pleases and submits to new gods, that is, one's bosses and the exigencies of an impersonal market [1988, pp. 191–192].

This is not a pretty picture, but it captures the experience of many managers. Productive politics is a possible alternative, although hard to achieve. In the next chapter, we explore ways that a manager can become a constructive politician.

CONCLUSION

Traditional views see organizations as created and controlled by legitimate authorities who set goals, design structure, hire and manage employees, and ensure pursuit of the right objectives. The political view frames a different world. Organizations are coalitions composed of individuals and groups with enduring differences who live in a world of scarce resources. That puts power and conflict at the center of organizational decision making.

Authorities have position power, but they must vie with many other contenders for other forms of leverage. Different contenders bring distinct beliefs, values, and interests. They seek access to various forms of power and compete for their share of scarce resources in a finite organizational pie.

From a political perspective, goals, structure, and policies emerge from an ongoing process of bargaining and negotiation among major interest groups. Sometimes legitimate authorities are the dominant members of the coalition, as is often true in small, owner-managed organizations. Large corporations are often controlled by senior management rather than by stockholders or the board of directors. Government agencies may be controlled more by the permanent civil servants than by the political leaders at the top. The dominant group in a school district may be the teachers' union instead of the school board or the superintendent. In such cases, rationalists recoil because they see the wrong people setting the agenda. But the political view suggests that exercising power is a natural part of ongoing contests. Those who get and use power to their advantage will be winners.

There is no guarantee that those who gain power will use it wisely or justly. But power and politics are not inevitably demeaning and destructive. Constructive politics is a possibility—indeed, a necessary option if we are to create institutions and societies that are both just and efficient.

chapter 10

The Manager as Politician

Born to a wealthy but unorthodox family, Aruna Roy decided early in life that her mission was to do something for India's poor. After getting a master's degree from the University of Delhi, she became one of the few women who passed the national test to join India's elite civil service. Thrilled at first, she gradually became disillusioned by the rigid, hierarchical Indian bureaucracy and concluded she could do more out of government.

She joined a non-profit her husband had founded in a poor rural village. It was not an easy transition. She had to walk miles to get there, the village lacked electricity and running water, and the women she hoped to work with were initially suspicious. But Roy persisted, adapted to village life, made friends, and worked on issues of children's education and income generation. Through several years of travel and discussion, she came to a clearer sense of what rural women needed and built a support network of individuals and agencies willing to help on her goal of systemic change.

Roy then took another, even more radical step. She recruited a few allies who shared her vision, and together they moved into a two-room hut in a remote village. They began by building relationships, listening, learning, and looking for opportunities. One came when they helped a nearby village reclaim 1,500 acres previously misappropriated by a well-connected landowner. Over time, Roy and her group built a support base. In May, 1990, they were able to bring a thousand people together to form a new organization, Mazdoor Kisan Shakti Sangathan (MKSS), or Worker and Peasant Empowerment Union.

As they continued to press for better village conditions, they came to realize that money intended for workers' pay or village improvements was often disappearing. On the rare occasions that they could get access to government records, they found that officials were generating reams of falsified documents to hide corruption. Roy and her allies began a campaign for more government transparency, which drew support from the middle class as well as the poor—both suffered when money to repair roads or put a roof on the local school disappeared into someone's pocket. Roy and her allies began to hold public hearings, with little more than a tent and an open mike for people to voice grievances. The government tried to shut down the hearings, but that only intensified support for the campaign. Trade unions got on board, national media covered the story, and some four hundred organizations joined the cause. It took years of hard work, but in 2005 India enacted the National Right to Information Act (Krishnamurthy and Winston, 2010). Aruna Roy's ability to mobilize power, assemble coalitions, and champion a noble cause paid off.

It may not be obvious that political skill is as vital in business as in community organizing, but a case from Microsoft provides an example. Bill Gates and his tiny software business got their big break when they obtained the contract to supply an operating system, DOS, for IBM's personal computers. IBM PC's and clones soon dominated the PC business, and Microsoft began a meteoric rise.

Ten years later, everyone knew that DOS was obsolete and woefully deficient. The replacement was supposed to be OS/2, a new operating system developed jointly by Microsoft and IBM, but it was a tense partnership. IBMers saw "Microsofties" as undisciplined adolescents. Microsoft folks moaned that "Big Blue" was a hopelessly bureaucratic producer of "poor code, poor design, and poor process" (Manes and Andrews, 1994, p. 425). Increasingly pessimistic about the viability of OS/2, Gates decided to hedge his bets by developing a new operating system to be called Windows NT. Gates recruited the brilliant but crotchety Dave Cutler from Digital Equipment to head the effort.

Gates recognized that Cutler was known "more for his code than his charm" (Zachary, 1993, p. A1). Things started well, but Cutler insisted on keeping his team small and wanted no responsibility beyond the "kernel" of the operating system. He figured someone else could worry about details like the user interface. Gates began to see a potential disaster looming, but issuing orders to the temperamental Cutler was as promising as telling Picasso how to paint. So Gates put the calm, understated Paul Maritz on the case. Born in South Africa, Maritz had studied

mathematics and economics in Cape Town before deciding that software was his destiny. He joined Microsoft in 1986 and became the leader of its OS/2 effort. When he was assigned informal oversight of Windows NT, he got a frosty welcome:

> As he began meeting regularly with Cutler on NT matters, Maritz often found himself the victim of slights. Once Maritz innocently suggested to Cutler that "We should—" Cutler interrupted, "We! Who's we? You mean you and the mouse in your pocket?" Maritz brushed off such retorts, even finding humor in Cutler's apparently inexhaustible supply of epithets. He refused to allow Cutler to draw him into a brawl. Instead, he hoped Cutler would "volunteer" for greater responsibility as the shortcomings of the status quo became more apparent [Zachary, 1994, p. 76].

Maritz enticed Cutler with tempting challenges. In early 1990, he asked Cutler if he could put together a demonstration of NT for COMDEX, the industry's biggest trade show. Cutler took the bait. Maritz knew that the effort would expose NT's weaknesses (Zachary, 1994). When Gates subsequently seethed that NT was too late, too big, and too slow, Maritz scrambled to "filter that stuff from Dave" (p. 208). Maritz's patience eventually paid off when he was promoted to head all operating systems development:

> The promotion gave Maritz formal and actual authority over Cutler and the entire NT project. Still, he avoided confrontations, preferring to wait until Cutler came to see the benefits of Maritz's views. Increasingly Cutler and his inner circle viewed Maritz as a powerhouse, not an empty suit. "He's critical to the project," said [one of Cutler's most loyal lieutenants]. "He got into it a little bit at a time. Slowly he blended his way in until it was obvious who was running the show. Him" [p. 204].

Chapter Nine's account of the *Columbia* and *Challenger* cases drives home a chilling lesson about political pressures sidetracking momentous decisions. The implosion of firms such as Enron and WorldCom shows how the unfettered pursuit of self-interest by powerful executives can bring even a huge corporation to its knees. Many believe that the antidote is to get politics out of management.

But this is unrealistic so long as politics is inseparable from social life. Enduring differences lead to multiple interpretations of what's true and what's important. Scarce resources trigger contests about who gets what. Interdependence means that people cannot ignore one another; they need each other's assistance, support, and resources. Under such conditions, efforts to eliminate politics are futile and counterproductive. If we look for more positive images of the manager as constructive politician, Aruna Roy's passion and persistence and Paul Maritz's deft combination of patience and diplomacy offer instructive examples.

Kotter (1985) contends that too many managers are either naive or cynical about organizational politics. Pollyannas view the world through rose-colored glasses, assuming that most people are good, kind, and trustworthy. Cynics believe the opposite: everyone is selfish, things are always cutthroat, and "get them before they get you" is the best survival tactic. Brown and Hesketh (2004) documented two parallel stances among college job seekers. The naive "purists" believed hiring was fair and they'd be rewarded on their merits if they presented themselves honestly. The more cynical "players" gamed the system and tried to present themselves as whatever they thought employers wanted. In Kotter's view, neither extreme is realistic or effective: "Organizational excellence . . . demands a sophisticated type of social skill: a leadership skill that can mobilize people and accomplish important objectives despite dozens of obstacles; a skill that can pull people together for meaningful purposes despite the thousands of forces that push us apart; a skill that can keep our corporations and public institutions from descending into a mediocrity characterized by bureaucratic infighting, parochial politics, and vicious power struggles" (p. 11).

In a world of chronic scarcity, diversity, and conflict, the nimble manager walks a tightrope: developing a direction, building a base of support, and cobbling together working relations with both allies and opponents. In this chapter, we discuss why this is vital and then lay out the basic skills of the manager as politician. Finally, we tackle ethical issues, the soft underbelly of organizational politics. Is it possible to play politics and still do the right thing? We discuss four instrumental values to guide ethical choice.

POLITICAL SKILLS

The manager as politician exercises four key skills: agenda-setting (Kanter, 1983; Kotter, 1988; Pfeffer, 1992; Smith, 1988), mapping the political terrain (Pfeffer,

1992; Pichault, 1993), networking and building coalitions (Kanter, 1983; Kotter, 1982, 1985, 1988; Pfeffer, 1992; Smith, 1988), and bargaining and negotiating (Bellow and Moulton, 1978; Fisher and Ury, 1981; Lax and Sebenius, 1986).

