The Spirit of the New Workplace: Breathing Life into Organizations

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Abstract
This paper argues that the environmental conditions of global society are generating a significant change in the nature of the organizational species. In particular, we posit that the mechanistic bureaucratic model of organization is being replaced by a new form of organization that reflects the characteristics of a living being. We first discuss essential properties of all living systems as determined by the “new science” emerging from contemporary research across the natural sciences. This research demonstrates that living systems comprise interconnected components whose interactions generate a self-organizing entity that coevolves with the broader system of which it is a component part. We then identify various “signs of life” evident in the organizational world, as manifested in the numerous changes already taking place that are congruent with a shift towards a living systems perspective. The bulk of the paper then extends these observations by specifying in more concrete terms the key qualities of a healthy organization being. These qualities are discussed in terms of four general themes, namely, purpose, governance, membership, and rewards. We conclude the paper by pointing out that, ultimately, the animation of an organization entails making systemic changes so as to no longer deny the heart and soul of its members, but instead to release their spirits and let them soar.

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By the latter half of the twentieth century, modern political economies had become greatly influenced, if not dominated, by large hierarchical, bureaucratic organizations. Weber’s (1946) blueprint for rational, efficient organizations, coupled with the ideas and practices of scientific management, served as the basis for the design and management of most of these organizations. As new, small organizations grew into larger, more established ones, this typically entailed a process of “bureaucratization” (Blau, 1970; Greiner, 1972). These classical administrative principles (e.g., Taylor, 1911; Fayol, 1949 tr.) were widely accepted as useful guidelines for the development of effective organizations. Ultimately, the bureaucratic form became institutionalized as the dominant normative model of organization, pervasive throughout modern society (cf. DiMaggio & Powell, 1983; Zucker, 1983).

As the dysfunctional consequences of bureaucratic hierarchies became more readily apparent, the field of Organization Development (OD) emerged to provide a set of values, theories, and techniques in support of efforts to bring about change in these organizations. Generally speaking, the goal of those involved in OD has been to “de-bureaucratize” organizations and make them more compatible with the needs and interests of their human members. Historically, the primary focus of OD activity has been to redesign jobs so that they are more interesting and motivating, increase the level of participation and empowerment among organizational members, and improve the organization’s social processes (e.g., management style, group dynamics, and conflict resolution). In short, the intention was to use applied behavioral science knowledge to implement planned changes that would serve to “humanize” organizations.

Scholarship in the field of OD has contributed greatly to our understanding of the dynamics of planned organizational change. One prominent finding, of course, is that broad, lasting change in a large, complex organization is difficult to bring about. This is particularly true when the desired
changes run counter to the core assumptions and values underlying the organization’s culture (cf. Martin & Siehl, 1983; McCaffrey et al., 1995). Since OD change agents have typically tried to change organizations in ways that run counter to the bureaucratic principles on which they are based, their efforts have frequently been met with considerable resistance and limited success.

However, environmental forces in the latter part of the twentieth century have also been putting pressure on organizations to de-bureaucratize, primarily so that they can become more flexible, adaptive, and innovative in the fast-paced, hyper-competitive world of the new global economy (D’Aveni, 1994; Mohrman & Cummings, 1989; Peters, 1987). The premise that organizations change in response to environmental conditions is well-established in organization theory. Resource dependence theorists (Pfeffer & Salancik, 1978; Aldrich, 1979) point out that managerial actions are shaped by organizational dependencies on environmental actors for strategic resources. Institutional theorists (Meyer & Rowan, 1977; Scott, 2001) explain how organizations strive to maintain their legitimacy by adopting structures and practices compatible with the demands and expectations of the institutional environment. And evolutionary theorists (Baum & Singh, 1994; Hannan & Freeman, 1989) focus on how populations of organizations undergo changes in form as a result of shifts in their environments, adapting in ways that provide a better fit with new environmental conditions.

It is our contention that the environmental conditions confronting global society at the beginning of the twenty-first century are generating a significant adaptation in the basic form of the organization “species.” From this perspective, we view the change processes that have been occurring over the last fifty years—both planned and unplanned—as conducive to, and laying the groundwork for, the emergence of a new organizational form. We posit, in other words, that the organization species is in the midst of an evolutionary transformation through which the
dominant bureaucratic model is being replaced by a qualitatively different organizational form. Just as modern man appears to have evolved from but then superseded his animal ancestors, we see a new organizational form evolving that, because it fits better with the environment, will demonstrate capacities that transcend those of the bureaucratic hierarchy.

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We argue that a new living systems form of organization is supplanting the machine model reflected in the Weberian bureaucracy and its myriad manifestations in the modern industrial era. While organizational researchers long ago identified the distinction between mechanistic and organic forms of organization (Burns & Stalker, 1961; Lawrence & Lorsch, 1967), organic organizations to date have by and large maintained the basic structure of a bureaucratic hierarchy. More recently, however, Morgan (1997) made a distinction between viewing organizations as machines and as living systems, Tracy (1989) outlined the characteristics of a living organization, de Geus (1997) discussed the idea of a living company, Miles, Snow, Mathews, Miles, & Coleman, (1997) developed the notion of a cellular organization, and Hansen (1995) addressed the wisdom of ecological thinking in business. Recognition of the power and value of a living systems perspective appears to be growing, including in the popular business press (e.g., Petzinger, 1999, Muoio, 2000, Webber, 2001). We believe that it is a very timely and useful perspective with which to understand the nature and character of organizational systems. Furthermore, we believe that the notion of an organization as a living being can serve to guide proactive efforts to change, develop, and improve organizations as they continue to evolve towards a more complex future (cf. Cook, 2000).

