

CAPITAL AND WORKER VALUES: WHAT MATTERS IN AN ORGANIZATION?

[Note: This is a revised chapter from The Postmodern Organization, a book I wrote 32 years ago. While we might assume that the observations made in this essay are dated, they still seem to be relevant. The nature and purpose of capital and worker values have not changed dramatically over this extended period. We are still living in a hybrid world (premodern, modern, and postmodern) that fires up the engines of postmodern organizations with both old and new forms of capital. Furthermore, we operate in a complex mid-21st-century society that motivates employees in ways unique to the digital world in which we now live, yet enduring from premodern and modern times.]

What does “Capitalism” mean when Knowledge governs—rather than Money? And what do “Free Markets” mean when knowledge workers—and no one else can “own” knowledge—are the true assets? Knowledge workers can be neither bought nor sold. They do not come with a merger or an acquisition. In fact, though the greatest “value,” they have no “market value”—that means, of course, that they are not an “asset” in any sense of the term.

- Peter Drucker, *Management Challenges for the 21st Century*

If organizations are to survive (perhaps even thrive) in our challenging mid-21st-century environment, leaders must find the physical fuel that fires the organization's engines. At the same time, these leaders must find the psychological fuel that fires the imagination and capacities of those working in the organization. The major source of the physical fuel is the *Capital* those who own or lead the organization bring to it. In some organizations, the primary form of capital is highly tangible: land, money, technology. In other organizations, the capital is much less tangible: reputation, knowledge, wisdom. The primary source of psychological fuel in an organization resides in the energy and commitment that are brought by those working in the organization. This second source of fuel is, in turn, associated with *Worker Values*—the fundamental commitments made by those employed in the organization. Capital and worker values are the blended sources of fuel that fire an organization and keep it alive and vital.

Both sources of fuel reveal something about what really matters in an organization. While some statement regarding the supposed intentions of an organization can readily be identified and articulated, this statement only makes sense if it is backed by the capital invested in the organization and if it is aligned with the values held by those working in the organization. Without a commitment of capital and the alignment of worker values—without a tangible sense of what really matters in the organization—a statement of intention is nothing more than empty rhetoric.

What then are the forms of capital and worker values that are to be found in contemporary organizations? In finding an answer to this question, it is first important to note that an organization of the 21st Century is likely to be a mixture of premodern, modern, and postmodern (Bergquist, 1993). The primary forms of capital in

premodern societies are reputation, land, and natural resources. These forms of capital are still important—especially reputation. There is still a lingering attraction of consumers to old brand names (ranging from *Cheerios* to *Louisville Slugger* baseball bats). The purchasers of products and services as diverse as automobiles, jewelry, and higher education are still willing to pay an exceptionally large price for something that has prestige and reputation. The most important hybrid, however, concerns the role still played by money in postmodern organizations.

The Role of Money in a Postmodern Context: A Transitional Object

A group of psychoanalytically oriented psychologists and psychotherapists (often associated with Melanie Klein's *object relations* school) speak and write about the role played by certain objects (such as blankets and teddy bears) in assisting children through a difficult transition. These *transitional objects* represent continuity from one era to another era in the life of a child. Organizations also have transitional objects (rituals left over from the past history of the organization, employees who represent and often talk about the good [or bad] old days. Societies may also have transitional objects that assist the shift from one mode of thought and action to a second mode. Money may serve this transitional function in our contemporary society. We still cling to money (as we would a teddy bear), though the way in which money is used is changing (much as the teddy bear for the maturing child takes on new roles).

Much as in the case of the lingering role to be played by the printed word in the postmodern organization, so there is a lingering role for money—perhaps as a transitional object. Much as the printed word takes on new meaning and new form when interwoven with new digital forms of communication, so money takes on new meaning and new form as it interacts with the new forms of capital in our postmodern organizations. I will focus on several of the new postmodern uses of money: (1) the emergence of a debt-based society based on the increasing use of credit cards, (2) the malleable role of money in e-commerce, (3) the role of venture capital in the funding of information-based enterprises, and (4) the shift in accumulated funds from the entrepreneurial investor to pension-funds.

Money as an Invisible Entity: The Debt-Based Economy

Money is still important in our emerging postmodern society. However, it has become much less visible. Cash has been replaced with the checkbook and increasingly with the credit card and the ATM card. In the near future we may find that checks, credit cards and ATM cards are in turn replaced by *Smart Cards* and other forms of computer-based instantaneous crediting of a financial account. What does this mean? One can think of this as one further step in the distancing of the seller and purchaser from the tangible exchange of good and services with one another—the basis of a bartering economy. In a premodern world, one person exchanges seeds for the use of a plow, or exchanges reading lessons for a quilt.

The monetary system has been established in part because it is often cumbersome to equate seeds with plows or lessons with quilts. We assign a specific monetary value to the seeds, plow, reading lessons and quilt, and can then engage in commerce free of the need for something specific to exchange that the other person wants (other than money. Furthermore, there doesn't even have to be a trusting relationship between the two parties doing business (as there must be in a barter) for money itself becomes the vehicle of exchange and this vehicle is protected (in most instances) by the government that issued the money. From this vantage point, we can conclude that bank checks and more recently credit cards and ATM cards are simply one step further removed from the barter. We no longer need actual money, but need only provide a card that suggests (or even guarantees) that there is money in our

account to cover the cost of the product or service we are purchasing. The smart card would serve a similar function, but it is yet another step removed.

There is a second conclusion to be drawn from the shift to credit cards and ATM cards that is somewhat more disturbing and perhaps more telling of the changing nature of money in our emerging postmodern society. Checks and credit cards—as well as some ATM cards—can be used even though there is not sufficient money at the present time in our checking account to cover the cost of purchase. There is a humorous comment we have all heard at some point in our life. It goes something like this: “Since I still have checks in my checkbook, I must still have money in the bank.” Today, there is a variation on this remark: “My credit card hasn’t worn out yet; therefore, I must still have money in the bank.” While we all know the absurdity of these remarks, they do reveal an underlying reality: the further we are from the actual exchange of goods and services (by bartering), the more readily we can fool ourselves about our capacity to pay for a product or service.

Mortgages and credit lines further compound the temptation to purchase that which we can’t yet afford. Our grandparents often “paid cash” for everything. Many people living in non-Western societies still refuse to take out a loan when purchasing a home. They will not buy a house until they have accumulated sufficient funds to purchase it outright. This is certainly not the case in the United States or many other Western societies. The credit card, however, is still the major culprit in transforming many postmodern nations into *debtor societies*. Peter Drucker describes this emergence of credit cards as the *new money* and of the accumulating debt in his assessment of 21st-century management challenges:¹

. . . increasingly in all developed countries the fastest growing source of commercial credit is neither the commercial bank nor the investment bank. It is the credit card in its various forms. A still fairly small but rapidly growing number of credit card customers have multiple credit cards—some as many as twenty-five or thirty. They use these cards to obtain and to maintain a level of credit far beyond their creditworthiness. That the interest rate is very high does not seem to bother them, since they do not have any intention anyhow of paying off the loans. They manipulate them by shifting the outstanding balance from one card to the other so that they are never forced to pay more than very small, minimum amounts. The credit card has thus become what used to be called “legal tender.” Nobody knows how big this new form of money has become—but it is clearly a new form of money. And it has already become so big as to make almost meaningless the figures for money in circulation . . . on which central banks and economists base their theories and their forecasts.

Thus, money continues to play an important role in postmodern societies. However, this role has changed. Money is no longer represented in the somewhat tangible act of paying cash. It is now a much subtler and even psychologically based entity. Money—or more precisely *monetary affordability*—is now nothing more than one’s sense that “somehow I will be able to take care of the financial obligation inherent in the exchange that has just taken place. I will take care of this obligation by making sure that I deposit in the checking account before the check clears, by paying off my credit card (someday).” Or, as Drucker suggests, “I assume that I will never have to pay off all my debts.”

Money as a Malleable Entity: The New Commerce of the Internet

When money is visible, it often tends to be quite malleable in terms of its use in purchasing something. Obviously, in a global economy, money becomes quite malleable with reference to exchange rates between countries. However, money is also malleable when it is used in the complex and volatile world of e-commerce. In many ways, money has become a commodity of exchange that operates more like it did in the transition from premodern to modern. During this transition we see money emerging as an important but highly malleable vehicle of exchange. It is critical in a modern society that money holds a stable value—that is the primary reason why money is used as a vehicle for the exchange of goods and services.

When the value of money is highly unstable in a modern society—as was the case in Russia following the collapse of the Soviet Union—then this society is in great jeopardy. For many societies, however, that are shifting from premodern to modern, money does not hold a constant value in the marketplace. We witness this in the haggling over prices that occurs in many so-called developing countries. We also see this in the auction houses that flourish in societies that are transiting from premodern to modern. Cattle are sold at auction, as are tobacco, furniture, fine works of art and (tragically) human being (slaves). Products and services do not have a price—rather the price becomes whatever the seller can get via negotiation or auction.

Ironically, money in the emerging world of postmodern commerce is once again becoming malleable. Perhaps this is a sign of the transition that is now occurring between the modern and postmodern worlds—providing further evidence for the notion that money serves as a transitional object between modern and postmodern. The new e-commerce businesses in particular are creating a similar malleability in the value of money. FreeMarkets Inc, for instance, provides an Internet auction house that can save companies more than 15% in purchase of goods and services. In premodern fashion, FreeMarket provides a forum in which buyers and sellers can dicker over prices. In this instance, the auction is run for the sake of the buyer rather than seller with the lowest price (offered by the seller) winning the bid rather than the highest price (offered by the buyer). FreeMarket, however, is quite postmodern in not only operating over the Internet but also providing a range of services in helping buyers prepare for the auction:ⁱⁱ

FreeMarket acts as a consultant, showing new clients how to spell out every possible requirement in their RFQs [Requests for Quotation] . . . FreeMarket is also expert at finding and screening suppliers that the clients don't have the time or the information to track on their own. It e-mails questionnaires to each one, surveying its finances, its ISO or other quality ratings, and the condition of its equipment. Starting with a long list, the buyer winnows down the field to those it wants to invite as bidders. For example, the purchaser may choose to accept bids only from suppliers with more than \$40 million in sales, the newest machines, and the coveted ISO 9000 emblem.

For many years, Priceline.com was an even more widely known venture that has made money highly malleable. Jay Walker, the founder of Priceline speaks of a *buyer-driven commerce* that enables buyers to “name your own price” when purchasing airline tickets, making hotel reservations, or purchasing a wide variety (and growing number) of other goods and services. The primary target of Walker's venture, however, is actually the sellers not the buyers:ⁱⁱⁱ

For all the consumer empowerment implied in its “name your price” format, Priceline is really about solving a vendor’s problem: in this case \, how to make money from the 500,000 airline seats to go unsold daily. Most businesses with excess merchandise cut prices over time. But airlines can’t because they depend heavily on socking it to last-minute business travelers. Besides, many of those empty seats are on early or late flights, when no one wants to fly. In pitching his “name your own price” model to airlines beginning in 1997, Walker argued that his novel format could fill those unattractive seats with price-conscious leisure travelers. To assure the airlines that Priceline wouldn’t poach their full-fare business travelers, Walker agreed to impose draconian restrictions on whatever discount tickets the airlines made available to him. . . . Says Walker: “We called it consumer freight, because the consumer is behaving like freight.”

