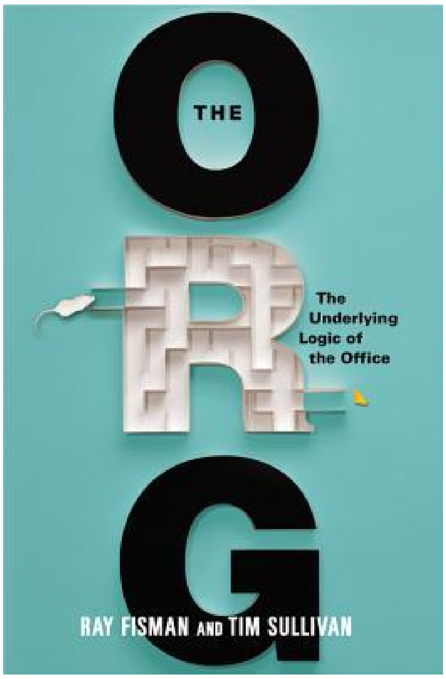

The Org: The Underlying Logic of the Office

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We create organizations because we need to get a job done--something we couldn't do alone--and join them because we're inspired by their missions (and our paycheck). But once we're inside, these organizations rarely feel inspirational. Instead, we're often baffled by what we encounter: clueless managers, a lack of clear objectives, a seeming disregard for data, and the vast gulf between HR proclamations and our experience in the cubicle.*So where did it all go wrong?*In THE ORG, Ray Fisman and Tim Sullivan explain the tradeoffs that every organization faces, arguing that this everyday dysfunction is actually inherent to the very nature of orgs. THE ORG diagnoses the root causes of that malfunction, beginning with the economic logic of why organizations exist in the first place, then working its way up through the org's structure from the lowly cubicle to the CEO's office.

Woven throughout with fascinating case studies-including McDonald's, al Qaeda, the Baltimore City Police Department, Procter and Gamble, the island nation of Samoa, and Google--THE ORG reveals why the give-and-take nature of organizations, while infuriating, nonetheless provides the best way to get the job done.

You'll learn:

The purpose of meetings and why they will never go away
Why even members of al Qaeda are required to submit Travel & Expense reports
What managers are good for
How the army and other orgs balance marching in lockstep with fostering innovation
Why it's the hospital administration-not the heart surgeon-who is more likely to save your life
That CEOs often spend over 80% of their time in meetings-and why that's exactly where they should be (and why they get paid so much)

Looking at life behind the red tape, THE ORG shows why the path from workshop to corporate behemoth is pockmarked with tradeoffs and competing incentives, but above all, demonstrates why organizations are central to human achievement.

The Org: The Underlying Logic of the Office Details

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From Reader Review The Org: The Underlying Logic of the Office for online ebook

Dylan Groves says

Tries to do for management economics what Ariely did for behavioral economics. Ends up reading as a sprawling defense of MBA programs.

Three takeaways:

1 - Organizations are valuable because they lower market transaction costs (cost of search, cost of contracting, cost of marketing). Organizations are dangerous because they reduce market-based information mechanisms, stifle innovation, and tend towards costly bureaucratic growth.

2 - The two poles of successful organizations are good management - Taylorist tinkering with incentives and design to maximize efficiency - and good culture - interpersonal trust, leadership and purpose necessary to grease the wheels. Failures of one are often traceable to attempts to achieve the other.

3 - A lot of corporate things that look bad on face - lots of middle management/consultants, high ceo pay, bureaucratic blocks on in-house innovation - are much more debatable than I thought.

Sarah says

Made me more sympathetic to bosses.

Andrew Ma says

Oh god. Glad that I am not, at the time of reading, working in an office!

Great insights. Organisational benefits and trade-offs. Interesting to go inside the black box of the 'firm' and it's implications for the wider economy. I love the examination of transactions costs and how it determines whether a firm outsources a task or gathering of supplies - or does it in-house.

I like to make my own sauerkraut these days but it does take time that is probably greater than the cost of buying it from the open market.

Ben Sweezy says

This book was terrible. I was excited to buy this on my Kindle...eager to get some theory, models, and insights into the function and dysfunction of the generic office. I sought a vessel for transference of my own frustrations into a useful image of "well yeah, that's how they all are unless XXX." The prescriptions for XXX though are useless, unpersuasive, poorly supported and overwrought with anecdote.

