

Triarchy Press

No Secrets!

Innovation
Through Openness

Gerard Fairtlough

with

Matthew Fairtlough

Michael Thompson

Wellford Wilms

OPEN

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Contents

Foreword	v
<i>Matthew Fairtlough</i>	
No Secrets!	1
<i>Gerard Fairtlough</i>	
Introduction	1
Themes	3
<i>Openness Theme</i>	
<i>Interaction Theme</i>	
<i>Smallness Theme</i>	
<i>Focus Theme</i>	
<i>Innovation Theme</i>	
Models of Innovation	23
<i>Schumpeter Mark I Model</i>	
<i>Schumpeter Mark II Model</i>	
<i>Hamel Mark I Model</i>	
<i>The Creative Compartment Model</i>	
<i>Triarchy Theory</i>	
Triarchy Theory and Cultural Theory	39
Cultural Theory and Triarchy Theory	43
<i>Michael Thompson</i>	
Editorial Notes	51
<i>Matthew Fairtlough</i>	
On 'Cultural Theory and Triarchy Theory'	51
On 'Hierarchy Meets Innovation'	53
Hierarchy Meets Innovation: A Case Study	55
<i>Wellford W. Wilms</i>	

Contents

About the Author	65
About the Contributors	67
About Triarchy Press	71

Foreword

Matthew Fairtlough

May 2008

It is with a curious mixture of sadness and delight that I write this foreword to my father's final piece of writing, which concerns innovation and trust. I am delighted to be involved in his thinking and writing in a way I never imagined while he was alive; yet sad that this could only happen after his death. This was planned as a singly authored pamphlet and Gerard had just signed a contract to publish it—with the company he founded—when he died suddenly on 15th December 2007. Although his writing was then believed to be essentially complete, a considerable portion is still missing. Thus it fell to me to assemble it into publishable form and address the gaps. Rather than attempt to write as he might, I decided to leave the gaps and insert commentary on what *was* there. You read Gerard's words here, but not in the form he intended to leave them. In particular, there are no conclusions drawn from his analysis. So I offer his words as food for reflection on the many ways we relate to each other and get things done. I am grateful to Buzz Wilms and Michael Thompson for their generous contributions to this reflection, especially since their invitations were delivered at such short notice.

Personal reflections

As the publication of this slim volume coincides with two memorial events for Gerard, it seems appropriate to reflect on his life and work and its profound interactions with his thought. I would like to acknowledge the influence of Caroline Dilke's obituary in *The Independent*¹ and Gerard's memoir of his time in New York.²

I loved and respected my father and indeed was rather awed by his achievements and competence. He was a deeply compassionate man who wanted the best for and from the people who worked with him. This could make him fierce and uncompromising with sloppiness or lack of commitment. I was amazed to learn shortly after his death that he was regarded as a 'hard man' in Shell and even feared by those who worked under him. Yet on reflection I understand how this could be despite his consistently calm, steady and solicitous way of being within his family. My father was a rare example: someone who was utterly committed to the success of his enterprises and yet also fascinated by and able to contribute to organisational theory. The theory he turned to and eventually began to develop was not only sophisticated and highly abstract but

1 <http://www.independent.co.uk/news/obituaries/gerard-fairtlough-entrepreneur-in-biotechnology-780242.html>

2 Fairtlough, Gerard (2004). *New York Changed My Life*. Bridport: Gerard Fairtlough. Available from Triarchy Press.

also encouraged his innovative streak and appears to have strengthened his confidence in experimenting with new ways of managing.

Innovation and entrepreneurship were essential aspects of his work from the beginning of his career. After graduating from King's College Cambridge with a degree in natural sciences, he began as a junior manager in Shell and developed his taste for entrepreneurship during a two-year secondment in New York. He took a big risk in signing a large contract with Puerto Rico Refining, a Texan owned and led business that was constructing a factory on the island to produce benzene, toluene and xylene. Delays in bringing the new plant on stream brought the risk of serious financial damage to Shell. This exposed him early in his career to the serious consequences secrecy can have: in concealing the delay from him, Puerto Rico Refining ran the risk of losing their contract, denting their own and their customer's profits and seriously harming Gerard's career in the process. Fortunately for them all he managed to mitigate the delays and the contract was eventually fulfilled, leading to large profits for Shell and facilitating his rapid promotion. By the time he had risen to the position of managing director of Shell Chemicals UK, Gerard was challenging the company's working methods by devolving responsibility to people lower down the hierarchy. He realised that he simply did not know enough to run the company in the manner he was expected to: as a manager issuing orders from on high. However,

his work did not satisfy him. Many considerations might have influenced his decision to leave Shell in 1978 and strike out on his own. To his family he presented it as a clash of politics and personality. From the vantage point of his later career, it is clear that he did not have much scope within such a huge organisation—the company employed 158,000 in 1978—to implement his open and straightforward style of relating to others. On leaving Shell, he spent a brief period with a quasi-non-governmental body (the National Enterprise Board) which allowed him to launch one of its last and greatest successes, the biotechnology company Celltech. He remained at its head until it was taken over some ten years later. Still later, it was floated on the stock exchange and was bought by the Belgian biopharmaceuticals firm UCB for £1.5 billion, 24 years after Celltech's inception. Celltech not only made his reputation as a shrewd entrepreneur and manager—he was awarded the CBE in 1989 in recognition of his leadership of the company—but also inspired a practice of openness and creativity that pervaded the company, gave it a sharp competitive edge and led to his first book *Creative Compartments*.³ Those experiences inspired much of what he writes here.

In the final phase of his career, long after his supposed retirement, Gerard undertook two new projects. The first was driven by the realisation that a large, international response was urgently required to the

3 Fairtlough, Gerard (1994). *Creative Compartments: A Design for Future Organization*. London: Adamantine.

crisis of climate change. Together with my mother Lisa he donated a large amount of money to Friends of the Earth to support their Climate Change campaign. He also assisted them in formulating an action plan to ensure the money was used effectively. The campaign led to the introduction of a Climate Change Bill which is being enacted by the British parliament. His second undertaking was to create an innovative company to publish his second major work *The Three Ways of Getting Things Done*.⁴ He was frustrated with the slowness and inefficiency of large publishing houses and perhaps wanted to demonstrate that small was still beautiful. Gerard describes the three ways in the section on Triarchy Theory below; for now it may be enough to say that they are: *hierarchy*, *heterarchy* and *responsible autonomy*.

I am very grateful to be able to work here at Triarchy Press, in an institution that provides a refreshing opportunity to practice responsible autonomy.

Intentions

Since this pamphlet was cut short before Gerard could complete it, my intention is to release it with a set of commentaries that continue to develop the thinking it contains.

4 Fairtlough, Gerard (2007). *The Three Ways of Getting Things Done*. Axminster: Triarchy Press.

A clear progression can be discerned in his writing and thought. His first take on innovation was the Creative Compartment Model. He then began to notice how severely hierarchical thought and structure inhibits innovation and creativity, qualities sorely needed in times of great environmental and social change. This led to his development of Triarchy Theory, which gives prominence to two further organisational forms distinct from hierarchy.

Of all the many intellectual influences on Gerard's thinking and writing, Cultural Theory seems to have been the most profound.⁵ He came across the ideas of Cultural Theory (here abbreviated as CT) in the last few years of his life and his thinking was changing in response. Triarchy Theory remained incomplete without a dynamic component that explained how the balance of power can shift between his three ways. Such an extension might account for why hierarchy came to be so dominant in the world's culture and give some insight into how its dominance might be lessened. Cultural Theory provided exactly that. In the section *No Secrets!*, Gerard claims that the three ways of Triarchy Theory correspond precisely to the three active ways of life or active *solidarities* of CT. Very briefly, since the theory is sketched later by Gerard, these are: *hierarchy*, *markets* and *egalitarianism*. It would be satisfying if he had independently come up with all three active ways rather than the usual two (hierarchy and markets), and this would lend support

5 Thompson M., Ellis, R. and Wildavsky, A. (1990). *Cultural Theory*. Boulder, CO: Westview.

to CT. However, his heterarchy did not look very similar to egalitarianism and when he wrote about responsible autonomy it is not clear that he was also talking about the free market. Not won over by his argument, I invited Michael Thompson to comment, and indeed it appears that his claim, while not exactly false, raises more questions than it settles.

So another intention is to initiate an exploration of the relationship between Cultural Theory and Triarchy Theory. I am indebted to Michael Thompson for giving this exploration a kick start. I also wanted another practitioner's perspective on the troubled relationship between innovation and hierarchy, and this has been generously provided by Buzz Wilms. Many thanks to you both!

No Secrets!

Gerard Fairtlough

December 2007

Commentary on Gerard's writing has been included where necessary, inside boxes like this one.

Introduction

The world is beset with problems for which there are no obvious solutions. Sometimes what may be needed is that people change their behaviour, perhaps becoming less selfish or greedy. And in some cases a deeper understanding of whatever the problem is might provide an answer. However, new ways of doing things or new institutions, or even new gadgets, might be what is needed. Therefore innovation will often be vital for the environment, for the economy, for just government and for civil society. The innovation I am talking about goes beyond technical innovation (although that is sometimes needed) and includes institutional, social and conceptual innovation.

If innovation is so important, how can we encourage and foster it in society and in organisations of all kinds?

