

## In This Issue

---

### Uphoff's "Catalyzing Self-Management Capabilities"

Self-management can expand the performance of individuals, groups and systems beyond what has been observed before, says Dr. Norman Uphoff, who is Director of the Cornell International Institute for Food, Agriculture and Development, and who has hands-on experience with many developing human systems.

In this article, Dr. Uphoff takes us to the very assumptions that underlie our management theories and practices. The problem with underlying assumptions is that they have become "fused with the terrain" and we do not distinguish fact from assumption anymore. We get conditioned to act in ways that take these assumptions for granted, even though many of the indications we get from the reality we live in, point in the other direction.

Much of management science has become trapped in, and still struggles to emerge from, a frame of reference that is reminiscent of the Newtonian view of the universe in the domain of physics, with its sharp distinction between the mental and the material realms, or the "subjective" and the "objective". Dr. Uphoff argues that this frame of reference which views the world largely as a machine, has influenced our theories and practice of management in ways that have long been due for change. He says that even if quantum physicists have realized the limits of Newton's views since early this century, we still find most social scientists and management specialists trying to maintain a sharp distinction between the world of mind and matter. It is not that this view of the world is inherently wrong. Newton's view is valid, provided that it is applied within certain boundaries. Outside of these boundaries, it does not of-

fer any potential for prediction because its frame of reference is too narrow. But just like quantum mechanics drew attention to the boundaries of the applicability of Newton's theories in physics, Dr. Uphoff argues that we now urgently need to recognize the boundaries of "Newtonian management" and that it is time to think through the theory and practice of management beyond those boundaries.

Not only is Newton's world view inappropriate for management, but so is any reductionist reasoning, where some part of a thing or trait of someone is taken to adequately represent the whole. If there are no truly closed systems in nature, then this applies even more to social systems, which include those that managers are responsible for. Dr. Uphoff proposes an alternative frame of reference, characterized as "post-Newtonian", which he claims is better able to be the foundation of self-governing systems. Uphoff realizes that all this may sound rather abstract, but he shows how these concepts are grounded in experience in the most complex situations. He singles out one of his experiences with an irrigation system in Sri Lanka, to illustrate his point.

Dr. Uphoff shows how a run-down, conflict-ridden and inefficient irrigation system was transformed through self-management. The vocabulary he uses conveys many of the underlying ideas which characterize this "post-Newtonian" view of management. He uses words such as: social energy, a learning process, an engaged social science, and participatory management. Dealing with uncertainty, opening up our thinking to contradictory effects and tendencies, and challenging reductionist conclusions that fail to take into account complexity and paradox, are all part of the post-Newtonian world view. If the social universe operated in a mechanical, clockwork way, we could disavow all personal responsibility and justify inaction and fatalism. Even if there exists the temptation to

succumb to these assumptions, we should know that it is possible for individuals to alter the course of events and thereby to affect outcomes. The new description of the universe is more positive-sum (both-and) than zero-sum (either-or). For instance, analysis (an either-or way of thinking) is in need of being combined with synthesis (a both-and way of thinking) to really develop self-management capabilities. As Uphoff says in his article: analysis without synthesis leads only to fragmentation, not to productivity. For really productive economic and social relationships, synthesis needs to be held in equal value as analysis. This holds true for all management, but especially for self-management.

#### **Ishida's "Amoeba Management at Kyocera Corporation"**

Mr. Hideki Ishida, who is General Manager of the Financial Department at Kyocera Corporation, Japan, is in a very good position and is most qualified to describe the Amoeba Management System. In his own words, over a period of about thirty years this self-management system has transformed the corporation from a small, local manufacturer to a globally-based, technological leader in the field of advanced ceramic applications, with annual sales amounting to 4 billion U.S. dollars.

The Amoeba Management System, says Mr. Ishida, is not so much based on a systematic method of influencing operations, as are time-motion studies to labor, cost-reduction programs to expenses, or statistical process control to quality enhancement. Rather, this system is based on one fundamental management concept: that all positive progress comes from the employees' imagination and ability to materialize their vision and ideals. In this view, there is a fundamental recognition given to the fact that a company becomes only that which is the result of the synergy of actively committed people who take the initiative to work as leaders.

According to Mr. Ishida, the key to the workability of the Amoeba Management System is a

responsive, opportune and flexible accounting system, which encourages comparisons between the amoebas, irrespective of their line of business or their size. The system calls for the active participation of all members of the amoebas, in planning, reporting on, and improving the amoeba's operational performance. Each amoeba is run as though it is a separate company, although each also maintains support from every other amoeba.