Petzinger (1999) points out that the emergence of an ecological orientation in the business world is part of a broader paradigm shift away from the mechanistic thinking that dominated the modern era. This paradigm shift is associated with the development of a body of research findings referred to as the “new science” (Marion, 1999; Wheatley, 1992). This shift began with the discoveries of quantum physics that undermined the mechanistic assumptions of classical physics. Subsequent research in such fields as chemistry, biology, systems dynamics, ecology, environmental science, and chaos theory led to the establishment of the integrative, interdisciplinary field of “complexity science,” which investigates the essential qualities of complex adaptive systems. Similar properties of complex
systems are found at many different levels of scale, and are inherent to all organic systems (Capra, 1996). New science descriptions of core characteristics shared by all living systems provide intriguing insights regarding how organizations—conceived as living beings—might function more effectively in the new global, information economy.

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Interconnected. First, living systems are interconnected, which means that the defining qualities of a given system are the relationships among the various parts of the system. The reductionistic tendency of traditional science, grounded in a mechanistic model of the universe, has been to study a system’s parts in order to understand more fully the essence of the system as a whole. This mechanistic and reductionistic orientation first began to be undermined by the revelations of quantum physics (Capra, 1975). Since then, the emergence of the new science has reflected growing recognition that a system can be fully understood only as a whole, since the essence of the whole does not reside in its parts but in the nature of their interconnectedness. As a result, any part of a system can only be fully understood in terms of its relationships with the other parts of the whole system (Freeman, 1978).

From this perspective, it is also necessary to recognize that any given entity—a molecule, a cell, an organ, a person, a team, a department, an organization—is simultaneously both a part and a whole. It is a system unto itself, comprising parts that are both distinct and interconnected; yet it is also an interdependent part of an even larger system. This system-within-a-system feature constitutes the holarchical nature of the known universe (Harman, 1998; Wilber, 1996). Higher-level systems are more complex than lower level systems (i.e., the “parts” of the higher system), in that those higher systems “transcend and include” lower systems. In other words, all the properties of the lower system are included in the higher system, yet the higher system also demonstrates transcendent properties that arise from the relationships among its parts. These systemic properties are not found in the parts themselves, but are derived directly and solely from the complex interactions among the parts.

Self-organizing. Second, living systems are self-organizing (cf. Jantsch, 1980), in the sense that the guidelines for healthy functioning are intrinsic to each system. An example of this encoding is found in the genetic material that determines the specific
features and qualities of a living being. This genetic programming naturally gives rise to a pattern of differentiation and integration within and among the various parts of a system that enable it to carry out its life-sustaining functions, adapt to changes in environmental conditions, and even heal itself when the system becomes sick or is harmed. As complex living systems grow to maturity, their constituent parts display a tendency to diversify, differentiating from each other in order to carry out particular functions that contribute to the overall well-being and complexity of the larger system. Consider, for example, the amount of differentiation and functional specialization necessary for a human zygote to become a living, breathing baby. Conversely, a significant reduction in the diversity of species making up an ecosystem can threaten the survival of the entire system (Callenbach, 1998).

Furthermore, the distinct and diverse parts of a living system engage in patterns of interaction that serve to maintain the homeostasis of the system, a dynamic equilibrium in which there is constant change and adaptation in the context of holding a steady state within a certain band of parameters (Boulding, 1953). In this way, living systems are self-regulating, as reflected in the human body’s ability to maintain a relatively constant temperature, an ecosystem’s ability to survive for hundreds or thousands of years, and the Earth’s ability to maintain the particular atmospheric conditions needed to support life on the planet (Lovelock, 1988). Since living systems contain the “information” required to make adaptive changes and maintain their own health and well being, they can also be thought of as self-managing. This characterization suggests that the intelligence needed to develop and maintain itself is contained within the system, further implying that there is a cognitive capacity inherent in living systems (Capra, 1996).

Coevolutionary. Third, living systems are coevolutionary, which refers to the fact that systems evolve along with their environments in a mutually reinforcing pattern of influence. The various parts of a living system engage in continuous input-transformation-output cycles, with the output of each part of a system serving as the productive input of one or more other parts. In living systems, then, output that could be viewed as “waste” from the perspective of one part actually constitutes useful input to a different part, thereby contributing to the maintenance of the larger system. Since every system is itself part of a more complex, higher-level whole, the “environment” of any given system is thus recognized as nothing other than the larger system in which it is embedded. Just as each part must adapt and respond to changes in its environment (i.e., the outputs of the many other parts of the system, which serve as its inputs), the systemic environment also adapts and responds to the changes in its parts. Since the cumulative, interactive pattern of adaptations shapes the evolutionary paths of these systems, it is clear that parts and wholes essentially co-evolve in a continuous, reciprocal chain of influence.

Viewed in these terms, it is clear that healthy systems are those in which the parts interact in ways that contribute to, rather than detract from, the well being of the system as a whole. As a counter-example, cancer cells are parts of a human being that act in ways that impede the effective functioning of other parts of the system, thus dramatically reducing the overall health of the whole.
person. Similarly, unhealthy competition, selfish agendas, and political maneuvering can all serve to undermine the functioning of a social system. In ecosystems, on the other hand, the inevitable competition within and among species along the food chain can be better understood as reflecting a natural and necessary part of the self-regulating cycle of the ecosystem as a living being. From the perspective of the ecosystem, the presumed competitors are merely carrying out their functional role in a sophisticated input-transformation-output cycle of interaction that maintains the dynamic equilibrium of a healthy system.

