

"DOING THE OPPOSITE": THE FUTURE OF CANADA

by W. H. Clive Simmonds

Futurescan International Inc., Ottawa, Ontario, Canada.

Studies confirm Aurelio Peccei's 1969 insight that the structure of organizations controls progress. Today leading companies are flattening their structures and diffusing responsibility throughout their organizations to raise quality, reduce costs, and diversify into new products and services; they are also 'networking' outwards with and to their customers, suppliers and even competitors. The resulting higher gains in productivity are the means which can slow the rise in our debt and ultimately cover it. These developments provide the answer to the questions: "Why are We in this Mess?" and "How can We Escape from It?"

The findings are presented in two parts. The first describes the diffusion of responsibility in business and its successful results; and the second applies these results to the situation in Canada, especially to its younger and newer citizens, by involving them in the development of both Canada's and their own futures.

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Today's Situation

In 1969 Aurelio Peccei published his reasons for the founding of the Club of Rome in his book *"The Chasm Ahead"*. His line of thought is shown in this passage:

"It is immensely more important to determine the intellectual and organizational processes by which correctly to set objectives, define strategies, reach decisions and act on them, than to concentrate on the solution of any individual problem or problems".

Following the publication of *The Limits to Growth* and of his second book *The Human Quality*, he addressed a specific request to the Canadian Association for the Club of Rome in 1978 "to find a new point of departure for looking at world problems" because he felt - correctly - that Canadians would understand and respond to his request. Unfortunately we were not able to do so at that time (Simmonds, 1979).

When Buzz Nixon became the present Chairman of the Canadian Association, he decided to revive Aurelio Peccei's request by putting it in question form and demanding an answer (Nixon, 1990-2):

"Why are We in this Mess?"

This time we are able to answer Peccei's question.

Introduction

In 1990 Jeremy Wright and Clive Simmonds found themselves tackling the Chairman's question and decided to work together on it.

Jeremy Wright restudied its economic aspects and reported them to the Canadian Association in March, 1992, under the title, *The New Economics of Sustainable Development*. He revealed the mechanism by which the Western nations were spiraling down into ever increasing national, corporate and individual debt - by substantial, continuing diversion of savings to consumption.

He showed that the only way to increase productivity sufficiently to reverse this downward drift is to invest savings in all forms of capital - in people, the environment and technology as much as in finance, equipment and property - and thus amplify the potential for rises in productivity. He did not detail the ways in which this could be done by organizations or individuals.

The present paper presents the new approach which enables this to be done in Part One; and applies the answer to current problems in Canada in Part Two.

PART ONE

The New Approach

An excellent way of anticipating the future is to track down the changes occurring in the most successful organizations and identify the reasons for their success. A surprising conclusion emerges in the case of business and industry:

The source of our problems is the structure of our organizations which prevent their solution under today's conditions.

Hierarchical organizations of the past comprised narrowly defined jobs, short spans of control, and functional divisions. Their characteristics are slowness (up, across, round and down for any one decision); high cost (a typical, three layer, middle management for a North American company costs of the order of \$100 million) (Schlesinger, 1991); difficulty in responding quickly to sudden and rapidly changing events such as those experienced from 1989 on; and, above all, domination by the top-down, 'Command and Control' mindset.

Leading industrial companies of today have been, and are installing the direct opposite structures to such hierarchies (Simmonds, Peters, 1992). These are basically 'flat' organizations. Information now flows quickly through the organization and can be integrated better; unit costs fall; new products and services emerge; and the crucial corporate mindset switches to "Enable and Empower". These changes have, in consequence, a further crucially important characteristic:

People in the organization have two tasks:

- to carry out their work
- and to be responsible for its success

Responsibility is thus being redistributed more widely throughout organizations (Thompson, 1992).

In other words, they are no longer employees in the hire-and-fire sense of that word, but worker-managers - carrying out a task (the work) and being simultaneously responsible for its success (management), thereby reducing the need for control layers of management and enormously increasing productivity. This redefines their position far beyond the original Quality Circle level.

Americans then call them 'associates' or 'members' of the company. This changes their status since a member of an organization is someone who belongs to the organization, becomes committed to its aims, and can identify and feel part of it.

Such re-definition creates further changes. No longer does the top management or the 'Great Man' determine what is to be made and, through forceful advertising, make North Americans and others desire its products. As the President of Xerox Corporation, Paul Allaire, puts it, it is no longer even the company but the customer who now 'pulls'; we match his or her needs or wants in relation to the latest technologies, market

shifts, tax and trade regulations, environmental concerns, etc. (Brown, 1991). Xerox Corporation now mediates the external world optimally between its customers and their needs, wants and problems. So the resulting organization increasingly operates in a 'horizontal' rather than a vertical mode.

