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The Org: The Underlying Logic of the Office by Ray Fisman and Tim Sullivan

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Occasionally it takes a book like Ray Fisman and Tim Sullivan's *The Org: The Underlying Logic of the Office* (2013, Hachette Book Group, New York, NY) to remind us to step back and consider the entire picture when it comes to studying management. It is all too easy to remain immersed in our own individual specialties and to lose sight of the origins of the science of management. As a reminder for us and as a primer for our students, *The Org: The Underlying Logic of the Office* draws from seminal management theorists, more recent research, and current business examples in order to explain why our current organizations (or orgs, using the authors' shorthand) function the way that they do.

Ray Fisman is the Lambert Family Professor of Social Enterprise and co-director of the Social Enterprise Program at Columbia University's Business School, and Tim Sullivan is the editorial director of the Harvard Business Review Press. The authors pool their expertise to come up with a book that not only tells but also shows us, the readers. The book comprises an interesting and fascinating mix of theories, including those of Ronald Coase, Frederick Taylor, and Henry Mintzberg, diverse examples such as business cases of McDonald's, The Baltimore Police Department, and Al Qaeda, and experiments involving game theory and the Prisoner's Dilemma. By presenting such a wide platform and canvas, the authors garner support for their own theories about the org. The book provides a fleshed, well-crafted exposition about the logic of organizational life.

The book is organized around the decisions required to start a formal organization. We are introduced to Scott Urban, an artisan designer of hand-crafted frames sold for eyeglasses priced for as much as of $1000 a pair. The authors discuss some of the trade-offs that Urban would need to consider to expand his sole proprietorship. They provide a quick review of the crucial business choices made by Bill Hewlett and Dave Packard that decided HP's fate, leading it to its current status. The duo take the long route scrutinizing the evolution of the company from its famous garage-based origins through 2011, when the increasing focus on shareholders resulted in HP's layoff of 27,000 employees.

Starting with the origins of management theory, Fisman and Sullivan dig deep, detailing the choices made as organizations mature and grow. They contend that the key reason orgs make such diverse choices switching from in-house production to outsourcing is the underlying cemented presence of logic in both arguments. Each time a product or process changes hands, revenue is generated; however, specialization costs money as well. The authors effectively and skillfully use examples of Adam Smith's "invisible hand" and Ronald Coase's "The Nature of the Firm" as explanations of what goes on inside the firm. They claim in their book, "As companies boost production or expand across product lines, work stays in the org up to the point where escalating costs of management and coordination outstrip the costs and headaches of dealing with outside suppliers. Then the market takes over" (p. 32). Although this explanation may not be earthshattering news, it does serve a dual purpose of reminding and starting a fruitful discussion about government contractors and the perils that may be encountered.

Fisman and Sullivan move on to examine some of the decisions that are needed when designing jobs for the org. Using the experiences of Peter Moskos, a PhD candidate at Harvard who joined the Baltimore City Police Department as a rookie patrolman in order to get a firsthand view of that org, the authors discuss the challenges of evaluation and incentive programs. In discussing what gets done inside the org, the authors point out that "the jobs that stay inside the org are the hard ones; hard to measure, hard to define, and hard to do" (p. 36). A corollary to this is that these jobs are also hard to manage. The authors use the example of Baltimore City Police Department's burglary, homicide, and detectives divisions to emphasize the importance of specialization and the rewards of teamwork. When reviewing the value of CompStat, the computerized statistic program that revolutionized New York City's approach to fighting crime, the authors point out that even though lower crime rates may be every city's ultimate goal, the process of rewarding policemen for crimes that have not been committed poses both a job design and an incentive challenge.

Managers in the org need to—contrary to the advice "first, do no harm"—adopt policies that do the least amount of harm.

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Fisman and Sullivan (p. 51) write, "The objective isn't to make the problems go away, but to reduce the extent to which incentives misfire." As a further illustration of misfired incentives, the authors discuss the mortgage meltdown of 2008 where the incentives surrounding loan approvals and denials clouded common sense. Reminding the reader that "you get what you reward," the authors introduce Kayak.com's counterintuitive job alignment process. At Kayak.com, the company's software engineers are also tasked with answering customer service complaint calls. The authors contend that this action is guided by logic that is a form of negative reinforcement. To avoid a negative of customer service complaint calls, engineers engage in diligent work. And as the authors ask, who could be better positioned to make changes to a system that customers cannot master?

The elements may seem fairly basic, but aligning people so that they are contributing to the organization and its goals proves to be a huge challenge for many orgs. Zappos.com offers a unique feature during new-employee training. At some point in their training, new hires are offered $2,000 to leave the company right then. Short of testing employees' loyalty with monetary incentives, Fisman and Sullivan explore other possibilities. The authors turn to a detailed discussion of the Methodist Church. They detail the church's reliance on intrinsic and extrinsic motivation to keep its ministry focused on the larger task of fulfilling its mission. Some preliminary calculations are presented showing an analysis of the cost of attracting and keeping new congregants.