**Signs of Life in Organizations**

Obviously, most organizations today do not fully demonstrate the key qualities of a living being outlined above. This is not surprising because the design and management of most organizations are rooted in the bureaucratic model. Weber (1946) identified the bureaucracy as the prototype organization for modern industrial society—a machine model of organization derived from the mechanistic worldview that was the legacy of Cartesian-Newtonian philosophy and science. In mechanistic bureaucratic organizations, the whole is divided up into parts (*offices*, in Weber’s parlance; *jobs*, in terms better understood today). Furthermore, the relationships among these parts (*laws* in Weber’s terms, now *policies and procedures*) are specified in an effort to produce stability, predictability and, ultimately, rationality in organizational activities. Order is the objective, control becomes the primary means to this end, and structures and processes are designed through a hierarchical governance system in order to ensure such control. The administrative structure of an organization—management—exists largely for the purpose of ensuring the on-going coordination and control of the organization’s component parts.

Weber proposed the bureaucratic form as an ideal response to conditions prevalent in his time, as best suited for ensuring efficiency, quality, and fairness in interactions with customers and employees. But as the dominant paradigm begins to shift from a relatively simple mechanistic orientation to a more complex worldview rooted in the new science, so too must our conceptions and understandings of organizations change. Under contemporary conditions of a global information economy, adoption of a living systems approach to organization seems increasingly appropriate.

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There are already signs that organizations are in the midst of such a transformation. During the last twenty years, many companies have reduced significantly their managerial ranks when they realized that bloated administrative structures not only are inefficient, but also impede the innovation and adaptability needed to survive in the new global economy (Peters, 1987). This trend has corresponded with a heightened emphasis on decentralization, since elimination of layers of the hierarchy meant that lower levels had to take on the responsibilities of disappearing managerial
positions (Drucker, 1988). Non-managerial employees have been called on to play a more significant role in managing the nature and conditions of their work (Miles et al., 1997), through a wide array of mechanisms such as quality circles, total quality management programs, self-managing teams, virtual offices, flextime, telecommuting, contracting-out, and flexible benefits. In short, movement away from the mechanistic emphasis on centralized control to the self-regulating, self-managing quality of living systems is already visible.

In addition, the mechanistic bureaucracy’s emphasis on the division of labor into relatively independent individual-sized jobs is being replaced by a living systems focus on the relationships among individuals and the groups or networks they form through which to accomplish interdependent work. The growing importance over the last two decades of corporate culture (Schein, 1992), cross-functional project teams and team-based organizational forms (Cohen, 1993), project managers, coordinators, and facilitators (Sarason & Lorentz, 1998), and interorganizational networks (e.g., Japanese keiretsu; see Miyashita & Russell, 1995) and collaborative alliances (Gray, 1985; Powell, 1990; Spekman, Isabella, & MacAvoy, 2000) are a few examples of the kinds of adaptations organizations have been implementing to become more relational and interconnected. There has also been notable movement towards greater diversity in organizations, both in demographic terms (Cox, 1991) and in the types of employment relationships established between organizations and their members (Capelli, Bassi, Katz, Knoke, Osterman, & Useem, 1997). Recognition of the value of diversity for enhancing organizational effectiveness is consistent with a living systems perspective that acknowledges that ecosystem health is tied to the level of diversity among its component parts (cf. Hawken, 1993).

Recent emphasis on the necessity of being a learning organization (Senge, 1990) reflects another shift towards a living systems perspective. The machine bureaucracy is not a very good learning system, given its inclination towards standardization and stability and its preference for centralization of authority and information. Increased discretion and participation among front-line employees—who have the best access to the most important and timely information about the environment—is now recognized as critical for an organization to learn effectively, increase its stock of intellectual capital, and thus develop its cognitive capacity. In order to become better learners, organizations have also realized that they need to do a better job of scanning and understanding their environment, especially the various constituents or stakeholders (Freeman, 1984) who can influence the flow of resources to the organization (Hambrick, 1982; Pfeffer & Salancik, 1978). The development of strategic linkages among interdependent organizations and institutions has resulted in the creation of organizational communities whose actions and interactions shape the dynamics through which these organizations learn and, ultimately, coevolve with their environments (cf. Hunt & Aldrich, 1998).
More generally, it is clear that organizations are recognizing the importance of paying more attention to their impact on the larger system in which they are embedded. Bureaucratic organizations tend to be rather myopically self-interested, focusing on the environment almost exclusively in terms of how it affects them. This is consistent with the worldview that existed at the time the bureaucratic form came into prominence. Bureaucracies were created from mindsets that viewed themselves as autonomous entities with considerable freedom to take any actions deemed necessary to achieve their goals, within the legal constraints defined by various governmental regulatory policies. This reflects the underlying mechanistic belief that, if each part functions to maximize its own well being, the natural result will be the healthiest system possible (Friedman, 1953). Such a belief is clearly incompatible with the living systems premise regarding the interconnectedness of the parts of a system, and the need for the separate parts to act in harmony with each other for the system to be vital.\(^1\) When cancer cells pursue their selfish agenda of non-stop growth, they do so at the expense of the body as a whole. Likewise, when mechanistic bureaucracies pursue selfish strategies without adequate concern for the many direct and indirect consequences of their actions, they too run the risk of becoming malignant and threatening the health of the overall system.