After years of seeking innovation in widely varied situations, I am convinced that its sources are both individual and collective. It depends on talented

and creative individuals, but equally on interaction between people with diverse backgrounds, skills and experiences. So the art of fostering innovation depends on combining the contributions of varied individuals in a mutually supportive way. Individual innovation tends to flourish when people have autonomy, when they decide what they will explore and how they will conduct their exploration. They usually want to be accountable for the outcome—good or bad, provided the assessment of outcomes is reasonably fair. Of course, it is pleasanter to be given credit for good ideas than to be blamed for poor ones, but either way, individuals like to own the outcomes of their innovative efforts.

There are well-established ways of providing autonomy, of giving credit when credit is due, of rewarding success and of reallocating resources when success is not achieved. These methods work in varied spheres—in academic research or in book and music publishing, perhaps even in politics. The name for these methods is responsible autonomy.

However, individual creativity isn't the only route to innovation. Sometimes success depends on bringing together diverse talents. This can be done by forming teams. These teams can then be given responsible autonomy, using methods similar to those used for giving responsible autonomy to individuals. But sometimes innovation arises from the collective work of a wider community and more than responsible autonomy will then be needed.

Combining individual and collective innovation is a challenge. This is because individualism generates rivalry, whereas collective innovation needs cooperation. Cooperation and competition can coexist, but only if the conditions are right. The purpose of this article is to discuss how the combination of individual and collective innovation can be achieved.

I believe an excellent way to do this is through almost total openness, small sized organisations, skilled communication between people and tight focus.

Themes

My main themes are: openness, interaction, smallness, focus and innovation. These five themes are brought together in a model that I call The Creative Compartment.

Openness Theme

In a small organisation it is genuinely possible to operate a policy of 'no secrets', which means that all work-related information in the organisation is available to every member of it. This is definitely an unusual state of affairs, but it is a perfectly practicable one. 'No secrets' means what it says—all information is open to all. And the organisation makes it clear to all that openness is sincere and universal. For instance, minutes of meetings, statements to the media, and reports of various kinds should all be easily

accessible, electronically or in hard copy. Meetings open to everyone are held regularly at which there is frank discussion. Even if people are doubtful to start with, within weeks they believe that 'no secrets' is for real and act accordingly.

It is sometimes objected that information flow of this kind will be time consuming and often irrelevant. But if genuine openness has been practised over time and it is taken for granted, the flow of information can then be simplified. Everyone knows they can have all information they want, so why ask for things they don't need? On the other hand, if the tradition in a organisation is secrecy, then rumours will flourish, people will try to trade information with each other and a lot of energy will go into the stupid game of 'who knows what?' All of this is much more time consuming than the activities needed for openness—therefore 'no secrets' saves time and trouble.

Another objection is that there are surely matters which an honest organisation needs to keep to itself. Of course there are secrets that genuinely need to be kept within the organisation. Also, it is good that people can float ideas without worrying that an intrusive media might pick them up and make trouble. However, 'no secrets' applies only within the organisation. Providing there is a clear distinction between members of the organisation and non-members and providing members are trustworthy and discrete, 'no secrets' within does not result in the spread of information to the outside.

'No secrets' has the result that within the organisation every member has access to all information about the organisation, to correspondence, financial information, to reports on performance and on future plans. Personal data on individuals and information given to the organisation in confidence by outside parties can be recognised as special. But information on salaries and other rewards needs to be open to all. It is possible to designate certain things as particularly confidential, with a full explanation about why these things have to be treated so carefully. An example might be a valuable technical innovation. Exceptions of this kind don't damage the general policy of openness and reinforce the boundary between inside and outside information.

A common reaction is that it is impossible to operate any organisation like this. If information is so freely spread many feel it is inevitable that a lot of it will be leaked. But this is not inevitable. People know they are lucky to be trusted with so much knowledge of the place where they work and realise that with this privilege comes responsibility. They know that there must be a boundary where openness ends and that there has to be a clear distinction between inside and outside. The habit of gossip is greatly reduced by a policy of complete openness, which means that external gossip is less tempting. This is why I can claim that 'no secrets' is a perfectly practical policy. My experience with organisations of various kinds is totally in line with my confidence in the policy.

The policy of 'no secrets' is practical on a small scale, but not on a large one. In an organisation with many hundreds of people it is hard to remember who is an insider and who is an outsider. On this large scale there is likely to be a huge amount of information swilling around. It might be hard to remember what is to be kept from outsiders and what is not. Smallness makes it much easier to remember. This is why 'no secrets' works well on a small scale, but not on a large one. Even on the small scale it takes some self-discipline and self-control, but because its advantages are evident to everyone, continuing self-control becomes natural.

'No secrets' means that each member of the organisation has to trust all the other members. Colleagues have to be trusted not to misuse the information they have, and trusted to respect the boundary between insiders and outsiders. The act of trust binds people together and emphasises the respect that colleagues have for each other.

Therefore 'no secrets' is part of a virtuous circle. Openness creates mutual trust between colleagues, and this trust makes openness a practical policy. Openness reinforces trust and trust reinforces openness. Once the virtuous circle is established the policy becomes robust and realistic. It is an unusual situation but one which is not easily damaged, even by the occasional lapse. Again, I must emphasise that the virtuous circle depends on smallness. The effects of the circle need to be contained for it to become

self-reinforcing. Openness is a good thing even on the large scale, but it is only on the small scale that the virtuous circle of openness and trust has a chance to bed down.

Yet another advantage for a habit of total openness is that there is little temptation to cover up mistakes and misjudgements. This applies to apparently trivial matters as well as to major problems. It is well recognised that cover-ups cause more harm to the reputation of an organisation than the original mistake. Openness simplifies matters because no one has to remember what the cover story is supposed to be. Openness leads to a better acceptance of reality, to the rejection of wishful thinking, and reduces denial of difficulties.

As well as the virtuous circle of trust and openness, a further circle is generated in a small organisation with no secrets. The mutual trust within the organisation, with its implication of mutual respect, generates commitment to the common purposes of the organisation. The second circle is thus between self-respect and commitment to the organisation. Members of the organisation feel they really are members. The two virtuous circles interact: trust and openness reinforce each other, so do self-respect and commitment.

Openness, as I have described it, is unusual, but it is not utopian, nor is it particularly hard to establish once the widespread habit of organisational secrecy has been broken down. The virtuous circles keep

openness going for a long time. Smallness is a precondition for full openness, but obviously this does not mean that all small organisations are open. Often they are not, and openness needs a big effort to get started. And openness is not enough for innovation to work well. Another thing that is needed is effective interaction between people and once more an effort is required to achieve this. So interaction is my next theme.

Interaction Theme

There are at least three methods for encouraging effective interaction between people. These are: development of skills, sharing of concepts relevant to interpersonal process, and attention to the effects of power on personal interaction.

Skills development isn't complicated, but in most organisations it is neglected. A typical skill is good listening. This sounds easy, but a quick experiment between pairs of people chosen at random will confirm that it is not. One member of the pair speaks on a straightforward topic, and after a couple of minutes the other member feeds back what his or her interlocutor has said. The listener usually fails to pick up 60% of what was said. Continuing the experiment shows that active, concentrated listening is rare and that it can be improved by practice. A second skill is clear and concise speaking, which is, of course, complementary to active listening.

A further skill that can be developed through practice is the facilitation of interaction. For example, one person can be charged with defining at intervals the agenda for the next stage of an informal discussion. Another person can be given the job of summing up at intervals what has been concluded. Yet another can have the task of bringing up to speed anyone who joins the discussion after it has started. Another might concentrate on making sure that everyone has had ample opportunity to contribute.

In most organisations facilitation is assumed to be the job of senior people who 'take the chair' at meetings. The disadvantages of this way of arranging facilitation include:

- ◇ Senior people may not be good facilitators.
- ◇ The approach confuses power and facilitation.
- ◇ Someone occupied with facilitation cannot contribute fully to the subject of the discussion, which means that rotating the job of facilitator (or aspects of it) may be more efficient.

In an organisation where facilitation skills are widespread it may not be necessary to specify who is doing the job of facilitator, because people will spontaneously take on this work, at least in

smaller, less-formal meetings. Spur-of-the-moment facilitation can be learnt by practice and by observing others who have a talent for it.

As well as skills in listening and facilitation, an organisation can aim to enhance its members' skills in presentation—in organising a talk and in using visual aids. Narrative skills are valuable too. Telling stories is a superb way of explaining something or making a key point.

Concepts which need to be understood when you want good interpersonal interaction are:

- ◇ The difference between task and process in an organisation. Both are important for both large-scale and small-scale activities.
- ◇ Another vital differentiation is between tacit and explicit knowledge. Someone may be very competent for a particular task, without being able to articulate how the task should be performed. That person's opinion will sometimes be worth a lot even if he or she might not be good at convincing other people.
- ◇ The concept of 'groupthink' is important, if the danger of too rapidly moving to consensus is to be avoided.

- ◇ The concept of ‘boundary spanning’ is needed if communication between different groups of people has to be organised.
- ◇ The concept of ‘mental models’ helps us to understand how people presented with similar facts can have different views about a situation.
- ◇ The distinction between discussion and dialogue is also valuable. This concept was originated by David Bohm.¹ In discussion, people present their own views and don’t seriously listen to what other people are saying. In dialogue, there is a flow of understanding. People hear what others say and make it clear that they have heard. This allows people to build on others’ contributions and is a great basis for collective innovation.

In most organisations there will be little objection to the aims of improving skills and achieving a better understanding of a range of concepts relevant to personal interaction. However you can expect objection to my next point—which is about power. In organisations everywhere there are powerful people who prefer that people do what they are told, who don’t want to be bothered with ideas different to their own. This is the not-invented-here phenomenon.

