

J JOSSEY-BASS

UP THE
ORGANIZATION*

*How to Stop the Corporation
from Stifling People and
Strangling Profits

Commemorative Edition

Robert Townsend
Foreword by Warren Bennis



John Wiley & Sons, Inc.

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FOREWORD

“Where Have You Gone, Joe DiMaggio?”

It was sometime in 1967 when I was teaching at MIT, and my office phone rang. It was Bob Townsend. Not his secretary, mind you, but the real Bob Townsend. He was already known as something of a CEO icon(oclast), having revived a moribund car rental business, Avis, with the audacity of a kid with a spray can looking for trouble. He'd already taken his famous jab at the #1 Hertz with the killer commercial, “WE’RE ONLY #2, BUT WE TRY HARDER.” He had just resigned and wondered if he should write a book based on his Avis experience. He didn’t read business books, he told me; he thought they were written by monastic types who had never experienced the smoky complexity of real work, who might not even know how to start a car, let alone lead people. The only exception, he told me, was my late mentor, Doug McGregor, who had written an extraordinarily influential book, *The Human Side of Enterprise*, which shaped the foundation of the field nowadays referred to as organizational behavior (“OB”). He had also heard that Doug insisted that all of his Ph.D. students work every summer for a blue-collar manufacturing company. (I spent two summers at

Dewey & Almy, a pesticide company in nearby Lexington.) That's why Bob Townsend was calling me—to learn more about McGregor and his ideas.

Bob asked if he could come to Boston sometime to talk. When do you have time? I said, “Now.” He knocked on the front door of my house that same afternoon, a Friday, and stayed the weekend. He was captivated by McGregor's famous categorization of human nature, for which he coined the terms Theory Y and Theory X. Perhaps overly simple? Bob didn't think so, nor did I. The two philosophies of leadership, almost Manichaeic in their dichotomous assumptions and metaphysics, are still evident today, despite Doug's encouraging optimism:

The ancient conception that people do the work of the world only if they are forced to do so by threats or intimidation, or by the camouflaged authoritarian methods of paternalism, has been suffering from a lingering fatal illness for a quarter of a century. I venture to guess that it will be dead in another decade. (*The Professional Manager*, edited by W. Bennis and C. McGregor, McGraw-Hill, 1968)

In this book, Townsend translates Theory X based on three (dubious) propositions:

- *People hate to work.*
- *They have to be driven and threatened with punishment to get them to toward organizational objectives.*
- *They like security, aren't ambitious, want to be told what to do, dislike responsibility.*

Townsend's rendition of Theory Y is based on three quite different propositions:

- *People don't hate work. It's as natural as rest or play.*
- *They don't have to be forced or threatened. If they commit themselves to mutual objectives, they'll drive themselves more effectively than you can drive them.*
- *But they'll commit themselves only to the extent they can see ways of satisfying their ego and development needs.*

Before I wrote this Foreword, I played a little game. I put the book in the palm of my right hand and stroked the edge of pages from back to front. I then stopped at random and wrote down the lead or other sentences that caught my eye. Here are a few examples:

- page xxvi: *Big successful institutions aren't successful because of the way they operate, but in spite of it. They didn't get to the top doing things the way they're doing them now.*
- page 10: *Call yourself up. When you're off on a business trip or a vacation, pretend you're a customer. Telephone some part of your organization and ask for help. You'll run into some real horror shows. Then try calling yourself up and see what indignities you've built into your own defenses.*
- page 54: *Billy Graham has a man named Grady Wilson who yells "Horseshit"—however you say that in Baptist—at him whenever he takes himself too seriously. Perhaps that is one of the reasons the Graham organization has been so successful. Every chief executive should find someone to perform this function and then make sure he can be fired only for being too polite.*
- page 63: *True leadership must be for the benefit of the followers, not the enrichment of the leaders.*
- page 104: *The world is divided into two classes of people: the few people who make good on their promises (even if they don't promise as much), and the many who don't. Get in column A and stay there. You'll be very valuable wherever you are.*

- page 115: *Secrecy: A child's garden of diseases.*
- page 151: *The best acquisitions will look overpriced and you'll be tempted to veto them on that score. Don't—not if everything else looks right. The bag of snakes will come disguised as an ever-loving blue-eyed bargain.*

I used to think of Bob Townsend as *the* management guru of the Sixties. With just a little imagination, the irreverent title of this book could double as a hippie curse: **UP YOUR ORGANIZATION**. Thinking about Bob and his work and life, Ken Kesey's magnificent touchstone of the Sixties, *One Flew Over the Cuckoo's Nest* came to mind. Nurse Ratchet was the very model of The Bureaucrat: unfeeling, dispassionate, analytical, concerned only with the smooth functioning of the asylum. Her nemesis, McMurtry, was played unforgettably by the irrepressible rebel, Jack Nicholson. "Up yours," he was saying, without lifting a finger.

Bob's prose also brings to mind that other totem of the period, the movie, *The Graduate*. Will anybody of a certain age forget that scene when Braddock (Dustin Hoffman) was given unwanted advice by a prosperous and pompous businessman, both of them standing, belly deep, in an upscale Beverly Hills swimming pool:

Braddock: "Yes, sir."

Businessman: "Are you listening?"

Braddock: "Yes. I am."