This awareness has resulted in some organizations adopting practices geared towards improving the quality of their impact on and interactions with the communities in which they operate, and on global society more generally. Public-private partnerships (Regelbrugge, 1999), increased concern about corporate social responsibility (Quarter, 2001; Wilson, 2000), trends toward “green” practices (Bhat, 1996), and the emergence of the sustainable development movement (Gladwin, Kennelly, & Krause, 1995; Starik & Rands, 1995) all suggest that organizations are realizing that they must contribute to and not detract from the well being of the various systems with which they are co-evolving. To an organization as a living being, it is obvious that operating in ways that enhance the well being of its ecosystem is a much more reasonable, rational, and rewarding strategy than operating in ways that diminish the health of its life-support system.

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\(^1\) For example, “bees and ants are unable to survive in isolation, but in great numbers they act almost like the cells of a complex organism with a collective intelligence and capabilities for adaptation far superior to those of its individual members” (Capra, 1996, p. 34).
from operating in ways that enhance the health and well being of their individual members. Bureaucratic, hierarchical organizations have been duly criticized for the injurious effects they frequently have on the people who participate in them (the cells in the organizational body, in living systems terms). In a living organization, the health and well-being of the whole person (i.e., body, mind, heart, and soul) is important, and the mere fact that employees are compensated for their contributions does not provide sufficient justification for organizational practices that disregard or diminish any of these facets of a healthy human being. The notion that organizations will be more effective if they tap into employees’ spirit or soul has gained considerable currency in recent years (Briskin, 1996; Conger & Associates, 1994; Owen, 1987; Pfeffer, 2002), consistent with the premise that a more holistic relationship between an organization and its members is a valuable approach to adopt. The mutual benefit often readily apparent in these organizations bears witness to the inherent superiority of a living systems model of organization.

Becoming an Organization Being

As suggested above, there are signs that the organizational world has begun a process of radical transformation to a new way of being, shedding the cocoon of the bureaucratic model and emerging as a new living creature. The counsel of many of the popular management gurus over the last twenty years has in one way or another been facilitating this transformation, changing managers’ mindsets about the nature of organizations and identifying practices through which to implement these changes. While a few organizations—especially newer and/or smaller ones—have tried to base their design on a new way of thinking and being, most existing organizations that incorporated such changes have integrated them into their bureaucratic structures. Without a doubt, work processes and structures are frequently very different now than they were twenty years ago, but for larger, established organizations, most of their efforts to change have been circumscribed by limitations and constraints inherent in bureaucratic hierarchies (cf. McCaffrey, Faerman, & Hart, 1995).

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We suspect that further transformation from mechanistic bureaucracies to living organization beings will be more effective if people aspiring to make this happen have some clear guidelines regarding what to do to enact this change. More and more, organizations are encouraging and rewarding people—managers and non-managers alike—to take initiative, to work well with others, to find ways to improve their
situation, and to contribute to team, organizational, and even community effectiveness. We believe that these are key qualities of a healthy cell (Miles et al., 1997) in an organization being, and that the growth and development of healthy cells will be supported by creating the conditions for a healthy organization being. Some suggestions that may be useful to those who wish to improve the health of their organization are to (a) recognize the importance of a guiding purpose, (b) understand properties of governance and decision-making consistent with a living systems perspective, (c) focus as much on the benefits to individual members as to the organization as a whole, and (d) recognize the value of system-oriented reward and evaluation systems.

**Purpose.** People organize in order to accomplish things they could not do individually. The degree to which members of a collectivity share agreement on purpose varies, of course, and may be an important determinant of organizational success (Collins & Porras, 1994). Ultimately, the raison d’être for a living organization is to add value to the larger system of which it is a part, while maintaining its own health and vitality (Hock, 1999; Maynard & Mehrten, 1993). Traditionally, we have relied on the market economy to sort out who does and does not add value because those who do will presumably be rewarded by appreciative participants in the marketplace. There are ways, however, in which the market in its present form is only an imperfect mechanism for distributing these rewards.

For example, many of the costs incurred as a result of organizational activities are externalized and thus not factored into prices and/or profits (Daly & Cobb, 1994; Hawken, 1993). The existence of such externalities distorts the signal of the value that an organization is adding to the broader system. Traditionally, we have relied on the legal system to provide constraints within which organizations operate, and to distribute the cost of those negative externalities. A living systems perspective would be more consistent with a corporate social responsibility approach, in which organizational decision-makers are mindful of their broader impact (Pauchant & Associates, 1997). Another shortcoming occurs if we rely primarily on bottom line financial results to assess an organization’s added value. When we do so, the interests of the financial community are weighted much more heavily than the priorities of many other parts of the system that have a stake in the consequences of an organization’s activities. This realization has led to the advent of the balanced scorecard, which acknowledges the limitations of ex post facto accounting methods and favors the use of more process-based measures (Kaplan & Norton, 1996).

In addition to an increased focus on process, the balanced scorecard also incorporates more representative voices (e.g., customers and employees) in evaluating success. Indeed, to assess the true added value of a given organization (or cell within the organization), it is necessary to include feedback from all relevant stakeholders. This stakeholder theory approach to organizational effectiveness (e.g., Connolly, Conlon, & Deutsch, 1980; Freeman, 1984) has started to take hold in the strategic perspectives of many executives and managers. The total quality management movement (Schmidt & Finnigan, 1992) certainly pushed managers to recognize the importance of their customers’ impressions of how they were and were not adding value; high-involvement organizations (Lawler,
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1992) are aware that their employees are an important constituent whose needs should be attended to; and socially responsible companies (Wilson, 2000) proactively strive to help their local and global communities. Living organizations, therefore, assess their impact—positive and negative, direct and even indirect—on the community and global system as a whole, and they strive to minimize the harm they do (cf. Keeley, 1984) while maximizing the benefits they yield to others.