This really was one of the most disappointing books I've ever read.

Sean Goh says

Illuminating view into why organisations have evolved into the way they are. Why do meetings exist? Read and find out.

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As companies boost production or expand across product lines, work stays in the org up to the point where escalating costs of management and coordination outstrip the costs and headaches of dealing with outside suppliers. Then the market takes over.

Jobs that stay inside the org are the hard ones: hard to measure, hard to define, hard to do. If they were easy, we would hire contractors to do them for us.
And so the architects of the org face a monumental set of challenges: to ensure that jobs that are neither observable nor rewardable nonetheless get done. This begins before we even gain entry into the org, at the point of hiring. The org has to define the job, pick the right person, and figure out how to get that person to do the work.
If what gets measured get managed, then what get measured is what gets done. But it’s hard to measure what never happens.

There lies a distinction between “star” and “guardian” tasks. Guardians are regulators, audit and compliance departments, like the brakes on a car. They have the unglamorous job of guarding against the catastrophic decisions of others.
Star performers, in contrast, do their jobs best when they’re swinging for the fences, not worrying about risk. If you’re hiring R&D scientists, better to have gamblers than worrywarts. The billions in profit from one blockbuster drug will cover the cost of thousands lost from failures. The last thing you want is researchers obsessing over every disappointment.
Any org has to have both stars and guardians, carefully balanced. When the guardians become too powerful, innovation grinds to a bureaucratic halt. When stars hold sway, sooner or later we end up with something like the financial crisis. That’s why we’ll always have oppressive bureaucrats, and free-thinking entrepreneurs oppressed by them. And that’s okay.

“Practical drift” – the idea that we keep adapting and changing practices within our own group at the expense of coordination with others. E.g. in-group slang which boosts the efficiency of internal communication, but is unintelligible to outsiders.

The idea of skunkworks fell into disrepute when it came to be seen as just another cost center, albeit one full of inventive scientists thinking lofty thoughts. The problem was that these deep thoughts often were disconnected from the real world. In its more contemporary incarnation, the skunkworks model meets the McDonald’s R&D lab at least halfway. Managers make sure that scientists and engineers maintain regular contact with marketing and sales to ensure that lofty scientific thinking ultimately finds application in a product that consumers want to pay for.

Colonel Pearson has come to believe that army bureaucracy isn’t going to find a way to come up with better

orders, so everyone, from the top of the chain to the lowliest infantryman, will need to learn to think for himself.
Management
The alternative to dependable relatives would be to put in place systems for tracking inventory, monitoring performance, and generally keeping tabs on the goings-on in each factory: management.

Not everyone needs to know the last detail of what's happening in the factory. Too much detail would be overwhelming. So not only does effective management require efficient information gathering, but also the facts and figures need to be distributed to those who need them.
Top managers should occupy themselves with the larger strategic questions facing their companies. If management systems are working properly, it's possible to keep tabs on whether everything is getting done, and also to figure out what to do next.
Senior executives don't do much routine work with details. The details never get up to them. They work fairly hard, but on exceptions. (Alfred P. Sloan)
The only way the CEO can truly commit to giving his editors autonomy is to adhere to a rule of communicating to lower-level subordinates only through their supervisors. If not the supervisor would be looking over their back, worried that their boss will overrule their decision based on input from their own subordinate, leading to halfhearted effort.
The fundamental role of managers is in large part the gathering and processing of information to be passed up and down the org chart, to extend the control of the owners and to filter and sort employee intelligence.
"Peter's Parry" – Self-sabotage to appear less competent so as to avoid promotion. Creative incompetence like painting your personal life as morally questionable or slipping a few deadlines make one appear less desirable for a place in the ranks above. This strategy comes with a caveat, though: don't be so incompetent that you get fired. (From The Peter Principle)
The problem is that managerial talent is hard to glean from performance as a salesman or engineer.
Large organisations need to impose some degree of uniformity for quality control over the inputs of production, including information. Meetings and memos and reports, the essential tools of management, serve this function, even though they may resemble nothing but disruption to the work lives of those who feel they are the ones actually producing something.
Ethan Mollick of Wharton studied the manufacturers of 854 computer games to determine which role had the biggest impact on the project's success. The verdict? "Variation among middle managers has a particularly large impact on firm performance, much larger than those individuals assigned innovative roles".
Meetings and CEOs
Despite its imperfections, the meeting (rather than spreadsheets, reports or MIS printouts) remains the most effective way of gathering details on what's really going on around the org, and for spreading the CEO's vision, unadulterated by garbled retelling, to their many minions.
The backstory for CEOs' generous severance packages (golden parachutes): One of the best ways for corporate leaders to create value is to make the company a target for merger or acquisition, therefore creating incentives to motivate CEOs to seek out merger opportunities turned out to matter a lot. Companies are usually acquired at a premium, but the combined firm only needs one CEO, so odds are one of the two is out of a job. Ironically one of the most value-enhancing ways a CEO can spend his time also results in him getting fired. Hence the shareholders' provision of the golden parachute. However this clause doesn't trigger only for competent CEOs, so when incompetent leaders get rewarded for mismanagement, absurdity results.

