of choices. A*ccess to data* drives the choices downstream while *choice-making skill* drives the choices upstream. Organizations can make more or less sound decisions as to where to allocate the rights to make decisions based on this tension.

Performance Measurement Systems

This formal mechanism specifies the measurements that will be used to determine how well managers acquit their decision rights. Performance measurement systems can be comprised of objective and subjective measures and can measure performance from the individual level all the way to the overall organizational level.

Reward and Consequence Systems

This formal mechanism specifies how individuals will be compensated for the performance measured above. They include decisions with respect to the level, composition and shape of the rewards or repercussions.

Interpersonal Steering Mechanisms

The interpersonal steering mechanisms govern the manner in which people in the organization work together to solve problems. Examples are the ways in which conflict is handled – discussed openly or bypassed, and how errors are dealt with – joint responsibility or blame sought.

Typically, organizations governed by Model I governing values experience unsatisfactory and counterproductive behaviours in the face-to-face domain, especially when thorny, stressful or embarrassing issues are on the table (Allen, 1996; Argyris, 1986; Argyris, Putnam, and Smith, 1985; Harvey, 1988; Marshak & Katz, 1994; Mulvey, Veiga & Elsass, 1996; Scholtes et al, 1996). Such issues include disagreements between departments, budget games, hoarding of resources. These interpersonal problems do not tend to breed interpersonal solutions – i.e., skills building in how to engage in productive dialogue or more attention to the interests of the parties disagreeing. Rather, in order to avoid embarrassment and promote face-saving (as dictated by the prevailing governing values), the tendency is to rely on formal mechanism fixes. For example, the creation of an ombudsman on a review board with the decision rights to resolve differences between warring departments represents a formal mechanism fix to an interpersonal mechanism problem. An interpersonal fix would be the development of a process that would help the warring departments learn to work with one another.

Hence there is interdependence between formal and interpersonal mechanisms. Interpersonal difficulties tend to produce formal fixes, which in turn constrain the interpersonal domain. For example, once an arbitrator (i.e., review board ombudsman) is in place, the parties would not be inclined to work out their differences. In turn, this

interpersonal shortcoming creates the need for more formal fixes (e.g. a task force to deal with the issue of warring functions).

Where a series of communication breakdowns results in serious error with widespread ramifications and a public call for action, the tendency is toward demonstrating concrete actions such as the development of complex new regulations and standards, which are embedded into new policy manuals. The attention to the interpersonal dynamics, which contributed to the errors is often missing.

Trade unions are in many respects a permanent formal fix to an initial interpersonal problem -- the inability of managers to work out differences with employees in a manner that takes into account the legitimate interests of both sides. With this formal fix in place and protected by extensive bureaucratic regulations, management and unions have extremely limited ability to achieve productive dialogue with each other at the interpersonal level, even with genuine effort.

Every organization is the product of a long series of developments that have produced a reinforcing set of formal and interpersonal steering mechanisms. The steering mechanisms will do their best to keep the organization operating as it currently does -- not in a new way.

Cultural Steering Mechanisms

As the formal and interpersonal mechanisms interplay over time, the organization's third steering mechanism, its culture, evolves. Cultural mechanisms are the norms, maps, and myths that guide collective interpretations and actions within the organization. Every organization has cultural steering mechanisms, though in most cases they take shape in

unplanned ways and are often not documented. Nonetheless, they are powerful mechanisms in guiding behaviour.

By observing interpersonal interactions and how the formal systems actually play out, members of the organization develop an understanding of "how things really get done here." When they begin to act accordingly, the culture is formed; and that culture begins to influence the interpersonal domain, which influences the formal domain and so on. For example, if a culture develops in which one department and its members are held in low regard, then interactions with them in the interpersonal domain will tend to go badly. Individuals in that department will feel that they are being ignored or condescended to by others within the organization. They may react by being irritable, uncooperative or non-responsive. This only reinforces the original assumptions about the department, and produces more unproductive interactions, which reinforce both the cultural and the interpersonal steering mechanisms.

Typically, when unproductive situations such as these reach senior management, the reaction tends to be a formal fix, which does little to interrupt the cycle of steering mechanisms that has been created. For example, if head office perceives there to be a culture of back-stabbing and fighting within the regional offices, they are likely to "fix" the problem by centralizing decision-making authority rather than by dealing with the cultural malaise.

This dynamic becomes even more complex when seen from the perspective of what happens from organization to organization. Companies do not operate in isolation. Rather, they form relationships with other companies either in alliances, as business partners, competitors, service providers or regulatory bodies. All of these organizations

will have their own steering mechanisms, which may or may not be similar. For the

employees at the front line, this may result in having to confront conflicting messages

about how to deal with "routine" problems.

> I am receiving complaints from the people to whom my district
> provides a service. Because key aspects of that service are monitored
> by a different organization, ABC Systems, Inc. with whom my
> organization has a service contract, I need to engage them in finding
> solutions.

> I find that ABC's norms for customer service are quite different from
> those of my organization. Yet, when I raise it with my own boss, he
> doesn't see the problem. In his conversations with his counterpart at
> ABC, what the ABC manager says is being done is very different
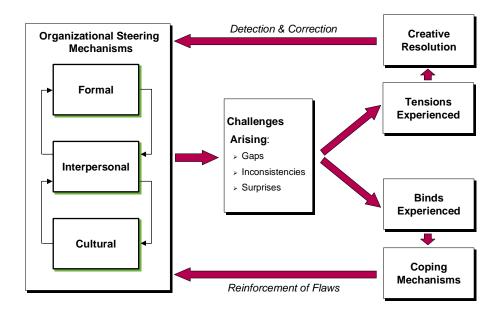> from what is actually occurring.