1 Bohm, David and Nichol, Lee (1996). *On Dialogue*. London: Routledge.

Jürgen Habermas speaks of unconstrained or undistorted communication.² This means communication that is uninfluenced by power, whether the power is perceived or not. The influence can be formal or informal. It can even be the power of a strong personality. Habermas says that the only permissible power is that of the better argument. This ideal speech situation has frequently been criticised as utopian—and indeed it is. But the purpose of utopian ideas is to guide us in the right direction. Undistorted communication won't happen only by wishing it, but unless we try to get something like it we won't know what we're missing. Undistorted communication applies to factual, ethical and subjective matters. Matters of right or wrong and personal feelings have to be permissible topics for discussion, alongside colder, factual ones.

Cultural Theory

A theory of human association and interaction, known as Cultural Theory, is now becoming widely accepted.³ Cultural Theory sees all human societies as made up of four types of person. These types follow differing ways of life, rather than being psychological types. The ways of life are followed by: Fatalists, who put up with whatever is thrown at

2 Habermas, Jürgen (1984-87). *The Theory of Communicative Action*. Translated by Thomas McCarthy. Cambridge: Polity.

3 Thompson M., Ellis, R. and Wildavsky, A. (1990). *Cultural Theory*. Boulder, CO: Westview.

them; Hierarchists, who know their place in society and behave accordingly; Individualists, who work out things out for themselves; and finally, Egalitarians, who are guided by a local group of fellow human beings. Typical examples of these four ways of life are the non-unionised worker in a small factory, who is a fatalist, the entrepreneurial, self-made factory owner, who is an individualist, a high-caste Hindu villager, whose following of ritualised caste rules gives him status, is a hierarchist. A member of a Western commune is an egalitarian, also known as an enclavist, and his or her life is bound up with that of the group.

A fifth type, the *hermit*, is included by Thompson et al. It is rather different from the other four in that its members minimise their engagements rather than maximising them.

Thompson et al. show that the four ways of life can be reduced to three 'active' ways of life, whose adherents are: The individualist, the hierarchist and the egalitarian.⁴

Cultural Theory is descriptive of society, rather than of organisations as such. This is because an organisation only exists if there is a common purpose to be followed. Whole societies lack such a common purpose, but organisations are parts of a wider society and we can therefore expect features of society to be found within them.

4 Thompson et al, 1990: p. 88.

Gerard expands on the links between his Creative Compartment model, Triarchy Theory and Cultural Theory in the section on innovation and the question of scale is taken up later by Michael Thompson.

Smallness Theme

E. F. Schumacher's *Small is Beautiful*, the book which since its publication in 1973 has inspired generations of Greens, seems now to be remembered mainly for its sub-title 'A Study of Economics as if People Mattered'. Sadly, 'small is beautiful' has been relegated to the status of a cliché, often a sentimental one, rather than being a straightforward recommendation for organisations. We have forgotten that smallness is so practical. Schumacher was right when he wrote: 'we are generally told that gigantic organisations are inescapably necessary; but when we look closely we can notice that as soon as great size has been created there is often a strong effort to attain smallness within bigness.'⁵

Twenty years later than Schumacher, I wrote: 'we are not sure why small is so good, nor do we have a clear idea of how small and large can complement each other'. This was in my book *Creative Compartments*⁶ and I think this still true.

5 Schumacher, E.F. (1973). *Small is Beautiful: A Study of Economics as if People Mattered*. London: Blond & Briggs, p. 53.

6 Fairtlough, Gerard (1994). *Creative Compartments: A Design for Future Organization*. London: Adamantine.

Failure in business, in government policy and in organisations of all kinds is attributed to various factors: to lack of funding, to poor leadership, to false ideologies or to bad luck. Getting the scale wrong is seldom considered a cause of failure, but in my view it should be. Control freakery, personal aggrandisement and lack of imagination all lead organisations towards the large scale. The argument that there are economies of scale is often used as an excuse rather than being properly thought through. So the result usually is that organisations grow to be as big as possible, instead of remaining as small as possible. This brings unnecessary complexity, disregard of human factors and too much bureaucracy: all faults that can be avoided if there is a proper understanding of scale.

To take one example: Britain's National Health Service (NHS) will be familiar to all readers who have lived in the UK. If they have not experienced the NHS directly, they will have heard about this gigantic organisation from general conversation, media reports or political controversies. Second only to the weather, the NHS is a prime topic for British conversation and generates innumerable stories. Politicians, hospital managers, computer systems, outmoded traditions, the training of doctors and nurses, are variously blamed for the ills of the NHS. Frequent reorganisations take place, proposals (such as the closing of a local hospital) are vigorously opposed, serious malpractice, although rare, occasionally erupts into a big scandal. Private health insurers and providers play up the difficulties

experienced by NHS patients, with waiting times for operations being a perennial grouse. The political debate tends to be on public versus private lines, comparing government funded medicine with that provided by capitalist models of various kinds. Although some capitalist models are claimed to be smaller scale, there is little real attention to the general question of scale. For instance the size of an effective hospital is assumed to be solely determined by the need to provide for a full range of specialisations under one roof. The need for good health services is rarely questioned, even if there is controversy about how to pay for them. In short, the example of the NHS illustrates very well the lack of understanding there is about the whole issue of organisational scale.

Something similar can be found in education. The right size for schools, universities or colleges is rarely the question. Small businesses are praised in principle, although big ones are just as often expected to be powerful and efficient. Bigness may be feared, but why it comes about is not much discussed. As I have already remarked, even when small is believed to be beautiful, there is little understanding about why this is so.

If I am right in thinking that there is a widespread lack of understanding about the importance of scale in organisations, (and also in ways of organising), is the problem really one of lack of interest? Certainly, as a rallying cry, 'We must learn more about organisational scale' does not make the heart beat faster nor is

it likely to attract the masses onto the streets. So perhaps it isn't surprising that Schumacher's *Small is Beautiful* has not been read as carefully as it deserves. Having admitted that the subject of organisational scale seems rather dull, I nevertheless claim it is of great importance. There are two main reasons why this is so. The first reason is that the lives of people are strongly affected by organisations and by the way society is organised. Where you work, where you live, how you cope with bureaucracy in its multiple forms, are all matters that are shaped by the behaviour of organisations. Schumacher's sub-title 'A study of economics as if people mattered' recognises this interaction between human life and organisational functioning. It is not simply economics that is involved, but also the culture, systems and leadership of organisations. The exercise of power is bound up with it all, since scale, power and status are so closely connected. Thus the first of my reasons for the importance of organisational scale can be labelled 'the human-related reason'.

The second of my reasons can be labelled 'the instrumental reason'. The phrase 'instrumental reason' summarises my belief that organisations work much better when they are small, and emphasises that a real understanding of scale is needed to achieve more effective ways of working.

In brief: the two big reasons why we badly need to understand organisational scale are these:

Firstly, the human-related reason, which is driven by the wish to improve human lives in and around organisations; and secondly, the instrumental reason, which is driven by the wish to make organisations more effective, meaning that they become better at achieving their purposes.

Nothing I have said about the human-related reason proves that small organisations and societies are always decent places in which to live or work. Sometimes small units are narrow-minded, insular and oppressive. This is why a sentimental attachment to the idea that small is beautiful can be harmful. Smallness is often very good, but it is not automatically so. We need a proper understanding of why and when smallness works rather than an unthinking belief in its virtue. The need for proper understanding of scale applies to both the human-related and the instrumental reasons.

Focus Theme

An innovative organisation, if it is to produce more than a mass of half-baked ideas, has to choose a limited set of projects on which it will focus. By doing so, it hopes to ensure that the selected projects have the wholehearted support of the whole organisation and the resources needed to bring these projects to fruition. So innovation has to combine ideageneration, idea selection and project implementation. However, idea selection must be done in a way that does not inhibit the future generation of ideas. Selection

has to be genuinely guided by the interests of the organisation as a whole, and free from sub-sectional bias and personal favouritism. Transparency through openness is an excellent way to achieve this.

A good example of how to achieve focus is presented in the next section, when the Creative Compartments model of innovation is discussed.

Innovation Theme

I reiterate the importance of innovation for a wide variety of human activities, in government, business, health and education, in scientific research and in ways of organising. Innovation is needed for technology, society, the arts and crafts. Innovation can be disturbing, even frightening, in that it can upset familiar patterns in life. There is an intricate connection with power, since innovators can become powerful as a result of successful innovation. Innovation raises dilemmas of stability and change, of efficiency and adaptability.

Because successful innovation is usually dependent on a combination of individual and collective innovation, ways have to be found to foster this combination and to cope with the dilemmas mentioned above, and with the allocation of praise and blame for the success, or otherwise, of innovative endeavours. It is therefore useful to compare various models for organising innovation.

My book *Creative Compartments* has been an important source for the present article. *Creative Compartments* was a hybrid work, combining an innovation theory with an account of the first application of the theory—in the biotechnology company Celltech. I was the co-founder of Celltech and then the company's CEO for the decade of the 1980s. The reason for the hybrid book was my wish to validate the theory of innovation by the example of successful practice at Celltech, which at the time was quite a well-known organisation. The book is also interesting as a contribution to the history of Celltech. Now, quarter of a century later, the example is obviously less up-to-date, but interest has grown in the way innovation works in a human-centred organisation.⁷

The Austrian economist Joseph Schumpeter is famous for the term 'creative destruction' which encapsulates the view that innovation, particularly technological innovation, arises from the replacement of failed businesses, or failed technologies, by more successful ones, which sometimes pick up useful parts from the debris left by the failures.