Agenda Setting

Structurally, an agenda outlines a goal and a schedule of activities. Politically, an agenda is a statement of interests and a scenario for getting the goods. In reflecting on his experience as a university president, Warren Bennis arrived at a deceptively simple observation: "It struck me that I was most effective when I knew what I wanted" (1989, p. 20). Kanter's study of internal entrepreneurs in American corporations (1983), Kotter's analysis of effective corporate leaders (1988), and Smith's examination of effective U.S. presidents (1988) all reached a similar conclusion: regardless of the role you're in, the first step in effective political leadership is setting an agenda.

The effective leader creates an "agenda for change" with two major elements: a vision balancing the long-term interests of key parties, and a strategy for achieving the vision while recognizing competing internal and external forces (Kotter, 1988). Aruna Roy always knew she wanted to do something for the poor, but she had to live and work with them over time to develop an agenda rooted in their needs and concerns. Her effectiveness increased dramatically when she seized on information transparency. The agenda must convey direction while addressing concerns of major stakeholders. Kanter (1983) and Pfeffer (1992) underscore the intimate tie between gathering information and developing a vision. Pfeffer's list of key political attributes includes "sensitivity"—knowing how others think and what they care about so that your agenda responds to their concerns: "Many people think of politicians as arm-twisters, and that is, in part, true. But in order to be a successful arm-twister, one needs to know which arm to twist, and how" (p. 172).

Kanter adds: "While gathering information, entrepreneurs can also be 'planting seeds'—leaving the kernel of an idea behind and letting it germinate and blossom so that it begins to float around the system from many sources other than the innovator" (1983, p. 218). Paul Maritz did just that. Ignoring Dave Cutler's barbs and insults, he focused on getting information, building relationships, and formulating an agenda. He quickly concluded that the NT project was in disarray and that Cutler had to take on more responsibility. Maritz's strategy was attuned to his quarry: "He protected Cutler from undue criticism and resisted the urge to reform him. [He] kept the peace by exacting from Cutler no ritual expressions of obedience" (Zachary, 1994, pp. 281–282).

A vision without a strategy remains an illusion. A strategy has to recognize major forces working for and against the agenda. Smith's point about U.S. presidents captures the importance of focus for managers at every level:

> The paramount task and power of the president is to articulate the national purpose: to fix the nation's agenda. Of all the big games at the summit of American politics, the agenda game must be won first. The effectiveness of the presidency and the capacity of any president to lead depend on focusing the nation's political attention and its energies on two or three top priorities. From the standpoint of history, the flow of events seems to have immutable logic, but political reality is inherently chaotic: it contains no automatic agenda. Order must be imposed [1988, p. 333].

Agendas never come neatly packaged. The bigger the job, the harder it is to wade through the clutter and find order amid chaos. Contrary to Woody Allen's dictum, success requires more than just showing up. High office, even if the incumbent enjoys great personal popularity, is no guarantee. In his first year as president, Ronald Reagan was remarkably successful following a classic strategy for winning the agenda game: "First impressions are critical. In the agenda game, a swift beginning is crucial for a new president to establish himself as leader—to show the nation that he will make a difference in people's lives. The first one hundred days are the vital test; in those weeks, the political community and the public measure a new president—to see whether he is active, dominant, sure, purposeful" (Smith, 1988, p. 334).

Reagan began with a vision but without a strategy. He was not a gifted manager or strategist, despite extraordinary ability to portray complex issues in broad, symbolic brushstrokes. Reagan's staff painstakingly studied the first hundred days of four predecessors. They concluded that it was essential to move with speed and focus. Pushing competing issues aside, they focused on two: cutting taxes and reducing the federal budget. They also discovered a secret weapon in David Stockman, the one person in the Reagan White House who understood the federal budget process. "Stockman got a jump on everyone else for two reasons: he had an agenda and a legislative blueprint already prepared, and he understood the real levers of power. Two terms as a Michigan congressman plus a network of key Republican and Democratic connections had taught Stockman how to play

the power game" (Smith, 1988, p. 351). Reagan and his advisers had the vision; Stockman provided strategic direction.

Mapping the Political Terrain

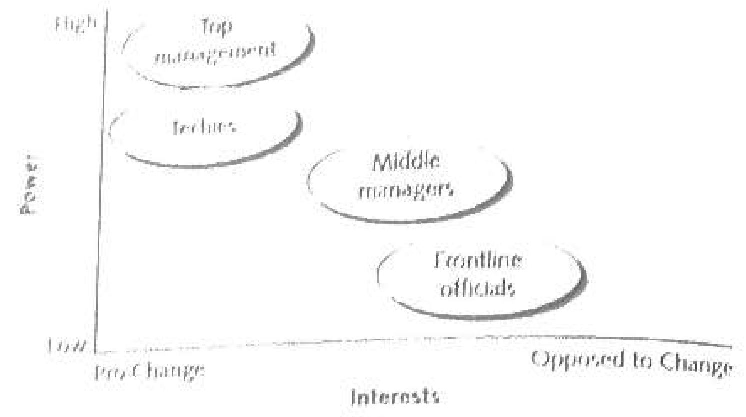
It is foolhardy to plunge into a minefield without knowing where explosives are buried, yet managers unwittingly do it all the time. They launch a new initiative with little or no effort to scout and master the political turf. Pichault (1993) suggests four steps for developing a political map:

1. Determine channels of informal communication.
2. Identify principal agents of political influence.
3. Analyze possibilities for mobilizing internal and external players.
4. Anticipate counterstrategies that others are likely to employ.

Pichault offers an example of planned change in a large government agency in Belgium. The agency wanted to replace antiquated manual records with a fully automated paperless computer network. Proponents of the new system had little understanding of how work got done. Nor did they anticipate the interests and power of key middle managers and frontline bureaucrats. It seemed obvious to the techies that better data meant higher efficiency. In reality, frontline bureaucrats made little use of the data. They applied standard procedures in 90 percent of cases and asked their bosses what to do about the rest. They checked with supervisors partly to get the "right" answer, but even more to get political cover. Because they saw no need for the new technology, street-level bureaucrats had incentives to ignore or work around it. After a consultant clarified the political map, a new battle erupted between unrepentant techies, who insisted their solution was correct, and senior managers who argued for a less ambitious approach. The two sides ultimately compromised.

A simple way to develop a political map for any situation is to create a two-dimensional diagram mapping players (who is in the game), power (how much clout each player is likely to exercise), and interests (what each player wants). Exhibits 10.1 and 10.2 present two hypothetical versions of the Belgian bureaucracy's political map. Exhibit 10.1 shows the map as the techies saw it. They expected little opposition and assumed they held the high cards; their map implied a quick and easy win. Exhibit 10.2, a more objective map, paints a very different picture.

Exhibit 10.1.
The Political Map as Seen by the Techies: Strong Support and Weak Opposition for Change.

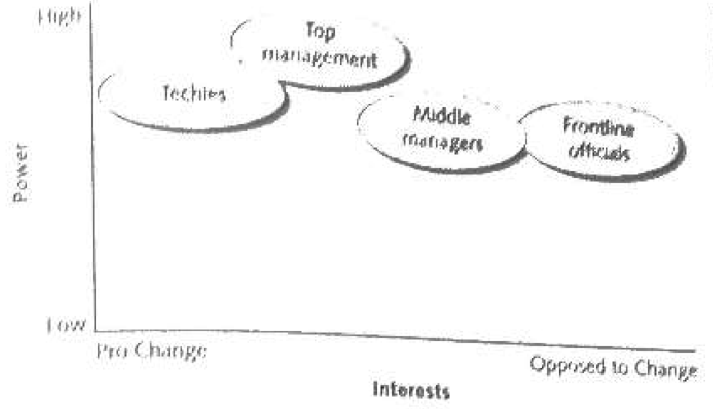


Resistance is more intense and opponents more powerful. This view forecasts a stormy process with protracted conflict. Though less comforting, the second map has an important message: success requires substantial effort to realign the political force field. The third and fourth key skills of the manager as politician, discussed in the next two sections, respond to that challenge.

Networking and Building Coalitions

Managers often fail to get things done because they rely too much on reason and too little on relationships. In both the *Challenger* and *Columbia* space shuttle catastrophes (discussed in Chapter Nine), engineers pitched careful, data based arguments to their superiors about potentially lethal safety risks and failed to dent their bosses' resistance (Glanz and Schwartz, 2003; Vaughan, 1995). Six months before the *Challenger* accident, for example, an engineer at Morton Thiokol wrote to management: "The result [of an O ring failure] would be a catastrophe of the highest order loss of human life" (Bell and Esch, 1987, p. 45). A memo, if it is

Exhibit 10.2.
The Real Political Map: A Battleground with Strong Players on Both Sides.



clear and powerful, may work, but is often a sign of political innocence. Kotter (1985) suggests four basic steps for exercising political influence:

1. Identify relevant relationships. (Figure out which players you need to influence.)
2. Assess who might resist, why, and how strongly. (Determine where the leadership challenges will be.)
3. Develop, wherever possible, links with potential opponents to facilitate communication, education, or negotiation. (Hold your enemies close.)
4. If step three fails, carefully select and implement either more subtle or more forceful methods. (Save your more potent weapons until you really need them, but have a Plan B in case Plan A falls short.)

