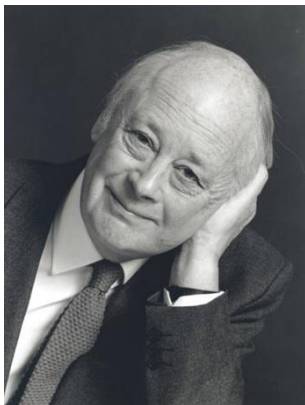


CHARLES HANDY: UNDERSTANDING THE CHANGING ORGANISATION.

Thinker 010

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INTRODUCTION



Charles Handy (1932-) is one of the most celebrated management thinkers in Europe and the most significant philosopher of corporate culture in the world.

Handy, who has categorized himself a social philosopher, specializes in organisational behaviour. This has culminated in the formation of a vision of the future of work and of the implications of change for the ways in which people manage their lives and careers.

His observation of work in modern society has identified discontinuous change as the (paradoxically) continuing characteristic of working lives and organisations. He has forecast a future - already not without a good deal of accuracy - where half of the UK's workforce would no longer be in permanent full-time jobs.

It is Handy's understanding of the ways in which organisations are changing to meet the accelerating changes and demands of new and diverse markets that we shall concentrate on here.

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LIFE AND CAREER

Born in Ireland, Charles Handy is a self-employed writer, teacher and broadcaster. He is visiting Professor at the London Business School and consultant to a wide range of organisations in government, business, and the voluntary and educational sectors.

After graduating from Oxford, his working life began in the marketing and personnel divisions of Shell International and, as an economist, with Anglo-American Corporation. He then returned to academia at the Sloan School of Management of the Massachusetts Institute of Technology. In 1967 he was founder director of the Sloan Programme at the London Business School where he also taught managerial psychology and development. Appointments as professor and governor of the School followed in 1972 and 1974. In 1977 he was appointed Warden of St George's House in Windsor Castle, a private conference and study centre with a strong focus on the discussion of business ethics. As a teacher he latterly concentrated on the application of behavioural science to management, the management of change, the structure of organisations and on the theory and practice of individual learning in life.

He is past Chairman of the Royal Society of Arts and in 1994 he was Business Columnist of the Year. He has also been a regular contributor to Thought for the Day on Radio 4.

Handy on Organisations

Four of Handy's books in particular consider the structure of organisations in detail, and offer a perspective on the way in which they work. These are:

Understanding Organizations (1976)	The Age of Unreason (1989)
Gods of Management (1985)	The Empty Raincoat (1994)

» KEY THEORIES

Organisation structure

Understanding Organisations

Handy's Understanding Organizations - described by publishers and commentators alike as 'a landmark study' - is equally valuable for the student of management and for the practising manager. Among the subjects with which it deals are motivation, roles and interactions, leadership, power and influence, the workings of groups and the culture of organisations. They are dealt with both as 'concepts' and 'concepts in application'. A 'Guide to further study' points the way for further examination of each concept.

Gods of Management

Handy identifies some established structures in organisations and suggests new forms which are emerging. He perceives that, currently, organisations embrace four basic 'cultures'. These are the:

Club Culture

This is represented metaphorically by Zeus, the strong leader who has, likes and uses power, and graphically by a spider's web. All lines of communication lead, formally or informally, to the leader. Such organisations display strength in the speed of their decision making; their potential weakness lies in the calibre of the 'one man bands' running them.

Role Culture

This is personified as Apollo, the God of Order and Rules, represented by a Greek temple. Such organisations are based on the assumptions that people are rational, and that roles can be defined and discharged with clearly defined procedures. They display stability and certainty, and have great strength in situations marked by continuity; they often display weakness in adapting to, or generating, change.

Task Culture

This is likened to Athena, the Goddess of Knowledge and is found in organisations where management is concerned with solving a series of problems. The structure is represented by a net, resources being drawn from all parts of the organisation to meet the needs of current problems. Working parties, sub-committees, task forces and study groups are formed on an ad hoc basis to deal with problems. This type of culture is seen to advantage when flexibility is required.

Existential Culture

This is represented by Dionysus, the God of Wine and Song. Organisations characterised by these cultures are those where the organisation exists to serve the individual and where individuals are not servants of the

organisation. They consist of groups of professionals, for example doctors or lawyers, with no 'boss'. Co-ordination may be provided by a committee of peers. Such structures are becoming more common as more conventional organisations increasingly contract out work to professionals and specialists whose services are used only as and when required.

The Changing organisation

The link between this analysis of organisation structures and Handy's later work is, in part, provided by the development of 'contracting out' - one of a number of changes which he observes in the world of employment. Another major change is the basing of the quest for profit on intelligence and professional skills rather than on manual work and machines. Yet another is that the days of working for one employer and/or in one occupation may be over.

The Shamrock organisation

An example of Handy's changing perception of organisations is provided by his use (in *The Age of Unreason*) of the Shamrock. Handy uses this symbol to demonstrate three bases on which people are often employed and organisations often linked today. People linked to an organisation are beginning to fall into three groups, each with different expectations of the organisation, each managed and rewarded differently.