Following the lead of Nelson and Winter,⁸ writers about Schumpeter have often used the terminology Schumpeter Mark I and Schumpeter Mark II to

7 Fairtlough, 1994.

8 Nelson, Richard R. and Winter, Sydney G. (1982). *An Evolutionary Theory of Economic Change*. Cambridge, MA: Harvard University Press.

describe different phases in his work. This is because Schumpeter assumed two models of innovation during his career.

Schumpeter Mark I, based as it is on small firm entrepreneurial innovation, is primarily individualistic as far as the generation of innovative ideas is concerned. The entrepreneur has an idea that he or she expects to result in a desirable new product or service, and provided he or she can gather the resources needed to try out the idea, then it is presented to the world. Selection of the best ideas is undertaken by the market.

Schumpeter Mark II is much more bureaucratic. A large business has enough resources, often from an existing profitable set of products, and it uses the resources to set up a Research and Development (R&D) department. Project generation is usually done by the heads of various sections in this department who submit their ideas to the head of R&D, who does the project selection.

Gary Hamel's book *The Future of Management* also presents two models of innovation,⁹ which (using the Schumpeter analogy) we can call Hamel Mark I and Hamel Mark II.

9 Hamel, Gary and Breen, Bill (2007). *The Future of Management*. Boston, MA: Harvard Business School Press.

Hamel Mark I is set out in the part of his book entitled Management Innovation in Action and is inspired by the examples of three innovative companies, all new and (so far) very successful. The first of these is the US natural foods store chain Whole Foods Markets. The second is W L Gore, the maker of Gore-Tex fabric and other innovative fabric products. The third is Google, the internet search company.

Hamel Mark II is the innovation model set out in the part of his book entitled Building the Future of Management. The inspiration here comes from the re-vitalisation of larger, existing businesses, such as General Electric, Procter and Gamble and IBM.

Unfortunately we have no further record of what Gerard wanted to say about Hamel Mark II.

Schumpeter was an economist whose perspective was the world economy. Hamel is a business school professor who has used examples mainly from the USA. My own perspective on innovation is that of the reflective practitioner, who has been involved in business, scientific research, education, government and NGOs.

Models of Innovation

The different perspectives I have outlined above have produced the different models of innovation described in the next sections.

Schumpeter Mark I Model

The model of innovation implicit in Schumpeter's earlier writings is that of an individual entrepreneur who has an idea and forms a business firm to implement it.¹⁰ Thus a single person generates and selects an idea and manages its implementation.

In the Mark I model, innovation is the result of the constant formation of new entrepreneurial firms, each of which introduces some new product or process. Because of the competitive advantage these new products or processes provide, new firms drive older firms out of business, so technology advances not so much within a firm (after its formation) but within the whole population of firms.

Eventually the hidden hand of the market selects the best from the multiplicity of firms whose creation this model envisages. Although Schumpeter derived this model from the sort of innovation he saw as prevalent in the late nineteenth century, the model is still current in many places today, such as in garages around Silicon Valley. The business firm

10 Nelson and Winter, 1982.

is unbureaucratic and simple in its management structure.¹¹ The model has the advantages—and the drawbacks—of simplicity.

Schumpeter Mark II Model

In contrast, Mark II innovation emerges from the R&D laboratories of large corporations and was suggested to Schumpeter by the innovation typical of the first half of the twentieth century. Mark II innovation requires little formation of new firms, since innovative R&D within existing firms allows most of them to remain competitive over long periods.

This is a more complex model, in which well-funded corporate laboratories assemble groups of experts in many fields of science and technology, coordinating their work using central staffs and often with elaborate procedures. Sometimes the expert groups have a degree of responsible autonomy, but tight control is usually a feature of this model. Management style is mainly bureaucratic, with some organic aspects.¹² Even in the twenty-first century, this model can be successful financially, for instance in the case of Microsoft.

11 Mintzberg, Henry (1979). *The Structuring of Organizations*. Englewood Cliffs, NJ: Prentice Hall.

12 Donaldson, Lex (2001). *The Contingency Theory of Organizations*. London: Sage.

Hamel Mark I Model

Hamel's book concentrates on ways of managing businesses. However the principles of his model are clearly applicable to other kinds of innovation, for instance technological or artistic. The principles are:

Community of Purpose

The members of a Hamel Mark I organisation are bound together by a common cause. Take the example of the US retailer Whole Foods Market, whose values include the avoidance of factory-farmed, polluting and unsustainable foods and the use of renewable energy. The management practices of a Hamel Mark I business include widespread availability of information about the business, financial transparency, fairness in rewards and accolades for results. These companies avoid too much hierarchy and generate communities of purpose, where the purpose is accepted by the large majority of the workers in the company.

Democracy

Again the rationale for democracy is that hierarchy is abandoned and self-management takes over. People serve their peers rather than a boss and commit themselves to projects, rather than being assigned to them. Part of the model is smallness. The example of the fabrics company W L Gore provides a rule: no facility or site is allowed to grow to more than 200

people. A key lesson Hamel asks us to learn from his Mark I model is: The model redistributes power, 'so don't expect everyone to be enthusiastic'.

Use evolution

The key example Hamel uses for this principle is the internet search company Google. For Google the internet is not only its place of business but it is also a place where rapid, low-cost experimentation is possible. Ideas can be tried out not only within the community of Google employees, but also on the population of the Web. The principles of community of purpose and democracy also apply. Hamel writes that the company's intellectual climate is both disputatious and meritocratic. Position and hierarchy seldom win an argument. Perhaps without knowing it, Google follows Habermas' rule for unconstrained communication: rely on the power of the better argument. Another lesson Hamel draws on is 'Management innovations that humanise work are irresistible'.

The Creative Compartment Model

The model was developed in *Creative Compartments* and has three main components:¹³

13 Fairtlough, 1994.

No Secrets

There is total openness about all work-related matters, information being available to all members of the organisation. This includes information on the financial position of the organisation, on commercial deals, on human resources policies and on the rewards and benefits that everyone has from the organisation. Information about innovative ideas and their selection and progress is also available to all. The result of such a policy is usually that gossip and rumour are greatly reduced, mistakes are admitted rather than being covered up and obsession with status is much reduced.

Virtuous circles

Great openness demonstrates great trust and respect, and when people are trusted and respected, this soon becomes reciprocal. This generates responsible use of the organisation's information, so it becomes possible to build a nearly 'leak-free' discipline on matters that must not go outside the organisation.

As well as the virtuous circle between trust and openness, a second circle tends to be generated, between respect and commitment to the aims of the organisation.

Innovation champions and innovation gates

In a culture of openness and trust, especially if the group of people concerned share a vocabulary that aids communication on matters of mutual importance, and if most of these people have reasonable skill in interpersonal process, we find an excellent basis for cooperative innovation. This is because innovation requires openness to new ideas and usually needs contributions from people with a wide variety of backgrounds, training and experience.

If resources are limited, which applies to most organisations in practice, the initiation of novel ideas, however good these are, is not enough. There has also to be a way of choosing those ideas that are most likely to succeed. The management problem is to devise a method for choosing the best ideas that does not inhibit the generation of new ideas, and does not dampen the energy with which ideas are developed.

Creative Compartments describes a way of tackling this problem.¹⁴ This is the way that worked at Celltech. In modified form this approach has worked in many other settings. The basis is simple: support for idea-generation is separate from the appraisal of ideas. In other words, innovation-support and innovation-appraisal are parallel and complementary systems. Innovation-support is available to anyone in the organisation who has a novel idea and is willing to work on it. Such people are termed 'Idea-champions'.

14 Fairtlough, 1994.

Idea-champions are self-selected and can come from anywhere in the organisation. They do not have to be particularly well-qualified, nor are they nominated by anyone but themselves. Sometimes a small number of people might combine together to champion an idea. Again this would be a self-selected group.

Alongside a general climate of support for innovation, best derived from a shared understanding that innovation is important for the future of the organisation, innovation support can be provided by an Innovation Support Group of some six or seven people, with diverse experience and talents, who do this work part-time. One of the members of the Support Group is its secretary, who makes arrangements for its meetings. Anyone in the organisation who wants to be an Idea-champion can contact the secretary and ask to meet the Group. The purpose of the meeting is to give advice and help to the Idea-champion in developing his or her idea. For instance, the Group could suggest people, inside or outside the organisation, who are worth consulting, or articles that are worth reading. At Celltech, the Innovation Support Group had a rule for its meetings, which was that no one could make an adverse comment on an idea until that person had made at least two positive comments about the idea. Obviously, the point of this rule was to promote a supportive tone in meetings. When the Idea-champion had developed the idea further, he or she could return to the Support Group for further help.

If and when the Idea-champion was happy that the idea was well enough developed to stand up to serious scrutiny, the idea could become a Project Candidate, and the Idea-champion a Candidate-champion. The Candidate-champion would bring the Candidate to the Project Management Committee. This was a different group of people from the Innovation Support Group and its purpose was appraisal, ranking, progress-chasing and resource-allocation of projects. At Celltech, the Project Management Committee was chaired by the company's Director of Research and Development.

If a candidate project was found suitable then perhaps, after two or three meetings of the Project Management Committee, it could become an approved Project, in which case it was given a budget, an allocation of other company resources and a timetable for further development.