Examples of Such 'Opposite' Behaviour

The reality of the magnitude of these changes is best illustrated by examples from companies which have 'done the opposite'. The *first* example compares the numbers of headquarters staff in the old and new organizational structures.

In 1989 Percy Barnevik decided that he could create a new company, The ABB Company, roughly the size of General Electric, by combining ASEA of Sweden and Brown Boveri of Switzerland. His proposal was accepted and he combined the two companies in six months! At that time ASEA had headquarters staff of 2,000 and Brown Boveri 4,000. Today the new \$25 billion ABB company has a HQ staff of 100 professionals plus 50 clerical support. This fortyfold reduction in HQ staff implies a significant change in its functions! Too small to 'operate' the new ABB company, the new HQ now exists to set its goals, make key decisions where necessary, *imbue it with clarity of purpose ...* and keep out of the way of those who run it! (ABB Annual Report, 1991; Rapoport; Taylor; Peters, 1992).

Back in 1975 Wilfred Stadiarchos had analyzed the key differences between hierarchical structures which depend on intimidation for their control and the newer horizontal structures, which he terms '*stadiarchical*' and *which depend on the power of initiation* for their higher efficiency. The older structure has negative elements within it and therefore in some of its consequences; the newer is positive and freer from these. Moreover, if a stadiarchical (horizontal) organization chart of an operation is rotated through 90°, it yields one, and only one, effective hierarchical structure, thus establishing its superiority as a basis for structuring organizations. The next example shows what can happen when this kind of understanding is ignored.

This *second* example of 'doing the opposite' is when changes in organizational structures have *not* been made.

The most public case is that of General Motors. Very successfully developed on the management concepts of

Alfred P. Sloan in the 1920s, it is now in financial difficulties, with a \$25.3 billion dollar loss (its greatest ever) in 1992. This situation has arisen even though G.M. has had full knowledge of the new lower cost, higher quality, 'lean' production process developed by the Japanese (Taylor III, 1992). GM has now fallen to 196th out of the 307 companies on Fortune's list of the Most Admired Corporations; its rank was 16th in 1986 (Fortune, 1992). IBM is another company in this position.

What is 'lean' production, how was it developed, and why is it more successful?

After making trucks during the war, the Toyota Company decided to produce cars in Japan in 1949-50. Its American competition was based on the production of cars at the rate of 200,000 cars per line per year. Toyota planned to produce 5-6 different models at the rate of only 50,000 cars total per annum in Japan. Substantial cost reductions had to be found which Toyota attained by the systematic reduction or elimination of each unnecessary cost. Toyota also included its suppliers and dealers to their mutual benefit (the 'opposite' of the company take-all approach of the Big Three). This story is described in the \$5 million dollar M.I.T. study of car production (Womack 1990).

Labour was cut in half; defects per car reduced by one third; assembly space to one half; inventories from two weeks to two hours! Information from suppliers, dealers and customers is *funnelled directly to design staff* so that new models can be designed in one third of the time required by the Big Three (Womack, 1990). In this systematic way Toyota established itself at the top of the auto business, mostly by 'doing the opposite' of the Big Three.

Today the Toyota Company continues to lead by addressing social, health and 'living' needs. 'An automaker must be just as conscientious in serving social needs (clean air) as they are in responding to individual car buyers' (Toyota, 1992).

A *third* example of 'doing the opposite', this time at the personal level from boss to partnership, has been spelt out by Ralph Stayer. As owner and CEO of Johnsonville Sausage of Sheboygan, Wisconsin, he records the changes he went through from the 'command-and-control' mindset to that of 'enable- and-empower'. As its owner, he made all the decisions in his company for years, but bit by bit he began to realize that part of his troubles was with himself. So

he started to delegate his authority, passed letters of complaint to his workers, and found that they thrived on their new responsibilities. In 1985 he was faced with a watershed order which would require the company to double production. He put the decision to his company 'members'. They accepted and made it a success. As Stayer comments, he had finally reached his goal of working himself out of a job. It is a remarkably honest and open account! (Stayer, 1990; Peters, 1992).

The *fourth* example of 'doing the opposite' concerns open-mindedness and comes from Hallmark Cards. In 1982 its President was asked to fire 20% of the staff to reduce costs. Unlike other presidents at that time, he decided to check first. Natural attrition and early retirement would do this anyway over two to three years. So he refused: reorganized production and kept faith with his company members. Towards the end of the 1980s the members responsible for Hallmark's Shoe Box cards came and asked if they could work together as a group in place of the vertical functional organization then operating. He thought about this and agreed. In a short space of time the company had rearranged itself into seven working groups, competing against each other internally but stimulating each other for the market place with positive results (Stewart, 1992).

The *clincher* of 'doing the opposite' comes from Sam Walton. He was told that he could not run a department store in towns of under 10,000-12,000 people. He decided, in his own words, "to swim upstream", opened stores in towns with fewer than 5,000 people, and ultimately became America's richest man! (Sam Walton & John Huey, 1992). It is difficult to argue with such proven success and how it was achieved.