> If I tell the truth, I appear to be snitching on my buddies from ABC. I
> have to go on working with and even depending on them in order to
> satisfy my own customers. But if I don't reveal what I know, the
> issues with my customers do not get resolved and my own
> performance is negatively impacted.

The Steering Mechanisms as a System

The three organizational steering mechanisms form a highly interrelated, mutually

reinforcing structure. It is rarely effective to bring about change by working on only one

of the mechanisms; the reinforcing nature of the mechanisms tends to overwhelm the

individual change. In this system, the interpersonal is the mediating domain; it plays the

central role in both creating and constraining the formal domain and in creating and

constraining the cultural domain. Taken together, these first two points help explain why

attempts to bring about change either through formal mechanisms alone or through trying

to change the culture directly very rarely work. Simply announcing a new culture is

nothing more than a formal fix which is assured to have little effect on the true culture.

Having established the relationship between the formal, interpersonal and cultural steering mechanisms, we turn our attention to an examination of the process by which individuals respond to the everyday challenges, which arise within the work environment. In so doing, we look at the impact of these steering mechanisms on their choices.

Leaders establish formal steering mechanisms that are intended to move them toward their strategic objectives. Employees at all levels make choices and take actions based on these objectives. Inevitably decision-makers, and indeed all employees, will experience challenges either because of a changing external business environment or because they recognize inconsistencies or gaps in the decisions they have made. These challenges result in organizational decision-makers at all levels facing a critical "fork in the road" as depicted in the diagram below.

Along one fork, managers experience the challenge as a tension that must be creatively resolved (Austen, 1998). Along the other fork, they experience it as a painful bind with which they must cope. The fork is profound in that the two paths lead to dramatically different outcomes for the organization.

When a challenge – revealed gap, inconsistency or unexpected change – is seen as bad and intensely worrisome with the potential to lead to failure, rather than embrace it, the tendency is to disbelieve, distance from

> *"Mr. Mitchell, boiler number three on the main line has just gone down again. The whole line will have to be shut down for at least two days. That is the fourth time this quarter and I think it is getting dangerous for the men on the line. We have got to replace it. It'll cost hundreds of thousands to fix, and there's no budget for it!"*
>
> *"Oh Lord, not again! Better tell Shortliffe to patch that balky intake valve again and crank it back up. It ain't pretty, but we don't have the budget to replace it."*

and/or distort the nature of the challenge, to see it as the product of somebody else's mistake or omission.

Along this route, members of the organization feel as if they are caught in a bind. On the one hand, they can admit the mistake, which is painful, and then attempt to make changes, which they may see as scary and unwanted. On the other hand, they can avoid the pain and maintain the status quo, realizing that, in due course, the challenges are likely to hurt them.

Individuals in this "catch-22" situation will develop defensive coping mechanisms designed to avoid or minimize the pain of the bind while not systemically addressing the underlying challenge. As we saw earlier, the most effective mechanism for dealing with the bind is narrow perfectionism in which the individual retreats to a level of responsibility so narrow that it protects them from the possibility of blame for failure.

> It has become obvious in a meeting with my manager and
> colleagues that I did not follow through on what we had

specifically talked about at previous meetings. I will generate all the reasons why the task was not completed, none of them having anything to do with me or my own shortcomings. My peers will know that I am "in trouble" and rally around me to protect me from the boss.

Another example would be the organization that has an unspoken cultural norm to look good in the eyes of the public. When equipment or systems become outdated and potentially unsafe, the cost to upgrade may result in rate increases to the customers. The unspoken message to the front-line service provider may be, "Do whatever you have to, but it can't result in added cost to the customer." The employee is caught in the bind of having to make do with unsafe equipment, covering up flaws that result and hoping there are no serious repercussions.

In failing to examine the reinforcing patterns that may exist in the organizational steering mechanisms, the defensive coping mechanisms tend to perpetuate and even reinforce these patterns.

Along the other "fork in the road", challenges are seen as normal tensions to be expected in the natural course of business. The particular manifestation may be a surprise, but not the fact that surprising challenges arise. Along this fork, surprise is good; it represents a call for creative redesign of the organizational steering mechanisms. Resolving the tension could give rise to a better solution than the current design, one that is more robust and integrative.

The Bind/Tension Tradeoff

The key factors in determining whether the challenges are seen as binds to be defended against or tensions to be productively managed are twofold. The first factor is

the individual's own tendency to respond defensively, which we have argued vary widely from a predisposition to defensiveness to a predisposition against. The second factor is the degree to which the organizational steering mechanisms combine to either exacerbate or ameliorate this tendency. Since any organization will be comprised of a spectrum of individuals who vary widely in terms of their predisposition toward defensive behaviour, it is important for any organization to develop organizational steering mechanisms that serve to ameliorate the natural tendency towards defensiveness. Only such an organization will protect its customers/constituents well against the lowest common denominator of its most defensively inclined employees.

Exacerbating Features of Organizational Steering Mechanisms

Since the interpersonal steering mechanisms represent the mediating domain, we will start first with this domain, then discuss the formal and cultural domains.

Interpersonal Steering Mechanisms

Organizations in which interpersonal interactions are governed by Model I values will exacerbate the tendency to see challenges as binds. In such an organization, each interaction will be seen as a win-lose contest in which the 'loser' faces embarrassment and loss of face. In such an environment, admitting that we don't have all the answers puts us at risk of being seen as failing. If acknowledging one's limitations and errors is seen to be career limiting, narrow perfectionism will extend to the organizational level. The need for learning will be linked with "not knowing" and will be viewed in a negative light driven by a search for "quick fixes". There will be little questioning of the way things are done, of decisions that are made or of underlying norms and assumptions.