The Candidate-champion might become the Project-manager, or a different person might be appointed to manage the new project. There was often a project-team working with the Project-manager, in which case the Candidate-champion would usually become a member of that team.

The points of transition from idea to candidate, and from candidate to approved project, were referred to as 'gates'. Once a project was set up, it might have to pass through further gates, in which priorities were reviewed and resources reallocated. The operation of all these gates was managed by the Project

Management Committee. Sometimes projects had to be stopped if they were not progressing well, or if other projects took higher priority.

The key aspects of this system were:

1. support for early-stage ideas;
2. stringent appraisal in the later stages;
3. a carefully devised and widely understood terminology that made it clear to everybody what stage an idea or a project was at;
4. complete openness about what was happening at each stage, particularly when a candidate was turned down or a project dropped;
5. that justice was done to all ideas and projects, and that justice was seen to be done;
6. that the whole system of champions and gates was well-understood and widely accepted throughout the organisation.

Triarchy Theory

Gerard did not discuss or even identify Triarchy Theory as a model of innovation; however it provides a deep and encompassing description of the institutional context within which innovation arises. For this reason it is included in this section on innovation.

Triarchy Theory is the name I give to the concepts I set out in my book *The Three Ways of Getting Things Done*.¹⁵ The first of these concepts is that hierarchy is addictive and that all of us are in danger of becoming hierarchy-addicts. Talk about organisations usually centres on who is in charge. We are familiar with hierarchy and think we know exactly how it works. In a hierarchy we know who is the boss and who to blame if things go wrong. However much they may dislike them, most people think hierarchies are inevitable. Rosabeth Moss Kanter says that hierarchies depend on fear and comfort—fear of the powerful figures at the top and comfort because of the familiar relationships within all hierarchies.¹⁶

The second concept is that hierarchy might have a genuine value in organisations and in society in general but a judgement about its merits can only be

15 Fairtlough, Gerard (2007). *The Three Ways of Getting Things Done*. Axminster: Triarchy Press.

16 Kanter, Rosabeth Moss (1983). *The Change Masters: Corporate Entrepreneurs at Work*. London: George Allen & Unwin.

made if it is seen as one among several options. Given the widespread addiction to hierarchy, there is little awareness of its real alternatives. Most people feel that the only alternative is disorganisation, anarchy or chaos.

The third concept is that there are two straightforward and practical alternatives to hierarchy—they are: heterarchy and responsible autonomy. So there are three ways of getting things done: hierarchy, heterarchy and responsible autonomy. The addiction to hierarchy often drives out the other two ways.

Let us start with heterarchy, which means ‘multiple rule’, rather than the single rule of hierarchy. Heterarchy has a balance of powers. A trivial example is the children’s game of paper, rock and scissors. (Paper wraps rock, rock blunts scissors, scissors cut paper). None of the three is dominant.

A serious example is the separation of powers in the US constitution. None of the legislative, executive and judicial powers is dominant; each has some control over the other two. An organisational example is the professional firm (law or accounting) organised as a partnership. All partners have roughly equivalent power and responsibility, at least in small firms.

Heterarchies have rules and systems and well-established methods for getting things done. Leadership is dispersed, but decision-making remains crisp and clear. Most organisations have heterarchical aspects—the separation between line

and staff is an example. A geopolitical example is the EU, which has plenty of rules, lots of talking, but little dominance.

In responsible autonomy, groups or individuals have freedom to decide what to do, but accountability for outcomes. Examples are:

- 1) the Adam Smith view of the market, in which firms have to produce enough cash to survive and their collective judgements make up the invisible hand;
- 2) scientific research in which investigators are free to choose their topics and how to investigate them, and are accountable by their results published in peer-reviewed journals;
- 3) profit centres in large corporations.

Heterarchy and responsible autonomy are similar in being non-hierarchical but are otherwise very different. Heterarchy requires more communication. Responsible autonomy requires explicit methods for accountability.

All three ways of getting things done are 'ideal types'. Actual organisations are blends of the three.

Triarchy Theory extended

When he died, Gerard had begun to develop the ideas of Triarchy Theory further and to suggest how the three ways of getting things done might be combined. His thinking in this direction was still unfinished.

Each of the three ways has its own advantages.

Advantages of hierarchy: familiarity, clarity, use of scarce talent and perhaps the Hobbesian advantage of preventing the war of all against all.

Advantages of heterarchy: in both the political and corporate spheres, the avoidance of tyranny; enabling the natural evolution of cooperation,¹⁷ meshing with social pluralism, using diverse talents, promotion of personal responsibility and commitment to the organisation.

Advantages of responsible autonomy: as for heterarchy—less tyranny, more pluralism and better use of diversity. It forms a good basis for Complex Evolving Systems.

As an example of a blend of the three ways we can take assembly-line manufacturing which tends to be authoritarian, so hierarchy predominates, but counter-leadership from unions or subversion

17 Axelrod, Robert. (1984). *The Evolution of Cooperation*. New York: Basic Books.

introduces some heterarchy. The bureaucratic style of organisation as in a government agency is similar, while in an industrial research laboratory the three ways are more-or-less equally represented.

As an illustration of the operation of the three ways in a single organisation I will describe what happened a few years ago at BP. Although the company has made some bad mistakes recently, in many ways it is a highly successful organisation.

What follows is a condensed version of a story told in *The Three Ways of Getting Things Done*. The new text was never completed by Gerard.

John Browne was responsible for exploration and production (E&P) in BP before he became CEO in 1995. He wanted to reorganise the company so as to generate a more entrepreneurial spirit. In his previous job, he had replaced the numerous committees and complex decision-making mechanisms within E&P with a new structure: an executive committee of three people overseeing twenty or so 'assets', each with its own 'asset manager'. An asset might be a single oil field. Each asset manager was under contract to deliver a well-defined result, and provided the contract was fulfilled he or she was free from central interference. Indeed, nearly all the central staff were redeployed, mainly into the asset structure. Initial results were good but certain business and technical issues presented difficulties for the asset managers. Peer groups were formed to address these issues

and these later began to challenge their members to improve their performance. Later still, peer groups took on responsibility for allocating capital spending. There was great emphasis on performance, on mutual trust and mutual help, and on admitting to mistakes and difficulties at an early stage.

When Browne devolved power to his asset managers, hierarchy gave way to responsible autonomy as the most important organising principle. Later the emphasis shifted to heterarchy, as the peer groups were formed.

When Browne became CEO of BP as a whole, he used his personal and positional power to introduce this successful structure across the company. The new structure seems to have helped it to make a success of some risky acquisitions. In *The Modern Firm*, Roberts writes: 'It is arguable that the value created in BP's acquisitions of Amoco and Arco came from applying BP's superior management systems to the physical and human resources of the acquired firms.'¹⁸

As there are two excellent alternatives, why do so many people believe that hierarchy is the only way to get things done?

I believe that humans, alongside other primates and perhaps other animals in general, have a genetic predisposition towards hierarchy. Males want

18 Roberts, John (2004). *The Modern Firm: Organizational Design for Performance and Growth*. Oxford: Oxford University Press.

to be top. Females want sons with alpha-male characteristics. Everyone has an intense interest in who's up and who's down. So hierarchy seems natural because it actually is natural. That doesn't make it inevitable, any more than other natural predispositions like anger or greed make these behaviours unavoidable.

There is also a strong cultural bias towards hierarchy, starting with the traditional family, with Father as CEO and mother as COO. The 'great man' theory of history, which attributes victories to Napoleon, not to the thousands who fought with him, reinforces the addiction to hierarchy. Political and social science have for centuries supported hierarchy: Thomas Hobbes thought it was the only way to avoid a war of all against all. Max Weber wrote that organisations without well-defined hierarchies do not really exist.

Thompson writes that organisations do not really exist... there are just ways of organising and disorganising!

Many organisations have a symbolic hierarchy that doesn't really influence what goes on but satisfies the human need to revere hierarchy. With all this background, the hegemony of hierarchy isn't surprising.

Triarchy Theory and Cultural Theory

After the previous discussion of combinations of ways of getting things done, Gerard revisits the theme of Cultural Theory. It starts to become clear that Cultural Theory can shed further light on how and why combinations of these ways work or fail to work. We must surely consider this question if we wish to sustain a policy of openness together with the innovations it generates. The question of combining ways is visited again in the contributions by Michael Thompson and Buzz Wilms.

Cultural Theory (CT) is a body of thinking produced over the last fifty years by anthropologists and sociologists, including the famous anthropologist Mary Douglas. Here I mainly use the work of Michael Thompson as a source for CT.¹⁹ Thompson starts his account of CT with the distinction between markets and hierarchies, often made by economists.

Cultural Theory emphasises that markets would not work unless there were people orientated towards trading, and hierarchies would not work unless there were people who were willing to govern and to be governed. This means that we should pay attention not only to the institutions of markets and hierarchies

19 Thompson et al, 1990.

but also to the people involved, such as individualists who want to do deals, and hierarchists who want to live within structures of authority.

According to CT we all have individualist and hierarchical tendencies, but some people have more of one than the other. Depending on our predominant tendency we choose market or hierarchical occupations and have views of the world orientated either towards trade or towards governance. CT uses the term 'solidarity' to describe these categories of people, whether trade-orientated individualists or governance-orientated hierarchists.

