

CREATING EXTRAORDINARY ORGANIZATIONS

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Volume Two, Letter 2

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I am writing this letter for those pioneers who want to move beyond the ordinary to the Extraordinary in creating business organizations.

Please feel free to pass this letter on to anyone you think would like to join this journey to Extraordinary.

I send this letter only to recipients who have personally opted to receive it. To change your sign-up information, please follow the instructions at the end of this letter.

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THIS ISSUE:

EXTRAORDINARY ORGANIZATION CORE BELIEF ABOUT – PURPOSE

Welcome to Letter 2-2 of Creating Extraordinary Organizations. At the end of the last letter, I said I was going to start talking about what it takes to make an organization Extraordinary. Fundamental to doing that is holding certain core beliefs. There are six of these, and I will devote a letter to each:

1. The **purpose** of creating enterprises and organizations is to meet the needs of the members.
2. An organization has **no hierarchy**.
3. All organization members have **equality** of rights.
4. Members have **freedom** to do anything that does not interfere with another's freedom.
5. Members **own the enterprise**.
6. An organization has **no formal leaders**.

Purpose is first in the list for a number of reasons. It gives direction and meaning to any activity. It forms the base around which people can integrate their efforts. A common purpose transforms a group of miscellaneous people into an organization. Without purpose, none of the other core beliefs has the chance to come into play.

There is another reason to talk about purpose first. Most business people say that the purpose of business is to make a profit. Understanding the real purpose of a business will show that this is not the case.

Review of Purpose Concept

To begin with, remember two things about purpose from Letter 10 of Volume 1:

1. Purpose always has to do with an action. When we talk about the purpose of a thing, we are talking about the action of using it. For example, the purpose of a hammer is the purpose of hammering.
2. Actions generate a product. The purpose of an action is the benefit that product provides the following action that uses it.

Another thing to remember is from the third letter:

An "enterprise" (business, firm, etc.) is the combination of an organization and the system of activities it performs. An "organization" is a system of people who work together to perform the enterprise activities.

Need to Develop Purpose for Three Activities

In talking about the core belief about purpose, we need to consider three different activities and the purpose of each.

1. Operating an enterprise
2. Creating and maintaining an organization
3. Creating an enterprise

In Volume 1, Letter 10 I listed questions you can ask to determine the purpose of any activity. Let's ask those questions about the three activities.

1. Operating an enterprise
 - 1.1. What product or outcome does this produce? The product or service the enterprise gives or sells to others – for instance computers.
 - 1.2. Who will use this product? Individuals.
 - 1.3. In what activity will the individuals use it? Activities such as writing or creating presentations.
 - 1.4. What benefit will the computer provide? The individual can do work that would be impossible or much harder without the computer.
2. Creating and maintaining an organization.
 - 2.1. What product does this produce? An organization
 - 2.2. Who will use this product? The enterprise of which the organization is a part.
 - 2.3. In what activity will the enterprise use the organization? Carrying out all of the activities of the enterprise.
 - 2.4. What benefit will the organization provide? The human capabilities and effort necessary for effectively performing all the activities.
3. Creating an enterprise.
 - 3.1. What product does this produce? An enterprise.
 - 3.2. Who will use this product? The founders and members of the enterprise.
 - 3.3. In what activity will they use the enterprise? Meeting their personal needs.

- 3.4. What benefit will the enterprise provide its organization members? The opportunity and material goods to fill their needs. For instance, it will provide them money, the chance to develop their personal capabilities, the chance to travel, and so on.

Ends and Means

As you can see, I have worked backwards from the means to the end. Most people think that people are a means to the needs of the enterprise. What we see here is that the enterprise is the means to the needs of the organization members.

When We Need an Organization

Every activity starts in the mind of a person. An enterprise is just a large activity. A person or group carries out the activity. If I want to spread my ideas about organizations, I decide to produce an e-letter. In this case, I can do the activity alone. However, if I want to produce a magazine, I cannot do it alone. When I bring others in to help me, we create an organization to carry out all the activities needed for a magazine enterprise.

Place of Profit

Notice that I have not used the word profit even once. A founder may start a business because he needs money. Therefore, he needs a business that can produce enough money so he can have some. The purpose of the business itself is to provide a benefit to a customer. If it does not, there will be no revenue to provide money for the founder.

Profit is only an accounting measure of the difference between the revenue and expenses of a business. Profit is necessary. If you do not take in more than you put out, you cease to exist as a business entity.

I can actually get money out of a business that shows no profit. I can take all the money beyond expenses as salary. Since accounting considers salary an expense, the accounts will show revenues equal to expenses – no profit.

Use of the Word Need

I have used the word “need” throughout. Many times, we start an action to fill a want or desire. For instance, I “want” to get my ideas out into the world. However, a deeper need always lies under a want or desire. Therefore, I use the term need to encompass all three terms.

Summary

In summary, the purpose of the work of an enterprise is providing benefits to the users of its products. The purpose of forming and maintaining an organization is to provide human capability to the enterprise when it needs more than one person to operate it.

However, these actions only come into being as means to the purpose of fulfilling the needs of the founder(s) and the organization members who join them. Members of Extraordinary Organizations hold this belief as they design and operate their organization and enterprise.

ANNOUNCEMENTS, INFORMATION, AND COMMENTS

On Line Interview — You Can Find the Recording of My Interview on VoiceAmerica.com on "Creating Extraordinary Organizations" at this URL:

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UNTIL NEXT TIME

This core belief about the purpose of an enterprise and organization is the first of six core beliefs. However, this is not to suggest it is the most important. The six together make up a set of beliefs. Together they form a paradigm, or way of looking at organizations that enables us to create Extraordinary Organizations. In the next letter, I will look at the core belief about hierarchy.

Be Well and,
Be Extraordinary!

Don Yates
Extraordinary Organizations

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