Rather than seek new ways to correct errors or gaps in the operations of the

organization, new ways tend to be sought

for covering up gaps and inconsistencies.

Leaders will most likely act as if there are no

inconsistencies in their messages or policies.

Argyris coined the phrase "skilled incompetence"

> *"Look, sir, you just said that we have to recover all our costs - but we all know the council won't let us!"*
>
> *"That's all very well, Carruthers, but we'd all get this done faster if you'd just stick to the topic we're discussing. Now , if there are no more questions . . .?"*

(1986) to describe the pattern of communicating inconsistent messages, acting as if the

messages are not inconsistent, making the previous actions undiscussable and making the

undiscussability undiscussable.

The impact of such an interpersonal environment on defensive behaviour is

dramatic. In a study of 22 American companies, Ryan and Ostreich (1991) interviewed

260 individuals to identify both the issues people tended to avoid and why they avoided

them. At least 70% of those interviewed hesitated to speak up because they felt

threatened by possible repercussions. This remained true even where there was no

evidence that repercussion was likely to occur. When asked to describe the nature of the

consequences they feared, the majority appeared to be directly linked to the threat of

embarrassment or appearing vulnerable. These included loss of credibility or reputation,

lack of career or financial advancement, damage to one's relationship with the boss, loss

of employment and interpersonal rejection.

Thus interpersonal steering mechanisms that are driven by Model I governing

values, especially leaders exhibiting Model I governing values, will exacerbate the

tendency of members of the organization to treat challenges as binds to be coped with

and covered up rather than tensions to be tackled and overcome.

Formal Steering Mechanisms

Decision Rights Allocation

Defensive behaviour can be exacerbated when decision rights are allocated to individuals who do not possess the specific knowledge necessary to acquit those rights properly. Excessive centralization or decentralization can produce this outcome. Under excessive centralization, data-starved senior administrators make choices. Charged with implementing "bad" or less than ideal decisions, lower level managers or employees typically feel in a bind. They see the decisions as bad, but are fearful of challenging their superiors who, after all, have the clear decision rights.

The reverse situation can occur in which employees at lower levels are charged with making decisions without adequate knowledge, training or relevant information. Typically they are fearful of admitting lack of skill because they know it is their job and they may be fired if they admit they are incapable of doing it competently.

An additional problem arises when employees are given the accountability for providing a service or producing results without being authorized to control the resources (staff or budget). This mismatch between decision rights and resource allocation creates a challenge, which can feel like a bind that cannot be resolved.

At the root of many of these problems with decision rights are the Model I governing values. Sharing responsibility requires that we engage in potentially embarrassing conversations about people's capabilities to make decisions and take on added responsibility. Indeed, in smaller offices where assumptions are made about who is "next in line for the job", the risk of

> *"Henry will get the job because he is next in line."*
>
> *"The only way George will lose his job is if he dies or leaves town."*

offending long-time, "deserving" employees may result in this difficult territory

remaining unexplored.

Sharing responsibility also requires us to relinquish control. This puts us in danger

of "losing" and being seen in a negative light. For the manager, collaboration becomes

the embodiment of the threat of failure. Taking joint responsibility for the production of

an outcome is scary and problematic. Instead of entering into a discussion about the way

to manage the challenge together, the manager usually decides unilaterally whether to

seize or distance from the responsibility. Either way, the employee is rarely engaged in

the dialogue as to whether responsibility will or will not be shared.

Performance Measurement Systems

Certain approaches to performance measurement can exacerbate the tendency

toward defensive behaviour. Unilateral setting of performance measures and unilateral

measurement of actual performance exacerbates defensiveness. If employees have no

input into the performance measures, or input into measurement of their performance, or

recourse in case of an evaluation that they think is inaccurate or unfair, they will be less

likely to take risks or look for innovative solutions to problems. Instead, they will want to

narrow their options and work within a safe, manageable playing field where the

possibility of error is minimized.

There may be no attempt to link individual performance targets to the overall

strategic direction of the organization.
Without the understanding of "the big
picture," people will lack the internal
motivation to "go the extra mile." If an

"I know we are supposed to be following the five-step start up procedure in the operations manual. But it is boring and time consuming. And quite frankly, I don't understand why it is so important to do each of the steps. I remember in a pinch when Stuart bypassed a couple of the steps and nothing bad seemed to happen."

individual is unaware of how his job fits into the larger organizational purpose, he may not understand why the boring, repetitive tasks that are a routine part of his job may be critical to the goals of the organization.

Another exacerbating factor is a measurement system that is unclear and vague, leaving room for error and inadequate monitoring of performance. Individual targets are either not established at all or poorly monitored. Employee evaluations are not completed and compensation is offered regardless of the quality of results. When this kind of neglect results in a serious error and under-performance by an employee, the manager himself feels caught in a bind, fears negative repercussions and engages in defensive behaviour. Cover-up may occur at many levels as organizational leaders attempt to avoid embarrassment and save face.

Reward and Consequence Systems

Features of the reward and consequence structure can also exacerbate the defensiveness of employees. If rewards and consequences are asymmetric by which the reward for excellent performance is low and the punishment for below average performance is extreme, then employees will be extremely conservative and will use narrow perfectionism tactics to minimize expectations as to performance. This is a particular problem in public utility-type organizations. The general expectation of constituents is that the system (electric, health, water, or defense) will always work and those responsible are given little reward when the system works as expected. However, when something goes wrong and the expected service is not received, the punishment tends to be extreme.