There is a further solidarity, quite an obvious one, which is that of the communitarian, who would prefer to live and work in a community rather than in a market or a hierarchy. Many names have been given to this third solidarity, including the clan, the commune, the enclave, and in my book published in 1994, the compartment. An even fancier name is *Gemeinschaft*.

Because CT puts emphasis on the people involved in each solidarity, it may be appropriate to mention the different personal motivations that psychologists recognise among such populations. Thus individualists tend to be motivated by personal achievement in various field of endeavour, hierarchists tend to be motivated by the development and use of power, while communitarians tend to be motivated by developing good relations with other people (affiliation motivation). Thompson calls hierarchy,

egalitarianism and individualism the three 'active ways of life'. The fatalist and the hermit do not follow active ways.

I suggest that Cultural Theory's three active ways of life correspond to the three ways of getting things done in Triarchy Theory.

What might Cultural Theory add to Triarchy Theory?

First, I believe the probable correspondence between the theories helps to answer the question: why are there only three ways of getting things done? Secondly, Cultural Theory may provide models for the interaction between the three ways of getting things done.

No Secrets! Bibliography

The following works clearly influenced Gerard's thinking, but were not cited in his text.

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Cultural Theory and Triarchy Theory

Michael Thompson

May 2008

In the later, 'international', edition of his book *The Three Ways of Getting Things Done*, Gerard Fairtlough added a chapter on cultural theory, thereby making explicit the deeply institutional nature of his whole argument¹ (institutional, that is, in the sense of Mary Douglas' title *How Institutions Think*²). Since there are three ways of getting things done and cultural theory has three 'active' forms of social solidarity—individualism, hierarchy and egalitarianism—it is tempting to assume that the former map straight onto the latter, and that if they do not then there must be something wrong with either Gerard's argument, or cultural theory, or both. But a triangle can be defined in two ways—by its apices (A, B and C) or by its sides (AB, AC and BC)—and, as cultural theorists have long argued, any two 'ways of life' can readily form an alliance: all it needs is that they emphasise what they have in common and background what sets them

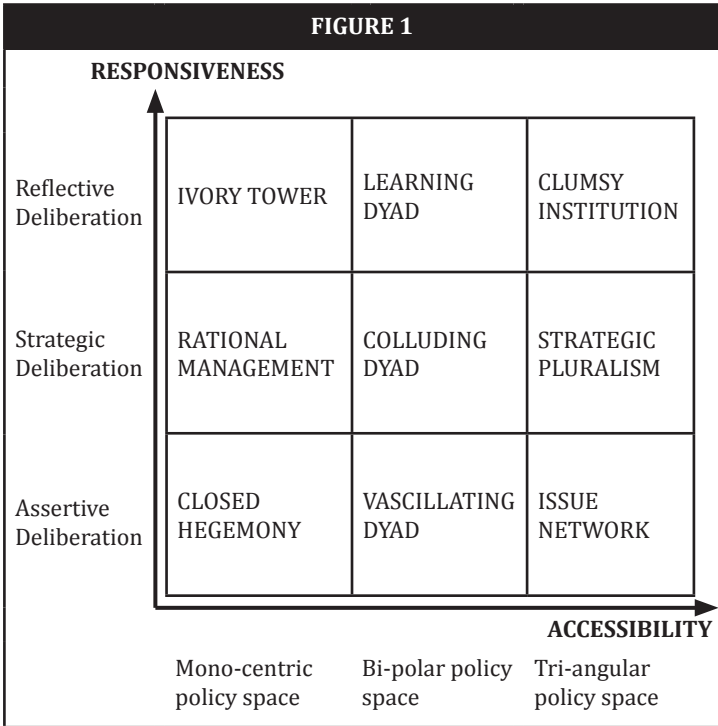
1 Fairtlough, Gerard (2007). *The Three Ways of Getting Things Done*. Axminster: Triarchy Press.

2 Douglas, Mary (1987). *How Institutions Think*. Syracuse, NY: Syracuse University Press.

apart. A three-way alliance, however, does not work, because once everything that sets them apart from one another has been backgrounded there is nothing left to hold them together. Nevertheless, it is possible to constructively harness all this irreconcilability, and this is where the notion of *clumsiness* comes in.³

In what are called *clumsy solutions* and in contrast to the familiar *elegant solutions*, in which one ‘voice’ drowns out the other two (or, slightly less elegantly, two allied voices drown out the third) each of the three voices is (a) able to make itself heard and (b) not totally dismissive of the other two. All this can be expressed more formally in terms of two axes—*accessibility* and *responsiveness* (first defined by Robert Dahl, the propounder of the classic theory of pluralist democracy)—on each of which cultural theory is then able to place three ‘calibrations’ (just one voice, two voices... all three). This gives us a 3 x 3 matrix with, in the bottom left corner, *closed hegemony* (the opposite of Dahl’s pluralist democracy) and, in the top right corner, *clumsy institution*: all three voices heard and responded to by the others. Figure 1 shows the matrix.

3 Verweij, Marco and Michael Thompson (eds) (2006). *Clumsy Solutions For A Complex World*. Basingstoke: Palgrave.



The remaining seven ‘provinces’ (each of which has its own name as you can see in the figure) fill in Dahl’s rather large ‘excluded middle’: the zone within which most ‘policy subsystems’, as Steven Ney has shown, are located.⁴ Within the European Union, for instance, few if any of the national actor networks that grapple with pension policy and its reform are

4 Ney, Steven (2006). ‘Messy Issues, Policy Conflict and the Differentiated Polity: Contemporary Policy Responses to Complex, Uncertain and Transversal Policy Problems’. PhD thesis at the University of Bergen, Norway.

so undemocratic as to make it all the way down into closed hegemony; in the other direction, few if any are so democratic as to make it all the way up into clumsy institution.

Nor, complicated though all this may appear, is that the end of it. There is also, as my talk of 'up' and 'down' has suggested, a third dimension here. As accessibility and/or responsiveness increase, so does something else: *deliberative quality*, as Steven Ney calls it. In closed hegemony there is just a one-way transmission: from the hegemon to the rest; in the 'excluded middle' we find that some of the interactions between solidarities are two-way (there being, in all, seven permutations of the various mixes of one-way and two-way arrows); and in a clumsy institution one-way arrows disappear completely and deliberative exchanges reach their maximum: a situation in which *organisational learning* is at its highest and where the likelihood that options will be excluded (or just not noticed) drops to its lowest.⁵ So there are, in all, three cultural theory typologies: the three 'active' solidarities (each with its distinctive way of doing things), the three pairwise alliances (each ultimately doomed to be undermined by the solidarity it has excluded) and the 3 x 3 matrix that can be seen as the

5 In other words, clumsy solutions do not always exist, but if they do then they are more likely to be found through the messy and argumentative processes that accompany clumsy institutions than through the deliberately poorer processes that are sustained by any of the other eight 'provinces'.

cultural theory-based refurbishment of the classic theory of pluralist democracy, and it is quite possible that Gerard's three ways of getting things done map onto any three of the 15 'boxes' that these typologies give us!

'Oh dear!' might be the first response to this realisation; 'Give up' even, especially if you happen to be an upholder of the fourth 'inactive' solidarity: fatalism. But, on second thoughts, sorting it all out may not be such an insuperable task, and Gerard provides us with a helpful clue when he tries to distinguish between what cultural theory is doing—describing whole societies—and what he is trying to do: make sense of organisations, each of which, he holds, 'only exists if there is a common purpose to be followed'. By contrast, 'whole societies', he maintains, 'lack such a common purpose'. I have two problems with this characterisation. First, cultural theory does not deal just with whole societies, not least because you can never draw a line and say 'this is where this particular society ends' (nation states, it is true, have borders but socio-cultural dynamics often rampage straight across them, as, for instance, they did with the very effective Hungarian, Austrian and Slovakian campaigns against the Gabčíkovo dam on the Danube

River⁶). Second, having spent several years with my anthropologist's tent pitched in Unilever's Hard Surfaces Lab, I have my doubts, to put it mildly, about the common purpose!

But so too, it turns out, has Gerard. The common purpose, rather than being something organisations have, is something that they (or, at any rate, certain powerful actors within them) strive towards. This is because, as Gerard rightly points out, organisations are inevitably 'parts of a wider society and we can therefore expect features of society to be found within them'. Subversion, in other words, is endemic ('the word may come down from on high that pigshit does not smell' say the lowerarchs to one another, 'but we know that it does'). Moreover, if we generalise Gerard's point about organisations always being part of the wider society, then that wider society is always going to be part of an even wider society; on and on. And the same will hold as we move downscale: from Unilever to its Hard Surfaces Lab, for instance.

Big fleas have little fleas upon their backs to bite them /And little fleas have lesser fleas, and so ad infinitum.

6 See Vari, Anna and Joanne Linnerbooth-Bayer (2001). 'A transborder environmental controversy on the Danube: the Gabčíkovo-Nagymaros Dam system', in Joanne Linnerbooth-Bayer, Ragnar E Löfstedt and Gunnar Sjöstedt (eds) *Transboundary Risk Management*. London: Earthscan, pp. 155-182.

So Gerard does end up saying exactly what cultural theory is saying (even though he begins by saying it is saying something else): that cultural dynamics are independent of social scale.