These steps underscore the importance of developing a power base. Moving up the managerial ladder confers authority but also creates more dependence, because success requires the cooperation of many others (Kotter, 1985, 1988;

Butcher and Clarke, 2001). People rarely give their best efforts and fullest cooperation simply because they have been ordered to do so. They accept direction better when they perceive the people in authority as credible, competent, and sensible.

The first task in building networks and coalitions is to figure out whose help you need. The second is to develop relationships so people will be there when you need them. Successful middle-management change agents typically begin by getting their boss on board (Kanter, 1983). They then move to "preselling," or "making cheerleaders": "Peers, managers of related functions, stakeholders in the issue, potential collaborators, and sometimes even customers would be approached individually, in one-on-one meetings that gave people a chance to influence the project and [gave] the innovator the maximum opportunity to sell it. Seeing them alone and on their territory was important: the rule was to act as if each person were the most important one for the project's success" (p. 223).

Once you cultivate cheerleaders, you can move to "horse trading": promising rewards in exchange for resources and support. This builds a resource base that helps in "securing blessings," or getting the necessary approvals and mandates from higher management (Kanter, 1983). Kanter found that the usual route to success in securing blessings is to identify critical senior managers and to develop a polished, formal presentation to nail down their support. The best presentations respond to both substantive and political concerns. Senior managers typically care about two questions: Is it a good idea? How will my constituents react? Once innovators get a nod from higher management, they can formalize the coalition with their boss and make specific plans for pursuing the project.

The basic point is simple: as a manager, you need friends and allies to get things done. To sew up their support, you need to build coalitions. Rationalists and romantics often rebel against this scenario. Why should you have to play political games to get something accepted if it's the right thing to do? One of the great works in French drama, Molière's *The Misanthrope*, tells the story of a protagonist whose rigid rejection of all things political is destructive for him and everyone close by. The point that Molière made four centuries ago still holds: it is hard to dislike politics without also disliking people. Like it or not, political dynamics are inevitable under three conditions most managers face every day: ambiguity, diversity, and scarcity.

Informal networks perform a number of functions that formal structure may do poorly or not at all—moving projects forward, imparting culture, mentoring,

and creating "communities of practice." Some organizations use measures of social networking to identify and manage who's connected to whom. When Procter & Gamble studied linkages among its twenty-five research and development units around the world, it discovered that its unit in China was relatively isolated from all the rest—a clear signal that linkages needed strengthening to corner a big and growing market (Reingold and Yang, 2007).

Ignoring or misreading people's roles in networks is costly. Consider the mistake that undermined John LeBoutillier's political career. Shortly after he was elected to Congress from a wealthy district in Long Island, LeBoutillier fired up his audience at the New York Republican convention with the colorful quip that Speaker of the House Thomas P. O'Neill was "fat, bloated and out of control, just like the Federal budget." Asked to comment, Tip O'Neill was atypically terse: "I wouldn't know the man from a cord of wood" (Matthews, 1999, p. 113). Two years later, LeBoutillier unexpectedly lost his bid for reelection to an unknown opponent who didn't have the money to mount a real campaign—until a mysterious flood of contributions poured in from all over America. When LeBoutillier later ran into O'Neill, he admitted sheepishly, "I guess you were more popular than I thought you were" (Matthews, 1999, p. 114). LeBoutillier learned the hard way that it is dangerous to underestimate or provoke people when you don't know how much power they have or who their friends are.

Bargaining and Negotiation

We often associate bargaining with commercial, legal, and labor transactions. From a political perspective, though, bargaining is central to decision making. The horse-trading Kanter describes as part of coalition building is just one of many examples. Negotiation occurs whenever two or more parties with some interests in common and others in conflict need to reach agreement. Labor and management may agree that a firm should make money and offer good jobs to employees but part ways on how to balance pay and profitability. Engineers and managers in the NASA space program had a common interest in the success of the shuttle flights, but at key moments differed sharply on how to balance technical and political trade-offs.

A fundamental dilemma in negotiations is choosing between "creating value" and "claiming value" (Lax and Sebenius, 1986). Value creators believe that successful negotiators must be inventive and cooperative in searching for a win-win solution. Value claimers see "win-win" as naively optimistic. For them, bargaining is a hard, tough process in which you have to do what it takes to win as much as you can.

One of the best-known win-win approaches to negotiation was developed by Fisher and Ury (1981) in their classic *Getting to Yes*. They argue that people too often engage in "positional bargaining": they stake out positions and then reluctantly make concessions to reach agreement. Fisher and Ury contend that positional bargaining is inefficient and misses opportunities to create something that's better for everyone. They propose an alternative: "principled bargaining," built around four strategies.

The first strategy is to separate people from the problem. The stress and tension of negotiations can easily escalate into anger and personal attack. The result is that a negotiator sometimes wants to defeat or hurt the other party at almost any cost. Because every bargaining situation involves both substance and relationship, the wise negotiator will "deal with the people as human beings and with the problem on its merits." Paul Maritz demonstrated this principle in dealing with the prickly Dave Cutler. Even though Cutler continually baited and insulted him, Maritz refused to be distracted and persistently focused on the task at hand.

The second strategy is to focus on interests, not positions. If you get locked into a particular position, you might overlook better ways to achieve your goal. A classic example is the 1978 Camp David treaty between Israel and Egypt. The sides were at an impasse over where to draw the boundary between the two countries. Israel wanted to keep part of the Sinai; Egypt wanted all of it back. Resolution became possible only when they looked at underlying interests. Israel was concerned about security: no Egyptian tanks on the border. Egypt was concerned about sovereignty: the Sinai had been part of Egypt from the time of the Pharaohs. The parties agreed on a plan that gave all of the Sinai back to Egypt while demilitarizing large parts of it (Fisher and Ury, 1981). That solution led to a durable peace agreement.

Fisher and Ury's third strategy is to invent options for mutual gain instead of locking in on the first alternative that comes to mind. More options increase the chance of a better outcome. Maritz recognized this in his dealings with Cutler. Instead of bullying, he asked innocently, "Could you do a demo at COMDEX?" It was a new option that created gains for both parties.

Fisher and Ury's fourth strategy is to insist on objective criteria—standards of fairness for both substance and procedure. Agreeing on criteria at the beginning

of negotiations can produce optimism and momentum, while reducing the use of devious or provocative tactics that get in the way of a mutually beneficial solution. When a school board and a teachers' union are at loggerheads over the size of a pay increase, they can look for independent standards, such as the rate of inflation or the terms of settlement in other districts. A classic example of fair procedure finds two sisters deadlocked over how to divide the last wedge of pie between them. They agree that one will cut the pie into two pieces and the other will choose the piece that she wants.

Fisher and Ury devote most of their attention to creating value—finding better solutions for both parties. They downplay the question of claiming value. Yet there are many examples in which shrewd value claimers have come out ahead. In 1980, Bill Gates offered to license an operating system to IBM about forty-eight hours before he had one to sell. Then he neglected to mention to QDOS's owner, Tim Paterson of Seattle Computer, that Microsoft was buying his operating system to resell it to IBM. Gates gave IBM a great price: only $30,000 more than the $50,000 he'd paid for it. But he retained the rights to license it to anyone else. At the time, Microsoft was a flea atop IBM's elephant. Almost no one except Gates saw the possibility that consumers would want an IBM computer made by anyone but IBM. IBM negotiators might well have thought they were stealing candy from babies in buying DOS royalty-free for a measly $80,000. Meanwhile, Gates was already dreaming about millions of computers running his code. As it turned out, the new PC was an instant hit, and IBM couldn't make enough of them. Within a year, Microsoft had licensed MS-DOS to fifty companies, and the number kept growing (Mendelson and Korin, n.d.). Twenty years later, onlookers who wondered why Microsoft was so aggressive and unyielding in battling government antitrust suits might not have known that Gates had long been a dogged value claimer.

A classic treatment of value claiming is Schelling's 1960 essay *The Strategy of Conflict*, which focuses on how to make credible threats. Suppose, for example, that I want to buy your house and am willing to pay $250,000. How can I convince you that I'm willing to pay only $200,000? Contrary to a common assumption, I'm not always better off if I'm stronger and have more resources. If you believe that I'm very wealthy, you might take my threat less seriously than you would if I can get you to believe that $200,000 is the highest I can go. Common sense also suggests that I should be better off if I have considerable freedom of action. Yet I may get a better price if I can convince you my hands are tied. Perhaps I'm representing a very stubborn buyer who won't go above $200,000, even if the house is worth more. Such examples suggest that the ideal situation for a bargainer is to have substantial resources and freedom while convincing the other side of the opposite. Value claiming provides its own slant on the bargaining process:

- *Bargaining is a mixed-motive game.* Both parties want an agreement but have differing interests and preferences, so that what seems valuable to one may be negligible to the other.
- *Bargaining is a process of interdependent decisions.* What each party does affects the other. Each player wants to be able to predict what the other will do while limiting the other's ability to reciprocate.
- *The more player A can control player B's level of uncertainty, the more powerful A is.* The more A can keep private—as Bill Gates did with Seattle Computer and IBM—the better.
- *Bargaining involves judicious use of threats rather than sanctions.* Players may threaten to use force, go on strike, or break off negotiations. In most cases, they prefer not to bear the costs of carrying out the threat.
- *Making a threat credible is crucial.* A threat works only if your opponent believes it. Noncredible threats weaken your bargaining position and confuse the process.
- *Calculation of the appropriate level of threat is also critical.* If I underthreaten, you may think I'm weak. If I overthreaten, you may not believe me, may break off the negotiations, or may escalate your own threats.