In the case of both FreeMarket and Priceline, the monetary value of various commodities is highly volatile. An airline seat might be worth \$1,000 or \$150, while a computer hard disk might be worth either \$40 or \$400 depending on where it was bought and on the demand for this seat or drive by other potential purchasers. While price has always related directly to demand, the link is now much more intimate—as it is in the bazaars of the Near East or the public markets of Asia. We are truly living in a global village—complete with premodern bartering and auctions.

Money and Knowledge in Partnership: The Venture Capitalist

Money has been transformed in postmodern societies not only by the commerce of the Internet, but also more broadly by the interplay between finances and knowledge. Modern societies have always focused almost exclusively on money as the primary form of capital. New modern businesses require money for startup and existing businesses need money to remain viable. If one wants to measure the extent to which a “third world” country has entered into the modern era, one need only look to the growth of this country’s banking industry and to rates of monetary investment in various kinds of organizations in the country. Money also makes the postmodern world-go-round. However, postmodern money is inevitably coupled with information and knowledge (the two primary forms of postmodern capital).

The intermixing of modern (money) and postmodern (knowledge) capital is certainly a potent brew—especially in the hands of the venture capitalists. These creatures of the postmodern world have coupled their own knowledge of finance and technology with the specialized knowledge of electronic visionaries to create massive new wealth and opportunity, as well as extraordinary volatility in many economic sectors (from Silicon Valley to Washington D.C. and from Tokyo to London). This amassing of wealth is particularly noteworthy given that many of the new businesses started by venture capitalists have yet to show a profit. Amazon.com, for instance, is a major “success story” in the e-commerce world, yet as of the year 2000 it still hadn’t made any money for its investors. As reported in the November 8, 1999 edition of *Fortune*: “All in all, net losses [for Amazon] in 1999 will top \$600 million. Even the most optimistic estimates say the company won’t earn a penny for at least two years.”^{iv}

Yet Amazon.com continues to attract investors and builds its monetary base on potential rather than actual financial achievement:^v

For now, Amazon can afford to make mistakes. It has \$1 billion in cash from its bond offering. So, even if the stock market were to turn on it, Amazon would have enough in its war chest to keep its plan on track. . . . More and more [however] the question comes up: When will all this pay off? Bezos [Amazon's CEO] insists that the company can make money anytime it wants: "We were profitable in 1995, six months after we started," he says (This was before Amazon's IOP, so there is no public record of his claim.) But, he continues, "that was the biggest mistake we ever made." He believes that concentrating on profitability now would mean missing out on "the big opportunities of the Internet." Although Bezos won't comment directly on Amazon's earnings' timetable, it will probably be years before it earns a dime. "Look at *USA Today*; it took 11 years to become profitable," he argues.

The interplay in venture capitalism between money and information has become even more complicated in recent years as the venture capitalists begin to make their money more from the initial stock offerings than from the actual revenues that are hopefully generated by the start-up company. On the one hand, we find that small-time investors are increasingly willing to place money in startup companies (especially those affiliated with e-commerce)—thus taking on the role of venture capitalist: "Knowing or not, individual investors have become venture capitalists."^{vi} Thus, the men and women who are formally in the venture capital business may no longer be in the business of finding private investors or of putting up the money themselves for a new company. They are instead accelerating the move toward a public offering of stock and are finding the funds (and their own profit) through these stock offerings:^{vii}

In practice [the venture capitalists are] now taking startups public long before anyone can say whether those companies have a workable approach. By making such an early (and often insanely lucrative) exit, the VCs shift most of the risk onto the public market. And that risk is considerable. "The potential losses are gigantic," notes Costello [ex-CEO of software giant Cadence Design Systems and now head of Think3, a startup that makes 3-D design software]. "It's not right. The venture guys should be thinking about building long-term, self-sustaining companies, but they're off to the races on something new. This is [just a] pyramid game here, a pump-and-dump Ponzi scheme. . . . It's become a completely internal loop, with the public market paying the bill."

It is all very disturbing in terms of both financial viability and ethics:^{viii}

. . . entrepreneurs have begun to regard the capital market not as a disciplining force but as the customer. Companies are created, hyped, and sold with less concern for attracting real customers than for lining one's pockets with investors' money. The result is that participants can wear a set of ethical blinders, behaving in ways that might seem perfectly acceptable within this insular context but that, when viewed with a modicum of objectivity, look borderline at best. One can already imagine the post-mortem articles that will follow any Internet crash. Silicon Valley.con, they'll call it.

While recent downturns in the stock market have tempered the excitement of many small-time investors about the e-commerce stocks there is still enormous money to be made in the venture capitalist merging of information and money—and often at little risk. In many ways, the Internet economy has become circular and self-fulfilling: “a hot stock causes more customers to buy your product, having more customers causes more people to buy your stock, etc.”^{ix} The current temptations are great. The ultimate costs may be even greater:^x

Since its modern beginnings in the early 80s, venture capital has been universally understood as “risk capital.” The buttoned-up pension fund managers and college-endowment investment officers who have historically provided VCs their capital made a point of never investing more than 5% of their assets in venture funds. These limited partners would typically invest 2% or 3% of their assets. Allocating any more than that would be too risky. The last thing you wanted was to own a big chunk of stock in hare-brained failures like pen computing or multimedia CD-ROM companies. But at some point, in the past two years, that 5% rule changed. The average pension fund or college endowment now gives VCs 6% to 8% of its assets. Some dare go as high as 20%. Risk capital, it seems, isn’t so risky anymore. Encouraged by the returns of earlier funds, limited partners often implore VCs to take as much of their money as possible.

One reason limited partners once found venture capital so scary was that the business was a minefield of failures. Accepted VC math was that out of ten investments, four would end up losing money or breaking even. But ask VCs about their recent failures and you realize that isn’t true anymore. Yang, 41, recently told me he couldn’t think of any failures. Then he remembered a company called Whistle Communications. While he was still a partner at IVP, Yang put \$6 million into the company. Its product, an Internet server for small businesses, worked like a charm, but the company couldn’t figure out how to sell it to the fragmented small-business market. So in June, Yang and the other directors sold Whistle to IBM for more than \$100 million, a transaction that made IVP four times its money. With failures like these, who needs successes?

Thus, we find that postmodernism has not left behind the value of money. However, money has begun to hold hands with information. Together they are transforming the world in which we live. This union of money and information is seductive and volatile. We are witnessing a new form of postmodern edginess, as well as a new set of ethical dilemmas.

The New Investors

The fourth shift in the role played by money in our postmodern societies concerns the growing size and economic power of pension funds. Peter Drucker has noted that:^{xi}

[t]he world’s fastest-growing and most prosperous industry in the closing thirty years of the 20th century has not been Information. It has been Financial Services—but Financial Services the like of which did not exist at any earlier time, that is, retail services to provide an affluent, aging population in the developed countries with financial products to provide retirement income. . . . [I]nstitutions representing the future pensioners now own at least 40 percent of all American publicly listed corporations, and probably more than 60 percent of the big ones.

Placing considerable emphasis on the changing demographics throughout the world, Drucker suggests that money assumes a new form and function when placed in the hands of men and women in the last decades of their life. As a result of the *graying* of many societies, money is being saved not for the purchase of homes or new businesses but to sustain men and women in their old age. While some societies (particularly in Asia) continue to assume that children will support parents when they retire, most societies have abandoned this premodern notion, leaving the elderly to fend for themselves economically.

This sets the stage for an emphasis on diversified portfolio investments and movement away from tangible premodern investments (land, real estate) and even modern investments (organizational ownership, stock investments in specific corporations). The new postmodern forms of investment are highly volatile and vulnerable—as the rollercoaster ride of the stock market during the last few years has so dramatically demonstrated. Furthermore, this reliance on *virtual money* may, as Drucker suggests, leave not just retirees but also entire national economies quite vulnerable:

Every country . . . is awash in money that is not invested in property, in businesses, in manufacturing or in service enterprises, but kept in liquid and volatile “portfolio” investment. . . . And very few countries have enough of a surplus in their balance of payments to service the interest on this “portfolio investment,” let alone to pay it out should it take flight. Every country’s currency, in other words, is at the mercy of short-term movements of money for which there may not be any economic rationale whatever.

Money thus continues to play an important role in our emerging postmodern societies. However, it is playing a quite different role. It is often invisible (credit cards, debtor society), malleable (e-commerce), linked with postmodern capital (information), or virtual. Our postmodern societies have not yet learned collectively how to live with or act responsibly in managing this postmodern money. The financial instability and crises we now face suggest that we will have to become fast learners about money if our societies are to survive. Drucker concludes that “[u]nless these [financial] challenges can be met successfully, no enterprise can expect to succeed, let alone to prosper, in a period of turbulence, of structural change and of economic, social, political and technological transformation.”^{xii}

Information as Capital

Though money continues to play an important (though often different) role in postmodern societies, the role played by information and knowledge on a daily basis in most contemporary organizations is quite remarkable independent of its pairing with money. Venture capitalists may create the dazzle of big corporate deals and outrageous profits; however, knowledge and information have moved to the heart of many contemporary organizations and now commands more respect than does money as a vehicle for influencing the decision-making processes of these organizations.

Daniel Bell^{xiii} and Peter Drucker^{xiv} were among the first to suggest that the new postmodern form of capital is knowledge and that workers gain respect and even exert control in postmodern organizations because of their valued expertise and their command of information that is vital to the organization. As early as 1968, Drucker offered the following description of changes in the contemporary workforce:^{xv}

“Knowledge” rather than “science” [or technology] has become the foundation of the [post] modern economy. . . . To be sure, science and scientists have suddenly moved into the center of the political, military and economic stage. But so have practically all the other knowledge people. It is not just the chemists, the physicists, and the engineers who get fat on consulting assignments . . . Geographers, geologists, and mathematicians, economists and linguists, psychologists, anthropologists, and marketing men are all busy consulting with governments, with industry, with the foreign aid program and so on. Few areas of learning are not in demand by the organizations of our pluralist society.

Ample evidence of this new form of capital is to be found in many contemporary organizations throughout the world. In fact, this increased valuing of information may be the most distinctive characteristic of our emerging era: “So what about the Digital Age is really new? Mainly, the rise of information—easily digitized, easily copied information—as a major economic product.”^{xvi} Thirty years after he coined the term *knowledge worker* and spoke of information as a new form of capital, Peter Drucker is still touting its importance. Furthermore, he describes ways in which this new form of capital behaves differently from the previous forms:^{xvii}

[Information] differs radically from all other commodities in that it does not stand under the scarcity theorem. On the contrary, it stands under an abundance theorem. If I sell a thing—for example, a book—I no longer have the book. If I impart information, I still have it. And in fact, information becomes more valuable the more people have it.