The article by H. Ishida offers a rare glimpse of the kind of corporate philosophy that can guide self-management in practice. The article shows that in amoeba management the key to self-management lies not so much in the realm of wage negotiations, but in the realm of ideas and the practice of personal as well as collective control and initiative, and in mutual support – to advance the creative endeavours of individuals along with the concrete realization of the organization as a whole. Often it has been argued that there is an irreconcilable opposition between being visionary and being realist, between a company-wide creative organization and tight and competent financial management, between dignified relationships and successful material performance in a competitive environment. The Kyocera example shows that this is not so: systems of work, and systems of relationships within the organization can be found, whereby both inventiveness, or ingenuity, and control are simultaneously valued, and where leadership itself values both financial realism and philosophy. Perhaps what strikes and comes through most of all in Mr. Ishida's paper is the human vitality that is present everywhere in the company, and at all levels. Initiative is frankly and actively encouraged and applauded. This does not mean that there is no direction. It would be very misleading to think that the amoebas exist in a sort of free-for-all. In fact there is a very strong direction given by the President and the Chairman, by the departmental managers, as well as by amoeba leaders. But everyone is also encouraged to display and cultivate leadership qualities. The article on Kyocera Corporation shows us perhaps the most outstanding feature of successful self-manage-

ment, i.e., the development throughout the company of a capability to deal with and to constructively make use of the inevitable paradoxes that are part and parcel of every organized creative endeavour, and indeed of life itself.

### **Ostrom, Lam and Lee's "The Performance of Self-Governing Irrigation Systems"**

Dr. Ostrom and her co-authors W.F. Lam and M. Lee address the difficulties and potentials inherent in the management of common-pool resources. In this article, they compare two varieties of governance of a common-pool resource usage system, which are central governance by state agencies and self-management.

In particular, the authors confront the presumption that self-organized efforts towards the provision and maintenance of such common resources is so fraught with obstacles and temptations to free ride that central governance would be the only way to guarantee the fair contribution of all users to the system's maintenance and to guarantee their disciplined access to the resources. This presumption is based on the reasoning that each individual participant/user will tend to minimize his or her own contribution to maintaining the system because each participant/user would automatically be better off if everyone else contributed to the provision of joint benefits available to all, whether or not he or she himself or herself contributed individually. This typical behavioral problem of a confrontation between individually rational utility seekers and the logic of a community of users seems to make a hierarchical role for the state inevitable.

The authors have investigated this presumption, and the differences in governance, in the case of more than a hundred different irrigation systems in Nepal. A central role for the state seems even more inevitable in the case of such systems because of a variety of reasons, such as the extensive technical knowledge required for the building of infrastructures, the expected economies of scale and the need to enforce rules on individual users in order to realize collective

benefits, the inherent asymmetry in benefits/maintenance requirements at the head and at the tail end of the systems, and the fact that many national governments in Asia have assumed ownership of all water and have assumed responsibility for building infrastructures. Despite all this, Dr. Ostrom and her co-authors have noted that the performance in these professionally and centrally controlled systems has often been disappointing in many respects. They have found that water delivery, as well as agricultural yields, are consistently better in the farmer-managed systems than in the agency-managed systems, despite the contrary expectations given by the difference in the engineering capabilities in the two systems. They call this an "intriguing theoretical puzzle". Why are the systems provided and managed by government agencies less productive?

One possible hypothesis is that in agency-managed systems the basic relationships between officials and farmers becomes one of dominance and dependence, and officials have no incentives to be interested in, or sensitive to the farmers' concerns for agricultural productivity. The farmers find themselves in a situation where they must bear all the risks of growing crops which are dependent on a supply of water over which they have no control. It is someone other than the farmers who determine the design of the physical system, the boundaries used to determine who receives water, how responsibilities for maintenance should be allocated, and how rule infractions should be monitored and enforced. The authors believe that this is a big factor in making the farmers' user organizations collapse in the case of centrally-managed systems. In effect, in farmer-managed systems the farmers have a voice in making most of those decisions. In addition, in the latter systems the farmers themselves choose the officials whom they consider to be efficient and fair, and the officials are often paid in grain at the end of the season. If the system operates well, the amount of grain to be shared is greater. Thus the incentives for those who operate farmer systems are tied closely to overall productivity. One could say that the

farmers effectively “own” these systems through their ability to make their own decisions.

### **Poole and Whitfield’s “Theories and Evidence on the Rise of Profit-Sharing”**

Professor Poole and Professor Whitfield have chosen to outline some of the main theories and explanations for the rise of financial participation, as employee financial participation in their own companies has become an increasingly popular component in the incentive schemes used in a range of countries. The theories include those based on respectively evolutionary, cyclical and so-called “favourable conjunctures” premises. Poole and Whitfield examine recent time-series evidence for these theories in the United Kingdom, and they then seek to associate such practices with a number of outcome measures.

In attempting to address the need for a theory of the application of employee financial participation that would assist organizations to survive and be successful in the competitive world that they are facing, Poole and Whitfield ultimately see the adoption of profit-sharing and share-ownership as a way to encourage employees to identify themselves better with the organization. Such organizational identification of employees can take the form of better intrinsic commitment by employees, stemming from increased participation, job security, and satisfaction, but it can also take the form of better extrinsic commitment which would result from rewards that directly follow from improvements in performance.