Creating value and claiming value are both intrinsic to the bargaining process. How do you decide how to balance the two? At least two questions are important: How much opportunity is there for a win-win solution? And will you have to work with these people again? If an agreement can make everyone better off, it makes sense to emphasize creating value. If you expect to work with the same people in the future, it is risky to use scorched-earth tactics that leave anger and mistrust in their wake. Managers who get a reputation for being manipulative, self-interested, or untrustworthy have a hard time building the networks and coalitions they need for long-term success.

Axelrod (1980) found that a strategy of conditional openness works best when negotiators need to work together over time. This strategy starts with open and

collaborative behavior and maintains the approach if the other responds in kind. If the other party becomes adversarial, however, the negotiator responds accordingly and remains adversarial until the opponent makes a collaborative move. It is, in effect, a friendly and forgiving version of tit for tat: do unto others as they do unto you. Axelrod's research found that this conditional openness approach worked better than even the most fiendishly diabolical adversarial strategy.

A final consideration in balancing collaborative and adversarial tactics is ethics. Bargainers often deliberately misrepresent their positions—even though society almost universally condemns lying as unethical (Bok, 1978). This leads to a tricky question for the manager as politician: What actions are ethical and just?

MORALITY AND POLITICS

Block (1987), Burns (1978), Lax and Sebenius (1986), and Messick and Ohme (1998) explore ethical issues in bargaining and organizational politics. Block's view asserts that individuals empower themselves through understanding: "The process of organizational politics as we know it works against people taking responsibility. We empower ourselves by discovering a positive way of being political. The line between positive and negative politics is a tightrope we have to walk" (1987, p. xiii).

Block argues that bureaucratic cycles often leave individuals feeling vulnerable, powerless, and helpless. If we confer too much power on the organization or others, we fear power will be used against us. Consequently, we develop manipulative strategies to protect ourselves. To escape the dilemma, managers need to support organizational structures, policies, and procedures that promote empowerment. They must also empower themselves.

Block urges managers to begin by building an "image of greatness"—a vision of what their department can contribute that is meaningful and worthwhile. Then they need to build support for their vision by negotiating a binding pact of agreement and trust. Block suggests treating friends and opponents differently. Adversaries, he says, are simultaneously the most difficult and most interesting people to deal with. It is usually ineffective to pressure them; a better strategy is to "let go of them." He offers four steps for letting go: (1) tell them your vision, (2) state your best understanding of their position, (3) identify your contribution to the problem, and (4) tell them what you plan to do without making demands. It's a variation on Axelrod's strategy of conditional openness.

[illegible] conditions, it can backfire with a [illegible] of scarce resources and durable [illegible] may make conflict more obvious and [illegible] argues, "war games in organizations [illegible] light of day" (1987, p. 148), but wise man- [illegible] their circumstances.

Burns [illegible] (1978), draws on examples as diverse and [illegible] Adolph Hitler, Gandhi and Mao, Woodrow [illegible]. He sees conflict and power as central to leadership. [illegible] world of cultural and ethical diversity, Burns [illegible] theory of motivation and Kohlberg's (1973) treatment [illegible].

[illegible] borrowed the hierarchy of motives (see Chapter Six). Moral [illegible] higher-order human needs. Kohlberg supplied the [illegible] of moral reasoning. At the lowest, "preconventional" level, moral judgment rests primarily on perceived consequences: an action is right if you are rewarded and wrong if you are punished. In the intermediate or "conventional" level, the emphasis is on conforming to authority and following the rules. At the highest, "postconventional" level, ethical judgment rests on general principles: the greatest good for the greatest number, or universal moral principles.

Maslow and Kohlberg, intertwined, gave Burns a foundation for constructing a positive view of politics: "If leaders are to be effective in helping to mobilize and elevate their constituencies, leaders must be whole persons, persons with full functioning capacities for thinking and feeling. The problem for them as educators, as leaders, is not to promote narrow, egocentric self-actualization, but to extend awareness of human needs and the means of gratifying them, to improve the larger social situation for which educators or leaders have responsibility and over which they have power" (1978, pp. 448–449).

Burns's view provides two expansive criteria: Does your leadership rest on general moral principles? And does it appeal to the "better angels" in your constituents' psyches? Lax and Sebenius (1986) see ethical issues as inescapable quandaries but provide a concrete set of questions for assessing leaders' actions:

- *Are you following rules that are mutually understood and accepted?* In poker, for example, players understand that bluffing is part of the game but pulling cards from your sleeve is not.

- *Are you comfortable discussing and defending your choices?* Would you want your colleagues and friends to know what you're doing? Your spouse, children, or parents? Would you be comfortable if your deeds appeared on the web or in your local newspaper?
- *Would you want to be on the receiving end of your own actions?* Would you want this done to a member of your family?
- *Would the world be better or worse if everyone acted as you did?* If you were designing an organization, would you want people to follow your example? Would you teach your children the ethics you have embraced?
- *Are there alternatives you could consider that rest on firmer ethical ground?* Could you test your strategy with a trusted advisor and ask about other possibilities?

These questions embody four important principles of moral judgment.

Mutuality. Are all parties to a relationship operating under the same understanding about the rules of the game? Enron's Ken Lay was talking up the company's stock to analysts and employees even as he and others were selling their shares. In the period when WorldCom improved its profits by cooking the books, it made its competitors look bad. Top executives at competing firms such as AT&T and Sprint felt the heat from analysts and shareholders and wondered, "Why can't we get the results they're getting?" Only later did they learn the answer: "They're cheating, and we're not."

Generality. Does a specific action follow a principle of moral conduct applicable to comparable situations? When Enron and WorldCom violated accounting principles to inflate their results, they were secretly breaking the rules, not adhering to a broadly applicable rule of conduct.

Openness. Are we willing to make our thinking and decisions public and confrontable? As Justice Oliver Wendell Holmes observed many years ago, "Sunlight is the best disinfectant." That was why Aruna Roy was so passionate about making government more transparent. Keeping others in the dark has been a consistent theme in recent corporate ethics scandals. Enron's books were almost impenetrable, and the company attacked analysts who questioned the numbers. Enron's techniques for manipulating the California energy crisis had to be clandestine to work. One device involved creating the appearance of congestion in the California power grid and subsequently being paid for "moving energy to relieve congestion without actually moving any energy or relieving any congestion" (Oppel, 2002, p. A1).

Caring. Does this action show concern for the legitimate interests and feelings of others? Enron's effort to protect its share price by locking in employees so they couldn't sell the Enron shares in their retirement accounts, even as the value of the shares plunged, put the interests of senior executives ahead of everyone else's.

Business scandals come in waves; they are a predictable feature of the trough following every business boom. After the market boom of the Roaring Twenties and the crash that began the Great Depression, the president of the New York Stock Exchange went to jail in his three-piece suit (Labaton, 2002). There was another wave of corporate scandals in the 1970s. The 1980s gave us Ivan Boesky and the savings and loan crisis. And in the early years of the twenty-first century, we have seen scandals at Wal-Mart, Siemens, Enron, and WorldCom, among many others. There will always be temptation whenever gargantuan egos and large sums of money are at stake, as with China's many billionaire Communists. Top managers rarely think or talk about the moral dimension of management and leadership. Porter notes the dearth of such conversation:

> In a seminar with seventeen executives from nine corporations, we learned how the privatization of moral discourse in our society has created a deep sense of moral loneliness and moral illiteracy; how the absence of a common language prevents people from talking about and reading the moral issues they face. We learned how the isolation of individuals—the taboo against talking about spiritual matters in the public sphere—robs people of courage, of the strength of heart to do what deep down they believe to be right [1989, p. 2].

If we banish moral discourse and leave managers to face ethical issues alone, we invite dreary and brutish political dynamics. An organization can and should take a moral stance. It can make its values clear, hold employees accountable, and validate the need for dialogue about ethical choices. Positive politics without an ethical framework and moral dialogue is as unlikely as bountiful harvests without sunlight or water.

CONCLUSION

The question is not whether organizations are political, but what kind of politics they will encompass. Political dynamics can be sordid and destructive. But politics can also be a vehicle for achieving noble purposes. Organizational change and

effectiveness depend on managers' political skills. Constructive politicians know how to fashion an agenda, map the political terrain, create a network of support, and negotiate with both allies and adversaries. In the process, they will encounter a predictable and inescapable ethical dilemma: when to adopt an open, collaborative strategy or when to choose a tougher, more adversarial approach. In making such choices, they have to consider the potential for collaboration, the importance of long-term relationships, and, most important, their own and their organization's values and ethical principles.

chapter 11

Organizations as Political Arenas and Political Agents

Sam Walton started his merchant career in 1945 as proprietor of the second-best variety store in a small rural Arkansas town. From that humble beginning, he built the world's largest retail chain. With more than two million "associates," Wal-Mart is the world's largest employer and, for both better and worse, one of the most powerful companies on the globe. More than 90 percent of American households shop at Walmart stores every year, expecting the company to keep its promise of "always low prices" (Fishman, 2006).