I need to tread carefully here. Cultural theory *is* saying that the solidarities, having a sort of fractal quality, are discernible at every scale level; all the way from the international regime to the household (and even, given that a person usually spends different parts of his or her life upholding different forms of solidarity, the ‘dividual’): hence the paper title ‘Making Ends Meet, In The Household And On The Planet’.⁷ But it is *not* saying that size does not matter! For instance, the essentially hierarchical institutional arrangements by which Nepal’s common property resources—pastures and forests—are managed work well in the fairly small and face-to-face setting of the village, but were a dismal failure when they were scaled-up, following their nationalisation in the 1950s, to a much higher level. In the same sort of way, we find many Green Party (i.e. egalitarian, for the most part) councillors being elected in Britain’s local elections, but no Green Party candidates making it into the House of Commons. On the other hand, global markets (i.e. individualistic transactional arrangements) work well (too well, many of those who are concerned about globalisation would argue) and predominantly

7 Dake, Karl and Michael Thompson (1999). *Making ends meet, in the household and on the planet*. *Geojournal* 47: pp. 417-424.

hierarchical outfits like the Catholic Church seem not to run into any fatally debilitating diseconomies of scale.

So, as Gerard's critique of the relegation of Schumacher's 'small is beautiful' precept to 'cliché status' makes clear, things can go disastrously wrong on two separate fronts: *cultural style* (where it is crucial to get the right mix of, and pattern of interaction between, the forms of solidarity) and *social scale* (where the best size is seldom arrived at by following one or other of the dictums 'big is best' or 'small is beautiful'). In the days when Britain had a coal industry, for instance, the National Coal Board's (NCB's) operational research department worked out that the best size for a coalmine was 1,000 miners. In Poland, at the same time, the equivalent of the NCB worked out that the best size was 5,000 miners. British mines, in consequence, had five times as many shafts; Polish mines five times as many galleries. Both were right, however, because the cultural styles—in particular, the absence of trades unions in Poland and the presence of Arthur Scargills in Britain—were so different.

Editorial Notes

Matthew Fairtlough

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On 'Cultural Theory and Triarchy Theory'

The key features that Thompson discusses are *scale* and *dynamics*. The several dimensions introduced by Thompson show how complex the dynamics of interactions between solidarities can be. However, further analysis is possible and we may hope it can clarify the way things unfold in reality. For example, we may subdivide the 9 boxes into sub-compartments and also investigate the nature of the forms of communication between the solidarities.

It appears that there are (according to the dimensions of accessibility and responsiveness) seven different ways for any two given active solidarities (A and B) to interact:

1. No interaction.
2. A hears B (but B does not hear A; neither responds to the other).
3. B hears A (as 2 but vice versa).
4. A and B hear but do not respond to each other.

5. A hears and responds to B (so B hears but does not respond to A).
6. B hears and responds to A (as 5 but vice versa).
7. A and B hear and respond to each other.

Then, given that it is possible for all three active solidarities to interact (even if ephemerally), there would be $7 \times 7 \times 7 = 343$ possible combinations to fit into the 9 boxes that Dahl's analysis creates, with the box at bottom left involving no interaction and the box at top right containing the case where each active solidarity hears and responds to every other. To complicate matters further, some boxes are further subdivided: the box at bottom left now contains three distinct possibilities, viz. those where, despite there being no direct interactions between the three active camps, one camp dominates the other two. Thus there are three distinct varieties of closed hegemony—individualism drowning out the other voices, hierarchy doing the same, and egalitarianism doing the same. This is a strange idea to established political science because it puts the Soviet Union (hierarchical) and (exaggerating a little) Thatcher's Britain (individualist) into the same box!

This level of analytic detail seems mathematically irresistible yet it would undoubtedly need justification to be accepted as political science. It might be used as a consistency test for simpler models—such as those developed by Dahl or Thompson—or it might find application in real institutions. Both possibilities

suggest avenues for further research, which could proceed via further mathematical development and/or by means of computer simulations performed alongside observations of actual institutional behaviour.

On ‘Hierarchy Meets Innovation’

Gerard pioneered the practice of openness and devolved responsibility in the organisations he led. He met two serious challenges to this practice. The first was the issue of scale, illustrated by his frustration with the size of Shell and its inertia in responding to the changes he wanted to make. The second was the issue of style, in that a tight hierarchical structure got in the way of introducing openness and devolving power. As we saw in Gerard’s examples and in the commentary by Michael Thompson, alliances can form between autonomy and hierarchy, if not always elegantly. On occasion, they clash badly, and when this happens, power reveals its true place. In a strongly hierarchical society this nearly always lies with the hierarchy, which is threatened by anything that does not begin at or near its apex. In the next section, Buzz Wilms gives a striking example of this. He tells how the hierarchical power structure of his university could not tolerate an innovative programme of group dissertations despite its academic and financial success and its strong support from staff and students. It preferred to damage the innovation, demotivate the staff and seriously embarrass its students than to allow something

new to arise outside its procedures. Buzz's recently published pamphlet *Erasing Excellence* provides another crystal clear example, this time in secondary education, of incompatibility between devolved leadership and hierarchical organisation.¹ One feature these examples share is that the hierarchists took their way of life so seriously they saw it as the only valid source of power. Happily there have been leaders such as Gerard who can hold the reins more lightly and with better humour. Without more of this kind of leadership, it seems probable that the Western world faces a rough ride in the decades to come as it faces the consequences of outdated assumptions and ineffective ways of getting things done.

1 Wilms, Wellford (2008). *Erasing Excellence: Examining the grip of centralised power*. Axminster: Triarchy Press.

Hierarchy Meets Innovation: A Case Study

Wellford W. Wilms

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UCLA's Educational Leadership Program started as an innovation. In 1992, an entrepreneurial dean and a small number of faculty members designed a three-year professional doctoral degree program (EdD) as a revenue-driven enterprise. Because it had to survive in the marketplace, the program would be forced to innovate to survive. It would provide not only a needed service, but also a stream of new educational ideas to the larger Department of Education. It would be much like the experimental 'Skunk Works' was to Lockheed, a fast-moving (by university standards) centre of new ideas. Over 16 years, the program created conditions close to what Gerard Fairtlough describes in his essay *No Secrets!*. It brought together a diverse group of people who worked well with a tight focus. In time they developed a collaborative culture that built commitment to one another and collective responsibility between faculty members and students. The program taught students how to change organisations by conducting action research to produce useful knowledge at the micro level and to join it with macro level discussions, and create feedback loops to track progress. By most accounts,

the program was a success. In 2006, ninety-eight percent of students reported being satisfied with the quality of the faculty, and 97 percent said they would re-enrol if they had it to do over.

But in 2006, angered by an error that administrators thought placed the university at risk, they sought to discredit the program's academic integrity and strangle it with oversight and regulation. Why would the university behave so irrationally I wondered? Gerard Fairtlough's *Three Ways of Getting Things Done* explains a great deal of the answer. Research universities are an unusual mixture of all three ways of getting things done. While individual faculty members represent responsible autonomy, and collectively they can be seen as a heterarchy, hierarchy also looms in the background. The university's hierarchy is like a police presence that is called upon when things run amok to restore order. But as this story shows, the cost of exerting control through hierarchy often outweighs its benefits.

The Innovation—Hierarchy Strikes Back

It began in 2002, when the faculty of UCLA's Educational Leadership Program decided to move away from the traditional single-author dissertation to team dissertations. After all, the whole world was moving toward teamwork. Why shouldn't the university move in the same direction? As the program director, I discussed the idea with the associate dean in UCLA's graduate division who agreed that it was a

good idea. On a handshake, we decided to try out team dissertations for a while 'beneath the official radar' to see if it worked before seeking formal university approval. Back in my department the idea was vetted and approved. Between 1997 and 2006, twenty-seven students elected to conduct collaborative dissertations. The experiment was widely known among the faculty. Many faculty members from inside and outside of the department had served on these committees in full knowledge that students were working in teams. I had naively overlooked memorialising the agreement in writing and there were no notes from any of the subsequent committee meetings held in my department to approve it. What infuriated the administration was the lack of a formal paper trail showing that the deviation from practice had been approved.

So in 2006 when the graduate division found that five students had filed team dissertations the graduate division was thrown into what one colleague calls a 'moral panic'. The students, who were following the rules as they knew them, were summarily removed from the official list of graduates at the last minute, and were forced to write extensive essays over the summer before they could re-file their dissertations. Naturally the students were embarrassed and outraged. But what could they do if they wanted to graduate? The graduate division held all the power.

The negative fallout continued through the year. A faculty committee of the graduate council—the academic side of the graduate division—conducted a formal site visit. The committee co-chair told the university brass at a formal meeting that team dissertations had never received formal approval and the issue had to be solved. But he continued, the program was ‘terrific’ and its graduates were pleased with the program. Many occupied high-level positions where they had a discernible positive impact on education. As a result, the committee co-chair explained, the program reflected well on UCLA and it would be a ‘shame’ if it were harmed. Yet, a month later, the same body, shoved aside its own positive report. Using the same data, a new co-chair made a sweeping indictment of the program in a formal written report saying that it lacked academic rigor, was pandering to students’ desires to network and advance their careers, and was operating without adequate academic supervision.

Why would the university treat its students so badly and condemn a program that by every measure (except for failing to provide a paper trail of the experiment) was a success? No doubt, some traditionalists thought of the program as ‘profit seeking’ rather than ‘innovation seeking’ and failed to grasp that market pressures forced it to figure out how to do things better. And, as a professional school, the Department of Education is situated on the margins of the university in contrast to the traditional sciences and humanities that are at

located at the protected core. But, the vigour with which the academic vice chancellor pursued the department and program suggests something else. She was certain that someone had purposefully done something terribly wrong and the wrongdoers had to be identified and punished. The vice chancellor used the university's institutional authority punitively to intimidate the students and to bring the department under close scrutiny to insure that it was complying with regulations.