The compensating wage differential (the amount of money that compensates for taking a less satisfying job) between profits and non-profits range anywhere from 20-50%.

The Heisenberg Principle of Incentive Design: A performance metric is only useful as such when it is not being used as a performance metric. Once it is perverse incentives start appearing (e.g. paying for centipedes in colonial Singapore led to people farming the critters).

Centralisation is a trade-off between increased comprehensiveness and coordination at the expense of slower responsiveness, more yes-men, and possible over-filtering/censoring of critical information.

If there’s one conclusion to take away from this book, it is that a glass half full may be the best one can hope for. If either intelligence gatherers or crime fighters had been fully satisfied, it would probably indicate that FBI leadership wasn’t making the right trade-offs between the two. You can’t please all of the people all of the time, nor should the director have such aspirations. As with the post 9/11 postmortem, the FBI will likely find that doing its best simply isn’t good enough to prevent some loss of American lives. And once again, the organisation will be blamed for failure by a public that refuses to acknowledge the imperfections of any org in a world full of trade-offs and compromise.

The increase in number of direct reports due to a flattening of an organisation translates directly into more time spent meeting with them.

Related reading: “On the folly of rewarding A while hoping for B” - Dry, witty observations on how poorly set incentives can go wrong.

Matthew Green says

There were perhaps a handful of interesting passages in the book, but overall very little to recommend it.

Julia Milner says

A few interesting passages but, overall, not the book I had hoped it would be.

Arnas says

It's interesting but very winded and drags a bit.

Jen says

I struggled between a 2 and a 3 for this book. Ultimately, it was well written. It was not the book that I thought I was picking up though. Had it just been named "The Org" and dropped "The Underlying Logic of the Office", that would have been much better. They do case studies, it's true, but it was primarily on organizations that weren't your normal office like the FBI, the Baltimore Police Department, McDonald's. It was obviously written by academics who'd never worked in a cube farm before. I felt like I was reading a really long treatise that was sponsored by the Harvard Business Review.

I didn't feel like I learned anything new, I didn't get any interesting perspective on the office nor did I feel inclined to rethink my views. Yes, they researched and yes, they could write but that's not what I was looking for which is ultimately why this got a 2.

John Yafi says

Bullshit. Topics are not matching the contain. Like, the title of the book.

Gaurav Soni says

Here goes 90 days of my life fighting with myself to finish this book. I feel bad coz that averages out to about 3-4 pages everyday. But this just further strengthens my point how bad this book is. The book tries to cook multiple stories around 4-5 key points (only) that are there in the book, but fails miserably to prove them through the same . It does not tell anything new that a person working in an office environment may not know. But authors do a wonderful job making everything sound sinfully long and sadistically complex.

P.S - This is my first review and I don't want people to go through this hard journey at all !