Wal-Mart's impact is both subtle and pervasive, as is illustrated in a little-known story about deodorant packaging. Deodorant containers used to come packed in cardboard boxes until Wal-Mart decided in the early 1990s that the boxes were wasteful and costly—about a nickel apiece for something consumers would just toss. When Wal-Mart told suppliers to kill the cardboard, the boxes disappeared from everyone's shelves. Good for Wal-Mart had to be good enough for everyone else. The story is but one of countless examples of the "Wal-Mart effect"—an umbrella term for multiple ways Wal-Mart influences consumers, vendors, employees, communities, and the environment (Fishman, 2006).

[illegible] Wal-Mart has struggled in recent years with a [illegible] problems. The company has been accused [illegible] against women, busting unions, destroying [illegible] and bribing government officials in [illegible] it has mounted major public relations [illegible] image.

[illegible] Wal-Mart is both an arena for internal conflict and a polit[illegible] field crammed with competitors pursuing their [illegible] house an ongoing interplay of players and [illegible] are powerful tools for achieving the purposes of [illegible] Wal-Mart's enormous size and power have made its politi[illegible] almost everyone has feelings about Wal-Mart, one [illegible] historic penchant for secrecy and its secluded loca[illegible] have sometimes shielded its internal politics from [illegible] skullduggery still emerge, including a titillating [illegible] executive who was fired amid rumors of an office [illegible] conservative bosses. The same year also spawned [illegible] Wal-Mart techie who claimed he'd been secretly recording the [illegible] of directors. Wal-Mart has historically resisted any efforts [illegible] but in the fall of 2012, the company had its first experi[illegible] in multiple cities. The media published interviews with [illegible] who said they sympathized with the workers but still shopped [illegible] could not afford to pass up the low prices.

[illegible] organizations like Wal-Mart as both arenas and politi[illegible] organizations as political arenas is a way to reframe many [illegible] Organization design, for example, can be viewed not as [illegible] of an organization's goals but as a political embodiment of [illegible] In our discussion of organizations as arenas, we examine the [illegible] of organizational change, contrasting directives from the top [illegible] from below. As political agents, organizations operate in complex [illegible] interdependent networks of organizations engaged in related activ[illegible] and occupying particular niches. We illustrate several forms that ecosystems [illegible] business, public policy, business government, and society. Finally, we [illegible] look at the dark side of the power wielded by big organizations. We explore the [illegible] that corporate giants represent a growing risk to the world because they [illegible] for anyone to control.

ORGANIZATIONS AS ARENAS

From a political view, "happily ever after" exists only in fairy tales. In reality, today's winners may quickly become tomorrow's losers or vice versa. Change and stability are paradoxical: organizations constantly change and yet never change. As in any competitive sport, players come and go, but the game goes on. Jockeying for position is constant, and yesterday's elite may be tomorrow's also-ran. In the annals of organizational politics, few have illustrated these precepts as well as Ross Johnson, who once made the cover of *Time* magazine as an emblem of corporate greed and insensitivity. In *Barbarians at the Gate*, Bryan Burrough and John Helyar (1990) explain how.

Barbarians at the Gate

Ross Johnson began his career in the 1960s. His charm, humor, and charisma moved him ahead, and by the mid-1970s he was second in command to Henry Weigl at the consumer products firm Standard Brands. Johnson's lavish spending (on limousines and sumptuous entertainment, for example) soon put him on a collision course with his tightfisted boss, who tried to get him fired. But Johnson had wooed members of Standard's board of directors so successfully that he had garnered more friends on the board than Weigl. Johnson argued that Weigl's conservative style was strangling the company, and the board bought his pitch. Weigl was kicked upstairs, and Johnson took over. He fired many of Weigl's people and enjoyed a spectacular period of lavish spending on executive perks. After four years of mediocre business results, the company got an unexpected call from the chairman of the food giant Nabisco, who proposed a merger of the two companies. Within two weeks, the transaction was done: a $1.9 billion stock swap—a big deal in 1981.

Everyone knew Nabisco would be in charge after the deal, as it was by far the stronger player. But they underestimated Ross Johnson. He was so successful at ingratiating himself with Nabisco's chairman, while quietly shedding the old Nabisco executives, that he was able to take over the company after a few years. Once in charge, Johnson showed more interest in hobnobbing with celebrities than in running the business. And then, in 1985, he received another call: Tylee Wilson, chief executive of R.J. Reynolds, the huge tobacco company, wanted to talk merger. Wilson needed a corporate partner to help Reynolds reduce its heavy dependence on the tainted cigarette business. Johnson held out for more than Wilson wanted to pay, but the deal was soon done: Reynolds coughed up $4.9 billion for Nabisco.

Though more than one of his friends warned him about Johnson, Wilson figured it was his deal, and he would be in charge. But Wilson, who lacked Johnson's awesome skills at ingratiation, had alienated some members of his board. After cultivating alliances with board members, Johnson used the same gambit that had worked at Standard Brands. He told friends on the board that he would be leaving because there was room for only one CEO. A few weeks later, Wilson was startled when his board pushed him out.

Yet, for all its power and success, Wal-Mart has struggled in recent years with a budding assortment of critics and image problems. The company has been accused of abusing workers, discriminating against women, busting unions, destroying small businesses, damaging the environment, and bribing government officials in Mexico and elsewhere. Circled by enemies, it has mounted major public relations campaigns in defense of its image.

Like all organizations, Wal-Mart is both an arena for internal conflict and a political agent or player operating on a field crammed with competitors pursuing their own interests. As arenas, organizations house an ongoing interplay of players and agendas. As agents, organizations are powerful tools for achieving the purposes of whoever calls the shots. Wal-Mart's enormous size and power have made its political maneuvers widely visible; almost everyone has feelings about Wal-Mart, one way or another. The company's historic penchant for secrecy and its secluded location in Bentonville, Arkansas, have sometimes shielded its internal politics from the spotlight, but tales of political skullduggery still emerge, including a titillating story about a superstar marketing executive who was fired amid rumors of an office romance and conflict with her conservative bosses. The same year also spawned the strange tale of a Wal-Mart techie who claimed he'd been secretly recording the deliberations of the board of directors. Wal-Mart has historically resisted any efforts to unionize its workers, but in the fall of 2012, the company had its first experience with strikes by workers in multiple cities. The media published interviews with ambivalent shoppers who said they sympathized with the workers but still shopped at Walmart because they could not afford to pass up the low prices.

This chapter explores organizations like Wal-Mart as both arenas and political agents. Viewing organizations as political arenas is a way to reframe many organizational processes. Organization design, for example, can be viewed not as a rational expression of an organization's goals but as a political embodiment of contending claims. In our discussion of organizations as arenas, we examine the political dimensions of organizational change, contrasting directives from the top with pressures from below. As political agents, organizations operate in complex ecosystems—interdependent networks of organizations engaged in related activities and occupying particular niches. We illustrate several forms that ecosystems can take—business, public policy, business-government, and society. Finally, we look at the dark side of the power wielded by big organizations. We explore the concern that corporate giants represent a growing risk to the world because they are too powerful for anyone to control.

ORGANIZATIONS AS ARENAS

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[illegible] contests and set the stakes, the rules of the game, [illegible] In this light, every organizational process has a [illegible] and the [illegible] for players [illegible] Consider the task of shaping and structuring an organization. [illegible] political dimension [illegible] the rational premises of the structural frame assume that [illegible] built on the [illegible] that contributes most to efficient strategy and successful [illegible] the best design is the one [illegible] Pfeffer offers an explicitly political conception as an alternative [illegible] attainment of goals [illegible] coalitions, and the different participants have vary[illegible] Since organizations are coalitions [illegible] the critical question becomes not how organizations [illegible] interests and preferences [illegible] effectiveness, but rather, whose preferences and [illegible] should be designed to maximize effectiveness [illegible] . . . What is effective for students may [illegible] to be served by the organization [illegible] Effectiveness as defined by consumers [illegible] ineffective for administrators [illegible] as defined by stockholders. The assessment of organizations [illegible] one's preferences and one's perspective" (1978, p. 223). [illegible] they have a shared inter[illegible]

Even though groups have conflicting preferences, they have a shared interest in avoiding incessant conflict. So they agree on ways to distribute power and resources, producing settlements reflected in organizational design. Structures [illegible] the resolution, at a given time, of the contending claims for control, subject to the constraint that the structures permit the organization to survive" (Pfeffer, 1978, p. [illegible]).

An example is a controversial decision made by Ross Johnson when he headed RJR Nabisco. Johnson moved RJR's headquarters from Winston-Salem, where it had been for a century, to Atlanta. Reynolds was the commercial heart of Winston-Salem. It engendered fierce pride and loyalty among the citizenry, many of whom were substantial stockholders. Structural logic suggests placing your headquarters in a location that best serves the business, but Johnson and his key lieutenants saw the small city in the heart of tobacco country as boring and provincial. The move to Atlanta had scant business justification, was unpopular with the RJR board, and made Johnson the most hated man in Winston-Salem. But he headed the dominant coalition. He got what he wanted.