- › The first group is a core of qualified professional technicians and managers. They are essential to the continuity of the organisation, and have detailed knowledge of it, and of its aims, objectives and practices. They are rewarded with high salaries and associated benefits, in return for which they must be prepared to give commitment, to work hard and to work, if necessary, long hours. They must be mobile. They work within a task culture, one within which there is a constant effort to reduce their numbers.
- › The second group consists of contracted specialists who may be used, for example, for advertising, R&D, computing, catering and mailing services. They operate in an existential culture; and are rewarded with fees rather than with salaries or wages. Their contribution to the organisation is measured in output rather than in hours, in results rather than in time.
- › The third group - the third leaf of Handy's shamrock - consists of a flexible labour force, discharging part-time, temporary and seasonal roles. They operate within a role culture; but Handy observes that while they may be employed on a casual basis they must be managed, not casually, but in a way which recognises their worth to the organisation.
- › The federal organisation and the inverted doughnut

The concept of the federal organisation was first explored in *The Age of Unreason* and was expanded in *The Empty Raincoat*. In it, subsidiaries federate to gain benefits of scale. Federal organisations should not be confused with decentralised organisations, in which power lies in the centre and is exerted downwards and outwards. In the federal organisation the role of top management is re-defined to that of providing vision, motivating, inspiring and co-ordinating; initiative comes from the components of the organisation. Handy observes and describes the principle of 'subsidiarity' - not handing out or delegating power, but ruling and unifying only with the consent and agreement of equal partners.

In *The Empty Raincoat*, Handy uses the metaphor of the inverted doughnut to demonstrate how those in the subsidiaries must constantly seek to extend their roles and associated activities. The hole in the conventional doughnut is filled by the core activities of the subsidiary; the substance of the doughnut represents a diminishing vacuum into which the subsidiary can expand its activities given the necessary drive, will and ability.

Portfolio working and downshifting

Following on from his work on organisational change, Handy studied the effects of such change on the individual. He coined the concept of portfolio working, where full-time working for one employer will be a thing

of the past. Embedded in this is the notion of downshifting - the idea that it is possible to exchange some part of income for a greater quality of life.

Although Handy has gone on record that more and more individuals will opt out of formal organisations and sell their services at a pace and at a price to suit themselves, he has also admitted that comparatively few may find themselves in a position to take real advantage of this. He argues, however, that there is much that the organisation can do to help the individual to get to grips with the new uncertainty. It was in discussion with the Japanese that Handy coined the 'theory of horizontal fast track'. In Japan, the most talented people are moved around from experience to experience as quickly as possible which ensures their talents can be tested in different situations, with different managers and different cultures. This ensures they discover what they are really good at and provides a lot of experience.



IN PERSPECTIVE

With his imaginative use of analogy and metaphor, the Handy of the 1990s moves us from the past into the future. He argues that federalist and shamrock organisations can really be successful only if the organisation is prepared to invest in their workforce and build relationships of trust.

While he is as much concerned with individuals as organisations, his messages are sometimes disquieting. In the *The Hungry Spirit*, he assesses the effects of the competitiveness of capitalism on the individual, suggesting that people can become not only stressed but also selfish and insensitive. But his message is not confined to pessimism about the future. On the contrary, the new capitalism consists of intellectual property - know-how, not merely physical and financial resources; the new knowledge markets enable low-cost entry to those with "a bit of wit and a bit of imagination" and the new products of the knowledge world are not nearly so destructive on the environment as the industrial products of the past.

Handy stands apart from many other management writers by his breath of vision, his setting of management in a wide social and economic context, and the sheer readability of his writing. He is also ready to modify his views in the light of experience and further thought (he has admitted that some of his expectations have been proved wrong). He is not merely an observer of change but increasingly a catalyst who forces people to stand back from their daily routine, take stock and view the future through different glasses, acknowledge change and address its implications. In his latest book, *The Second Curve: Thoughts on Reinventing Society*, Handy revisits and builds on his life's work and looks at current trends, in capitalism for example. He sends the message that for radical change to be effective it needs to begin whilst there are still resources available to make it happen.



KEY WORKS BY HANDY

BOOKS

The editions cited here are those held in, and available for loan to members from, the CMI's management library. These may not always be the first edition.

Understanding organisations

London: Penguin Books, 1985

The empty raincoat

(Published in US as *The age of paradox*)

London: Hutchinson, 1994

Beyond certainty

London: Hutchinson, 1995

The hungry spirit: beyond capitalism - a quest for purpose in the modern world

London: Hutchinson, 1997

The elephant and the Flea

London: Hutchinson, 2001

The age of unreason: new thinking for a new world, 2nd ed

London: Arrow Books, 2002

Myself and other more important matters

London: William Heinemann, 2006

The new philanthropists: the new generosity

London: Heinemann, 2006

The Gods of management

London: Souvenir Press, 2009

This book is available as an e-book

The second curve: thoughts on reinventing society

London: Random House, 2015

JOURNAL ARTICLES

Balancing corporate power a new federalist paper

Harvard Business Review, Nov/Dec vol 70 no 6, 1992, pp59-72

Trust and the virtual organisation

Harvard Business Review, May/Jun vol 73 no 3 1995, pp40-42,44,46-50

The white stone six choices

Business Strategy Review, Spring vol 7 no 1, 1996, pp1-8

What's a business for?

Harvard Business Review, December vol 80 no 12, 2002, pp49-55

How to have your cake and eat it

Professional Manager, vol 14 no 2, 2005, pp28-30

FURTHER READING

Profile: the essential Charles Handy

Business Strategy Review, Summer vol 21 no 2, 2010, pp86-88

RELATED MODELS

Handy's four types of organisation culture

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