Because the people who make up any given organization are also members of the communities affected by the organization, the easiest way to begin to evaluate effectiveness in such comprehensive terms is to find out how organizational members feel about the organization’s values, activities, outputs, and indirect effects. It would be useful, for example, to solicit member opinions regarding what they view as the organization’s primary added value, and what kinds of problems they think the organization is causing. Efforts to become a healthy living organization would be enhanced by a better understanding of the extent to which members are proud of the organization and what it does, whether they feel good about the organization’s ability to make a contribution to the world, and what kinds of changes would make them feel better about being a part of the organization. The greater the diversity of an organization’s membership, the more likely that a variety of perspectives and worldviews regarding the organization’s strengths, weaknesses, contributions, problems, and opportunities will be reflected. Such information increases the probability that the living, learning organization will be able to develop a broader collective understanding of the nature of its environment and the role it can play to make the world better, thereby enhancing its capacity to thrive.

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This process also gives members greater opportunity to identify creative, practical, and beneficial approaches to address the issues they are concerned about, and thus to improve the overall effectiveness of the organization. Empowering people to develop and implement such improvements certainly appears to be a mutually beneficial human resource strategy (Pfeffer, 1998). The more people see that their expenditure of time and energy within their organization is aligned with activities they care about, the more intrinsically motivated they are to contribute to organizational well being (Deci, 1972; Staw, 1980). By being able to invest themselves in activities they believe in and feel strongly about, they are able to follow a path with a heart (cf. Harrison, 1994; Kouzes & Posner, 1999; McKnight, 1984) that leads towards self-actualization, which Maslow (1954) recognized as the highest
human need. By meeting the deepest needs of its members, a living organization enhances the health of its cells while they simultaneously function to improve the health of the organization being. This symbiosis results in a very adaptable organization, one that is able to effectively identify and implement the changes needed to maintain harmony with its ever-changing environment. Such self-organizing adaptability, not the rational efficiency of the bureaucratic model, is the primary requirement for organizational survival in the new economy (cf. Mohrman & Mohrman, 1993; Stacey, 1996).

**Governance**. The governance mechanism of an organization exists as a means through which to make decisions regarding what the organization intends to accomplish (purpose) and how it will go about accomplishing it (process). Governance mechanisms compatible with the properties of living systems incorporate two key concepts. The first, democracy, is the starting premise that members have the right to influence those decisions that affect them. The second, subsidiarity, is the starting premise that a higher-level system does not have the right to claim authority over any decision that could be made just as well at a lower level. In living systems terms, these two principles suggest that any given cell—whether an individual in a group, a group in an organization, etc.—has the right and the responsibility to make those decisions that pertain exclusively to itself. In other words, cells are autonomous to the extent that they are independent. However, where interdependencies exist, each cell that is affected by or has input relevant to that decision has the right and responsibility to participate in making that decision (cf. Ackoff, 1994; Clawson, 1999).

By extension, the more complex and significant the decision, the greater the number of members who have a claim on participating in that decision. To make such decisions fairly and effectively, members should have equal opportunity to express their desires and concerns and to shape the course of action chosen. Ideally, decisions would be made by consensus, which means that each member is willing to go along with the decision, presumably because all agree that the benefits will outweigh any harm to the system or some part of it.

Consensus is hard to come by in bureaucratic organizations in part because the expediency of autocratic decision-making is always available, and in part because decisions are typically framed as contests among competing interests rather than as opportunities to identify collaborative solutions. Various decision-making techniques, such as future search conferences (Emery & Purser, 1996; Weisbord, 1992), appreciative or collaborative inquiry (Cooperrider & Srivastva, 1987; Torbert, 1983), open space technology (Owen, 1997), and other dialogue-based decision methods (Bohm, 1996; Issacs, 1993) have emerged in recent years to help large, diverse groups of people develop greater consensus regarding how to address the issues they confront together. These approaches help people clarify their mutual interests, shared goals, and common purposes, and thus identify action steps that they agree will move them closer to their desired future.

In contrast, the governance mechanism in hierarchical bureaucracies is essentially an autocracy, with final decision-making power resting in the hands of the single individual at the top of the hierarchy. While
the individual at the top, whether chief executive, founder, or president, is held accountable by a board of directors or members of the financial community, final say on operating decisions is, by design, the prerogative of the executive alone. Clearly, responsibility for most of these decisions is delegated downward throughout the organization, and it is fair to say that most organizations function with a considerable amount of decentralization. But the authority held by everyone in the organization has been delegated by someone at a higher level and thus, in theory, could be revoked at will. Even radically decentralized and highly participative organizations have typically not gone so far as to eliminate this inherently autocratic feature of the bureaucratic model (cf. Elden, 1985).

