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Rebuilding Companies as Communities

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Beneath the current economic crisis lies another crisis of far greater proportions: the depreciation in companies of community—people’s sense of belonging to and caring for something larger than themselves. Decades of short-term management, in the United States especially, have inflated the importance of CEOs and reduced others in the corporation to fungible commodities—human resources to be “downsized” at the drop of a share price. The result: mindless, reckless behavior that has brought the global economy to its knees.

Government stimulus programs and the rescue of the biggest and sickest corporations will not alone resolve the problem. Companies need to reengage their people. The practice of both management and leadership needs to be rethought.

The subprime mortgage problem is a glaring case in point. How could it have come about in the first place, and how could it have spread to so many blue-chip financial institutions? The answers seem readily apparent. Those who promoted these mortgages were intent on

driving up sales as quickly as possible to maximize their own bonuses, the ultimate consequences be damned. And the financial institutions that bought these mortgages were not being managed. Many of their executives adopted what has become a pervasive style of “leadership” in America: They sat in their offices and announced the goals they wanted others to attain, instead of getting on the ground and helping improve performance. Executives didn’t know what was going on, and employees didn’t care what went on. What a monumental failure of management.

To varying degrees, the same failure has occurred throughout the private and public sectors. A belief has grown up that leadership is somehow separate from, and superior to, management. This view only isolates the people in leadership positions, thereby undermining a sense of community in organizations.

Communities at Work

Individualism is a fine idea. It provides incentive, promotes leadership, and encourages de-

velopment—but not on its own. We are social animals who cannot function effectively without a social system that is larger than ourselves. This is what is meant by “community”—the social glue that binds us together for the greater good. Think no further than the energy unleashed by the strong sense of community in Barack Obama’s campaign.

Community means caring about our work, our colleagues, and our place in the world, geographic and otherwise, and in turn being inspired by this caring. Tellingly, some of the companies we admire most—Toyota, Semco (Brazil), Mondragon (a Basque federation of cooperatives), Pixar, and so on—typically have this strong sense of community. That came through loud and clear in “How Pixar Fosters Collective Creativity,” a September 2008 article in HBR by Ed Catmull, the president of Pixar, in which he attributed the studio’s success in creating a string of highly popular animated films to its “vibrant community where talented people are loyal to one another and their collective work, everyone feels that they are part of something extraordinary, and their passion and accomplishments make the community a magnet for talented people coming out of schools or working at other places.”

Young, successful companies usually have this sense of community. They are growing, energized, committed to their people, almost a family. But sustaining it with the onset of maturity can be another matter: Things slow down, politics builds up, the world is no longer their oyster. Community is sometimes easier to preserve in the social sector—with NGOs, not-for-profits, and cooperatives. The mission may be more engaging, and the people more engaged.

But somehow, in our hectic, individualist world, the sense of community has been lost in too many companies and other organizations. In the United States in particular, many great enterprises, along with the country’s legendary sense of enterprise, have been collapsing as a consequence.

Just Enough Leadership

“Communityship” is not a word in the English language. But it should be—to stand between individual leadership on one side and collective citizenship on the other. In fact, I believe that we should never use the word “leadership” without also discussing communityship.

Sure, leaders can engage and involve others. But the concept remains focused on the individual—on personal initiative. Show me a leader, and I’ll show you a bunch of followers.

Communityship certainly makes use of leadership, but not the egocentric, “heroic” kind that has become so prevalent in the business world. We make a great fuss these days about the evils of micromanaging—managers’ meddling in the affairs of their subordinates. Far more serious is “macroleading”: the exercise of top-down authority by out-of-touch leaders. Communityship requires a more modest form of leadership that might be called *engaged* and *distributed* management. A community leader is personally engaged in order to engage others, so that anyone and everyone can exercise initiative. If you doubt this can happen, take a look at how Wikipedia, Linux, and other open-source operations work.

So maybe it’s time to wean ourselves from the heroic leader and recognize that usually we need *just enough leadership*—leadership that intervenes when appropriate while encouraging people in the organization to get on with things.

