Ok for this office to forward to Ken Smart per ann Jenkins. E.C. KO
Done 4/12/89
AK.

I N T E R O F F I C E   M E M O R A N D U M

C O R M T S   A L L - I N - 1   S Y S T E M

Date: 10-Apr-1989 01:27pm EDT
From: Ken Olsen
OLSEN.KEN
Dept: Administration
Tel No: 223-2301

TO: See Below

Subject: PROBLEMS OF PARTICIPATORY MGMT. IN AN INTERACTIVE ORG.

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Thirty some years ago when Digital started participatory management was the academically accepted way to run an organization. It fit in well with McGreggor's Theory Y management. It was very natural for Digital to be built upon these concepts.

The concept, at least from Digital's point of view, was that mangers and team members should have the opportunity to participate in the setting of their goals. This is an important part of having them be motivated. It is also based on the assumption that, most likely, they know more about the subject than senior management, and thirdly, when things don't work according to plan, they make sure that things work out well, even though there may have been mistakes in the plan.

These concepts worked out very well, but, in time, two problems developed. People felt they had a sacred right to participate in other people's goals. They spent more time worrying about other people's plans and projects than their own and were greatly frustrated because, regardless of how hard they worked, they were not able to turn off other projects or turn them around or change them to their suiting. This, of course, was not in the theory of participatory management where one is given the right to, not set, but take part in the development of his own goals, but never was it stated that you have a right to form other people's goals.

The second problem developed when people developed the idea that they had veto power on all goals that were requested of them. This meant that, in an interactive organization like Digital where everyone is interdependent on everyone else, anyone could, by simply saying no, stop anyone else's project. This, of course, is not part of the theory. At the budget and planning time, every group budgets all the things they will do and all the things which they need, many of which are to come from other groups. If the other group refuses to do them or proves that they cannot be done, then the boss has two choices. He can tell the service group that they are going to have to do what is necessary for the first group to have a complete product or he is going to have to turn off the first group.

If the budget and the plan for the organization is fixed and all that is needed to complete each of the jobs or systems is budgeted, it is not within the freedom of any group to arbitrarily, on their own, drop their contribution during the year. This may wipe out whole, major projects and even commitments to customers.

It is, therefore, important that everyone with a project, such as workstations, list everything that is necessary to make them complete including, for example, a micro ULTRIX. If the ULTRIX group doesn't believe in this and thinks it's unwise, they can talk management into not including this. If they are successful, we may drop the workstation business, we may drop portions of it, we may cut it back to the point where it's not worth doing, or we might talk the workstation group into the fact that they'll be successful without it.

If, however, in this example we decide we need a micro ULTRIX, the ULTRIX group will have to do it. It is not their option to say they don't like the idea and they won't conform.

This participatory management does not change the budgeting system. Every project has to have every component budgeted, and every component has to be guaranteed to be there in order to make every project successful. The fact that we believe in participatory management doesn't change this and it is ridiculous to think that project managers have to convince every group on which they are dependent to accept their ideas and then continuously sell them on the ideas so they won't shut it off.

There is indeed a third problem which is continuously an undercurrent in a participatory management organization, and that is the feeling that this theory is very wasteful. If we had competent, educated, clear thinking, and aggressive management, who could lay out all the plans for the Corporation with no redundancy, no risk taking, no duplication, and no competition and with perfect efficiency, all necessary projects would be completed, and the best of all possible worlds would be obtained.

The biggest problem with this approach is that benign leadership will never agree that any one person is that much smarter than the benign leadership, and when it's not clear which of the two paths is to be taken, they are likely to pick both until the question is clear. When the choice is between perfect wisdom and motivation, they are likely to pick a motivated group rather than an unmotivated group following perfect logic.

There are a few other obvious principles that have to be understood to make the system work. The managers make the commitment to do certain things for a certain amount of money during the budget period. If any changes are made, the corporate plan should be changed, and all those dependent upon the original plan have to be notified. This seems obvious, but so often people get so frustrated with managers because they can't get them to do new, additional things that they request. Obviously they should request to have the new item budgeted. It's obvious it is not up to the manager to re-shuffle those commitments he has to do things which are requested informally. Some of our best managers absolutely frustrate the rest of the Company because, during the budget year, they can't get them to do additional things. Now, some of them should probably be done, but they should be done as a formal change to the original budget and not something that they can request on an informal basis without taking any responsibility.

Another obvious principle is that, if someone is committed to accomplish a job which is dependent on others getting their part done, they have the very clear responsibility to let management know that the job cannot be fulfilled because of the failure or change of a program by someone else. It is their obligation to try to work it out with the other person, but it is not their obligation to sell the other person, and they are not a failure if they fail to sell. The overriding principle is that they must notify management that the job is in jeopardy of failure because of a lack of commitment from the other party.

KHO:dao
KO:2864
DICTATED ON 4/9/89, BUT NOT READ

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