This quote suggests that Drucker is not just enamored with information, he also has identified at least one of the profound implications of this new form of capital for contemporary organizations. They simply can’t treat information like other forms of capital. It operates by its own rules and is not easily either quantified or assigned an economic value (as is a plot of land, a machine or a financial investment).

Like other forms of capital, however, information must be used if it is to be of value. A bright shiny machine with blinking lights is of no use if it never gets used. Organizations conduct inventories to determine what equipment they own and, in particular, what equipment might be sitting there unused. A smart executive will not purchase a new piece of equipment until she checks to see if her organization already owns this equipment and if she can make use of it. Information also must somehow be inventoried and used. Drucker fully recognizes this challenge when he notes that:^{xviii}

. . . for fifty years, Information Technology has centered on DATA—their collection, storage, transmission, presentation. It has focused on the “I” in “IT.” The new information revolutions focus on the “I.” They ask, “What is the MEANING of information and its PURPOSE?” And this is leading rapidly to redefining the tasks to be done with the help of information and, with it, to redefining the institutions that do these tasks.

The new emphasis on use has had impact in particular on the prevalent focus on economic information. When attention shifts from “T” to “I,” serious questioning begins with regard to what type of information is of greatest

value. This is not always dollars and cents, though this is some of the easiest information for information technologists to collect:^{xix}

Top executives have not used the new technology because it has not provided the information they need for *their own tasks*. The data available to business enterprise are, for instance, still largely based on the early-19th-century theorem that lower costs differentiate businesses and make them compete successfully. MIS has taken the data based on this theorem and computerized them. They are the data of the traditional accounting system. . . . But as we began to realize around the time of World War II, neither preservation of assets nor cost control is a top management task. . . . A serious cost disadvantage may indeed destroy a business. But business *success* is based on something totally different, the creation of value and wealth. This requires risk-taking decisions: on the theory of the business, on business strategy, on abandoning the old and innovating the new, on the balance between immediate profitability and market share. . . . [F]or none of these top management tasks does the traditional accounting system provide information. Indeed, none of these tasks is even compatible with the assumptions of the traditional accounting model.

We are seeing much greater attention being directed in recent years to softer data regarding not just productivity but also morale, not just equipment costs but also opportunity costs, not just income but also reputation and image. New branches of the organization's Management Information System (MIS) are now being created—including Human Resource Banks.^{xx}

This redirection of attention from fiscal to nonfiscal information and from “hard” to “soft” data is described by Drucker:^{xxi}

Information technologies, especially chief information officers in businesses, soon realized that the accounting data are not what their associates need—which largely explains why MIS and IT people tend to be contemptuous of accounting and accountants. But they did not, as a rule, realize that what was needed was not more data, more technology, more speed. What was needed was to define information; what was needed was *new concepts*.

These new concepts require information, but this information is not contained on many spreadsheets. Much of this information comes from outside the organization (market trends, shifting governmental policy, shifting customer needs, deregulations, economic trends and so forth). Information from inside the organization concerns primarily the conditions for productivity and, in particular, the conditions for creativity and innovation. The new knowledge worker, in particular, can't be captured in a financial statement. This worker must be understood in quite different terms. It is to these new workers that we now turn.

The Knowledge Worker: New Resources and New Challenges

It is not only that information has become the new form of capital—as well as a valuable product—it is also important to recognize that the work being done by employees is also shifting. We now live in the era of the *knowledge worker*. One third of the employees in Kao Co. (a Japanese firm), for instance, were “liberated” in the 1990s from routine and mundane jobs and reassigned to “rebuild the company every ten years” and “stay five years ahead of any competition.” These employees represented the future hope for this company. Financial reserves are

no longer the answer for this company, nor the goal. The accumulation of knowledge not money is now the goal—for both the Kao executives and employees.

Similar changes have occurred over the past two decades in many high tech American firms:

If innovation is . . . the basic tenet [at this high tech firm], then expertise that leads to technical and scientific innovation is [this organization's] capital. The numerous patents for processes and applications are tangible assets. The intangible assets from which these come are the people: experts in their various disciplines.

Young engineers in many high tech firms are recruited like professional athletes, and like these athletes soon become less valuable as they lose touch with the rapidly changing knowledge base that they acquired in college or graduate school. Physicians retain considerable respect and power in an East Coast suburban hospital, even though the hospital has been purchased by a major investment firm and is now being run in a more “businesslike” manner. The physicians, however, now have to compete with the fiscal expertise of this hospital's new financial administrator and auditor. The head of a very successful law firm confides that:

. . . the best lawyers are actually the largest threat to the firm and while this is well understood it is largely unspoken. [Our best lawyer] alone generates over \$ 2 million in revenues each year and is a top producer of new business. This gives him the ability to “call the shots,” and while he does not abuse this power he has exercised it in some important ways.

The new capital in these organizations and many other postmodern organizations—at least as defined by influence in the company and the ability to “call the shots”—isn't determined by ownership of the company or even by one's formal position in the company. Rather, it is determined by one's possession of knowledge and skills that are relevant to the immediate needs of the organization. Peter Drucker was among the first to identify this major trend when he noted in 1968 that:^{xxii}

The “knowledge industries” which produce and distribute ideas and information rather than goods and services, accounted in 1955 for one-quarter of the U.S. gross national product. This was already three times the proportion of the national product that the country had spent on the “knowledge sector” in 1900. Yet by 1965, ten years later, the knowledge sector was taking one-third of a much bigger national product. In the late 1970s it will account for one-half of the total national product. Every other dollar earned and spent in the American economy will be earned by producing and distributing ideas and information, and will be spent on procuring ideas and information.

Financial wealth in the modern era was usually a less stable form of capital than was property (as the primary form of capital) in the premodern era. The new knowledge capital of the postmodern era is even less stable and elusive than was financial wealth in modern times. As Harlan Cleveland prophetically noted twenty years ago, information is expandable without any obvious limits, it is also compressible (to be stored on rapidly shrinking silicon chips), transportable, substitutable (replacing capital, labor or physical materials), diffusive (leaking out everywhere), and,

most importantly, shareable.^{xxiii} All of this amounts to a growing recognition that our increasing reliance on information changes the very nature of the workplace and the men and women who occupy this workplace.

Knowledge workers can readily take their expertise elsewhere and corporate lawyers have yet to find a way of effectively patenting or somehow legally claiming ownership of the mind and ideas of its employees. As Drucker recently suggested:^{xxiv}

. . . knowledge workers own the means of production. It is the knowledge between their ears. And it is a totally portable and enormous capital asset. Because knowledge workers own their means of production, they are mobile. Manual workers need the job much more than the job needs them. It may still not be true for all knowledge workers that the organization needs them more than they need for organization. But for most of them it is a symbiotic relationship in which they need each other in equal measure.

Thus, the knowledge worker claims a form of capital that always remains with them and that is always renewable even after being spent in the generation of a new idea. The only hazard that the knowledge worker encounters is that of becoming dated—a fear that is particularly relevant for knowledge workers in scientific and technological fields.

Shifting Worker Values

As we seek to make sense of the new reality of the knowledge worker, it is important to gain a clear sense of both the premodern and modern worker's values. We will discover that one set of worker values does not replace another set. Rather each set of values builds on the previous set. Thus, the postmodern worker seeks out a job and organization that is responsive to both premodern and modern values—as well as the distinctive values of the postmodern era.

The Premodern Worker

For workers in a premodern society, primary concern must necessarily focus on the fundamental needs of survival: shelter and nutrition. Premodern men and women look for enough to eat and drink and for a place that will protect them from the elements. These are rather simple needs, yet they are not available to many people in our world. As recently articulated in many different venues, we can gain a clear sense of the state of many people on our planet if we envision that the entire population was represented in a small village of 100 people. Of these 100 people, one would own all the land, live in a lovely home and consume most of the food. This person would be the American. Of the remaining 99 residents, over three quarters would be struggling to find a sufficient supply of food and water, and more than one quarter would be living out in the open without any shelter. Thus, for most people living on our planet, the basic needs of the premodern world are ever present.

A third value is also found among many people living in premodern societies—especially among those who live in premodern communities that have experienced some prosperity. This third premodern value concerns *quality of life*. One works in order to enjoy other aspects of life: family, community, avocations, sports, eating and drinking—what we often identify as *leisure-time* activities. For many people living in premodern communities

there is little appreciation for the heavy work commitments of modern workers. A farmer who lives in a small French village remarks: “You Americans seem to live in order to work, while we Frenchmen work in order to live!” There is a clear sense that work should always take a back seat to the act of living a full and enriching life within family and community.

The Modern Worker

Shelter, nutrition, and quality of life are still areas of concern to workers in a modern society. However, there are three additional needs. They are job security, adequate compensation (salary and benefits), and job safety. Given that the modern worker no longer either owns the organization in which he works nor has much influence over its operations, the concern understandably turns to several fundamental questions: (1) Will I have a job and can I be assured that I will be able to keep this job if I do satisfactory work? (2) Will I receive adequate compensation for the job I have been given? (3) Is there any risk that I will be harmed in doing the job that I have been given?

In seeking to find an acceptable answer to these three questions, many modern workers have turned to collective action (labor unions). Throughout the history of the modern labor movement, attention has typically focused on these three basic needs (job security, compensation, and job safety). In recent years, these three needs have often been met not by labor unions but rather by governmental regulations, thus reducing the strength (and forcing a refocusing of the efforts) of many labor unions. Minimal wage requirements, laws regarding inappropriate job termination, and workplace safety laws have begun to replace or at least complement the collective bargaining demands of unions.

The Postmodern Worker

The new knowledge workers need adequate shelter and nutrition, as do their premodern counterparts. In fact, concerns about nutrition may be particularly important to many postmodern workers. The knowledge worker also often yearns for quality of life and seeks out work settings that support these concerns (through flextime, informal dress, ability to work at home, generous vacation policies, and so forth). The postmodern worker needs job security, adequate compensation, and job safety just as much as the modern worker. The postmodern worker, however, also seeks work that is inherently meaningful and looks for workplace environments in which they can exert some influence. Furthermore, they want the workplace to be friendly and supportive of enriching interpersonal relationships. In many instances, they want the workplace to be their new neighborhood where they work, play, relate, and even find a life partner.

The 100 best companies as rated by *Fortune* in 1999 were rated high not only because of compensation and job security (modern worker concerns) but also because of many other variables that are distinctive in our postmodern era—or that relate back to the premodern emphasis on quality-of-life:^{xxv}

In dozens of interviews, people articulated, often with humor, what working for the best [company] means to them. “Being at a good company is like having a good wife,” says Floyd Williams, a senior production manager at sports gear maker K2 (No. 52 [on *Fortune*’s list of the 100 best companies]), who gushes about the opportunity to work on as many as 25 projects at a time. When you get used to a certain level of freedom and excitement, you don’t want to

leave.” In fact none of Williams’ three marriages has lasted as long as his 28-year career with the company. “One wife told me it was either K2 or me. And I said, “Well, I’m not leaving K2!”