Sources of Political Initiative

Gamson's distinction (1968) between authorities and partisans (see Chapter Nine) implies two major sources of political initiative: bottom up, relying on mobilization of groups to assert their interests; and top down, relying on authorities'

capacity to influence subordinates. We discuss examples of both to illustrate some of the basic premises of political action.

Bottom-Up Political Action

The rise of trade unions, the emergence of the American civil rights movement, the antiwar movement of the 1970s, environmental activism in recent decades, and the "Arab Spring" that began in 2011, all exemplify the process of bottom-up change. In every case, the impetus for change was a significant disruption in old patterns. Trade unions developed in the context of the industrial revolution, rapid urbanization, and the decline of family farms. The civil rights movement arose after massive occupational and geographic shifts for black citizens. The antiwar movement emerged from the juxtaposition of an unpopular war with a draft lottery that affected every eighteen-year-old male in the United States. "Green" activism developed as the costs of growing prosperity—including pollution, destruction of habitats and species, and global warming—became increasingly visible and hard to discount. In each case, changing conditions intensified dissatisfaction for disenfranchised groups. Each reflected a classic script for revolutions: a period of rising expectations followed by widespread disappointment.

The initial impetus for change came from grassroots mobilizing and organizing—the formation of trade unions, civil rights groups, student movements, or environmental groups. Elites contested the legitimacy of grassroots action and launched coercive blocking tactics. Employers often resisted unions, using everything from lawsuits to violence. The civil rights movement, particularly in its early stages, experienced violent repression by whites. Efforts to suppress the antiwar movement reached their apogee at Kent State University, when members of the Ohio National Guard fired on student demonstrators. Greens have been engaged in a long battle against business and political leaders who dispute the significance of environmental threats and resist what they see as the excessive costs of proposed remedies. In every Arab Spring country, authorities tried to clamp down. Particularly in Libya and Syria, the result has been bloodshed and tens of thousands of deaths.

In every case, despite intense opposition, grassroots groups fought to have their rights embodied in law, policy, or political change. Each movement might have failed had it been weaker or its opposition stronger. Each suffered profound setbacks but mobilized enough power to survive and grow.

Compared with many grassroots change efforts, the ones just mentioned were relatively successful. Most such initiatives fail. In the buildup to the U.S. invasion of Iraq in 2003, for example, another antiwar movement arose. Hundreds of thousands marched and protested in the United States and other countries. But political conditions were different: the 9/11 terrorist attacks had intensified Americans' fears of dangers from abroad. Equally important, fewer American troops were involved, and no one was being drafted. Particularly on college campuses, the movement never gained the momentum of opposition to the Vietnam War.

Barriers to Control from the Top

The difficulties of grassroots political action lead many people to believe that you have to begin at the top to get anything done. Yet studies of top-down initiatives catalogue many failures.

Deal and Nutt (1980), for example, conducted a revealing analysis of local school districts that received generous, long-term federal funding to develop experimental programs for comprehensive changes in rural education. These projects followed a recurring scenario:

1. The central administration learned of the opportunity to obtain a sizable chunk of government funding.
2. A small group of administrators met to develop a proposal for improving some aspect of the educational program. (Tight deadlines meant that the process was usually rushed, with only a few people involved.)
3. When funding was approved, the administration announced with pride and enthusiasm that in a national competition, the district had won an award that would bring substantial funds to support an exciting new project to improve instruction.
4. Teachers were dismayed to learn that the administration had committed to new teaching approaches without faculty input. Administrators were startled and perplexed when teachers greeted the news with resistance, criticism, and anger.
5. Caught in the middle between teachers and the funding agency, administrators interpreted teacher resistance as a sign of defensiveness and unwillingness to change.

6. The new program became a political football. Teachers joined with parents, community members, and the school board in opposing the project's primary goals. The ensuing battles produced more disharmony, mistrust, and conflict than tangible improvement in education.

The programs studied by Deal and Nutt represented examples of top-down change efforts under comparatively favorable circumstances. The districts were not in crisis. The change efforts were well funded and blessed by the federal government. Yet across the board, the new initiatives set off heated political battles. In many cases, administrators found themselves outgunned. Only one superintendent survived over the program's five-year funding cycle.

In most instances, administrators never anticipated a major political battle. They were confident their proposed programs were progressive, effective, and good for everyone. They overlooked the risks in proposing change that someone else was expected to carry out. As a result, they were showered with antagonism instead of the expected huzzahs.

A similar pattern appears repeatedly in other attempts at change from above. Countless efforts mounted by chief executives, frustrated managers, hopeful study teams, and high-status management consultants end in failure. The usual mistake is assuming that the right idea (as perceived by the idea's champions) and legitimate authority ensure success. This assumption neglects the agendas and power of the "lowerarchy"—partisans and groups in midlevel and lower-level positions, who devise creative and maddening ways to resist, divert, undermine, ignore, or overthrow innovative plans.

ORGANIZATIONS AS POLITICAL AGENTS

Organizations are lively arenas for internal politics. They are also active political agents in larger arenas, or "ecosystems" (Moore, 1993). Because organizations depend on their environment for resources they need to survive, they are inevitably enmeshed with external constituents whose expectations or demands must be heeded. These constituents often speak with loud but conflicting voices, adding to the challenge of managerial work (Hoskisson, Hitt, Johnson, and Grossman, 2002). As political actors, organizations need to master many of the basic skills of individual managers as politicians: develop an agenda, map the environment, manage relationships with both allies and enemies, and negotiate compacts, accords, and alliances.

Many of an organization's key constituents are other enterprises. Just as frogs, flies, and water lilies coexist in a swamp, organizations develop in tandem in a common environment. Moore (1993) illustrates this with two ecosystems in the personal computer business, one pioneered by Apple Computer and the other by IBM. Apple's ecosystem dominated the PC industry before IBM's entry. But IBM's ecosystem rapidly surpassed Apple's. IBM had a very powerful brand, and the open architecture of its PC induced new players to flock to it. Some of these players competed head on (for example, Compaq and Dell in hardware, Microsoft and Lotus in software). Others were related much like bees and flowers, each performing an indispensable service to the other. One symbiotic pairing was particularly fateful. As Microsoft gained control of the operating system and Intel of the microprocessor in the IBM ecosystem, the two increasingly became mutually indispensable. More sophisticated software needed faster microprocessors and vice versa, so the two had every reason to cheer each other on. "Intel giveth, and Microsoft taketh away," as some cynics put it. Two companies that began as servants to IBM eventually took over what became the "Wintel" ecosystem. Industry terminology changed to reflect the shift in power—what were once called "IBM clones" and proudly advertised as "100 percent IBM compatible!" became simply "Windows PCs."

POLITICAL DYNAMICS OF ECOSYSTEMS

The same factors that spawn politics inside organizations also create political dynamics within and between ecosystems. Organizations have parochial interests and compete for scarce resources. Ross Johnson again provides an example. After he became CEO of RJR Nabisco, Johnson made a fateful decision to engage in a management craze of the time—a leveraged buyout (LBO). The basic idea of an LBO is to find an undervalued company, buy up shares with someone else's money, fix it up or break it up, and sell it at a profit. It's a high-risk venture.

Johnson's plan was to use a leveraged buyout to take RJR Nabisco private. But once he had announced the LBO, the company was in play; it was open season for anyone to enter the bidding. *Anyone* in this case meant Henry Kravis and his secretive firm, KKR, with some $45 billion in buying power. Johnson gave Kravis a cold shoulder, expecting Kravis to stay out because the deal was so big.

He underestimated a dangerous adversary. What followed was one of business history's biggest six-week poker games. Huge coalitions formed around both players. Millions of dollars in fees gushed into the laps of bankers, lawyers, and brokers. When the dust cleared, Henry Kravis and KKR had won by a nose. RJR Nabisco was theirs for a cool $25 billion.

The bidding war created a fluid, temporary ecosystem illustrating many of the complexities of such arrangements. Dozens of individuals, groups, and organizations were involved, but the big prize in the contest, RJR Nabisco, was largely a bystander; its board was on the sidelines for most of the game. Johnson and his allies pursued their private interests more than the corporation's. Financial stakes were enormous, yet the game was often driven by issues of power, reputation, and personal animosity. Everyone wanted the prize, but you could win by losing and lose by winning. In the competitive frenzy, both sides bid too much, and the winner was stuck with an overpriced albatross.

The RJR Nabisco LBO ecosystem lasted only until the brutal bidding war was over. But many ecosystems, like Wintel's and Wal-Mart's, are durable, lasting for decades. In such cases, an organization's role in an ecosystem affects how it can balance pursuit of its own interests with the overall well-being of the ecosystem. This may not be a major issue for small players with only marginal influence, but this issue is vital for "keystone" firms like Wal-Mart that sit at the hub of an ecosystem:

> Wal-Mart is successful because it figured out how to create, manage and evolve an incredibly powerful business ecosystem. Over the years Wal-Mart took advantage of its ability to gather consumer information to coordinate the distributed assets of its vast network of suppliers. Wal-Mart made a point of tracking demand information in real time. The key was that it decided to share this information with its supplier network. It introduced Retail Link, the system that still delivers the most accurate, real-time sales information in the industry to Wal-Mart partners. Wal-Mart was unique in the retail space in offering this kind of service, turning Retail Link into a critical supply chain hub [Iansiti and Levien, 2004, pp. 1–2].