What these examples illustrate is the *incredible waste of human capabilities in rigid hierarchies* compared to their potential for major productivity gains and greater human satisfaction in the newer, flatter business organizations of today and tomorrow (Peters, 1992).

Two key questions remain: are 'flat' organizations viable? can they be successfully integrated?

You can almost feel Paul Allaire, CEO of Xerox, smile as he replies: "*The customer does the integration for us!*" If you can organize customer 'pull' within your organization, it inevitably forces the appropriate elements in the company to respond together in some

orderly fashion. If you track this, and the changes which occur over time, this information reveals and enables you to respond appropriately to market changes (D'Cruz, 1992). This is exactly what Sam Walton did so well and what General Motors has not been doing.

These new findings can be summarized as a new set of 'principles':

"Doing the Opposite" - The New Approach

- "Enable & Empower" supplants "Command & Control".
- Hierarchical organizational structures are replaced by stronger, 'horizontal' team-based ones.
- Customer 'pull' informs and integrates; and thus helps create new 'structures' in line with market demands.
- Workers graduate from 'employee' to 'Associate' or 'Member'.

These are creating the basis of the 'new economy' from a powerful new sequence:

- New Technologies → High-Quality Goods and Services at Lower Cost
- New Emerging Markets
- Increasing Direct and Net Employment
- Greater Capital Investment in People, the Environment and Knowledge/Technology
- Combining to Boost National Productivity

The Downward Spiral into Debt can be altered and an Upward Spiral into Surpluses can be Created

The hierarchically-organized, mass-manufacturing economy of autos, machine tools, housing and retailing which rested on steel, pulp & paper, forestry, mining and agriculture is giving way to the new, more 'fluid' knowledge/technology economy of computers, semiconductors, software, 'com & tel' (communications and telecommunications), instrumentation, health & medical, biotechnologies, artificial intelligence and new materials, and the new products and services which this combination is giving rise to (Nuala Beck, 1992).

These in turn increase demand for trained people and provide the capital funds for their education and training plus the development of further technologies and improvement in the environment. Canada has moved further into this new economy, than is generally recognized and this is continuing (Beck, 1992).

Notice also that the economy, employment, training, welfare, and R & D can no longer be treated as separate items. Today they are becoming a seamless web of new activities which require, interact with, and support each other. Thus more 'horizontal' ways will also be needed in government approaches as well as in industry.

Note also why this new approach is proving so successful. The 'hierarchical' past relied on financial prudence + managerial efficiency + labor productivity + sales pitches, as its tools for increased productivity. The new 'flat' organizations rely on fluid information flow, absence of internal barriers, and diffusion of responsibility tied to customer wants and demand to 'fuse' six sources of productivity increase, instead of trying to 'add' four together!. Displaced 'middle' managers move on to create the new, higher-powered service companies which the 'leaner' companies in the new economies need. The net effects are the significant increases in productivity, output, G.D.P. and employment which are actually happening in Canada and the U.S. but which are not yet being properly reported to the public.

(The idea of Quality Circles for products has grown to total responsibility by everyone for success!).

Facilitating the move into the "new economy" is the primary key to handling the debt and unemployment situations, for which Wright argues, not trying to prolong the past. Given this, can these new findings and their successful application be applied to the larger problems in Canada? and if so, how? This is taken up in Part Two of this paper.

PART 2

A New Approach for Canada

The recent constitutional referendum has left a sense of aimlessness or 'being left out' with many Canadians. The press has begun to voice "a crying need for visionary ideas for a social prospect of the future, which the political parties seem to have lost" (Johnson, 1992).

The first step in creating new opportunities for Canada is to tell Canadians the progress which we are already making into the new economy. This was not done during the constitutional debate. Only the Globe & Mail portrays Canadian advances as a regular feature, but not on the front page where one might expect. Nuala Beck and others contribute specific

examples of the new economy and its progress, week by week, on the last page of section B (THE CHANGE PAGE) of its Tuesday editions.

The second step is to recognize the position and plight of our younger, our discouraged and our newer citizens.

The *third step* is the need to instill hope at this time. That hope will grow as and when Canadians suddenly realize that we stand at the threshold of an extraordinary new age; one based on knowledge rather than on brute force; and because of that, one which pollutes less, consumes less energy, which can open up the human dimension and unite people across the world. Such an age will move closer to the sustainability which the present 'burning up' of materials and energy and population rise threatens. There have been many prophecies of this, but only now do we begin to see how this new way can actually move us ahead: through the displacement of mass-production and its mass-consumption-and-acquisition mentality by goods and services which serve our individual minds and senses as well as our hands and bodies.