Adopting a living systems governance mechanism may be the biggest challenge in the transformation away from a mechanistic organizational model. One barrier is the tendency of managers or others with vested interests to be uncomfortable giving up power and authority (Cialdini & Pfeffer, 1997). Another is the widespread concern that participative, democratic, consensus decision-making processes are too slow in the fast-paced world confronted by most organizations (cf. Vaill, 1996). But in a world that is moving away from hierarchies toward network arrangements, there may be little choice but to adopt more collaborative, consensual decision techniques (cf. Marshall, 1995), even at the cost of additional decision-making time. To the extent that participants in networks are peers, with relatively equal power and no unified authority structure to rely on as the final arbiter when participants disagree, collective action requires the mutual agreement that is the essence of a living systems governance mechanism. In turn, dialogic, consensual decision-making requires the kind of conscious reflection needed for authentic and meaningful double-loop learning to occur (Argyris, 1977), and thus for the living organization to develop and maintain itself as a healthy and functional entity.

**Membership.** A variety of terms have been used historically to refer to the people who constitute the essence of an organization. Workers, labor force, hired hands, employees, personnel, human resources, and now human capital or human assets are primary examples. By and large, these imply that people in organizations are there primarily to contribute to the organization’s purpose in exchange for which they will receive financial compensation and other peripheral benefits, both extrinsic and intrinsic. This way of thinking reflects the underlying notion that employees are engaged in a *contractual exchange* relationship with the organization. But the power dynamic is tilted in the organization’s favor.

More recently, forward thinking organizations have started to identify their people as *members,* a term meaning a *distinct part of a whole.* Organizations that take membership seriously operate in a manner more consistent with a living systems framework. Examples abound of companies that truly are *people first* (Harder & Velasco, 2001; Posner, Hall, & Harder, 1986). These organizations recognize that their members have choice in where to devote their energies, and have joined because of various benefits they expect to receive. Considerable evidence indicates that organizations that better meet the expectations of their members are more

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2 www.Dictionary.com
effective (Pfeffer, 1998). A living organization recognizes that its members are not merely there to serve it, but rather it must serve its members’ needs as well. The result is a covenantal relationship (DePree, 1990; Graham & Organ, 1993) between the organization and its members, reflecting mutual commitment to promote the other’s well being. This promotes a higher level of organizational citizenship behavior (Organ, 1988) that contributes to the overall functioning of the system (cf. Moorman, Blakely, & Niehoff, 1998; Tsui, Pearce, Porter, & Tripoli, 1997).

A corollary idea, drawing on a different connotation of the notion of membership, is that a living organization functions more like a community than simply a place of work. Organizational scholars (e.g., Etzioni, 1961; Kanter, 1968; Ouchi, 1980; Van Maanen & Barley, 1984) have long identified some kind of normative or communal organization as an archetypal alternative to the bureaucratic model. Likewise, the popularity of the organizational culture concept over the past twenty years has established as part of mainstream thinking the premise that organizational effectiveness can be enhanced when the members of an organization are bound together by shared beliefs, values, and practices (Deal & Kennedy, 1982; Denison & Mishra, 1995; Peters & Waterman, 1982; Wilkins & Ouchi, 1983). Members of such a community naturally tend to be inclined to protect and advance their collective interests, based on the obvious fact that their own well being is a function in part of the quality of their community. Whereas bureaucratic organizations often are fractionated by the various internal power struggles, turf battles, and other competitive dynamics that turn the organization into a whole host of us vs. them interactions, a living organization will see itself as an I or a we in which working collaboratively and in harmony is a more effective strategy for accomplishing common purposes (cf. Pfeffer & Sutton, 2000).

Living organizations are thus fundamentally egalitarian in the sense that members of a community are inherently equal, with each member an autonomous but interdependent cell with the right and responsibility to participate in decisions pertaining to it (cf. Hock, 1999). This egalitarianism, though, does not imply a lack of differentiation. Rather, while each member sees itself as an equal element in a larger entity, each also has particular functions to perform that are important to the health of the organization being. Thus, certain organizations utilize probationary periods, innovative job titles, or dialogic processes among existing and potential members in order to ensure a fit between the organization’s needs and the new member’s attributes and interests. Furthermore, changes in responsibilities and functions that occur over time are oriented toward both member development and attainment of the organization’s purpose. While role differentiation in a living organization can include specifying different levels of authority for different members, authority will be task-based and expertise-based, meaning that who is in charge will vary depending on the demands of the task and the relative expertise of those involved (cf. Barry, 1991; Mohr, 1994; Clawson, 1999). Thus, authority is much more fluid and focused in a living organization than the broad, perpetual position authority, which is the core component of the autocratic bureaucracy (French & Raven, 1959).

3See, for example, “Whole Foods is All Teams” at http://www.fastcompany.com/online/02/team1.html
What this concern fails to take into account are the impressive self-organizing capacities of living systems.

These qualities of a living organization may suggest two related but paradoxical concerns. First, a strong sense of community might not coexist easily with member individuality. In its extreme form, a cult or total institution might result (cf. Goffman, 1961). In contrast, as long as they buy into a shared sense of purpose and principles (cf. Hock, 1999), members of a living organization have considerable freedom to express their individuality. In fact, diversity in thought and action is viewed as important for the creativity and vitality of the whole (Cox & Blake, 1991; Thomas, 1991; Spreitzer, 1995). Second, the lack of a stable authority system readily raises fears about inadequate control, and thus the likelihood that the system would degenerate into chaos or anarchy. What this concern fails to take into account are the impressive self-organizing capacities of living systems. In the absence of centralized control, living systems of all kinds display a considerable level of regularity, stability, and adaptability (Prigogine & Stengers, 1984). Furthermore, the new science has clarified that, in many cases, when a system does become chaotic and approaches far-from-equilibrium conditions, it demonstrates a remarkable capacity to undergo a sudden transformation that enables it to function at a higher level of complexity (Leifer, 1989). Referred to as a punctuated equilibrium model of change, groups and organizations sometimes display this pattern of self-reorganization (Gersick, 1991; Tushman & Romanelli, 1985), providing additional evidence that they reflect the characteristics of a living system.