The other exacerbating feature is reward systems that feature meaningful 'kinks'. A kink is a point in the reward system at which the reward level rises or falls dramatically with a small change in performance. The most classic example is the provision of a substantial bonus for achieving budget. In such a situation, achieving budget less one dollar results in zero bonus while earning a single dollar more to meet budget results in a substantial bonus for (perhaps) the entire employee base. Under such structures, employees are encouraged to cover up and manipulate in order to achieve just over budget in order to earn the substantial reward. In addition, they are encouraged to underestimate what they are capable of achieving prospectively in order to set future budgets as low as possible. An important aspect of such underestimation is the hoarding of information at lower levels that would reveal to upper management what the organization is actually capable of accomplishing (and thus result in a higher and harder-to-achieve budget).

Exacerbating Cultural Mechanisms

Culture is the derivative domain, so that the cultural mechanisms are negatively influenced by the exacerbating features of the formal and interpersonal mechanisms discussed above. If the formal mechanisms create an environment in which decision rights are allocated to employees without appropriate skills or resources, performance measurement is arbitrary and unilateral, and reward systems are kinked and skewed, the culture will feature fear and mistrust. If in addition, the interpersonal mechanisms feature winning, control and the avoidance of embarrassment, the culture will feature extensive cover up. In particular, if poor performance is treated as a sin or a signal of permanent

inadequacy for which there is no remedy, then employees will be motivated to cover up poor performance to an extreme extent.

In such a world, employees experience their world as full of impossible binds, not stimulating challenges. The culture that develops is one of cover up and narrow perfectionism. In the face of narrow perfectionism, managers turn the screw tighter to get the performance they want. Distrust heightens and backs up into the interpersonal domain where there is more distrust and dishonesty. And finally, managers clamp down even more with new formal fixes on a workforce that is gaming them and every system they have.

This pattern of cover up shuts down dialogue among co-workers, between departments, across strategic alliances and partnering organizations. In due course, the culture is fully ensconced and becomes impervious to change.

Ameliorating Features of Organizational Steering Mechanisms

Having established the tenacity with which this defensive cycle can take hold in organizations, the question that arises is: what can be done either to prevent it from occurring or to interfere with it once it is in place? The answer is that each of the organizational steering mechanisms can be designed to ameliorate the natural human tendency toward defensiveness. As the mediating dimension, the interpersonal mechanisms are first in priority.

Ameliorating Interpersonal Mechanisms

At the heart of an ameliorating interpersonal domain is the adoption of a more productive set of governing values, because Model I governing values lead inexorably to defensive behaviour. Argyris advocates for the replacement of Model I values with more productive governing values (termed Model II) aimed at:

- valid (and validatable) information

- free and informed choice

- internal commitment to the choice (Argyris, 2000)

Our strong desire to suppress negative feelings, act rationally and avoid embarrassment can be replaced by a commitment to obtaining valid information by ensuring that there is open testing of our choices, our performance and our perceptions. If we subject our reasoning to the scrutiny and testing of others before making choices, rather than taking on responsibility unilaterally or abdicating responsibility by relying on or blaming others, we would seek the advice and critique of our thinking by others. The imperative for open testing extends to all choices, whether made by others or us. If we adopt this value, we may open ourselves up to being challenged but will make better choices. And, when our choice turns out to have a bad result despite our best thinking, open testing will help us learn from the mistake and improve rather than repeat the same pattern.

Rather than see winning as the highest value, we must replace it with the making the most informed choice possible, regardless of whose point of view it represents. The goal of making the most informed choice necessitates that we employ dialogue rather than depend on unilateral choice. While unilateral choice helps ensure winning (at least

in the short run), it fails to access and take into account the data, insights, experience and interests of others, thereby resulting in sub-optimal choices. Conversation that includes suspending our assumptions or judgments, holding out our ideas for feedback and inquiring into others' reasoning will produce a more robust and informed choice. However, since there is a strong chance that our incoming positions will not prevail, this type of dialogue is only possible if our drive to win is curtailed.

Finally, our obsession with maintaining control can be replaced with the value of generating internal commitment. When we let go of our desire to maintain control, and instead, value generating internal commitment, we can engage in true dialogue and the exchange of ideas. The result is that better choices are made, choices that are based on the logic and reasoning of both parties. This produces followers and leaders who are internally committed to the choices they have made together in a bilateral conversation.

Armed with the governing values of informed choice, internal commitment and open testing, we can forge relationships that are bilateral rather than unilateral. We can shift from a position of defending ourselves against the possibility of failure to a commitment to learning, to seeing reality clearly. Further, challenges that arise will be viewed as normal and indeed expected tensions that we are prepared to meet head-on and resolve rather than as insoluble binds that must be avoided and defended against.

The organization is made up of many individuals, all of whom bring their own worldviews to the actions they take (whether they are cognizant of that reality or not). The quality of decision-making and learning in the overall organization is a function of the capabilities and makeup of the individuals that comprise it. The leader cannot single-handedly shape the governing values, and therefore, actions taken for the entire

organization. She can, however, impact choices that others make as to which governing values to use.

> If my actions are governed by winning and being in control, employees that report to me will avoid telling me the truth, especially if the truth results in my losing face or admitting failure. If my actions are governed by valid information and free and informed choice, my staff are more likely to provide me with accurate information, even if the latter involves delivering "bad news" or questioning my thinking or decisions.

A number of organizational experts have suggested that as long as the boss/subordinate relationship is endemic to our organizational structures, there will most likely be limitations to the level of candor that can be achieved between manager and employee. (Hegelsen, 1995; Hirschhorn & Gilmore, 1992; Jennings, 1995; Krantz, 1989; Schein, 1989, cited in Dixon, 1997). In a research study with a senior management team where the focus was on surfacing undiscussables and learning to engage in bilateral conversations, a key finding was the impact of the authority relationships on people's willingness to be candid (Archer, 2000).