We see in Floyd Williams’ comments not only a desire for his work to be exciting and meaningful, but also for him to have some influence (and freedom) in his job—and even for his workplace to be a supportive neighborhood (perhaps even more supportive than the role played by any of his three wives).

We also see in the 100 Best Companies a concern for the balance between work and life. The new knowledge workers are willing to work very hard, but many of them also want a balanced life. Unlike Floyd Williams, they want to keep their marriage intact and are unwilling to substitute work for personal life. A recent (1999) *Fortune* study of business school graduates, for instance, found that quality of life issues are paramount for many of the new knowledge workers. For instance:^{xxvi}

Sharon Goldstein enrolled in Kellogg [Graduate School of Business at Northwestern University] after three years at Andersen Consulting. She fully intended to return to consulting with her MBA. But last summer [1999] she worked at a small high-tech firm, RealNetworks in Seattle, and loved it. The work was an exhilarating rush, not the crushing grind of the consulting circuit. At RealNetworks people had a real life. They ate lunch, took breaks, controlled their own schedules. . . . [Sharon] figures she gave up \$45,000 in extra salary, a hefty signing bonus, and a \$60,000 loan payoff [by taking a job at RealNetworks]. “It’s a lifestyle and career-positioning decision,” she says.

Other young knowledge workers have similarly opted for lifestyle, as well as a friendly, responsive and exciting workplace. Sandra Cavanah and Kathleen Layendecker, for instance, have set flexible work schedules as their number one priority and as a result have negotiated a shared vice-presidential position at snowball.com in Palo Alto California.^{xxvii} They are not alone:^{xxviii}

. . . today’s business climate, particularly in Silicon Valley, may be the best yet for people seeking flexible working arrangements. Young, rapidly growing companies are ravenous for employees, which make CEOs more accommodating. . . . [This new accommodating attitude] can . . . mean allowing experienced people to share a job, work part-time or work from home.

Though classically trained as modern managers at Harvard and Yale, Goldstein, Cavanah and Layendecker are very much a part of the emerging hybrid of premodern and postmodern values regarding work. Like the French villager, Sharon, Sandra and Kathleen have chosen to “work in order to live” rather than the other way around. They want their work to be challenging and meaningful. And they definitely want to have significant control over their workplace, but they also want to address the quality-of-life issues in their lives. And in wanting to meet these postmodern needs (along with the other premodern and modern needs) they present a major challenge for the leaders of their organizations—not only in terms of accommodating their distinctive needs and work schedules, but also in terms of fully appreciating the values that underlie and motivate these women to work.

All of this concern for meaningful work, influence, and interpersonal relationships must be placed within the context of a highly volatile employment market. Employees simply are unwilling to make a long-term

commitment to any one organization in our emerging postmodern world. This has been particularly the case during the economic boom years of the late 1990s and early 2000s:^{xxix}

In this prosperous age, changing jobs is as easy—and requires about as much emotional investment—as shedding an old pair of shoes. It can even be entertaining. Recruiters tell tales of quitters who gave the news with singing telegrams, in a coke with a resignation letter inside, and by writing I QUIT in the snow on the boss' windshield. It's no secret that Americans don't expect enduring loyalty of any kind these days. Marriages end. Companies lay off longtime workers. People don Yankees hats whenever they have a winning season. And in this rip-roaring economy—unemployment at a 30-year low!—workers find the strength to quit over and over again.

Thanks to the workers' market, the National Quit Rate—the percentage of people currently unemployed who left their job voluntarily—is now at 14.7%, the highest in almost ten years. The average worker goes through about nine jobs by age 32, according to the Bureau of Labor Statistics. For workers in some industries, notably tech, quitting is literally an annual event. The average job tenure in IT [information technology] has shrunk to about 13 months, down from about 18 months two years ago . . . Gen Xers quit often, but job tenure has declined among both younger and older workers. In 1983 younger workers (we'll look at men aged 25 to 34) averaged 3.4 years on the job, according to the Employee Benefit Research Institute. Today they are gone in three. At the same time, the average tenure among older workers (men 55 to 64) has plunged from 17 years to 12 years.

While there is little loyalty among workers in our postmodern world, there is still a longing for continuity on the part of these workers. The challenge for leaders of postmodern organizations is thus to somehow tap into this longing for continuity and to appeal to those values of the knowledge worker that are best realized through sustained, high-quality work in one organization.

Knowledge and Autonomy: The Psychology of Approval and Shame

The new worker values of the postmodern era concern the praiseworthy commitments to meaningful work, exciting and productive work environments, and the balance between work and life. The shifting orientation of the new workers also concerns a more shadowy set of values. It builds on the strong desire of the postmodern worker to not only acquire and use knowledge but also to find a high degree of autonomy in the workplace. Richard Sennett suggests that knowledge is the new postmodern form of capital. Furthermore, the new worker value is closely associated with the need for autonomy. Sennett offers an even more provocative hypothesis that the thirst for knowledge and autonomy is closely linked to the need for psychological approval and the need to avoid the inverse of psychological approval—namely, psychological shame.^{xxx}

While Sennett agrees with Bell and Drucker that “technical expertise and innovation have become the [new] forms of capital,”^{xxxi} he suggests that autonomy and character structure rather than skill may be the central commodity of exchange in contemporary organizations:^{xxxii}

Autonomous character structure means a person has the ability to be a good judge of others because he or she is not desperate for their approval. . . . When a person is needed by others more than he needs them, he can afford to be indifferent to them. . . . [A]utonomy removes the necessity of dealing with other people openly and mutually. There is an imbalance; they show their need for you more than you show your need for them. This puts you in control. . . . The fear and awe of experts is a familiar sentiment, most notably as it concerns doctors. . . . Someone who is indifferent arouses our desire to be recognized; we want this person to feel we matter enough to be noticed.

Thus, autonomy—the desired state of the new worker—builds on acquired and highly valued knowledge and expertise. It is fueled, in turn, by the desire to avoid shame:^{xxxiii}

The shame an autonomous person can arouse in subordinates is an implicit control. Rather than the employer explicitly saying “You are Dirt” or “Look how much better I am,” all he needs to do is his job—exercise his skill or deploy his calm and indifference. His powers are fixed in his position, they are static attributes, qualities of what he is.

Sennett describes the controlling force of shame as subtle and even elusive:^{xxxiv}

It is not so much abrupt moments of humiliation as month after month of disregarding his employees, of not taking them seriously, which establishes his domination. The feelings he has about them, they about him, need never be stated. The grinding down of his employees’ sense of self-worth is not part of his discourse with them; it is a silent erosion of their sense of self-worth which will wear them down. This, rather than open abuse, is how he bends them to his will. When shame is silent, implicit, it becomes a patent tool of bringing people to heel.

While Sennett’s analysis may be overdrawn and perhaps a bit too melodramatic, it accurately portrays a new mode of subtle control that operates in postmodern organizations, representing a further example of the “managed heart”^{xxxv} and the continuing internalization of control^{xxxvi} that we commonly see in modern societies.

The leaders of a high technology firm on the West Coast exemplify this interplay between knowledge and shame in their management of risk inside their organization. According to one of this organization’s leaders

The decision-making process [in this organization] varies depending on the decision to be made; its visibility and potential impact on our customer. It is possible, if you are willing to take the risk, to make very visible and high impact decisions. If you are successful, you will be acknowledged and rewarded. Should you fail, you will be punished in an indirect way. This usually means a short time spent in the penalty box, where you are not allowed to make any decisions without concurrence from other members of the senior staff. This penalty box is not widely announced in the corporation. This allow you to still influence decisions indirectly and maintain your positional power. During any number of crises, you can be removed from the

penalty box due to the needs of the company. All is forgiven and you are placed at the apex of an organization or issue to lead again.

Though “all is forgiven” in this organization, one wonders about the residual humiliation associated with the penalty box and the accompanying loss of influence in the organization. This same manager later speaks of this organization as being a spiritual wasteland in which there is no animating vision of the future or much expression of courage. Shame, as Sennett observes, is not something that has an immediate and explicit impact on an organization. Rather it wears down those working in the organization and drains the organization of its spirit—especially under the turbulent conditions of the postmodern world.

In essence, the new capital (knowledge, autonomy, shame) that has been identified by Drucker, Bell and Sennett belongs to the employee and not to the organization. It is highly portable and not easily controlled by those who own and run the organization. Administrators and managers must rely on the information that is given to them by staff members and information specialists (computer programmers, program auditors, engineers). They often have to compete with the leaders of other organizations for these high-paid custodians of their organization’s information. Thus, the only power that many leaders of postmodern organizations hold over their key employees is psychological (rather than either economic or positional) in nature. They can give approval and encouragement, or withhold approval and attempt to shame their employees (through indifference or indirect public exposure) since they can’t control or hold them any other way.

Commitment to Learning

How do members of postmodern organizations effectively confront these elusive problems of knowledge and shame? In part, the answer resides in the simple recommitment to employees. We find this recommitment manifest in tangible form through a transition from the dispensable employee to the learning organization. Rather than looking elsewhere for knowledge and skills, the learning organization finds ways to identify or create that knowledge or skill set within the organization. Any contemporary organization that is doing its job with regard to public relations will include in its institutional promotional piece a statement about education and training. Dusting off Alvin Toffler, the brochure will speak about the great demands being placed on the employees of the organization to master new technologies and cope with accelerating change. In the postmodern world, however, a commitment to learning must move far beyond what was said (and usually not acted upon) in the modern world.

The postmodern condition requires that an organization include a commitment to learning in its mission statement and that this organization prepare its employees for a new kind of learning that can accommodate the second order changes described in the next section of this book. While reflection and learning are an enduring element of the human condition, they have never been in greater demand (nor as anxiety-provoking) as they are today: ^{xxxvii}

It cannot be denied that, in a primordial form, human anxiety is bound up with the very advent of reflection and is thus as old as man himself. Nor do I think that anyone can seriously doubt the fact that, under the influence of reflection undergoing socialisation, the men of today are particularly uneasy, more so than at any other moment of history.

I have proposed that a successful postmodern organization must have a clear statement of intentions and I am now suggesting that it also have a commitment to organizational learning. Specifically, at the heart of any organization (in its statement of values) should be a two-fold commitment. There should first be a commitment to inquiry and reflective action, based on a continuing search for new meaning and experiences within the organizational context. There should be a subsequent commitment to teaching about and conveying to all elements of the organization what was learned from this inquiry and reflective action. According to Peter Senge:^{xxxviii}

... skills of reflection concern slowing down our own thinking processes so that we can become more aware of how we form our mental models and the ways they influence our actions. Inquiry skills concern how we operate in face-to-face interactions with others, especially in dealing with complex and conflictual issues.