Rewards. Some of the broadest implications of adopting a living systems framework might be in the area of rewards, both in distributions and procedures. Conceptions of justice may change when a living systems perspective is adopted. Because the concept of membership implies a certain degree of egalitarianism, reward decisions in living systems are tempered with a concern for equality and member need as well as other, more meritocratic criteria (cf. Martin & Harder, 1994). In contrast, in bureaucratic reward systems, compensation levels (and other job-related perquisites) tend to be tightly correlated with position in the hierarchy because higher levels presumably correspond to greater amounts of experience, authority, and/or responsibility. For non-managerial employees, rewards—both extrinsic and intrinsic—vary according to the expertise required to perform the job, as determined primarily through external and internal labor market conditions (Lawler, 1990). According to standard accounting practices, money used to compensate employees, provide benefits packages, improve the quality of work life, and provide any other types of rewards is counted as an expense. In a capitalist system, there is inherent pressure to hold these expenses down so as to improve bottom-line financial performance. In simplistic terms, after these and other costs are subtracted from revenues, the remaining profit is distributed to those who have provided the financial capital for the firm in exchange for ownership shares. A dynamic
tension exists in which owners, or their agents, may have incentive to minimize these costs so as to maximize their own benefits.

While capitalism traditionally has emphasized the overarching importance of financial capital, this view is broadening. Within the last decade scholars have begun to refer to human resources as human capital, recognizing that the accumulated know-how—intellectual capital—of an organization’s workforce constitutes another important asset (Dess & Picken, 1999; Mirvis, 1993). The notion of social capital has also gained some attention recently (Coleman, 1988; Nahapiet & Ghoshal, 1998), based on evidence that economic success is related to the quality of the relationships existing among the members of a community (Putnam, 1993). And proponents of natural capitalism (Hawken, Lovins, & Lovins, 1999) point out that various services and resources provided to organizations by the natural environment, e.g., use of air, water, and land as repositories for waste by-products, constitute a critical form of capital that is drastically undervalued by contemporary accounting practices. A living organization recognizes that all these different types of capital—human, social, natural, along with financial—serve as key inputs providing the requisite energy the system needs to function. As a result, the return on the investment of these various forms of capital, generated through the organization’s activities, is distributed more mindfully among the constituents or stakeholders that provide them. Likewise, the costs associated with the negative externalities created by the organization’s activities should be accounted for as much as possible, so that these costs are adequately reflected in the organization’s profitability and not simply left to be paid for by society-at-large (Daly & Cobb, 1994; Hawken, 1993).

A living systems perspective also highlights issues of procedural justice (e.g., Brockner & Wiesenfeld, 1996; Folger & Konovsky, 1989; Greenberg, 1987; Tyler, 1986). Procedurally, the notion that relevant stakeholders should be able to influence reward allocation decisions is quite natural. This concept is compatible with the more general governance principle of a living organization regarding the inclusion of stakeholders in decisions that affect them. Given that the primary responsibility of an organization being is to add value to the broader system of which it is a part, it is only reasonable that informed members of this larger system should be able to help clarify how this will happen. A thorough analysis and discussion of the costs and benefits of an organization’s activities—essentially, the net sum of the utility it generates—should guide decisions regarding how this utility is allocated. Through processes of ongoing dialogue, stakeholders or their representatives can work together to ensure that the rewards and costs of the organization are distributed reasonably and fairly, as agreed upon by those affected. Internally, the allocation of rewards to member cells directly engaged in the process of accomplishing the organization’s purpose would also be determined through an inclusive process that results in an equitable distribution. At each level of the system, there would be a collective determination of how to allocate rewards among the constituent cells. In this process, the rewards received by a given cell would be tailored to meet its particular needs and preferences, to better enable it to function effectively and maintain its health.
While incentive to participate in an organization is driven in part by a shared belief in its basic purpose, the rewards received by members obviously serve as additional incentives, promoting productive action. Their willingness to participate and perform well is naturally reduced when they perceive inequities in the rewards they receive (Cowherd & Levine, 1992; Harder, 1992). For this reason, it is useful for member cells (e.g., individuals, teams, cost centers, etc.) to have as much information as possible regarding their overall effectiveness, including the factors that serve as the basis for reward decisions. Relevant factors could include the cell’s performance, contribution, improvement, and development. If other cells with whom a given cell interacts believe that its performance is not satisfactory, this feedback should be provided as a way for the cell to better understand how it can improve (cf. Antonioni, 1996). Subsequent improvement should then be adequately rewarded, providing additional motivation for cells to overcome their weaknesses and develop additional strengths (cf. Belasco & Stayer, 1993). Implicit in this reward system is that working well with interdependent others so as to enhance the effectiveness of each other and the system as a whole becomes a critical skill (Hargrove, 1998). In other words, behavior congruent with living systems principles is recognized as the mark of a good organizational citizen (Organ, 1988). By reinforcing good citizenship among its cells, and by being a good citizen of even larger systems, an organization being would be well on the way to achieving its primary purpose—adding value to the world by simultaneously improving itself, its members, and the social systems and ecosystems in which it is embedded.