The effective leader can and should model learning-oriented behaviours and, in doing so, lead by example (Dixon, 1997; Fisher, 1993; George, 1996; Ginette, 1987, cited in Allen, 1996; Roth & Kleiner, 1996; Schein, 1996). She can support and encourage her managers and employees as they, in turn, try to demonstrate behaviour that fosters learning. Modeling and encouragement are the leader's most powerful tools in fostering learning-oriented behaviour throughout the organization.

Such a leader will receive "bad news" as a challenge that can be met and resolved. She will suspend her assumptions about what might have happened, seek out valid information from those involved and be open to looking at her own part in producing the

less than desirable results. She will partner with the appropriate parties to learn from any

mistakes that might have been made and work diligently to put in place procedures and

systems to assist the organization in moving

forward to create the desired outcomes in the

future. In offering her ideas and opinions for

comment and testing, she engages in bilateral

conversations and decision-making, thus

> *"Our meetings are so different now . . .my manager asks a lot of questions, not to 'get us' but to hear our ideas and challenge our thinking. She also encourages us to ask questions of her and test her opinions too. The most amazing thing happened last week - she actually admitted that she might have taken us down the wrong path"*

setting the stage for a culture of trust and informed choice.

The problem at the interpersonal level is the degree of self-awareness that is

required of leaders. The leader who operates from Model II governing values must be

willing to risk being challenged. He must demonstrate that he has the confidence and

humility to acknowledge when he is wrong (Archer, 2000).

Daniel Goleman's concept of "emotional intelligence" (1998) represented a major

shift in thinking about personal and professional excellence. In his most recent book,

Working with emotional intelligence (1998), he cited research conducted by dozens of

different experts in more than 500 organizations into the skills that distinguish the star

performers in every field and at every level. As well, he himself analysed competence

models for 181 different positions drawn from 121 companies worldwide. Finally he

commissioned a study by Hay/McBer, including in-depth interviews and extensive

testing and evaluation of hundreds of workers.

Goleman's findings revealed that rather than advanced degrees, IQ or technical

expertise, the single most important factor in determining the truly outstanding from the

"run-of-the-mill" was the degree to which one had developed the key emotional

competencies. Indeed, in each study, the findings were consistent in citing 25 emotional competencies in the five categories of self-awareness, self-regulation, motivation, empathy and social skills to be twice as important in contributing to excellence as pure intellect and expertise. His framework suggested that the most successful individuals will be emotionally self-aware and self-confident and also able to empathize and communicate openly with others. Indeed, he described star teams as those whose members have high emotional intelligence and are able to balance lively, rigorous debate and the challenging of ideas with respect for differences, empathy and commitment to the collective purpose.

While Goleman's research focused on leaders, his findings are applicable to those without management responsibilities. The Model II organization will require employees at all levels to develop their emotional competencies. Managers may be asked to lead the way, but employees must be prepared to follow.

Ameliorating Formal Mechanisms

Given that Argyris' work confirms that the universal tendency is toward Model I governing values, it is critical for an organization to develop formal mechanisms that reinforce and support Model II values. Otherwise, the tendency to migrate back to Model I governing values will be strong.

Decision Rights Allocation

The key to productive decision rights allocation is the co-location of decision rights with specific knowledge, regardless of whether the specific knowledge appears held at lower or higher levels of the organization. Organizations which apportion decision rights according to a balance between access to data and choice-making skill will ameliorate the

likelihood that either managers or employees will view the everyday challenges that arise as binds to be defended against.

As much as possible, managers would engage in bilateral decision rights conversations with their employees rather than set decision rights unilaterally. The purpose would be to divide tasks so as to match the responsibilities of each party most closely to their capabilities. In addition, responsibility for tasks would be aligned with allocation of resources (staff and budget) with the employee either taking ownership of or having input into resource decisions. Such conversations would build internal commitment and accountability for the responsibility assumed. And finally, they would develop in the parties involved a sense of collaboration and mutual support with respect to the overall responsibilities.

Critical to these conversations would be attention to the choice of language used. The apportioning of responsibilities for choice would be ineffective in inoculating against Model I values if the language system for discussing responsibilities had only the binary possibilities: "I'm in charge" or "you're in charge". In a bilateral conversation, the language would embody a more subtle, graduated scale of responsibility to provide a way of discussing responsibility that communicates shades of gray. This would enable those involved to talk productively through the division of tasks in a responsibility conversation (Martin, 2000).

Performance Measurement Systems

The key feature of performance measurement in an ameliorating system would be evaluation based on valid information and open dialogue. Because employees would

be informed and indeed consulted as to the allocation of decision rights, performance measurement would be a seamless extension of the kind of dialogue that permeates the culture.

Employees at all levels, including senior executives would be engaged in the performance management process. Staff would understand both the intricacies and

> *"I hate doing these boring safety checks, but I know they have to be done. I can't afford to take the serious risks in not doing them."*

importance of this system, and managers would see its implementation as an ongoing and critical part of their jobs.

Many of the desirable features of a robust performance management system (e.g., joint planning, interim reviews, multiple feedback sources) exist in the manuals of organizations. However, without an alignment between what is written in the policy manual and what actually occurs in the day-to-day operations and interactions, the performance management system becomes "just another formal fix."

Reward and Consequence Systems

A compensation system that ameliorates defensive behaviour is one which features symmetry between rewards and consequences. Downsides for under-performance would be no more extreme than the upside for over-performance. The system would also feature as few kinks as possible in order to minimize the incentive for defensive behaviour related to meeting arbitrary targets that produce high rewards. The principles identified under performance measurement systems apply here as well. There would be clarity of information about how and why people are or are not rewarded. Consultation and dialogue would continue to be the preferred approach with managers providing feedback and opportunity for conversation as to compensation choices.