Reflection, Inquiry and Second Order Learning

The skills of reflection and inquiry are particularly important in a world that is filled with unpredictability and change. We are likely to make many mistakes while negotiating the turbulent waters of postmodernism. It is critical, therefore, that we are particularly skillful in learning from our mistakes. This type of learning is very difficult and demanding, not only because we tend to become quite defensive when we make mistakes, but also because we are typically involved in “real-time” problem solving after making a mistake and rarely feel in the mood for either reflection or inquiry. Chris Argyris has suggested that we often learn while being defensive;^{xxxix} however, the problem of “real-time” learning is perplexing and often requires the presence of temporary systems—and, in particular, organizational sanctuaries.

A third problem associated with learning from our mistakes concerns the short-term perspective we have regarding these “mistakes.” In our postmodern world, we can’t fully appreciate the long-term outcomes associated with our actions, hence must rely on shorter-term, trial-and-error processes. Peter Senge suggests that:^{xl}

... we learn best from experience but we never directly experience the consequences of many of our most important decisions. The most critical decisions made in organizations have systemwide consequences that stretch over years or decades. Decisions in R & D have first-order consequences in marketing and manufacturing. Investing in new manufacturing facilities and processes influences quality and delivery reliability for a decade or more. Promoting the right people into leadership positions shapes strategy and organizational climate for years. These are exactly the types of decisions where there is the least opportunity for trial and error learning.

Learning in the postmodern world must prepare employees for *double-loop* or *post-formal* modes of analysis and problem solving—the term “second-order” is often used to encompass all of these concepts. Second-order conceptual tools are needed for an employee to successfully understand and manage second order change processes. Second order learning relates to the process of stepping outside of our social construction of reality. As Michael Polanyi observed, we can only step into another socially constructed reality when analyzing our own reality. We can, in fact, never completely leave our current socially constructed reality. We can gain an increased appreciation,

however, for the strengths and limitations of our own perspective and can, as Argyris and Senge suggest, use the tools of reflection and inquiry to refine and even significantly readjust our socially constructed reality.

There are several paradoxes that reside in the domain of second order learning. Learning in the postmodern world requires not only a commitment to learning within the statement of values in the organization, but also a commitment to and preparation for living in a second order world that necessitates a tolerance for (even an appreciation of) ambiguity, complexity and, in particular, paradox. These, in turn, are the ingredients of what is now being called “post-formal” thinking. According to the Swiss biologist, Jean Piaget, as children mature, they tend to move out of a stage of *concrete operations* during which they need tangible objects that they can easily manipulate in order to think clearly and systematically. They move to a stage of *formal operations* during which they acquire the ability to think in relational and hypothetical terms. It appears that the capacity to confront the paradox and complexity of postmodern times may require an even more sophisticated mode of thinking (*postformal operations*) which requires the acquisition of skills for self-reflection and self-correction of one’s own constructs and modes of reasoning. To teach people how to think in post-formal terms is not easy—but it is essential.

Heraclitus suggested many centuries ago that when stepping into a river for the second time we are simultaneously stepping into the same river as we did the first time and stepping into a different river. Similarly, when we step out of our own socially constructed reality, we are stepping into an analytic reality that is both the same as and different from the reality that we are analyzing. We need to recognize the restrictions and limitations associated with any reflection or inquiry we conduct. We need remnants, enemies, external consultants, and internal fools and prophets to help keep us honest and must proceed to make commitments within the context of a relativistic frame. These are all components of a new postmodern model of organizations to which I turn in the final section of this book.

When we look at the actual practices of many postmodern organizations, we find that great value is being placed on their employees. Considerable time and money are being devoted to technological updating and the provision of human relations training, rather than to the replacement of seemingly outmoded employees and the recruitment of new employees:

As [my organization] prides itself in its scientific and technical innovation, so too it comes to foster sociological innovation. Courses for employees include not only the technical skills needed to perform their jobs, but also communication skills, managing professional growth, and other subjects that develop the whole person.

... When the climate is one of innovation, experts in non-technical areas are nurtured for their innovations too. On the one hand they are recognized for their unique talents, on the other their human worth and value as developing members of a developing team.

People are moved into new jobs both because of unique skills and their organizational “fit.” Many long term employees are promoted from within, but [this organization] also hires a mix of “highly qualified” from without—Stanford engineers with Harvard MBAs, and legal types with a name for mergers and acquisitions.

This visionary organization is not alone in this endeavor. A contemporary fairy story from *Fortune* tells the tale:^{xli}

Once upon a time, in the profit-minded kingdom of Corporate America, an anonymous copywriter came up with a slogan that fast became the phrase of the land. It read, simply: “People are our most important asset.” Companies loved it. Soon the line appeared in annual reports everywhere. The only problem was, companies didn’t really value their employees that much. The slogan, says Jerome M. Rosow, president of Work in America Institute, “was pure bull.”

Then one day foreigners invaded the kingdom. These international companies were flexible, quick, and responsive to customers. Searching for ways to compete with the invaders, a few American companies discovered that, given a little freedom and the proper training, workers could do things that machines could not. People could grow, invent, solve problems. The kingdom was rocked by a new thought: that people truly are its most important asset.

This revelation has led to a human resources revolution. Corporate training programs are proliferating as companies seek to help workers adapt to rapidly changing technology and work processes. Personnel departments are scrambling to create improved benefit programs to attract and retain the best people. And finally, to make sure the next generation of workers is as well educated as possible, companies are forming partnerships with schools and colleges.

Investment in Education

Of the 100 American companies that were rated in 1999 as the best to work in, virtually all “are making major investments in employee education at multimillion-dollar facilities and through generous tuition-reimbursement programs. On average, the 100 Best lavished 43 hours of training on each employee in 1998—that’s almost a full day more than last year [the 1998 survey.]”^{xliii} Furthermore, virtually all of the companies offer some form of career development to enhance and support the education their employees are receiving. 81 of the 100 companies offer career counseling, while 60 offer some form of employee mentoring. Seventeen of the companies offer paid and 31 offer unpaid educational sabbaticals, while 33 provide 100% reimbursement of tuition for the outside educational programs their employees attend.^{xliii}

These lessons are not lost on the public and nonprofit sectors of our society—though these organizations typically have fewer resources to devote to training and education, and often, ironically, find more resistance among their own employees than is the case in most corporations. A troubled city government, for instance, tries to inspire a commitment to the welfare of its own employees:

Each employee was to interact with fellow employees as if each employee was the citizen. the idea was to cultivate values of fairness, honesty, and respect . . . Emphasis was centered on nurturing results as a function of intrinsic rewards rather than the typical bureaucratic extrinsic rewards around salary and a punched time clock.

This motivating factor is one of the most postmodern symptoms observed within the city bureaucracy. It is particularly interesting to watch the growth of this principle incorporate itself into the fabric of the culture that is service based and not motivated by the almighty dollar.

Another government official (at the federal level) has similarly noted that:

The factors leading to the postmodern era seem to be the consequences of both the community as a whole and its members individually striving to meet higher order needs in a way that is analogous to development on the Maslow hierarchy. The differences between community and individual worker demands on the organization produce significant static that is much more pronounced than it was when community and local needs were at a lower level.

As the community matures, organizations must continue to meet the lower level needs they were formed to satisfy while attempting to meet emerging higher ones. For example, the petroleum products industry must continue to extract and deliver oil to its customers but must also insure a clean environment. At the same time that the community is imposing new demands, the workforce is making its own new higher order demands. Employees, while still looking to the organization for satisfaction of their basic needs through salaries also look to the organization for success, prestige and the development of their full potentialities.

Organizations survive only as long as they continue contributing to community purpose and providing employees the opportunity to satisfy their predominate needs. This becomes complicated as both the community and the organization's members move toward higher level needs. For example, the military must accomplish a low level need, national defense, through a workforce that demands satisfaction of increasingly higher level needs.

The commitment to learning and the investment in education reveal another important dimension of the postmodern era that we are now entering. It is an era that demands more of its workers than at any time in the past. And its organizations are willing to invest in the future of its employees to help them meet these demands.

Commitment to Continuity: The New Ethics of the Workplace

A problem is encountered, however, when an organization makes this investment. How does the organization ensure that the employee will be around after the investment in learning and education has been made? Thus, while the new knowledge worker often exhibits little sense of loyalty for the organization in which she works, there is a strong need for organizations to somehow retain their knowledgeable and skillful workers and to keep these workers up-to-date.

First, let's briefly consider the nature of the new demands being made on the postmodern worker. As Peter Drucker noted in his identification of 21st Century challenges, the focus must be placed in the new century on productivity of workers rather than on low labor costs: "*low labor costs* no longer give enough of a cost advantage to offset low labor productivity."^{xliv} Furthermore, the future of productivity lies with the knowledge worker: "[t]he central challenge will be to make knowledge workers productive. . . . It is on their productivity, above all, that the future prosperity and indeed the future survival of the developed economies will increasingly depend."^{xlv} High levels of productivity, in turn, depend on the ongoing commitments to learning and education. These commitments, in turn, require low turnover rates. Thus, we face a major new leadership challenge: how do leaders build commitment to continuity in their organizations?

There are many examples in contemporary organizations of successful attempts to build continuity. High quality companies such as UPS can brag about an employee retention rate of more than 90% and can count on employee tenure spanning many decades.^{xlvi} At the heart of the matter seems to be the lingering prevalence of premodern and modern values in the postmodern workplace. For instance, in *Fortune's* 1999 survey of "The 100 Best Companies to Work for In America," compensation remains a prominent variable.^{xlvi} Furthermore, "while conventional wisdom holds that job security is a thing of the past, it's a recurring perk among the 100 Best Companies. More than a third of them are whispering that employment is for keeps."^{xlvi} Three of the 100 best companies have formal no-layoff policies, while another 37 informally maintain such policies and seventy-four have never had a mass layoff.^{xlvi}

At the heart of the matter may be not just a concern for low employee turnover and its impact on productivity and the bottom line, but a parallel concern for the welfare of the knowledge worker herself. Without some sense of continuity and a commitment of the organization to the welfare and fulfillment of its employees and to some greater good or value, members of an organization are left standing on the edge of the postmodern world, viewing the blank or hazy space in front of them as an abyss. Robert Nelson suggests that economic development has religious underpinnings and that postmodern organizations must catch the "moral imagination" of its employees—a decidedly premodern notion:¹

Tremendous material progress did take place [during the modern era], lifting most of the human race far above the subsistence level where it had stagnated throughout most of human history. But material progress didn't bring hoped-for spiritual progress. It brought the Holocaust and conspicuous consumption and wars instead. . . Good-bye, then, to the old idea of progress as a universally accepted goal. . . . [In 19th century America] progress was valued not for its own sake or because it would put more meat on people's tables, but because it would bring about spiritual salvation. . . .

The problem proponents of the free market face today is this: how to bring capitalism back into harmony with these deeply embedded religious ideals. . . . So capitalism needs new moral arguments and spiritual dimensions if it is to endure; efficiency is no longer defense enough. This is more a task for the theologian than for the economists. If no such spiritual endorsement is forthcoming, capitalism could end up winning the war with communism, but losing the peace.