Fishman agrees about Wal-Mart's dominant role in its ecosystem, but sees less rosy results:

The ecosystem isn't a metaphor; it is a real place in the global economy where the very metabolism of business is set by Wal-Mart. The fear of Wal-Mart isn't just the fear of losing a big account. It's the fear that the more business you do with Wal-Mart, the deeper you end up inside the Wal-Mart ecosystem, and the less you are actually running your own business. Wal-Mart's leadership virtually never acknowledges this control, but the company clearly understands it, and even takes a sly pride in it [2006, p. 16].

But Wal-Mart's ecosystem is not a gated community. Much as it might like to, Wal-Mart has limited ability to exclude other players—including the firm's many competitors and critics—who choose to spend time in its neighborhood, even if uninvited. Wal-Mart initiatives to build new stores are routinely countered by opponents who decry the economic and environmental costs that they claim the new outlet would create.

Organizational ecosystems come in many forms and sizes. Some, like Wal-Mart's, are huge and global. Others are small and local (like the ecosystem of laundries in Oslo or policing in Omaha). Next, we examine how ecosystem dynamics vary across sectors.

Public Policy Ecosystems

In the public sector, policy arenas form around virtually every government activity. One example is the air carriers, airplane manufacturers, travelers, legislators, and regulators who are all active participants in the commercial aviation ecosystem. In the United States, the Federal Aviation Administration has been a troubled key player for decades. Charged with divergent goals of defending safety, promoting the economic health of the industry, and keeping its own costs down, the FAA has perennially come under heavy fire from virtually every direction. Feeble oversight sometimes permitted marginal carriers to shortcut safety but continue flying. An air traffic modernization plan rang up billions of dollars in bills, but twenty years later had yielded few results:

When Marion C. Blakey took over at the Federal Aviation Administration in 2002, she was determined to fix an air travel system battered by terrorism, antiquated technology, and the ever-turbulent finances of the airline industry. Five years later, as she prepares to step down on Sept. 13, 2007, it's clear she failed. Almost everything about flying is worse than when she arrived. Greater are the risks, the passenger headaches, and the costs in lost productivity. Almost everyone has a horror story about missed connections, lost baggage, and wasted hours on the tarmac [Palmeri and Epstein, 2007, p. 1].

Some of the FAA's troubles were internal. An earlier report from what was then called the General Accounting Office had faulted the agency's lack of a "performance-oriented culture essential to establishing a culture of accountability and coordination" (Dillingham, 2001). But almost every move it made to solve one constituency's problem created trouble for others. Much of the fault lay in its ecosystem: "Nobody is in charge. The various players in the system, including big airlines, small aircraft owners, labor unions, politicians, airplane manufacturers, and executives with their corporate jets, are locked in permanent warfare as they fight to protect their own interests. And the FAA, a weak agency that needs Congressional approval for how it raises and spends money, seems incapable of breaking the gridlock" (Palmeri and Epstein, 2007).

Education is another illustration of a complex policy ecosystem. Everyone thinks good schools are important. Families want their children to acquire the ingredients for success. Businesses need well-trained, literate graduates. Economists and policy analysts stress the importance of human capital. Teachers want better pay and working conditions. Taxpayers want to cut frills and keep costs down. Almost no one believes that American schools are as good as they should be, but there is little agreement about how to make them better. One popular remedy, enshrined in federal law in the "No Child Left Behind" Act, emphasizes tests and incentives: measure how well schools are doing, reward the winners, and penalize the losers. But many teachers and parents argue that overemphasis on metrics and sanctions is crippling teachers and driving out essential learning opportunities.

Another popular cure for educational ills is giving parents more choice about which schools their children attend. One version of school choice is vouchers, grants that families can use to send their children to private schools. Another is charter schools—publicly funded, quasi-independent educational enterprises. Proponents of choice argue that parents would seek the best school for their children and that the ensuing competition would have an invigorating effect on public schools. But school administrators maintain that vouchers and charter schools drain away resources and exacerbate the challenges of the neediest students.

Coalitions have formed on both sides of the choice issue and have lobbied vigorously at the state and national levels. Available research suggests that, on the whole, choice programs enhance student achievement and parent satisfaction (Robinson, 2005), but opponents question the evidence, and the battle goes on. No Child Left Behind has been even more controversial; research evidence is equivocal, and strenuous opposition in many states has led the federal Department of Education into state-by-state negotiations to modify the requirements, making valid assessments of success even more difficult (Sunderman, 2006). The debates continue.

Business-Government Ecosystems

Government and business inevitably intersect in a multitude of ecosystems. Perrow (1986) discusses one example: pharmaceutical companies, physicians, and government. A major threat to drug companies' profit margins is generic drugs, which sell at a much lower price than brand-name equivalents. In the United States, the industry trade association, an interorganization coalition, successfully lobbied many state legislatures to prohibit the sale of generic drugs, ostensibly to protect consumers. The industry also persuaded the American Medical Association (AMA) to permit drugs to be advertised by brand name in its journals. Consumers normally buy whatever the doctor prescribes, and drug companies wanted doctors to think brands rather than chemical names. As a result of the policy shift, the AMA's advertising income tripled in seven years, and the manufacturers strengthened the position of their respective brands (Perrow, 1986).

The ecosystem shifted with the rapid rise of a newly powerful group of players: insurers and managed care providers. The growing market dominance of a few large insurers dramatically reduced the bargaining power of physicians and drug companies. Insurers used their growing political leverage to push physicians to prescribe less expensive generic drugs. In an effort to save consumers' money, state legislatures began to require pharmacists to offer the generic equivalent when a brand name is prescribed. Pharmaceutical companies fought back with televised ads encouraging patients to ask their doctors for brand name drugs.

Drug companies are not alone in their attention to politics. Firms search feverishly for sources of competitive advantage. One such source is "government policy, which determines the rules of commerce; the structure of markets (through barriers to entry and changes in cost structures due to regulations, subsidies, and taxation); the offerings of goods and services that are permissible; and the sizes

of markets based on government subsidies and purchases. Consequently, gaining and maintaining access to those who make public policy may well be a firm's most important political goal" (Schuler, Rehbein, and Cramer, 2002, p. 659).

Politically active firms use a range of strategies for influencing government agencies (Schuler, Rehbein, and Cramer, 2002). FedEx illustrates the possibilities. In Chapter Seven, we noted the company's sophisticated approach to managing people. FedEx has been equally agile in managing its political environment. The *New York Times* described it as "one of the most formidable and successful corporate lobbies in the capital" (Lewis, 1996, p. A17). FedEx CEO Fred Smith "spends considerable time in Washington, where he is regarded as Federal Express's chief advocate. It was Mr. Smith who hit a lobbying home run in 1977 when he persuaded Congress to allow the fledgling company to use full-sized jetliners to carry its cargo, rather than the small planes to which it had been restricted. That was the watershed event that allowed the company to grow to its present dominating position with almost $10.3 billion in business" (p. A30).

FedEx's political action committee ranked among the nation's top ten, making generous donations to hundreds of congressional candidates. Its board was adorned with former legislative leaders from both major political parties. Its corporate jets regularly ferried officeholders to events around the country. All this generosity paid off. In October 1996, when FedEx wanted two words inserted into a 1923 law regulating railway express companies, the Senate stayed in session a few extra days to get it done, even with elections only a month away. A first-term senator commented, "I was stunned by the breadth and depth of their clout up here" (Lewis, 1996, p. A17).

A similar coevolution of business and politics occurs around the world:

> No one would dispute that business and politics are closely intertwined in Japan. As one leading financial journalist puts it, "If you don't use politicians, you can't expand business these days in Japan—that's basic." Businessmen provide politicians with funds, politicians provide businessmen with information. If you wish to develop a department store, a hotel or a ski resort, you need licenses and permissions and the cooperation of leading local political figures. And it is always useful to hear that a certain area is slated for development, preferably several years before development starts, when land prices are still low [Downer, 1994, p. 299].

The same intertwining of business and politics is even more dominant in China. It is almost impossible to start or build a business without the support of party and government officials. Relationships are critical, because *guanxi* often [illegible] more than laws and regulations. Negotiating the ethical terrain is treacherous in a country where bribes are technically illegal but the exchange of cash, [illegible] is deeply rooted in a culture that sees gift-giving as basic to building relationships.

Society as Ecosystem

On a still grander scale, we find society: the massive, swirling ecosystem in which business, government, and the public are embedded. A critical question in this arena is the power relationship between organizations and everyone else. All organizations have power. Large organizations have a lot: "Of the 100 largest economies in the world, 51 are corporations, and only 49 are countries. Wal-Mart is bigger than Israel, Poland or Greece. Mitsubishi is bigger than Indonesia. General Motors is bigger than Denmark. If governments can't set the rules, who will? The corporations? But they're the players. Who's the referee?" (Longworth, 1996, p. 4).