Ameliorating Cultural Mechanisms

As the derivative domain, culture will be ameliorated by the ameliorating features of the formal and interpersonal mechanisms. If the formal mechanisms create an environment in which decision rights are allocated to employees with appropriate skills and resources, performance measurement is bilateral and subject to recourse, and reward systems are balanced and smoothed, the culture will feature innovation and collaboration. If in addition, the interpersonal mechanisms feature learning, the culture will feature exploration and the building of capabilities. In particular, if poor performance is treated as the natural consequence of learning, then employees will be motivated to seek help and commit to personal learning and improvement.

In such an organization, employees experience their world as full of stimulating challenges and learning opportunities. The culture that develops is one of continuous learning, high motivation and high internal commitment. In this culture, managers feel no need to tighten screws or admonish employees to work more diligently. Rather, they are challenged to continuously improve the formal mechanisms to take advantage of the terrific, self-motivated employees.

Conclusion

The organizational steering mechanisms work in a tight, interconnected fashion. When designed (inadvertently or not) with exacerbating features, they work together in an entirely self-sealing fashion to produce organizations that generate escalating error. In these organizations, good people end up producing bad outcomes. The errors escalate

because the culture features cover-up and mistrust. Members of these organizations acknowledge that unwanted outcomes are produced, but deny personal responsibility for any of them. They protect themselves from personal responsibility with narrow perfectionism. Members of such organizations tend to be fatalistic about their organizations and the shortcomings thereof, because they can't imagine the organization being any other way or changing at all. This is due to the intensely self-sealing dynamic of the exacerbating steering mechanisms. Mistrust and cover-up breed more draconian formal fixes, which breed still more mistrust and cover-up and so on.

It is a vicious downward spiral, which eventually produces sufficiently catastrophic outcomes to cause dramatic intervention. However, in such organizations, formal fixes cannot reverse the downward spiral. That notwithstanding, formal fixes are the most favoured tool used to attempt transformation.

When designed with ameliorating features, organizations are naturally self-correcting. In a virtuous not vicious spiral, they continuously detect and correct error. Errors are explored as interesting challenges and corrected. Members of the organization strive to work together collaboratively rather than seek to win against one another. Rather than protect themselves with narrow definitions of responsibility, members of the organization attempt to continuously explore expansion of responsibilities. Members of such organizations also grow to see their world as having this environment and set of features naturally and can't imagine it any other way.

The keys to transforming an organization from the vicious downward spiral of exacerbating steering mechanisms to the virtuous upward spiral of ameliorating steering mechanisms are threefold (See Appendix for specific recommendations). First, the

steering mechanisms must be viewed as an interrelated system, not as independent features. Second, the interpersonal domain must be the starting place. Without commitment to attempt to engage in more productive behaviour, there is little chance of arresting the downward spiral and error. Formal fixes simply will not work, even if they are appealingly easy to implement. Tighter control systems will breed more sophisticated cover-up, not greater compliance.

Third, leadership is critical to initiating the shift from behaviour that is more Model I toward behaviour that is more Model II. However, transformational leadership is not easy to come by. It is in short supply throughout the economy. Leaders are not normally skilled at suppressing their egos in order to encourage shared solutions to emerge through conversations in which nothing is undiscussable. Leaders, like all members of their organizations, will face forks in the road at which point the whole organization will watch whether they treat the challenge as an impossible bind or a tension to be resolved. In this respect, their obligation to model productive behaviour is heavy.

The challenges to leadership in structuring and managing the steering mechanisms of their organizations are not confined to the water utility business, but neither are they absent from it. Every organization, regardless of size, structure or purpose faces the challenge of defensive behaviour in the face of fear and potential failure. Only the organizations that recognize the human frailties behind the behaviour will create formal, interpersonal and cultural mechanisms to successfully ameliorate the deleterious effects.

References

Abrams, J. & Zweig, C. (Eds.). (1991). <u>Meeting the shadow: The hidden power of the dark side of human nature</u>. New York: Putnam Publishing Group.

Albert, J. F. (1999). <u>Leaderly learning: Understanding and improving the learning capacity</u>. Paper presented at the International Society for the Psychoanalytic Study of Organizations Symposium, Toronto, Canada.

Allen, N. J. (1996). Affective reactions to the group and the organization. In M. A. West (Ed.), <u>Handbook of Work Group Psychology</u> (pp. 371-396). New York: John Wiley & Sons.

Archer, M. A. (2000). <u>Authentic teaming: Undiscussables, leadership and the role of the consultant</u>. Unpublished doctoral dissertation, OISE/UT, University of Toronto, Toronto, Canada.

Argyris, C. (1986, September/October). Skilled incompetence. <u>Harvard Business Review</u>, 74-79.

Argyris, C. (1990). <u>Overcoming organizational defenses: Facilitating organizational learning</u>. Boston: Allyn and Bacon.

Argyris, C. (2000). <u>Flawed advice and the management trap: How managers can know when they're getting good advice and when they're not</u>. New York: Oxford University Press.

Argyris, C., Putnam, R., & McLain- Smith, D. (1985). <u>Action Science</u>. San Francisco: Jossey-Bass.

Austen, H. (1998). Artistry in practice. Unpublished doctoral dissertation, Stanford University, Stanford, CA.

Bion, W. R. (1975). Selections from: Experiences in groups. In A. D. Colman, & W. H. Bexton (Eds.), Group Relations Reader 1, (11- 20). Washington, D.C.: A. K. Rice Institute.

Block, P. (1993). Stewardship: Choosing service over self-interest. San Francisco: Berrett-Koehler.

Champy, J. (1995). Reengineering management: The mandate for new leadership. New York: Harper Collins.

Czander, W. M. (1993). The psychodynamics of work and organizations: Theory and application. New York: Guilford Press.

de Board, R. (1978). The psychoanalysis of organizations: A psychoanalytic approach to behaviour in groups and organizations. London, Routledge.