I would disagree about the exclusion of economists in the dialogue regarding the new corporate values—since in the postmodern world all disciplines must be brought to bear upon the complex and fragmented problems being faced. I would agree, however, that capitalism and free market economies has been shown to be a relatively successful mechanism for generating economic growth and stability, but has not been very successful in engendering a sense of purpose or commitment among postmodern workers—or leaders.

The malaise of which Nelson speaks is true whether the employee is working within the chaotic environment of an urban governmental office or within the seemingly more sedate confines of an established American bank. The pervasive sense of edginess is not created by the level of confusion in the daily life of knowledge workers. Rather it is the frequent shifts that occur in their lives between different systems and subsystems that each have their own

distinctive character and culture without being bound together by any common purpose or sustaining vision^{li}—as observed by one bank employee:

I would like to think of [my bank] as a modern [rather than postmodern] organization because I have no doubt of my entitlement for some amount of security, stability and comfort. The modern world was too secure . . . it has not prepared me for the turbulence and chaos of this formless and unpredictable (postmodern) era. Living at the “edge” sounds too dangerous for one knows not what surprises await at the bend of the white water environment. For who would need chaos in their lives when the world is turbulent and complex enough?

Many twentieth century intellectuals (for example, Rollo May, Erich Fromm, Jean Paul Sartre, Teilhard de Chardin) saw the primary source of modern man’s anxiety and his accompanying sense of alienation to be based in the evolution of reflection and consciousness. We look around us at the enormous continuum of time and space and wonder what our role is or should be in this world. The modern-day question has been: *can we really make a difference?* This question was posed (and answered) by the protagonist, George Bailey, in Frank Capra’s film classic, *It’s A Wonderful Life*. George, like most of us, wonders if anyone’s life would be different if the world would really be worse off (or better off, for that matter) if he had never existed. With the help of an angel-in-training, George discovered that his life did make a difference. Capra, no doubt, wanted the filmgoers of his day (late 1930s and early 1940s) to also be assured that they make a difference. Unfortunately, in the early years of the 21st Century, we have no Frank Capra to tell us that we are important.

Our postmodern world, unfortunately, has become much too complicated and communities much too large and impersonal for many of us to gain much reassurance about our place in the universe. The postmodern question might be: *What will make a difference?* Or perhaps: *what does “making a difference” really mean?* I would suggest that the size and complexity of our postmodern organizations compound the modern-day anxiety identified by many social observers. This anxiety is also compounded by the profound individualism of contemporary Western society and by the unpredictability and seeming randomness of events and forces (both internal and external) that we face on a daily basis. Modernistic individualism—which was promoted by the Protestant emphasis on personal relationships with God and the acquisition of personal wealth—must give way to a new form of community awareness and commitment.^{lii}

This new sense of interdependence must occur if we are to avoid the spiritual starvation of which the administrator of a moderately large manufacturing firm spoke, when analyzing her own company:

[There is a] lack of a visible spiritual anchor accepted across the company. Each individual is fulfilling their particular spiritual need and the organization in general is starving. We are on an annuity program. We stay because of the unique opportunity and the potential for great wealth. Many of us are doing the same things we have done all our careers. There is no growth, no fulfillment. In this desert land we cannot find large groups banded together, instead, we have small groups all going in a different direction. . . . We are fearful and unsure that we can provide our personnel a better life. Even I . . . continue to focus on the bad things that happen. I explain everything in the negative. My glass is half empty and not half full. . . .

In all the key areas I see [my company] moving toward a postmodern organization. I believe that this is caused by the diversity of people at [my company] and a lack of leadership in many key areas of the company. When I speak of leadership, I am not speaking of the “great man,” but a clear statement of purpose. We are doing great at doing the specific task required to make a product and develop a market. We are, still, lacking an entire human orientation at the top. This approach allows our personnel to develop their own approaches, adding chaos at one level and order to another, but never in sync. Everyone and anyone can have a butterfly effect on the company.

This is the essence of postmodern edginess. One is poised on the edge of a cliff. The transition is not just from one world into another world, but from one world of nothingness that is sustained by ambiguous or contradictory values into another world of nothingness. We experience the abyss, the incomprehensible, the *awe-ful numinous*.^{liii} An organization’s (and employee’s) commitment to a central set of values, that have a spiritual base and its commitment to the continuation of a relationship—the formation of a covenant relationship—is essential if this edginess is to be addressed in a satisfactory manner.

The Modern Era

In modern organizations, the primary concern is with finding a way to create and sustain work at a time when technology is eliminating many jobs and disrupting the continuity of the culture and context for assigning value to work done in the organization. In essence, most modern societies have produced a shift from direct sources of personal meaning in life (through one’s work and one’s family) to more indirect sources (one’s wealth and one’s consumption). The premodern man or woman was able to take pride in the cultivation of crops or the production of crafts, raising a family, and providing food and shelter for family members.

The modern worker, by contrast, became alienated from the products of their work and from ownership of the means of production. Since our neighbors can’t admire what we have produced, then we must use the money we obtain from our work to buy things that we can in turn display to obtain our neighbors admiration. According to the contemporary social critic, Frederic Jameson, consumption serves as a substitute for meaning in life and “as compensation for an economic impotence which is . . . an utter lack of any political power.”^{liv} This alienation from the direct sources of meaning in our work is joined with the alienation that comes with the loss of personal voice and connectedness among people working in small or relatively small premodern organizations. This dual form of alienation produces the anxiety that is so closely associated with the modern era.

Modern Work and the Protestant Ethic

The Protestant reformation is at the heart of the modern emphasis on money—as documented by Max Weber in his classic study of the Protestant ethic and the rise of the spirit of capitalism following the Protestant Reformation.^{lv} Partially in response to Marx’s proposition that religious beliefs are based ultimately on economic considerations, and that the church is primarily being used for repressive purposes, Weber wanted to show that economics and religion work hand in hand. Marx was unable to explain why the acquisition of wealth has become such a dominant concern in Western Society. Weber suggested that we must look toward religious domains in order to find the

driving force behind the secular concerns for money and capitalism. As a more contemporary spokesman for Weber's position, Kenneth Boulding has put it:^{lvi}

Of all the elements of culture which shape economic institutions, religious practices particularly play a key role—a doubly important one because many other elements of the pattern of life, such as sex, child rearing, work habits, agricultural and industrial practices, are themselves profoundly affected by the prevailing religious beliefs.

It is becoming increasingly clear that organizations are inherently sacred in nature. They are not only influenced directly by religious beliefs, but also, as Boulding notes, by the impact which religion has on other critical sectors of society that in turn profoundly influence organizations. We have also noted previously in this book that the first organizations in premodern society were formed for religious and military purposes. The original forms that these organizations took (for example, the hierarchy of both the religious and military organizations) continue to be dominant today.

Thus, as we look specifically to the role that religion has played in forming modern day attitudes about capital and worker values, we turn not to the Catholic Church (as we do in our discussion about premodern organizations) but rather to the Protestant church. Whereas the Catholic Church, according to Weber, tended to emphasize service and good works as the primary criteria for salvation, John Calvin and other protestant reformers argued that an all-powerful and all-knowing God would have already determined the state of an individual's salvation before that person was even born. Exhibiting his training as a lawyer and his overriding concern for order and structure, John Calvin envisioned a world in which personal futures were pre-determined (pre-destination) and in which spontaneous acts of charity and good work would have little bearing on the clockwork precision of a well-ordered society and universe.

If good works do not have much bearing on personal salvation, and if one's own salvation or damnation is pre-determined, then how does one know what will be his or her eternal state? John Calvin suggested that an orderly and consistent God would structure a world for us while we are still on Earth that would parallel that to be found in heaven (or hell). Thus, our worldly prosperity is itself a sign of our impending salvation; whereas, a life on this earth of poverty, manual labor or crime is suggestive of a hellish, eternal life that is to come. While the wealthy person, in Calvin's world, should never flaunt his or her wealth, and should be kind and considerate to those in need, the world will not be altered, in any substantial manner, by any personal act of charity or any social legislation or collective actions. The world simply is to be endured by those who have not been chosen, and God is to be continuously praised by those who have been chosen.

The primary effect of this Protestant ethic was to liberate the capitalistic and entrepreneurial energies of the emerging middle-class. Whereas the Catholic Church forbid the use of money to make money, the Protestant Churches indirectly encouraged investment of money, through the equation of personal financial prosperity with personal salvation. John Calvin himself, as Weber notes, certainly did not encourage the emerging modern day obsession with financial wealth and conspicuous consumption. His advocacy of pre-destination, however, removed the religious onus from the acquisition of money (rather than just land) and set the stage for later emphasis on financial wealth as the primary means of defining personal achievement and worth for many men and women.

Money, Individualism and the New Salvation

Given Weber's thesis, what are the modern-day effects of this *Protestant ethic*? First, this ethic changed the nature of power in Western society. One's power and status were defined by money in the modern world, rather than either land or reputation (as in the premodern world). The English social analyst, R. H. Tawney noted early in the 20th Century that:^{lvii}

The characteristic fact, which differentiates most modern property from that of the pre-industrial age, and which turn against it the very reasoning by which formerly it was supported, is that in modern economic conditions ownership is not active, but passive, that to most of those who own property today it is not a means of work but an instrument for the acquisition of gain or the exercise of power. . . In modern industrial societies the great mass of property consists . . neither of personal acquisitions, such as household furniture, nor of the owner's stock-in-trade, but of rights of various kinds, such as royalties, ground-rents, and, above all, of course, shares in industrial undertakings, which yield an income irrespective of any personal service rendered by their owners.

In the modern era one can not measure one's own accomplishments in this world, let alone one's eligibility for higher status in an afterlife, by one's holdings of property or even by one's personal productivity in a craft or trade. Rather, accomplishments and ultimately salvation is defined by the much more abstract notion of financial independence and wealth—and by more tangible criteria associated with “conspicuous consumption.” Donald Trump has been asked why he was so concerned with acquiring money and with exhibiting his financial wealth in such public ways. He proposed that this is the “scorecard” by which one's success in life is measured. Similar sentiments have been expressed (often in more guarded fashion) by many other leaders of our new postmodern economy:^{lviii}

Most [Silicon] Valleyites protest, predictable, that they're not in it for the money. And insofar as they have never had much use for mansions and helicopters, the claim is not a wholly disingenuous one. The thing is, money isn't just for buying things; it also functions as a scorecard. As in: If *he's* a billionaire, then *I've* got to be worth at least \$500 million. So the perpetual refrain—“It's not about the money”—doesn't really carry much moral suasion. “We used to be able to say it with a very straight face,” says Randy Komisar, the former head of LucasArt Entertainment and a self-styled “virtual CEO” who has helped run such companies as WebTV and TiVo. “Nowadays, it sounds stupid.”

Trump, Komisar (and many other corporate leaders) have not moved much beyond John Calvin. Personal accumulation of wealth is still considered the modern-day, secular equivalent to salvation. Among the new entrepreneurs, the accumulation of wealth may be even more important than (and even somehow disconnected from) personal consumption and the achievement of organizational goals.