The past approach has been at arms-length and top-down whether constitutional by corporations and by governments, their departments or agencies. Applying the "doing-the-opposite" stance as an analytical tool to this situation, we should start by involving the people of Canada directly, especially the younger members who need a future, in the creation of their future? How? We start by posing and answering some questions:

1. What has just been done? The people of Canada were asked what they would like. And their answer? A better economy and jobs.
2. How were these replies treated? They were ignored and set aside. The politicians took over, the doors were closed, discussion focussed on sharing of powers, and culminated in possible voting arrangements for it, i.e. more politicians!
3. This result was voted down by the people of Canada.
4. So it is now time to come back to the people of Canada, look at the human, social and economic situation within Canada with the new insights and the younger generation in mind. This leads to another key question:

5. If the Government and people of Quebec gain by being able to plan the future of the Province of Quebec to preserve the French language, culture and economy: could the other regions of Canada gain by doing the same?

With this in mind, look at the Canadian scene (the North) and native peoples are omitted at this stage, not because they are less important but because their problems are more complex).

Alberta and B.C. have just joined the newly formed Pacific North West Economic Region;* Saskatchewan and Manitoba are working together; and the three Maritime provinces are actively negotiating economic union. Thus the provinces have already started to shape their futures by organizing themselves into regions. (Why regions? Because regions define themselves naturally through their location, geography, history, trade, peoples, cultures and perspectives).

B.C. and Alberta are prospering with their Asian connections, financial flows, trade and tourism; there are problems with wheat and energy; electronics is moving ahead.

Saskatchewan-Manitoba face the wheat/subsidies problems plus mining and electronics plus Prairie depopulation, a problem which they share with the adjacent U.S. states.

Ontario is still not out of its Rust-Belt mentality; but is moving ahead with 'com & tel' (electronics, software, computers, communications, telecommunications, corridors, networks, etc.) which already exceed steel, pulp & paper, and mining combined in importance (Beck, 1992).

Quebec focuses on political powers but never shows how their use will benefit its people. But, helped by Jacques Parizeau's stock-savings plan in 1979, Quebec has fostered biomedical and aerospace, and has the largest pharmaceutical and second largest electronics industry in Canada (Beck, 1992).

The Maritime region is opting into the electronic age by attracting business from more costly sites; plus fish farming. It needs modernization of the Trans-Canada

*The new Pacific North West Economic Union of Alaska, Alberta, British Columbia, Idaho, Montana, Washington and Oregon, dubbed "Cascadia", has a population of 15.6 million, a GNP of \$250 billion and would be the 11th country in the world, if formed.

highway and possibly a bridge to P.E.I. Is a more positive and active 'Maritime' mentality beginning to appear?

Newfoundland is still coming to terms with the shock of its cod fishing loss and the Hibernia oil problem; and is demanding a greater say in the future of fish and fishing.

Thus each region in Canada is distinct from every other region. The new principle of distributing responsibility in companies more widely suggests a parallel extension towards greater involvement of citizens in the futures of their own regions. But this is also the process by which new Canadians become Canadian and the young begin to see a future for themselves.

(The No vote against the constitutional deal could even be construed as a vote by Canadian citizens for this kind of policy).

The functions of the Federal Government are also inevitably changing and enlarging from the country to country level to problems of global scope: In Canada it would need to orchestrate the process of regional planning; to synergize the national combination of these plans within N.A.F.T.A.; to integrate them into a developing picture; and thus to ensure that Canada is inherently better able to cope with and profit from the more fluid global situations which are expected to continue well into the 21st century.

Note the basic principle being proposed here. Stability and resilience in a global world subject to major sudden or unexpected events can be obtained only if power and authority are more widely dispersed (Holling, 1978). The proposed exercise helps build up internal strengths to cope with the new level, range and speed of events. It will do this to the extent that the citizens of Canada feel that they do have responsibility for their futures and in consequence want to participate. It also assumes that these same ideas are understood by the Federal Government and that its expected modernization is carried out, as the British, French and Germans have already done (Gherson, 1992); such a modernization in government is also needed to keep Canada in the Group of Seven industrial countries, which is a vital ingredient for the success of all or any part of Canada in a global world.

Thus the principle of 'doing-the-opposite' can be applied to national as well as to corporate and industrial problems.

Conclusions

The vision given here differs significantly from that of the recently rejected constitution and from those who continue to fund the past as their first priority.

This proposal:

- identifies the only known path out of the continuing debt trap;
- is based on successful moves into the 'new economy' already happening in Canada and elsewhere;
- requires much closer interaction between education, training, employment, R & D, investment and welfare than in the past;
- provides what Canadians asked for - jobs, incomes, and some feeling of security in a fast moving world;
- and, in so doing, helps bring Canadians together in a common task and give us all hope!

It is high time to recognize the changing present, and to go after a rapidly expanding and wide-open future!

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