Dixon, N. M. (1997). Making Use of the Minds of Organizational Members. Paper presented at the International Federation of Action Learning, Toronto, Canada.

Fisher, K. (1993). Leading self-directed work teams. Toronto, Canada: McGraw-Hill.

French, W. L., & Bell, Jr., C. H. (1995). Organization development: Behavioural interventions for organization improvement (5th ed.). Englewood Cliffs, NJ: Prentice Hall.

Gemmill, G. (1986, May).The dynamics of the group shadow in intergroup relations. Small Group Behaviour, 17 (2), 229- 24

George, J. M. (1996). Group affective tone. In M. A. West (Ed.) <u>Handbook of work group psychology</u> (pp. 77-93). Chichester, England: John Wiley & Sons.

Goleman, D. (1998). <u>Working with emotional intelligence</u>. New York: Bantam Books.

Handy, C. (1996). The new language of organizing and its implications for leaders. In F. Hesselbein, M. Goldsmith & R. Beckhard, Eds. <u>The leader of the future: New visions, strategies, and practices for the next era</u>. San Francisco: Jossey-Bass, 2 - 9.

Harvey, J. B. (1988). <u>The abilene paradox and other meditations on management</u>. San Francisco: Jossey-Bass.

Helgesen, S. (1995). <u>The web of inclusion</u>. New York: Doubleday.

Hersey, P. & Blanchard, K. (1977). <u>Management of organizational behaviour</u>. Englewood Cliffs, NJ: Prentice-Hall.

Hesselbein, F. (1996). The "how to be" leader. In F. Hesselbein, M. Goldsmith & R. Beckhard, Eds. <u>The leader of the future: New visions, strategies, and practices for the next era</u>. San Francisco: Jossey-Bass, 121-124.

Hirschhorn, L. (1993). <u>The workplace within: Psychodynamics of organizational life</u>. Cambridge, MA: MIT Press.

Hirschhorn, L. & Gilmore, T. (1992, May/June). <u>Harvard Business Review</u>, 104-116.

Hunt, D. E. (1992). <u>The renewal of personal energy</u>. Toronto, Canada: OISE Press.

Jennings, L. E. (1995). Prisoners of our own perspectives: Recasting action research in modern/postmodern times. Studies in Continuing Education, 17 (1 & 2), 78- 84.

Jensen, Michael C. (1998). Foundations of organizational strategy. Cambridge, MA: Harvard University Press.

Keen, T. R. & Keen, C. (1998, February). Conducting a team audit. Training & Development, 13-15.

Krantz, J. (1989, Summer). The managerial couple: Superior-subordinate relationships as a unit of analysis. Human Resource Management, 28 (2), 161-175.

Levinthal, D. A. & March, J. G. (1993). The myopia of learning. Strategic Management Journal, 14, 95-112.

Marshak, R. J. & Katz, J. H. (1994). The covert processes workbook: Dealing with the hidden dimensions of individuals, groups, and organizations. The NTL Institute for Applied Behavioural Science.

Martin, R. L. (2000). Board governance and the responsibility virus. Unpublished manuscript.

Martin, R.L. (1997). Organizational steering mechanisms. Unpublished manuscript.

Messick, D. M. & Bazerman, M. H. (Winter,1996). Ethical Leadership and the Psychology of Decision Making. Sloan Management Review.

Mulvey, P. W., Veiga, J. F., & Elsass, P. M. (1996). When teammates raise a white flag. Academy of Management Executive, 10 (1), 40 - 49.

Pfeffer, J. (Summer, 1996) When It Comes to Best Practices - Why Do Smart Companies Do Dumb Things? Organizational Dynamics.

Rioch, M. J. (1975). The work of Wilfred Bion on groups. In A. D. Colman, & W. H. Bexton (Eds.), Group Relations Reader 1 (21- 33). Washington, D.C.: A. K. Rice Institute.

Ross, J. & Staw, B. M. (1993). Organizational escalation and exit: Lessons from the Shoreham Nuclear Power Plant. Academy of Management Journal, 36 (4), 701-732

Roth, G. & Kleiner, A. (1996). The learning initiative at the AutoCo Epsilon Program, 1991-1994. Cambridge, MA: Center for Organizational Learning, MIT Sloan School of Management.

Ryan, K. D. & Oestreich, D. K. (1998). Driving fear out of the workplace: Creating the high-trust. high-performance organization. San Francisco: Jossey-Bass.

Schein, E. H. (1996). Leadership and organizational culture. In F. Hesselbein, M. Goldsmith & R. Beckhard, Eds. The leader of the future: New visions, strategies, and practices for the next era. San Francisco: Jossey-Bass, 59- 69.

Scholtes, P., Joiner, B. L., & Streibel, B. J. (1996). The team handbook (2nd ed.). Madison, WI: Joiner Associates Inc.

Senge, P. M. (1990). The Fifth Discipline: The Art & Practice of The Learning Organization. New York: Bantam Doubleday Bell Publishing Group, Inc.

Smith, D. (1992). Unpublished Manuscript.

Taylor, F. W. (1964). Comprising Shop Management: The Principles of Scientific Management and Testimony before the Special House Committee. In <u>Scientific Management</u> [On-line]. Available: Internet.

Watkins, K. E. & Marsick, V. J. (1993). <u>Sculpting the learning organization: Lessons in the art and science of systemic change</u>. San Francisco: Jossey Bass.

Appendix: Recommendations

A number of lessons can be drawn from this paper by all concerned with the supply of safe drinking water in Ontario. In order to create an operating culture that minimizes the creation of unintended results, any recommendations made must neither reinforce existing defensive routines nor create new ones. In the wake of the tragedy in which lives were lost, the first instinct is to make a set of formal and strict rules to ensure such a disaster never happens again. That is to say, the focus tends to be on tightening up the formal mechanisms.