A second side to Weber's analysis of the Protestant Reformation concerns the contributions of Martin Luther to our modern-day emphasis on individualism and personal conscience. For Luther, the major breaking point with the Catholic Church concerned the right of individual believers to communicate directly with God rather than through

an intermediary institution such as the Catholic Church or its representatives (priests, bishops, and the Pope). Luther argued that God spoke directly to his believers and that one should be guided by this inner voice rather than by the all-too-human dictates of the church. With the success of Luther's world perspectives in many parts of Europe and, in particular, in the United States, we see the emergence of a profound and, at times, isolating individualism. We must look inward for God's grace and guidance rather than looking to any external authority. Similarly, we find in modern organizations an emphasis on individual rights and on the individual creation of solutions to organizational problems. We look for brilliant analysts and creative problem-solvers—but retain the right to question any form of authority.

While Martin Luther had wanted his vision of the world to be restricted to religious life, he lived (as did John Calvin) to see his vision transformed into a highly secular conception of the individualistic, anti-authoritarian, economic man. Most of the modern perspectives on the motivation to work have focused on economic factor and on individual accomplishments. While many of these perspectives are distinctly anti-Marxist, they share with Marxism an assumption that worker values are primarily determined by secular, economic factors. Eric Fromm noted more than four decades ago that an emphasis on the economic man is readily transformed into the model of man-as-consumer. The marketing orientation seemingly has replaced the religious orientation of modern man.^{lix} We no longer derive meaning in the modern world from our religious beliefs or from the institutions (Catholic Church) that sustain and interpret these beliefs. Rather, we derive meaning (if at all) from the individualistic pursuit of wealth and the acquisition of goods that convey our personal identities and offer the promise (through advertisement) of happiness and personal esteem.

The Psychological Contract

This definition of man, the worker, in economic terms, is perhaps no more profoundly illustrated than in the notion of the *psychological contract* that is established between an organization and its employees:^{lx}

... it is a psychological agreement between two parties, and it is a much broader concept than the traditional use of the word "contract" in industrial relations. It is a reality that has a great many implications for productivity and individual satisfaction. This contract is concerned with the organization's expectations of the individual employee and the employee's attempts to meet those expectations. It also includes expectations of the employee, and the employer's continuing willingness to satisfy his needs.

The dynamic quality of the psychological contract means that the individual and organization expectations and the individual and organization contributions mutually influence one another.. . . This contract is not written into any identifiable formal agreement between employee and organization, yet it operates as powerfully as its legal counterpart. Furthermore, it is not static; it is an evolving set of expectations. Thus, neither party to the transaction, since the transaction is such a continuing one, fully knows what he wants over the length of the psychological contract, although each acts as if there were a stable frame of reference [social construction of reality] which defines the relationship.

Every member of an organization, in essence, establishes a tacit (unacknowledged, often unconscious) contract between himself or herself and the organization that the employee has joined. This contract typically has to do with the rewards that the employee expects from the organization and the resources, services, and attitudes that the employee will provide the organization in return. The rewards an employee expects range from seemingly rational and publicly acknowledged expectations regarding salary, benefits, and job security, to often unacknowledged expectations regarding career advancement, public recognition, and meaningful work, and even more highly irrational expectations concerning enhanced self-worth, personal security, and friendship.^{lxi} Employees also tacitly expect to provide a variety of services and display certain attitudes. Some of these services and attitudes are publicly established, such as working a solid, eight-hour day. Others are less public, such as the employee's willingness to overlook the incompetence of managers or their willingness to work overtime without complaining. At a particularly deep level, the employee may be *selling his soul* to the company in exchange for personal self-esteem.

Usually, the psychological contract is unacknowledged and non-discussable within organizations. Everyone knows that they exist, but never talks about them—in part because they are very personal and because they are often unrealistic or unfair to either the employee or the organization. Schein suggests that much of the discontent inside many organizations can be traced to the breaking of psychological contracts between the employees and the organization.^{lxii} Governmental agencies, for instance, that have a long history of stable employment, may attract psychological contracts in which employees expect to have lifelong employment in exchange for faithful service and a passive acceptance of authority and even the ineffectiveness of governmental administration. Similarly, mental health workers at a financially strapped human service agency expect to suffer quietly and with dignity in exchange for the waiver of any genuine accountability for the services they provide.

At the heart of the notion of psychological contract is an economic metaphor. Employees are, in essence, exchanging their services, commitments, and attitudes for certain benefits that are to be derived from the organization. This metaphor is certainly appropriate to modern organizations, for work is defined by economic terms by these organizations. Groups of employees become “cost centers” for modern institutions. They produce services and goods that yield “income centers” to offset these costs.

The psychological contract, however, also speaks to the limitations of the economic metaphor, for many aspects of the psychological contract relate to issues other than money and economics. Workers are interested in the meaning of their work and the recognition they receive for their work. Furthermore, the workplace has often become the primary neighborhood for many employees and the primary source of friendships. The workplace has become the primary neighborhood primarily because workers frequently move, commute long distances to their job, and find little time (as members of a dual career family) to interact with people living in their own local neighborhood. Many of us don't even know the names of our neighbors, looking instead to our colleagues at work (along with our spouses and immediate family) as the primary source of meaningful interpersonal relationships.

Hygiene and Motivating Factors

Building on the need hierarchy of Abraham Maslow,^{lxiii} Frederick Herzberg^{lxiv} has suggested that workers in the modern era tend to look first toward basic *hygiene factors* when judging the satisfaction of their job: job security, benefits, working conditions (comfort, safety), and clarity of job responsibilities. Once these factors are in place, the worker will look toward what Herzberg calls *motivating factors*, such as prospects for advancement, interpersonal relationships and the meaningfulness of the work. Salary can be either a hygiene factor (minimum amount of money

to meet basic needs) or a motivating factor (sufficient money to buy things that I enjoy and the linkage of salary to personal accomplishments).

This two-factor theory relates directly to the shift that occurred in worker values between the modern and postmodern eras. In essence, the modern era was one in which Herzberg's *hygiene* factors were prevalent. A modern worker is motivated by the receipt of money (or food or shelter) on a regular basis, and by adequate working conditions. Trade unions were originally established at the start of the modern era to secure these hygiene needs, given that employers were no longer beholden to the paternalistic concerns that dominated their relationship with workers during the premodern era. The postmodern era, by contrast, is one in which Herzberg's *motivating* factors have become more prevalent—especially as unions have become more successful in ensuring that the hygiene factors are in place.

Certainly, one of the major challenges facing labor unions during the early years of the postmodern era is the shift in emphasis from hygiene to motivating factors. Contemporary unionization has shifted from an emphasis on basic security and survival needs, to an emphasis on worker involvement in corporate decision-making and to the restructuring of jobs into more meaningful units of production.^{lxv} Salary, work conditions and related hygiene factors are critical; however, they are no longer sufficient to meet the changing needs of contemporary workers.

The modern-day psychological contract is built on the assumption that work is performing primarily to meet needs that are external to the work itself. We are paid in money or various forms of *psychological capital* (e.g. self-esteem) for work that is not inherently worthwhile. We redesign the work environment in order to motivate the worker and bring the worker more fully into the decision-making processes regarding work, without considering whether or not there is an implicit motivating force in the job itself. Mihaly Csikszentmihalyi speaks of the *autotelic* (self-rewarding and self-directing) properties of many jobs and notes that physicians, accountants, rock musicians, and teachers often find their work to be inherently gratifying and need no outside motivator to keep them involved, happily, in what they now do.^{lxvi} Such factors are central elements in Herzberg's motivating factor. The notion of psychological contract may seem quite foreign to these autotelically driven men and women who want only to be left alone to do their work, or want nothing more from the organization than the resources that are needed to perform their work.

Csikszentmihalyi further suggests that most of us, whether we are in self-satisfying jobs or not, spend most of our life looking for and attempting to replicate settings in which we find these self-satisfying (*flow*) experiences. We may do our boring job in order to obtain the money to perform our autotelic work (gardening, rock-climbing, dancing), in which case, the psychological contract is still an appropriate concept. Yet, even in this situation, we would be foolish to cease our search for ways in which the worker will find his or her current job autotelic rather than just a means to finding autotelic experiences in other settings.

A survey of employee needs at a high-tech firm in the San Francisco Bay Area revealed that the number one training need was in the area of rock climbing. Number two was woodwork. Several years before, employees suggested that knowledge about new scientific developments in their field is of highest priority. This no longer seems important. Has the work in this company become less autotelic such that workers are looking elsewhere (rock climbing, woodwork) for their gratification? Is it just because the employees are now older and less enamored with their new technologies or has the company lost some essential drawing power?

The leader of another high-tech firm speaks of the currency of his company as “title and money; the only thing we seem to value. The number of people reporting to us is [our] measure of success.” The challenge for the leaders of the first high tech firm is to find ways to reclaim the interests of their employees and to identify future problems and projects that will be as inherently interesting and gratifying as rock-climbing and woodwork. The leader of the second high tech firm must find something that will excite his employees other than position or salary. The employees in both of these organizations do not need a new psychological contract. They need more interesting work. Such a notion about work and about the motivation to work will lead contemporary organizations from the modern perspective to a post-modern perspective that is revolutionary.

Economic Man and the Psychological Covenant

Whether speaking of hygiene or motivating factors, the modern emphasis on contracted exchange of services and benefits between the organization and employee is built on an economic model of man. Both parties look to the fulfillment of specific needs that they hold independent of the other party. A manufacturing company needs skilled technicians who will remain loyal to the company for at least ten years, and skilled technicians need adequate salaries, decent medical health and retirement plans, and a setting that is conducive to gratifying work. A hospital needs dedicated and highly trained nurses, and nurses need job security, good salaries, decent childcare facilities, and an institutional commitment to continuing education and professional development services. Each party makes an independent assessment of the capacity of the other party to meet his, her or its needs. While the notion of psychological contract may accurately portray modern day organizations, it also contains the flaws that are inherent in the highly secularized, economically driven world of modern organizations.

First, a contract can be broken by either party. Thus, there is no commitment (as there was in premodern times) to the ultimate welfare of the employee (on the part of the organization) or the ultimate welfare of the organization (on the part of the employee). Everyone is in it for himself or herself. This leads to the dissolution of community in existing organization and to the absence of community in newly formed organizations. There is no glue. There is no commitment that holds everything together, especially during difficult times. Given the accompanying tendency of modern organizations to become large and complex, it is no wonder that these institutions are now in trouble. These organizations must move away from the secular and economically driven notions of work, to a model of work that is both secular and sacred. Such a model would embrace and more fully explore the notion of a *psychological covenant* rather than psychological contract.