They warn, however, that as far as outcome measures are concerned, the links between the adoption of financial participation schemes on the one hand and performance variables such as financial performance of companies (e.g., profitability, productivity), industrial relations performance (e.g., conflicts, labour turnover and absenteeism, employee-management relations), or organizational performance (e.g., employee involvement, satisfaction, adaptability) on the

other hand, may be complex and difficult to establish because of so many possible interactions between variables. Hence the impact of the schemes is seldom direct. Despite this difficulty in measuring the effects of employee financial participation on their own and their organization’s performance, they predict further expansion of these practices. Even small advantages in improvements in employee attitudes and behaviour, they say, can have highly significant long-term consequences in the international marketplace. This being the case, even if the introduction of financial participation schemes only has small positive consequences for employee attitudes and behavior, the effects in terms of long-term performance may ultimately be significant.

### **Tang’s “Building Community Organizations”**

Professor Tang, from the School of Public Administration, University of Southern California, has prepared an analysis of the role of credible commitment as a designed component of institutional alternatives to centralized-control bureaucracies, and he illustrates his argument with several examples from irrigation systems.

Dr. Tang probes deeper into the question of what it is that can make a self-governing organization thrive and be effective. As there is no central authority to enforce rules, or to define a structure of incentives, the sense of cooperation among members becomes vitally important. And for cooperation to stand a chance, he reasons, there must be credible commitment among members of the organization: members would not be motivated to observe rules among each other unless they are convinced that other members are committed to observing them. From the perspective of the New Institutional Economics, he says, commitment to cooperation is premised more on individual interests than on affective ties. Thus, he poses the critical question as follows: given a group of self-interested individuals who need to interact with one another on a regular basis, what institutional/organizational

arrangements are most effective in securing their credible commitment to cooperation? In order to answer this question, he believes that it is important to understand the mutual influence between individuals and institutions, especially for self-governing organizations, in which participants are engaged with one another in long-term interdependent relations.

Whether or not commitment becomes credible, Dr. Tang says, depends a lot on the capability of the organization to foster stable and mutually reinforcing expectations among participants. In turn, this capability depends as much on the kind of interactive processes that thrive within organizations, as on factors of leadership and factors of structural design. Stable expectations can only be maintained with the continuous support of all the parties involved. For instance, establishing a "cooperative" corporate culture requires consistent efforts by corporate executives to demonstrate firm commitment to commonly-accepted decision-making principles. Any deviation from these principles may weaken the mutual expectations between superiors and subordinates. As another example, when in their capacity as leaders the officials show little commitment to the farmers' interests in terms of agricultural yields the farmer's expectations are not being reinforced and they can be expected to lose their own commitment to cooperate as well. Also, Dr. Tang finds it important that structural arrangements are implemented to give participants enough confidence and expected stability so that they can reasonably invest in organizational productivity. One way to implement such structural guarantees is in the form of employee/farmer representation in decision making. For instance, in the case of an irrigation system, if farmers are given a chance to have their representatives overseeing the management and water delivery process at the system level, they will be more confident about water supplies to their own watercourses, and they are thus more likely to become committed to cooperating with the government and among themselves. Dr. Tang argues that in any organization a lot of "social capital" needs to be built before

credible commitment can take root and can become a reliable base for cooperative endeavours.

### **Ifeka's "Self-Management and Development"**

Dr. Caroline Ifeka is an anthropologist with extensive experience in issues relating to self-reliance and self-management in the context of development. Her field research has been in the South Pacific, South Asia and West Africa. In this short article, she focuses on the foundations of successful self-management, not from the perspective of the outsiders such as international funding agencies but from the perspective of the local communities. In that perspective, she argues that self-management refers to a capacity for community self-regulation. Whether such a capability is grounded in the spontaneously developed and traditional ways of the people or whether it is the result of a more self-conscious and thought-out process, self-management always involves individuals and households in a community cooperating to realize common goals for the common good. Before recognizing that an outsider may be a part of the foundation for self-management by acting as a catalyst, she identifies two essential pillars: the maintaining of balance among many aspects of life in the community, and the practice of mutual respect for the members' rights and cooperation.

Any effort towards successful self-management, she argues, must take into account the mobilization of these foundations. She gives a compelling example of successful self-management by the Igbo in Nigeria. The Igbo are Nigeria's most prosperous traders, farmers, businessmen and women, and bankers. They own and manage the country's largest transport companies, and probably have the highest standard of living of any Nigerian people. She argues that the Igbo owe their success at least in part to their sense of balance between change as a linear process (i.e. the desire to accumulate wealth) and change as circular process (i.e. the desire to respect and balance different spiritual

and moral aspects of life, and the laws of the land). She also gives two examples of failure to secure a self-management capability, in Mali as well as in Nigeria. The many ways in which these foundations can be mobilized, she argues,

may well be the cause of a difference between political and economic stability or instability, and may very well hold the balance for the strengthening of democratic institutions and the accountability of government.