The inquiry into the NASA Challenger disaster represents an example of this tendency. In his analysis of the Challenger inquiry, Argyris (1990) suggests that the recommendations called for the necessary changes to the formal structures but failed to address the defensive routines at the interpersonal level. The result was an increase in bureaucracy, which continued to protect those who needed to be held accountable from further embarrassment but did not necessarily decrease the likelihood of future disasters.

In the case of the Ontario water supply, we assert that no matter how thorough or draconian the formal mechanisms, Ontario residents will not enjoy protection against water quality problems unless there are substantial changes in the interpersonal mechanisms as well. Currently the interpersonal mechanisms produce an environment that invites defensive behaviour. More rigid rules and regulations are likely to exacerbate not ameliorate the defensive behavior. Only if the interpersonal mechanisms improve as well, will changes in the formal mechanisms produce a culture conducive to water safety.

Formal Steering Mechanisms

Formal mechanisms are an are an important starting point in improving the performance of the system overall. The critical features of formal steering mechanisms is to create congruence among *decision rights allocation, performance measurement systems*, and *reward and consequence systems* and clarity in each of the components.

1. *Clear Decision Rights Allocation and Accountabilities*

Support managers to engage in conversations with their employees that produce clarity in the assignment of decision rights and accountabilities. Responsibility for tasks should be closely matched with employee capabilities and aligned with allocation of resources (staff and budget). The decisions on allocation should be bilateral, not unilateral, with employees having the capacity to influence the assignment of decision rights to them. If the employee is uncomfortable with the desired allocation of decision rights, a development plan should be created to enable the employee to achieve a comfort level in taking on the accountabilities associated with the decision rights.

2. *Active and Robust Performance Measurement System*

Employees at all levels, including senior executives, should be engaged in the performance measurement process. Some of the features of a Model II performance measurement system would be:

- joint planning (between manager and employee) at the beginning of each fiscal year, with clearly defined and measurable targets;

- "soft" targets such as collaboration, teamwork, open communication;

- regular interim reviews where progress towards the achievement of plans and targets are evaluated and individual development plans established as needed;

- multiple feedback sources to ensure that evaluation is accurate, e.g., peers, customers - those who interact with the employee on a day-to-day basis

- annual performance evaluation that takes into account individual choices and behaviours (what people directly influence) as well as outcomes (business performance)

3. *Transparent Reward and Consequence System*

All employees must understand how and why people are or are not rewarded. The system would be founded on consultation and dialogue and features of the system would include:

- incentives aligned to performance targets at individual and organizational levels;

- non-financial compensation for superior achievement, e.g., secondments, alternative job assignments, achievement awards;

- careful monitoring and coaching of under-performance;

- incentives for innovation, risk-taking (including delivering "bad news"), collaboration and teamwork;

- consistency between what is demanded and what is rewarded.

Interpersonal Steering Mechanisms

All of the above formal mechanisms require performance in the interpersonal domain in order to be effective.   For example, if a supervisor assigns decision rights and accountability to a subordinate and then ignores or suppresses the concerns of the subordinate about being able to take on the responsibility, the subordinate will be likely to cover up his/her inadequacies rather than raise those concerns and find a way to overcome them. The key then is to improve the ability to hold conversations about potentially scary or difficult subjects, such as performance problems or personal inadequacies, without triggering defensiveness and cover up.

4.   *Leadership Development*

Improving the ability to hold conversations about scary or difficult subjects starts with the development of those in leadership positions. There should be support for those in leadership positions to develop the tools to engage in conversations that result in commitment rather than defensiveness and cover up. This requires:

- working with leaders to become aware of the potential negative impacts of their values and actions on their colleagues and subordinates

- facilitating their ability to challenge their own thinking, suspend their assumptions and judgments, hold their ideas out for testing and inquire into others' reasoning

- coaching them in how to engage in conversations about performance challenges that are empathetic, measured and constructive. In so doing, they will foster an

environment in which employees will be less likely to cover up mistakes and under-performance and more willing to acknowledge their own shortcomings.

5. *Creating Opportunities for Dialogue*

In addition to the conversations with their managers, employees can benefit from additional forums in which they can engage in conversations about difficult issues. These can be embedded into project and functional team meetings and day-to-day interactions with peers and other business partners. Productive business conversations will create shared understanding and aligned actions, which will ultimately increase the likelihood of client/consumer satisfaction.

One strategy for working together across internal and external boundaries is to gather people from the entire system for collective inquiry, especially inquiry into how they, together, are create outcomes that nobody wants. Such fora may help individuals challenge their own assumptions and integrate other points of view. A variety of whole system planning processes have been widely used by public sector organizations. These include Open Space (Owen, 1992), Future Search (Weisbord & Janoff, 1995), and Real-time Strategic Change Management (Jacobs, 1997).

6. *Development of Knowledge Networks*

A further way to help employees avoid defensiveness and get help in making the decisions for which they are accountable is to facilitate the development of knowledge networks. This would include the development of a knowledge management strategy and learning networks for capturing and sharing data, and for sharing innovative thinking across departments and organizations, customer and

stakeholder feedback and best practices. In addition, infrastructures (on-line and human) could be designed with two-way feedback loops for disseminating information. The recent literature on "communities of practice" (Wenger, 1998) attests to one such infrastructure.

Such knowledge networks can lead to the development of valuable communities of practice, which can help individuals across organizational departments and company boundaries communicate with one another on difficult problems and share solutions. While knowledge networks alone will not ameliorate people's tendencies to behave defensively, they may result in employees feeling less isolated and unsupported by others in the organization.