Margaret Sankey says

I would categorize this as popular business sociology--an attempt to apply social science to explain why so many organizations become (or start out) dysfunctional in their own way through a similar process. It is always easier to drift into standardization and a single set of guidelines applied to every situation, but in doing so, ossify and reduce ability to innovate and change with the environment. The authors produce vivid and varied examples--McDonalds must have sufficient standards for franchisees to be recognizable as McDonald's anywhere in the world, but flexible enough to adapt to regional food needs and invent new product, paying snowplow drivers by the hour (slow) or by inches of snow moved (inattentive to details) cause problems either way, rewarding Baltimore police for arrests (leading to indiscriminate roundups) or subsequent prosecutions (only high profile crimes are handled, people are angry), all of which speaks to a need for engaged, responsive managers ready to deal with complex and changing factors rather than a hard and fast rule. Some of the case studies are fascinating--the United Methodist church encourages lackluster congregations to fold by allowing dynamic pastors to "steal sheep" and rewards this financially, but has a sophisticated process to control for underhanded tactics and people who just move away or leave the church all together, while inappropriately hilarious captured documents show that Al-Qaeda has a number of extremely rigid and pissy accountants who write screeds about missing T&E receipts and money that got siphoned off to buy someone's grandmother an air conditioner.

Florin Pitea says

Brief, clear, well organised, accessible and not only instructive, but also amusing in places. Recommended.

Vincent Li says

Essentially, Freakonomics for management and organizational economics. Combines interesting counterintuitive insights with a wide sampling of academic literature. Entertaining for sure, and well written. My complaint is the same as when I took management, which is that much of the book seems to focus on simple casual stories that purport to teach lessons but some of those alleged causations seem questionable (but to the authors' credit, they admit that occasionally in the book).

Much of the book is a review of your typical management class (from the dreaded product, function, and matrix structure to the importance of corporate culture [the informal rules that govern when no one is watching] and the difficulty of compensating unmeasurable products of teamwork), but it's useful to have it in one place. I liked the book's opening discussion of Coase's paper on the existence of firms, which justifies the entire project of corporate structures in the first place. I've never read the paper fully myself, so it was gratifying to see it explained somewhere (firms are formed because there's transaction costs to acquiring goods and services on the open market, but once the firm grows to a certain size, there's counter balancing costs of coordination/monitoring). Much of the book's thesis is that the firm represents a "second best" solution to tradeoffs and frictions in reality. For example, the book had an interesting justification for golden parachutes (to encourage management to make the firm a desirable acquisition target). Or how the chain of management filters information upwards for specialized decision makers at the cost of lost information. The tension between performance and risk control. Or that where standardization/coordination is especially important, sometimes innovation needs to take a backseat.

I liked in particular the chapter on CEOs, which is the section I learned the most from. While I had heard of some of the explanations for their pay before (from a famous article by Jensen on performance pay to the natural positive feedback consequences of using comparable salaries), the chapter included a lot of interesting explanations and studies. For one, the chapter discusses the added value of CEOs (a small percentage of billions is still hundreds of millions), and the nature of competition for good management. I found the study tracking the use of CEO time fascinating (turns out they spend most of their time in meetings to get a feeling of the outside environment). I laughed at the study that looked at market price reactions to the sudden death of CEOs (some companies fell 10% in response, while another rose 20%!). I also enjoyed the studies that looked at the impact of interlocked boards (where CEOs are sitting on each other's boards) and strategic use of comps in setting CEO salaries. Unsurprisingly, interlocked boards paid their CEOs more and there was some minor strategic choice of comps to increase CEO salaries.

The portions I found satisfying throughout the book were the somewhat tangential studies measuring interesting intuitions. For example, there was an interesting study measuring the cut in salary people were willing to take to work for a job they "believed in" (20%-50%) by comparing salaries of those who were skilled enough to make large salaries in private sector jobs but took lower paying non-profit or governmental jobs. There was a long chapter on an interesting experiment introducing modern management principles to indian textile mills, which showed the added value of management in keeping monitoring/coordination costs low (a bit self-serving and probably won't convince those who really dislike management). I was not surprised but still impressed by a study that showed that even for churches, there arose sophisticated incentive design which compensated pastors by measurable targets (converts) and even seemed to account for less desirable stealing of other co-denominational church members (sheep stealing). Finally, I enjoyed the last chapter on reforming the FBI post 9/11, which tried to apply some of principles discussed in the book to a complicated real life situation (to split the crime fighting/intelligence functions or not [synergy or loss of focus?], to centralize or de-centralize information flow [lack of information sharing v. encouraging groupthink?]).

Alex Mader says

Well enough written book but didn't really feel to have much of an argument to make or point beyond reciting anecdotes about points of interest for the authors.