

CREATING EXTRAORDINARY ORGANIZATIONS

**Volume 3, Letter 2
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A NEW WORLD REQUIRES RADICALLY NEW BUSINESS ORGANIZATIONS

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

Welcome to Letter 3-1 of Creating Extraordinary Organizations. This year I am going to look at how we can take the ideas presented last year and actually create Extraordinary Organizations.

However, before starting, I want to address an issue that makes this effort even more essential. Creating EO's is essential to bringing true freedom and democracy to business organizations. This will greatly benefit all those who work in them. Even more important, if we want to create a world of freedom and democracy—as we constantly proclaim—we can only succeed if we first do so in our own business organizations.

A call for worldwide change

There is a mounting tide of attacks on the current corporate world. Books like *The Divine Right of Capital*, *When Corporations Rule the World*, *Gangs of America*, *Confessions of an Economic Hit Man*, all take aim at one or another aspect of the way corporations are negatively affecting the world. All of these books, and more, see the corporate world as keeping the whole world from moving to a new and better place. The publisher of these books, Berrett-Koehler, describes its mission in a way that captures this “movement”: *Building a world that works for all*.

However, these and other books do not put forward a comprehensive and effective plan for how to do this. Neither do they make clear that the key to building this new world is the very corporations they are attacking. They also have not given much attention to the myriad of small to medium size businesses that employ the bulk of working people around the world. Nor have these books pointed out that the people in businesses around the world are actually the key to world change.

Organization members are the core of enterprises

I want to clarify right away that I use the word organization more restrictively than its general use. Usually people use it as a synonym for such words as company, business, and firm. I refer to all of these as *enterprises*. However, for simplicity I will use the word *business* to refer to all enterprises engaged in what we generally call *business*.

An enterprise comprises three parts:

1. The physical things and artifacts the business owns and/or uses
2. Activities of two types:
 - a. Activities through which people use these “things” to carry out value adding production processes
 - b. Activities needed to support the value adding ones
3. The people who carry out all the activities
All results come from people applying their capabilities to carrying out all the activities.

These people make up what I call an *organization*. As a system of people, it is the core of any business. In fact, it *is* the business. Without its members, there would be no activities and therefore the things would be useless.

This means that in order to effect worldwide change we must not look to corporations, businesses, firms, or any enterprise. We must look to their *organizations*. Only organization members can create a *world that works for all*.

Business organizations are essential for creating a new world order

I focus on people in business organizations and not society as a whole for three primary reasons:

1. All large businesses and a great many smaller ones transcend national boundaries. They can and do affect the whole world. Therefore, they have a significant opportunity to create world change.
2. National governments have little control over them. Essentially, people in business organizations—especially the large corporations—make their own rules. This makes it possible for them to affect world conditions with little or no political or governmental restraints
3. Business organizations involve a tremendous number of people. This means they affect a significant human force that would form a formidable base of people working to create this new world.

Current business organizations are the major roadblock to progress

Even though business organizations are essential to change, they are at the same time the greatest block to progress. This is due to their approach to five important organizational issues:

- **Purpose:** Nearly everyone sees the purpose of businesses as making money rather than benefiting their members. A new world requires that people meet their needs so they can then make it possible for others to meet theirs.
- **Authority:** The authority structure is hierarchical. This puts great power within the hands of a limited number of people. This in turn limits the true involvement of most organization members. The new world demands that all have the chance for equal involvement.

Furthermore, this hierarchy is a two-class system. The first—management—is comparable to an aristocracy. The other—the employees—is comparable to a lower class. A class system is of course antithetical to a world that works for all.

- **Equality:** There is no equality within business organizations. A new world order requires equal status for all. This does not mean equal capabilities or contributions. It does mean equal opportunity and rights.
- **Freedom:** Business organizations provide limited freedom to most members. Freedom for all is an essential part of the desired society. Since they limit freedom and are not democracies, business organizations do not model what we say we are trying to promote in countries around the world.
- **Ownership:** Most everyone sees investors as owners of a business. All wealth created by organization members “belongs” to these outsiders. In some companies, a limited number at the top of the hierarchy may also share this wealth. In “startups,” everyone may share, but the distribution is heavily weighted towards the top of the organization. If there is to be a world that works for all, we must equitably distribute ownership to all.

Creating a new organizational design to create a new world

If we are to have a chance at a world that works for all, we must deal with these issues in ways that create *organizations* that work for all members. Then they can spread this new order throughout the world.

People design organizations based on their beliefs about how people come together to do collective work. We cannot create a new organization design unless we change to a new set of beliefs. In his book *The Structure of Scientific Revolutions* Thomas Kuhn talked of these basic beliefs as a paradigm. Our paradigm defines our view of the world—our reality.

We generally call the current organizational paradigm *Command and Control*. The list of beliefs above constitutes this paradigm. It is how virtually everyone now sees the way to design a business organization. A new design requires a new paradigm consisting of a new set of beliefs.

Kuhn said that the change from an old to a new one happens in three steps. First, someone claims that the current model no longer fits reality. I, along with many others, claim that the Command and Control paradigm is no longer valid, if it ever was.

Second, someone proposes a new set of beliefs creating a new paradigm. In Volume 2, Letters 2-6 I described the five new beliefs that form what I call the *Freedom* paradigm.

Third, we must learn how to function within the new paradigm. Future Eletters will address some of the issues related to creating an organization that fits this paradigm.

Conclusion: The new paradigm and the world that works for all

The five beliefs of the proposed paradigm define a new view of organizational reality. Seeing reality in this way leads to true organizational freedom and democracy. These are the two most revered values in our country. How can we lead the world to freedom and democracy if we do not even have them within our own business organizations?

Command and Control is now the basis for designing virtually all organizations around the world. Most governments also follow this paradigm. At the extreme, tyranny is Command and Control writ large. In our country, organizations that work for all will only happen when there is a completely new paradigm used to design them. Until we do this, there is no chance to create *a world that works for all*.

Until next time

Last year I defined the beliefs I see as making up the new paradigm. I also looked at how they would affect designing the four core activity groups carried out in every organization. In the next letter, I will start looking at issues we must deal with to move to Extraordinary Organizations.

Be Well, and
Be Extraordinary!

Don Yates
Extraordinary Organizations

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