Fisman and Sullivan draw upon Proctor & Gamble (P&G) as an example of organizational efficiency. Reviewing the rise in popularity of the M-form where "largely autonomous operating divisions for soap, toiletries, and foods were given authority to develop, manufacture, and market their own products relatively unimpeded by a central P&G bureaucracy" (p. 86), the authors point out how redundancies often result from using such an org structure, which in turn can give rise to ideas of centralization or even matrix management. Touted by Columbia University professor Dr. Leonard Syales, at P&G matrix management was seen as a new form for the org that combined the best of all previous structures. Unfortunately, that particular solution for P&G led to problems involving managers pursuing shared resources for sometimes competing objectives. In 1998 P&G replaced matrix management with "Organization 2005," in order to become "an agile, nimble force of innovation" (p. 89). As the examples chosen by Fisman and Sullivan illustrate, getting the org right "involves lots of trial, lots of error, and the occasional epic failure, even with the best-intentioned efforts by the smartest managers" (p. 91).

The balance between innovation and the efficiencies of scale is the topic discussed in the chapter "In Praise of Squelching Innovation." The authors explore the dichotomy as "the tension inherent between centralization and innovation; . . . ways of seeding creativity and imagination amid the crushing burden of rules and the culture of following orders" (p. 94). The authors examine the ever-increasing hurdles to innovation at McDonald's. As a counterpoint to the days when it was seemingly simple for McDonald's franchisees to help create the Egg McMuffin and Filet-o-Fish, the authors explain that despite testing up to 1,800 new recipes each year, creativity may appear stifled because the stakes are so much greater. The authors conclude that a consequence of standardization is that "variability has come to be seen as the enemy of the good (and profits) in Corporate America" (p. 110). When discussing errors in parts per million à la Six Sigma, it can be easy to forget that innovation is also variation.

As a way to achieve variation within a larger process, the authors introduce the concept of Lockheed Martin's Skunk Works, originally an innovation task force named for its physical location outside of the main building, now used to "describe any autonomous group within a larger org" (p. 113). The org is now so large that work-arounds are needed to achieve a little freedom within a bureaucracy. Whether it is a sad compromise or not, the authors note that most orgs find a solution by separating out their own Skunk Works and putting "some checks and balances into unbridled innovation, stifling some creativity and initiative but ensuring that things don't get out of hand" (p. 117). The delicate balance needed to keep the org healthy continues.

Fisman and Sullivan then briefly map the evolution of organizational science. They provide a recap of the evolution of the org from Chandler to Taylor. This serves to reinforce that the fundamental logic behind the role of org managers continues to be to process information "to be passed up and down the org chart, to extend the control of the owners and to filter and sort employee intelligence" (p. 146). The authors remind us that the org chart was invented in 1855 by Daniel McCallum of Erie Railway to keep track of men and resources, a way to track the men who manipulated the materials. Fisman and Sullivan argue that it is this flow of information up the organizational chart that continues to distinguish modern organizations, requiring their managers' attendance at what may often appear to be an endless series of meetings.

The authors take us, the readers, back to 1975—back to the time of Henry Mintzberg's early work, which examined what mangers did with their time at work. The authors remark that this work has not changed. Meetings are still the backbone of a manager's day. Fisman and Sullivan state that the meeting "remains the most effective way of gathering details of what's really going on around the org, and for spreading the CEO's vision, unadulterated by garbled retelling, to his many minions" (p. 162). Because there is so much data, meetings serve as the platform to hear and to present the truth (or the org's version of it), and to then process the information so that it can be passed on to the next level of the org. The goal remains to have those at the top get "just the repackaged and aggregated information they need to make high-level strategic decisions" (2013, p. 163). But as we know from the children's game "Whisper Down the Lane," that goal is not always realized. When the information is communicated back down the chain, the desired change does not always follow.

Fisman and Sullivan use examples of the BP oil spill and the events surrounding 9/11/2001 to highlight the challenges of implementing change in the org. One of the focal issues of the book is the authors' discussion the danger of unintended consequences and disappointing results. This discussion brings the reader back almost full circle to the original discussion of the importance of correct design when creating the org. Much like not being able to measure the Baltimore City Police Department's success by the crime that did not occur, it is very difficult to judge the results of change resulting from 9/11 that have yet to occur. There appears to be an aspect of inevitability about all of this, as Fisman and Sullivan state, "the organization will be blamed for failure by a public that refuses to acknowledge the imperfections of any org in a world full of trade-offs and compromise" (p. 248).

The authors want us to remember that the org is not the problem, but instead, it is an attempt at a solution to the messy reality of business. This book is a solid piece of literature explaining how managers and organizations evolved and ended up in current situations. Finishing with the Serenity Prayer and a quote from Weber on the superiorities of bureaucracies, this book will remind you of some lessons you may have forgotten and it will also introduce you to new variations on some old themes. Perhaps most important, the book can serve as a great springboard for classroom discussion. It offers a challenge for all scholars, students, and practitioners; now that we have reviewed how we have got here, how can we make it better?

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Joanne L. Tritsch recently graduated with a doctor of management degree from the University of Maryland University College. Her dissertation, *Tending the Garden: Repairing Damaged Organizational Trust as a Result of Turmoil*, addresses repairing damaged organizational trust between workers and their organizations. Joanne has published several articles and has presented on the topic of trust at various conferences, including this year's Eastern Academy of Management conference. She holds master's degrees from New York University and Fordham University and has her undergraduate degree from the University of Pennsylvania. In addition, she is the Strategic National Stockpile Coordinator for the New Jersey Department of Health. She may be reached at tritsch@gmail.com.