This question is becoming more urgent as big companies get bigger. In 1954, it took more than sixty companies to equal 20 percent of the American economy; in 2005, it took only twenty. "We don't often talk about the concentration of corporate power, but it is almost unfathomable that the men and women who run just 20 companies make decisions every day that steer one-fifth of the U.S. economy" (Fishman, 2006, p. 22). A number of writers (including Bakan, 2004, Korten, 1995; Perrow, 1986; and Stern and Barley, 1996) emphasize that whoever controls a multibillion dollar tool wields enormous power. Bakan (2004, p. 2) sees the corporation as "a pathological institution, a dangerous possessor of the great power it wields over individuals and societies." Korten's view is similarly dark:

> An active propaganda machinery controlled by the world's largest corporations constantly reassures us that consumerism is the path to happiness, government restraint of market excess is the cause of our distress, and economic globalization is both a historical inevitability and a boon to the human species. In fact, these are all myths propagated to justify profligate greed and mask the extent to which the global transformation of human institutions is a consequence of the sophisticated, well funded, and intentional interventions of a small elite whose money enables them to live in a world of illusion apart from the rest of humanity. These forces have transformed once beneficial corporations and financial institutions into instruments of a market tyranny that is extending its reach across the planet like a cancer, colonizing ever more of the planet's living spaces, destroying livelihoods, displacing people, rendering democratic institutions impotent, and feeding on life in an insatiable quest for money [Korten, 1995, p. 12].

Greatest Hits from Organization Studies

Hit Number 2: Jeffrey Pfeffer and Gerald Salancik, *The External Control of Organizations* (New York: HarperCollins, 1978).

Pfeffer and Salancik's book fell out of print for several years and is little known outside academic circles, but scholars love it; it occupies the second rung in our ranking of most-cited works. As its title suggests, the book's principal theme is that organizations are much more creatures than creators of their environment. In the authors' words: "The perspective [in this book] denies the validity of the conceptualization of organizations as self-directed, autonomous actors pursuing their own ends and instead argues that organizations are other-directed, involved in a constant struggle for autonomy and discretion, confronted with constraint and external control" (p. 257). The authors follow Cyert and March (1963) in viewing organizations as coalitions that are both "markets in which influence and control are transacted" (p. 259) and players that need to negotiate their relationships with a range of external constituents.

Pfeffer and Salancik emphasize that organizations depend on their environment for inputs that they need to survive. Much of the job of management is to understand and respond to demands of key external constituents whose support is vital to organizational survival. This job is made more difficult by two challenges:

- Organizations' understanding of their environment is often distorted or imperfect (because organizations act on only the information they're geared to collect and know how to interpret).
- Organizations confront multiple constituents whose demands are often inconsistent.

Organizations comply where they have to, but they also look for ways to increase their autonomy by making their environment more predictable and favorable. They may merge to gain greater market supremacy, form coalitions (alliances,

(Continued)

[illegible] government help by seeking [illegible] for example. But there is a dilemma: every [illegible] greater influence over a part of the environment, [illegible] autonomy. There's no free lunch.

[illegible] roles for managers, two political and one [illegible] managers adjust the organization's activities [illegible] (2) a discretionary role in which they [illegible] with its environment, and (3) a symbolic [illegible] myth that managers make a difference. If a [illegible] change the players, you fire the coach, creating the [illegible] actually changing anything (an important idea that we [illegible]).

Do sophisticated consumer marketing firms create and control consumer tastes, or do they simply react to needs created by larger social forces? Critics like Korten are convinced that the advantage lies with the corporations, but Pfeffer and Salancik (1978) see it the other way around, as do many proponents of "the marketing concept":

> *The marketing concept of management* is based on the premise that over the longer term all businesses are born and survive or die because people (the market) either want them or don't want them. In short, the market creates, shapes, and defines the demand for all classes of products and services. Almost needless to say, many managers tend to think that they can design goods and services and then create demand. The marketing concept denies this proposition. Instead, the marketing concept emphasizes that the creative aspect of marketing is discovering, defining, and fulfilling what people want or need or what solves their life-style problems [Marshall, 1984, p. 1].

Proponents of this view note that even the most successful marketers have had their share of Edsels—products released with great fanfare and a huge marketing budget that fluttered briefly and then sank like stones.

Are large multinational corporations so powerful that they have become a law unto themselves, or are they strongly shaped by the need to respond to the customers, culture, and governments in the countries where they operate? An ecological view suggests that the answer is some of both. Ecosystems and competitors within

them rise and fall. Power relations are never static, and even the most powerful have no guarantee of immortality. Of the top twenty-five U.S. companies at the beginning of the twentieth century, all but one had dropped off the list or vanished altogether when the century came to a close. The lone survivor? General Electric. Fishman frames both sides of this issue in the case of Wal-Mart:

> The easiest response to the Wal-Mart critics comes from people who shrug and say, the United States economy is capitalistic and market-based. Wal-Mart is large and ubiquitous—and powerful—because it does what it does so well. Wal-Mart is winning for no other reason than personal choice: Customers vote for Wal-Mart with their wallets; suppliers vote for Wal-Mart with their products. Any consumer, any businessperson who doesn't care for the way Wal-Mart does business is free to buy and sell products somewhere else.
>
> The problem is that this free choice has become an illusion. In many categories of products it sells, Wal-Mart is now 30 percent or more of the entire market. It sells 31 percent of the pet food used in the United States, 37 percent of the fresh meat, 45 percent of the office and school supplies bought by consumers, and 24 percent of the bottled water. That kind of dominance at both ends of the spectrum—dominance across a huge range of merchandise and dominance of geographic consumer markets—means that market capitalism is being strangled with the kind of slow inexorability of a boa constrictor. It's not free-market capitalism; Wal-Mart is running the market. The newly merged Procter & Gamble and Gillette has sales in excess of $64 billion a year—not only bigger by far than any other consumer products company, but bigger than all but 20 public companies of any kind in the United States. But remember: Wal-Mart isn't just P&G's number-one customer; it's P&G's business. Wal-Mart is bigger than P&G's next nine customers combined. That's why businesspeople are scared of Wal-Mart. They should be. And if a corporation with the scale, vigor, and independence of P&G must bend to Wal-Mart's will, it's easy to imagine the kind of influence Wal-Mart wields over the operators of small factories in developing nations, factories that just want work and have almost no leverage with Wal-Mart or Wal-Mart's vendors [2006, p. 20].

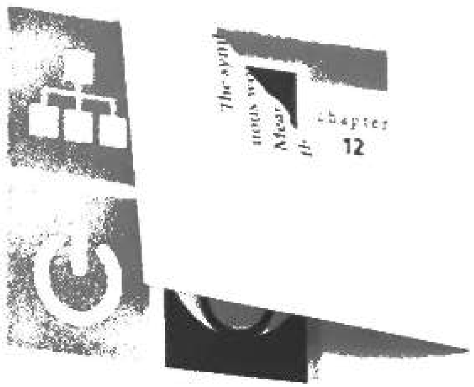
Wal-Mart's clout remains formidable, but it is hard to predict where it will go in the years to come. After several years of embattled, slow growth, Wal-Mart increased profits from $21.9 billion in 2008 to $26.6 billion in 2012. Will it continue to grow and prosper? Or will it follow companies like Sears and General Motors into a long downhill slide from the pinnacle it now commands? Whatever happens to Wal-Mart, the battle over corporate power will continue on a global scale. Large multinational companies have enormous power but must also cope with the demands of other powerful players: governments, labor unions, investors, and consumers. In a cacophonous global village, this is the biggest political contest of all.

CONCLUSION

Organizations are both arenas for internal politics and political agents with their own agendas, resources, and strategies. As arenas, they house competition and offer a setting for the ongoing interplay of divergent interests and agendas. An arena's rules and parameters shape the game to be played, the players on the field, and the interests to be pursued. From this perspective, every significant organizational process is inherently political.

As agents, organizations are tools, often very powerful tools, for achieving the purposes of whoever controls them. But they are also inevitably dependent on their environment for needed support and resources. They exist, compete, and coevolve in business or political ecosystems with clusters of organizations, each pursuing its own interests and seeking a viable niche. As in nature, relationships within and between ecosystems are sometimes fiercely competitive, sometimes collaborative and interdependent.

A particularly urgent and controversial question is the relative power of organizations and society. Giant multinational corporations have achieved scale and resources unprecedented in human history. Critics worry that they are dominating and distorting politics, society, and the environment. Others argue that organizations retain their clout only by adapting to larger social forces and responding to the needs and demands of customers and constituents.



PART FIVE

The Symbolic Frame

What images or associations come to mind when you think about each of these?

- American flag
- Nazi
- General Motors
- Princess Diana
- 9/11
- Declaration of Independence
- Al Qaeda
- McDonald's
- Pearl Harbor
- Barack Obama

It is likely that you had emotional, even visceral, reactions to many of these familiar terms. Each refers to a specific person, group, place, or event, and each has also acquired symbolic resonance. Symbols carry powerful intellectual and emotional messages; they speak to both the mind and the heart.