The Spirit of the New Workplace

It seems clear that the new economy has certain features that are congruent with a living systems perspective (cf. Hansen, 1995; Petzinger, 1999). The new science makes it clear that all of life is an inherently connected, collaborative, co-evolutionary system, and that symbiosis and synthesis are essential aspects of the evolutionary journey (Margulis, 1998). As a global economy, it is clear that national economies are not separate and distinct but are inherently interconnected, both in the problems that occur and the solutions that can be applied. There is also growing awareness that organizations must act more like living systems in order to enable society to deal with the environmental problems that threaten the long run sustainability of the planet (cf. Hempel, 1996; Henderson, 1996). Addressing these environmental problems will require significant changes in the nature of the economy and the premises and rules shaping organizational decision-making (e.g., Clark, 1995; Purser, Park, & Montuori, 1995). At a minimum, it will be necessary to adopt the ecological orientation that the economy and its component parts should function in a way that ensures sustainability over the long run.

As an information economy, the new economy also demonstrates a number of interesting properties. For one, information is a positive-sum resource (i.e., the amount of information increases when it is exchanged), which undermines the legitimacy and applicability of the old economy’s rules that are based on zero-sum premises (cf. Halal, 1998). The Internet has demonstrated the difficulties of maintaining control of information access and dissemination and thus protecting intellectual property rights. It also facilitates
the creation of the real and virtual self-organizing dynamic networks that constitute the essence of a living systems economy. The emergence of the e-business sector in just the last few years is clear evidence that a radically different kind of economic system is emerging. New rules and strategies seem to apply in this environment (Kelly, 1998). For example, companies have become successful by giving their product away (e.g., Netscape), and products can be created and developed through a collaborative, self-organizing process without an administrative structure (e.g., the Linux operating system). Finally, a key consequence of the information economy is that intellectual capital, at both the individual and the organization level, has become the most critical asset for many organizations (Stewart, 1997). As a positive-sum resource, there is growing recognition that the development and maintenance of intellectual capital requires high-quality, trusting, collaborative relationships (Inkpen, 1996; Powell, Koput, & Smith-Doerr, 1996), and it is undermined by competitive forces that reinforce a “hoarding mentality” which prevents successful integration and synthesis (Pfeffer & Sutton, 2000).

Managers might benefit from recognizing that this is the way of the future, and that a process of “animation” is necessary for an old, obsolete organizational machine to become a new living being. *Anima* in Latin refers to spirit, the breath of life, the essence of being alive. To become animated, to become alive, requires an awakening of the spirit of a being. The idea that an organization being has a spiritual essence is not entirely unreasonable. It has long been known that organizational climate (Schneider, 1990) is an important influence on employee attitudes, behavior, and performance. The notion of climate is hard to define and measure because, by its very nature, it transcends any individual and exists only as a holistic, collective, ethereal assessment about the quality of an organization as a place to work. Likewise, the concept of an organizational culture is rooted in the shared belief systems of a group of people (Schein, 1992), reflecting a collective consciousness about the nature of reality for that group. Widely accepted as a meaningful concept, culture exists only in consciousness and beyond the boundaries of a single individual, emerging as a systemic property created through interactions among its members.

As a positive-sum resource, there is growing recognition that the development and maintenance of intellectual capital requires high-quality, trusting, collaborative relationships. Many organizations throughout the past half-century have been proactive in their efforts to improve the climate and/or culture of their organizations, based on the belief that it is the right thing to do and/or that it is a win-win situation because employees as well as the organization benefit in the long-run. In other cases, organizations are adopting features more compatible with a living systems approach because they are driven by market forces, the search for competitive advantage, social pressure, and other strategic necessities. Regardless of the impetus, one problem is that these changes
are typically implemented in piece-meal fashion, not coordinated by any guiding vision of where the ultimate transformation is leading. Yet a key lesson from those involved in implementing systemic change is that meaningful improvement requires holistic attention to the structures, technologies, processes, and settings that create the work environment for the members of the organization (Porras & Robertson, 1992).

Thus, progressive organizations awakening to the new living systems perspective recognize that the likelihood of success depends on the extent to which they take a systemic approach to transformation. Comprehensive, congruent changes must be implemented that support the birthing of the organizational spirit. Many leaders and consultants engaged in deep organizational transformation recognize that it is fundamentally a spiritual process, involving the very souls of its participants (Bolman & Deal, 1995; Egri & Frost, 1991). From this perspective, the transformation in which many organizations are involved can be understood as an awakening, the development of conscious awareness as a living entity. As this animating process takes hold, there likely will be some uncomfortable change, adaptation, and uncertainty ahead. But the ultimate result of this transformation will benefit all of humanity and the planet as a whole.

In the end, an organization’s ability to become a thriving living being is intrinsically tied to the extent to which it releases, rather than constrains, the spirit of its members. In pursuit of rationality, control, and predictability, many organizations disregard the value or legitimacy of employees’ emotions, intuitions, and deeper spiritual needs (Mumby & Putnam, 1992), denying, basically, the heart and soul of their humanity. How different an organization can be when having fun, being creative, sharing joy and laughter and sorrow and tears together, are daily manifestations of the esprit de corps of the organization being (Whyte, 1996). By being a place where people can express themselves fully and let their spirits soar, an organization becomes a living being with its own animated spirit. Self-realization for humans and for the organizations of which they are members is intimately interconnected in a mutually reinforcing cycle. As organizations adopt practices that enable their members to self-actualize, their thoughts, feelings, and actions begin to create new potential in the organization. As the organization transforms as a result of its members’ growth and development, it provides additional opportunities for them to pursue self-realization. Ultimately, this process brings to life the spirit of a new workplace.

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