That is how IBM got into e-business. An enthusiastic programmer eventually convinced a middle manager that the opportunity existed. The manager stitched together a team with almost no budget. And when the initiative finally found its way to Lou Gerstner, then the CEO, he encouraged it. That’s all. Just enough leadership!

From Top-Down to Middle-Out

How can we rebuild companies as communities? Unfortunately, most of the hundreds of articles and books on how to manage large-scale change—transformation, revitalization, turnaround—focus on leadership. A popular example is “Leading Change: Why Transformation Efforts Fail” (HBR March-April 1995), in which the author, John Kotter, outlines eight phases: First establish a sense of urgency. Then create a powerful guiding coalition, in which “senior managers always form the core.” This coalition should create a vision and broadcast it so that others are empowered to carry it out. The process moves on to planning short-term wins, consolidating improvements, and institutionalizing new approaches.

Kotter’s approach sounds sensible enough and has probably worked. But how often, and

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for how long? What happens when the driving leader leaves? Perhaps it's time to rebuild companies not from the top down or even the bottom up but from the middle out—through groups of middle managers who bond together and drive key changes in their organization.

Can major transformation really begin like this, almost spontaneously, with small acts by people who are not part of the senior leadership? Well, think of the American Revolution, which started with a tea party, or the French one, which began with the storming of a prison to release a handful of inmates. In his recent book *Community: The Structure of Belonging*, Peter Block, an authority on workplace learning and performance, wrote, "Most sustainable improvements in community occur when citizens discover their own power to act...when citizens stop waiting for professionals or elected leadership to do something, and decide they can reclaim what they have delegated to others." Imagine all managers as citizens of their corporations.

A Useful Foundation

In large, hierarchical organizations, certain conditions help to facilitate a transformation to communityship:

The remnants of community. It is far easier to build on what remains of a community than to create one from scratch. In my experience, many companies that seem to have lost their sense of community in fact retain it somewhere, even if it is hidden from leaders who have failed to appreciate it. For example, in pharmaceutical companies that have become lumbering behemoths focused on sales and acquisitions, clusters of scientists who remain deeply dedicated to discovering remedies for disease can always be found.

Often, the place to look for the remnants of community is among middle managers. Significant numbers of these people tend to be highly knowledgeable about the enterprise and deeply committed to its survival. After studying the roles of middle managers in corporate transformations, Quy Nguyen Huy, a professor at Insead, wrote: "The intensity with which [middle] managers wanted to protect the long-term interests of the company and the welfare of their subordinates surprised me again and again" ("In Praise of Middle Managers," HBR September 2001). Senior managers, not to mention the middle managers themselves,

need to recognize the power of this dedication.

An atmosphere that promotes trust. The way to start rebuilding community is to stop the practices that undermine it, such as treating human beings as human resources; firing them in great numbers when the company has not met performance targets (but remains profitable); tolerating obscene compensation packages for CEOs (especially ones that offer them "retention" and other bonuses for doing what they receive a salary to do); exhibiting a general disrespect for anything in the company's past, including its culture; and in general overemphasizing leadership. In other words, the organization has to shed much of its individualist behavior and many of its short-term measures in favor of practices that promote trust, engagement, and spontaneous collaboration aimed at sustainability.

A robust culture. To create this kind of atmosphere and allow the remnants of community to bloom requires a robust, compelling culture. People must know what the place is all about. Everyone at Google knows that its mission is "to organize the world's information and make it universally accessible and useful." A company without a compelling culture is like a person without a personality—flesh and bones but no life force, no soul. Organizations function best when committed people work in cooperative relationships based on respect. Destroy this, and the whole institution of business collapses—as is now evident in so many companies.

Leadership at the center. A robust community requires a form of leadership quite different from the models that have it driving transformation from the top. Community leaders see themselves as being in the center, reaching out rather than down. They facilitate change, recognizing that much of it must be driven by others. At General Electric, Jeff Immelt, who wants the company to become as much renowned for innovation and organic growth as it has been for operational excellence, encourages the teams running GE's businesses to figure out for themselves what is needed for transformation.