The psychological covenant is not readily broken. It involves deeply felt commitments on the part of both the employee and organization. Furthermore, these commitments are made public and are usually enacted in some ceremonial form. Neither party can break a covenant, without the other party's permission. Thus, men and women in a covenant-based organization must work through their problems, rather than simply giving up and parting company. Covenants are based on sacrifice (as in the Old Testament covenant made between Abraham and Jehovah). Both parties are willing to give up a part of their selves in order for the relationship to work. This flies directly in the face of individualistic concerns. It speaks to the need for collective responsibility (the more feminine way of knowing) and partnership (the more feminine way of organizing) and to a relative de-emphasis on individual rights (the more masculine way of knowing) and dominance (the more masculine way of organizing).^{lxvii}

The Premodern Era

Land was one of the dominant forms of capital in the premodern era. It was and is a very tangible form of capital and has been the object of many acts of betrayal and warfare. It has also served as a foundation for the formation of democratic institutions:^{lxviii}

James Harrington (1611-1677, the Father of the English political philosophy out of which grew Locke, Hume, Burke, and *The Federalist Papers*, laid down in his book *Oceania* that “Power Follows Property.” It was the shift in property from the great nobles to the country squires, he argued, that explained the English Revolution of the 1640s, the overthrow of absolute government and its replacement by the parliamentary government of the new property owners, the local gentry.

The other two primary assets were less tangible but no less important, these being ancestry and reputation. During the Middle Ages, when the Catholic Church dominated Western Civilization, capital and property were defined primarily in terms of land, for members of the church were forbidden (under penalty of excommunication) from charging interest on money that was lent to other people. This was defined as *usury* and was a cardinal sin. Only the Jews were allowed to charge interest, for they were already outside the purview of the church. Thus, the major financial houses of Europe were created primarily by those who remained outside the dominant Catholic Church. Christians could accumulate wealth only by acquiring land or by establishing a solid trade with a strong reputation (built over several generations of artisans).

Men of Property

This emphasis on land and reputation was reinforced by the emerging laws regarding property. There was not only the divine right of kings, for those of noble ancestry, but also the newly emerging rights of the common man to own property and pass on property to one’s descendants (in Western societies). While many nonwestern societies (such as those found in most Native American cultures) have embraced the notion that property (land, home, livestock) belongs to the entire group or tribe or belongs to the gods or to nature, our ancestors in the Western world created a society in which personal acquisition was allowed and even highly valued.

Among those in the premodern era who could not acquire land or own a small business built on reputation, there was nothing much to hope for except a life of security in a highly paternalistic setting. One can be a servant, a laborer in a small business or on a farm, or an apprentice who eventually may become a master craftsman with some independence. In these settings, conformity to rigid codes was critical. These workers looked toward paternal care and asked for little in return. Douglas MacGregor provided a vivid and highly influential description of this world of work when he described the *Theory X* model of management:^{lxix}

People are inherently lazy and must, therefore, be motivated by outside incentives.

People’s natural goals run counter to those of the organization, hence they must be controlled by external forces to ensure that they work toward organizational goals.

Because of their irrational feelings, people are basically incapable of self-discipline and self-control.

People can, however, be divided roughly into two groups—those who fill the assumptions outlined above and those who are self-motivated, self-controlled, and less dominated by their feelings. This latter group must assume the management responsibilities for all the others.

MacGregor proposed more than thirty years ago that this form of management that was dominant in premodern times is no longer appropriate in modern organizations. In making this point, he tended to overlook the more positive aspects of the paternalism that is associated with premodern management. An employer (usually the head of a family) is expected to take care of his or her employees much as this person takes care of other family members (spouse, children, elderly parents, members of the extended family). We still find evidence of this orientation in many businesses that were started in nonwestern countries. I recently worked, for instance, with a company that was owned by a man who had migrated from Asia fifteen years ago. He would have been offended if anyone asked him to lay off an employee—for he considered each member of his firm to be a member of his family. He often spoke of his employees as nieces and nephews, even though there were no formal family ties. A similar commitment is, of course, now legendary in many Chinese and Japanese firms.

Men of Charity

In the premodern era of Western Civilization, as in contemporary Chinese and Japanese cultures, one was expected to take care of those who were less fortunate. This commitment can be attributed in large part to the Catholic Church's emphasis on good works as a primary criterion of the good life and as a means to obtain salvation and eternal life in heaven. Successful members of society were expected to donate money to the poor and various charitable organizations (usually associated with the church), and were to be available on specific days of the year (often holidays) to give conspicuous attention to those who were less fortunate. While these forms of charity helped to preserve class distinctions and preserved highly conservative and repressive forms of government, they also encouraged the growth of community and the interaction among all segments of society. With the modern day emphasis on public funds and public policy to ameliorate the problems of poverty and injustice, the sense of community and contact has broken down—ironically, in the name of greater social justice and equity.

The premodern reliance on institutional life (the church and community) for guidance regarding daily life is still seen in many Eastern European and Asian cultures. It has become unacceptable, however, for most constituencies in the corporate sector of Western society—especially since the Protestant Reformation. Individual initiative and entrepreneurship are prevalent. We do find major remnants of premodern institutional life in contemporary Western (particularly American) societies, however, particularly in the human service sector. Public health agencies, schools and colleges, social activist groups, and hospitals borrow their notions about institutional life and organizational functioning from the Catholic Church. A strong commitment to service in these institutions is coupled with an emphasis on clarity of procedures and lines of authority.

Unlike corporations, which often allow for much more flexibility in institutional form (if this form will yield greater productivity and profit), human service organizations are usually quite resistant to structural or procedural innovations. While bureaucracy is often equated with the emergence of modern day corporations, it is actually much more dominant in not only governmental agencies (its birthplace) but also other nonprofit, human service organizations. Innovative structures (such as matrix organizations) or procedures (such as management by objectives) which have become commonplace or are by this time “old hat” in corporations are still viewed as radical and unacceptable in most human service settings.

Women of Service

Men and, in particular, women are expected to dedicate their lives to these human service organizations, often at low pay and with the accompanying expectation of long hours of work. Members of these organizations perform services as if they were nuns or priests—the legacy of the Catholic Church’s initial emphasis on service to the underserved. Men and women working in these organizations are expected to do their jobs for the inherent worth of the services being provided, rather than for money or even public recognition. Like nuns, the women who work in human service agencies are often expected to forsake family or even friendships for late night or early morning service to others. Unionization of these agencies is unthinkable. When it does occur (for example, in school systems) the general public is rarely supportive, even though the working conditions for these men and women is often much worse than for factory workers -- who are usually supported by the general public in their efforts to improve working conditions.

We also find remnant elements of the premodern emphasis on the integration of work and service in the emerging emphasis on volunteerism (George Bush (senior)’s *Thousand Points of Light*) during the early 1990s) in our society. Many men and women find their most meaningful work not in the corporate or governmental sectors of society, but rather in the contributions they make in the evenings or during weekends through churches, community service organizations, community action programs and informal helping hand programs. In the second in their extraordinary studies of American society, Robert Bellah and his four colleagues have spoken eloquently of the need for this emerging recognition:^{lxx}

American culture has focused relentlessly on the idea that individuals are self-interest maximizers and that private accumulation and private pleasures are the only measurable public goods. We have been blind to the way that institutions enable or cripple our capacity to be persons we most want to be. We need to understand historically that institutions stand in the way of our freedom. We need to understand how we failed to see that the virtue of autonomy, in the sense of personal freedom, can be realized only along with other virtues, such as care and responsibility.

As Bellah and his colleagues have observed, many Americans have become disenchanted with most governmental agencies in their efforts to ameliorate major social problems, and witness the failure of large scale, global change efforts. Peter Drucker has similarly noted that: “For almost two centuries, we hotly discussed what government *should* do. We almost never asked what government *can* do. Now increasingly the limits and function of government will be the issue.”^{lxxi}

The slogan, “Think globally, but act locally,” speaks to the need for broad-based systemic thinking about social problems. It also speaks to the need for committed and sustained action on a specific problem, in a specific location, serving a specific population, within a community context. These new commitments and concerns have led to the creation of the so-called third sector of our society—the world of volunteer action. The leaders of this sector have much to learn from stories told about the premodern emphasis on community and service to others. While the modern era has provided us with extraordinary tools to be able to *think globally* and has enabled us to escape the parochial perspectives of premodern man, they have not prepared us to *act locally*. To do this, we must reexamine the premodern communities, or create our own distinctive postmodern communities—a very difficult task indeed.

The disillusionment with government, the desired return to community, and an emphasis on concrete service is particularly prevalent among contemporary middle-class American males. These products of the modern era have spent most of their life pursuing individualistic, career goals, and now in their forties and early fifties find a growing need for more tangible, service-oriented work—particularly in a community setting. An informal survey of volunteer services in the San Francisco Bay Area revealed that many of the women who are volunteering for public service seek out membership on the board of directors of an agency, or assist with administrative functions. By contrast, men tend to seek out opportunities to provide direct services to clients. Rather than serving on a board, they want to counsel a young delinquent or help clean up a freeway.

Concluding Comments

Many psychologists have written about shifts in the lives of many mid-life men toward community and service and away from corporate pursuits—a shift from *success* to *significance*.^{lxix} They have noted, by contrast, the frequent shift among mid-life women toward more individualistic pursuits and positions of leadership and responsibility. As a result, we are likely to see the Catholic Church's emphasis on service as a vehicle for salvation and, more immediately, as a vehicle for finding meaning in life, to be particularly appealing to successful middle-class males in our society. This premodern concern for service and community intermingles, in turn, with a modern concern for individual achievement and a newly emerging concern for integrating personal and professional growth—thus helping to produce the complex, often contradictory, world I have defined as postmodern.

ⁱ Peter Drucker, *Management Challenges for the 21st Century*, New York: HarperBusiness, 1999, p. 27.

ⁱⁱ Shawn Tully, "The B2B tool that really *is* changing the world," *Fortune*, March 20, 2000, p. 134.

ⁱⁱⁱ Peter Elkind, "The hype is big, really big, at Priceline," *Fortune*, September 6, 1999, p. 196.

^{iv} Katrina Brooker, "Amazon vs. everybody," *Fortune*, November 8, 1999, p. 123.

^v Katrina Brooker, "Amazon vs. everybody," *Fortune*, November 8, 1999, p. 128.

^{vi} Nelson D. Schwartz, "The tech boom will keep on rocking," *Fortune*, February 15, 1999, p. 66.

^{vii} Jerry Usseem, "New ethics or no ethics?" *Fortune*, March 20, 2000, p. 86.

^{viii} Jerry Usseem, "New ethics or no ethics?" *Fortune*, March 20, 2000, p. 84.

^{ix} Jerry Usseem, "New ethics or no ethics?" *Fortune*, March 20, 2000, p. 85.

^x Melanie Warner, "Nice work if you can get it," *Fortune*, December 6, 1999, p. 183.

^{xi} Peter Drucker, *Management Challenges for the 21st Century*, New York: HarperBusiness, 1999, pp. 55, 59.

^{xii} Peter Drucker, *Management Challenges for the 21st Century*, New York: HarperBusiness, 1999, p. 69.

^{xiii} Daniel Bell (1976)

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