Fearing punishment, the school's dean, chair, and faculty fell into line, and compliance became the top priority. Along the way, a number of important qualities that had distinguished the program began to be lost. Some of the entrepreneurial leaders left because the fun had gone out of it—the program was becoming rule-bound and innovation averse. The vast amounts of energy the staff had to spend complying with a flurry of regulations, coupled with fear of punishment, began to sap energy for innovation. Though its current directors are trying to hold the line, many of the program's defining qualities are beginning to erode, blending into accepted university practice and tradition.

The Competition Catches Up

At about the same time, *Education Week*, a widely read US newspaper, ran a story showing how once an innovation, team dissertations were becoming mainstream. The article, 'National Network Aims

to Recraft the Ed.D. for Practitioners', highlighted Vanderbilt University's EdD program in which students finish by completing a group project instead of individual dissertations. A dean at Rutgers University commented, 'This is hard work. When you've been doing something one way for 70 years, to change takes some courage. So it helps to have a few of us jump into the deep end of the pool at the same time'.¹

The High Cost to Innovation

But jumping into the deep end without your t's crossed and your i's dotted can be hazardous—especially if the organisation appears to be collegial, but in the final analysis it is ruled by hierarchy. I should have known better than to think even after 30 years of being a professor at UCLA that common sense would prevail, but that is another story. The important question this story raises is whether or not the university's demands for compliance are at odds with the development of new ideas? Can responsible autonomy and heterarchy coexist with hierarchy?

The answer seems to be 'no'. A study conducted by Erica McWilliams and her colleagues in Australia shows the UCLA story as part of a larger pattern. When university hierarchies try to manage risk in academic programs, the compliance they demand diminishes

1 'National Network Aims to Recraft the Ed.D. for Practitioners', *Education Week*, 14 March, 2007.

intellectual value of programs.² McWilliams and her colleagues show how doctoral education has become a 'high stakes' because administrators worry that errors can tarnish a university's reputation. But, they note, risk is always present in human undertakings, and demands for compliance invariably cause employees who fear the consequences to become 'risk avoidant.' Further, these officials are often far removed from front-line activities. The further they are removed the greater the risk that their actions will damage the system. James Reason, who studies risk management writes: "The tendency for risk management to aim largely at the active end of the incident trajectory is merely hitting the tip of the iceberg. One must move the focus from the "sharp end" of the incident to the "blunt end" in order to shift the "name, blame, and shame" organizational mentality to a more holistic and systemic search for incident causation."³

An Ambidextrous Organisational Design

Is it possible to reduce the impact of hierarchy on risk-taking and innovation in such a tradition-bound enterprise as higher education? Perhaps. In a Harvard Business School case study, Stu Winby,

2 McWilliams, E., Sanderson, D., Evans, T, Lawson, A., and Taylor, P., 'The Risky Business of Doctoral Management', in *Asia Pacific Journal of Education*, Vol. 26, No. 2, November 2006, pp. 209-224.

3 Reason, J. (1990). *Human Error*. New York: Cambridge University Press.

Hewlett-Packard's director of Strategy, Organization and Change, and Michael Tushman, Professor at the Harvard Business School, explain how day-to-day operations and innovation are difficult to manage in organisations with a single organisational architecture.⁴ Studying one Hewlett-Packard division's attempt to innovate in order to meet new competition within a single architecture, the authors discovered:

...the division's traditional roles, structures, and processes were tightly focused on the current increasingly threatened business. Any new development was seen as distracting from the core business... In this situation, an ambivalent senior team treated the [new] project as the stepchild that must suffer deprivation in troubled times. Moreover, HP's genteel culture—consensus-based and conflict-averse—made it difficult to deal directly with the pathologies of success.⁵

Tushman and Winby observe how a new general manager saw the shortcomings of the single-architecture organisation to conduct both the core work and to innovate. After a careful analysis, he developed an 'integrated organizational architecture'

4 Tushman, Michael and Winby, Stu, 'Innovation Streams and Ambidextrous Organizations' (Greeley Hard Copy, Portable Scanner Initiative), Harvard Business School, Case No. 9-401-003, 3 July 2003.

5 Tushman and Winby, 2003: p. 3.

that the authors call an ‘ambidextrous organization.’ According to the authors, ‘...the ambidextrous model was the only one that could enable the division to shape its innovation streams and meet the challenge of an increasingly competitive environment.’ The authors also noted how such complex organisations easily ‘regress to the politics of the status quo’, and to sustain them requires unequivocal senior management support.

Perhaps if university officials understood the subtle but powerful risks of imposing hierarchical authority on innovation they could begin to consider new ways of managing risk without damaging universities’ intellectual capital. Developing ambidextrous organisational forms is one way. But before anything can happen, we will all have to find a more productive mix of hierarchy with the other two ways of getting things done.

About the Author

Gerard Fairtlough 1930-2007

Gerard Fairtlough was trained as a biochemist, graduating from Cambridge University in 1953. He worked in the Royal Dutch/Shell Group for 25 years, the last 5 as CEO of Shell Chemicals UK. In 1980, he founded the leading biopharmaceuticals company Celltech and was its CEO until 1990. In the latter part of his career, he was involved in the start-up of several high-technology businesses, as a non-executive director or as a 'business angel'.

In 2005, he founded Triarchy Press with the aim of contributing to the emerging discourse on organisational theory in practice.

He was advisor to various government and academic bodies, one of his roles being Specialist Advisor to the House of Commons Select Committee in Science and Technology.

Gerard wrote extensively on the theory and practice of organisations and of innovation. His works include *Creative Compartments* (1994, Adamantine Press), *The Power of the Tale* (co-authored with Julie Allan and Barbara Heinzen; 2001, Wiley) and *The Three Ways of Getting Things Done* (2007, Triarchy Press), in which he outlines his 'Triarchy Theory' of organisations.

About the Contributors

Matthew Fairtlough

Matthew Fairtlough has had a varied career as a goat-keeper, organic gardener and computer scientist.

His academic background is in mathematical logic and theoretical computer science. He obtained a PhD in Pure Mathematics from the University of Leeds in 1991, then spent two years using computers to prove theorems at the Laboratory for Foundations of Computer Science in Edinburgh. The next twelve years saw him as a lecturer at Sheffield University, developing and applying a new modal logic with Professor Michael Mendler of Bamberg University and teaching courses in theoretical computing and software development.

He now lives in Devon and tutors in mathematics at the Open University. Since Gerard's death, Matthew has joined Triarchy Press, where he continues to learn about his father's life and work.

Michael Thompson

Originally a professional soldier, Michael Thompson studied anthropology—first degree and PhD at University College London, B.Litt at Oxford—while

also following a career as a Himalayan mountaineer (Annapurna South Face 1970, Everest Southwest Face 1975).

His early research on how something secondhand becomes an antique, 'Rubbish Theory' (1979, OUP), led on to work on the 'energy tribes' (in various Western think tanks), on risk, on Himalayan deforestation and sustainable development, on household product development (in Unilever), on global climate change, on technology and democracy, and on what might be called 'the even newer institutionalism', for example *Cultural Theory*, co-authored with Richard Ellis and Aaron Wildavsky (1990, Westview).

In his capacity as a James Martin Fellow, Mike has special responsibility for developing research efforts linked to Bergen University and International Institute for Applied Systems Analysis (IIASA), and also to other institutions worldwide, notably the Institute for Social and Environmental Transition, Kathmandu, Nepal and the newly-founded Singapore Management University. One product of this international network collaboration is the book *Clumsy Solutions For A Complex World* (2006, Palgrave).

Michael Thompson is also Professor at the Stein Rokkan Centre at the University of Bergen, and an Institute Scholar at the IIASA in Laxenburg, Austria.

Wellford Wilms

Wellford 'Buzz' Wilms is Professor of Education at the Department of Education, University of California, Los Angeles (UCLA), where he has held a number of leadership positions over the last 30 years. His most recent research is supported by the Alfred P. Sloan Foundation, the Pew Charitable Trusts, and the National Institute for Justice.

Wilms has studied organisations as diversely structured as police departments, colleges and universities, trade and teacher unions, business corporations and public schools.



About Triarchy Press

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We have published a number of books by authors who come from a Systems Thinking background. These include: *The Three Ways Of Getting Things Done* by Gerard Fairtlough; *Management F-Laws* by Russell Ackoff, Herb Addison and Sally Bibb; *Systems Thinking in the Public Sector* by John Seddon and *Erasing Excellence* (published in the USA as *Liberating the Schoolhouse*) by Wellford Wilms.

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Innovation is the word on everyone's lips. Yet even organisations with great creative capacity often find it difficult to sustain new ventures in the face of traditional hierarchies that are resistant to change. And for the many companies concerned about their future survival in a rapidly changing marketplace, innovation is a Holy Grail that cannot be obtained by mandate or implementation of controls.

Drawing on his many years' experience as a business leader and advisor in a highly competitive field, Gerard Fairtlough shares his insights into how best to encourage and nurture innovation within an organisation by implementing policies of trust, openness, focus and accountability. His wisdoms are informed by an examination of existing theoretical models of innovation.

Gerard Fairtlough died suddenly in 2007. *No Secrets!* is his final work and is presented as a dialogue with contributions from his friends and colleagues in organisational thinking, including eminent cultural anthropologist Michael Thompson and Wellford Wilms.



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