Developing Community

How, then, to get from the company as a collection of human resources to the institution as a community of human beings—from heroic leadership to engaged management? Some

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programs that colleagues and I created for the development of managers and their organizations have taught us a number of lessons:

1. *Community building in an organization may best begin with small groups of committed managers.* Peter Block cites evidence that small groups are more effective than great leadership or individual training in creating strong communities. Some companies bring groups together at their own training facilities, as GE does. Others, including Lufthansa and LG, send their managers to public programs such as the International Masters Program in Practicing Management (imp.org) that we at McGill have developed with partner schools.

If their organization does not offer such opportunities, middle managers needn't despair; they can develop themselves. My stepson, Phil LeNir, did this when he was a director of engineering at a high-tech company. After the company laid off some people in his unit and shifted many of its programming activities to contractors in Eastern Europe, Phil had to do something to help his people—all of them first-time managers—settle down and figure out how to oversee the outsourced work. They lacked a training budget, so Phil took a leaf from our experiences in the IMPM and began to meet informally with his group every week or two over lunch. The managers' perspective changed entirely. As Phil explained, "We stopped looking for others to tell us what to do. We stopped whining about how bad things were around us and began thinking about how we could leverage our experience to make things better."

These "management learning meetings," as the group called them, went on for two years. Most members of the group were subsequently promoted—a success they attributed in good part to the sessions. Their experience eventually led to the creation of CoachingOurselves.com to help other managers do the same thing.

2. *The sense of community takes root as the managers in these groups reflect on the experiences they have shared in the organization.* Managing is hectic, now more than ever, and the pressures of the workplace hardly encourage thoughtful action. What today's managers need most is to do what Phil and his team did: slow down and reflect. What did that customer really mean? Why do we have so much trouble understanding the company's strategy—and one another?

3. *The insights generated by these reflections naturally trigger small initiatives that can grow into big strategies.* We like to think of strategy as formulated deliberately at the top to be implemented below. I have found in years of my own research that organizations learn their way into interesting strategies through small ventures that arise from the initiatives of all sorts of people.

The conventional view of the organization puts the chief executive atop a pyramid. Well, picture yourself atop an Egyptian pyramid: From there you can have no idea what's going on inside, and what's happening on the ground is too far away to make out. Certain managers within an open hierarchy, in contrast, may be better placed to make the key connections between operations and strategy.

This can be especially true of middle managers, many of whom appreciate best what needs to be changed. I am constantly amazed by how just the seed of an idea in the hands of engaged people who see both the operational specifics and the big picture can develop into a significant strategy or change in the organization.

4. *As these initial teams promote change, they become examples for other groups that spread communityship throughout the organization.* Commitment becomes contagious when people realize its immense benefits not only to the organization but to themselves. Of course, diffusing such groups across the organization requires the support of the senior leadership. Without it, efforts in communityship seldom get far.

5. *An organization knows that communityship is firmly established when its members reach out in socially active, responsible, and mutually beneficial ways to the broader community.* Put differently, healthy organizations take corporate social responsibility seriously and gain significant benefits in return. *Employees* of a company that barely functions as a community can hardly be expected to care about any other community. But *members* of a company that has a robust sense of community realize how much their organization depends for sustained success on constructive engagement with the communities around it.

So perhaps the ultimate test of whether a company has become a true community is whether its people see themselves as responsible citizens of the broader community.

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In Molière's play *The Bourgeois Gentleman*, a character has a revelation: "For more than 40 years I have been speaking prose without knowing it." Perhaps likewise, we need to discover that we live in community. Surely people's detachment from their institutions is not natural, any more than is the excessive promotion of leadership that encourages so much followership.

Communityship needs to be strengthened in many organizations today. This does not mean that we have to put it on a pedestal, in place of

leadership. It, too, can be overdone. After all, witch hunts had their roots in community. What we need is balance. We would do well, therefore, to see both these forces as working together in a socially responsible way to get past the insularity that exists in many organizations. A healthy society balances leadership, communityship, and citizenship.

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