Businessman: "**Plastics!**"

Despite appearances, Bob Townsend is not just a Sixties happening. His words still ring true, truer than they seemed almost forty years ago. Like McGregor, he may have been stricken with a case of unwarranted optimism. Doug thought we'd have an anti-Theory X vaccine by 1980. It is undeniable

that Theory Y has gained more adherents and robustness over the years with a new vocabulary of “HR talk” like empowerment, transparency, agency, and so forth. And there are certainly more enlightened and emboldened leaders and scholars making some headway toward creating cultures of growth and learning. But it will always be a struggle. And we need, *seriously* need, more Bob Townsends. More leaders and scholars who make us nervous with their ideas, who bother us, bother the hell out of us. Ray Bradbury put it nicely in *Fahrenheit 451*:

We need not to be let alone. We need to be really bothered once in awhile. How long has it been since you were really bothered? About something important, about something real?

Bob Townsend was one helluva botherer, always reminding us of what’s important. Unlike those other ephemeral botherers of the Sixties, his songs live on and on, just like that Simon & Garfunkel favorite, “Mrs. Robinson”:

Where have you gone Joe DiMaggio, a nation turns
its lonely eyes to you . . .

January 2007

Warren Bennis

PUBLISHER'S NOTE

The core text of this commemorative edition of *Up the Organization* is drawn from the reprint edition that was published in 1971 by Fawcett. The A-to-Z portion of the reprint was almost identical to that of the 1970 Knopf hardcover. (Townsend added to the paperback a small number of annotations and a preface titled “What This Book Is.”) The two appendixes “Further ‘Up the Organization’ ” and “Guerrilla Guide for Working Women” were written just after the hardcover appeared and were added to the Fawcett paperback. Although nearly all of Townsend’s observations are timeless in their perspicacity, his advice to the working women of 1970 does not seem as germane today. (There had yet to be a female CEO of a Fortune 500 company at the time of his writing.) For this reason, the publishers of this edition decided to drop the “Guerrilla Guide.”

Further Up the Organization appeared in 1984 and was a significantly different book. With only two exceptions, however, Townsend never withdrew anything he said in the original edition; he merely tried to update or add variations to his

theme. (These exceptions are noted in the text.) He *was* particularly diligent to remove references that will sound sexist to the current-day reader. The publisher has made note of this where appropriate so that the reader may not judge Townsend unfairly. It is worth noting that many of the “new” chapters in the 1984 edition began their life as part of his “Further ‘Up the Organization’ ” appendix.

Townsend added his own annotations in the first edition using an asterisk. These have been carried over exactly as they appeared in the original. Notes from the publisher or editor in this edition are intended for general reference and are labeled “Editor’s Note.”

Robert Townsend's Cure for Management Heartburn

James O'Toole, research professor, University of Southern California; author of fifteen books, including *Leadership A to Z*, a tribute to the life and work of Robert Townsend.

It is often said that Peter Drucker invented management; if so, Robert Townsend invented leadership. It was Townsend who, in the 1960s, first made Avis “Try Harder” and then wrote the 1970 best seller *Up the Organization* to help other CEOs stop their own corporations “from stifling people and strangling profits.” His gutsy stance—in both practice and theory—would radically change the roles of those who subsequently occupied the executive suites of large corporations.

Prior to Townsend's transformation of Avis, Fortune 500 companies had been headed, variously, by entrepreneurs, inventors, financial geniuses, managers, bureaucrats, men in gray flannel suits, crown princes, dictators, petty satraps, and unimaginative combinations of the above. But Townsend was the first true, modern corporate leader (*def*: one who manifests vision, integrity, and courage in a consistent pattern of behavior that inspires trust, motivation, and responsibility on the part of followers, who in turn become leaders themselves).

Townsend's disciples have led many companies, including at least three remarkable start-ups with which I'm personally familiar: Gordon Forward, CEO of Chapparral Steel, introduced a Townsendian "management by adultery" (a previously X-rated concept in which Forward treated his employees like adults and then got out of the way as they set productivity records); Bob Davids, CEO of Radica Games, predicated his leadership philosophy on two simple Townsend commandments ("Don't con anybody—including yourself," and "Treat people with respect") and went on to create a \$230 million company from scratch by becoming a toy-industry leader in technical design; and Jacques Raiman, CEO of the GSI Corporation in the 1980s, led France into the computer age with a breakthrough philosophy of bureaucracy bashing and employee involvement. When asked where he had learned to lead in such a non-Gallic way, Raiman shocked French friends by reaching into his pocket and pulling out a dog-eared paperback edition of *Up the Organization* (in English, no less). Quel horreur!

Townsend became a role model for many leaders because they responded to his candor, spontaneity, and integrity. When they met Bob, they understood why it makes sense to treat people the way you would want to be treated if you were in their shoes. He never engaged in Machiavellian machination or manipulation (he treated everyone as an end, never as a means), and he was free of the hubris that afflicts too many CEOs. Townsend always said "we" and never engaged in the pathetic craving for credit, adulation, and center stage that often characterizes executive behavior.

Townsend was probably the funniest CEO who ever made big bucks in big business. (Admittedly, CEOs aren't bred to maximize the wit gene—but he was funny even compared with those in such clownish fields as law, politics, and journalism.) Because he directed barbed advice at the powerful, he

sometimes was not well received on the Chautauqua circuit, where the rule of thumb was the Eleventh Commandment: never speak ill of those who pay the bill. Townsend refused to kiss up: "Directors are usually the friends of the chief executive put there to keep him safely in office," he said, sticking a finger in the eye of the indolently powerful. Thus, "be sure to serve cocktails and a heavy lunch before the [board] meeting. At least one of the older directors will fall asleep (literally) at the meeting and the consequent embarrassment will make everyone eager to get the whole mess over as soon as possible."

Humor aside, Townsend was appalled by the yes-men and (later) yes-women who dominated U.S. boardrooms, and he was one of the first to promote shareholder advocacy among outside directors. Anticipating Jack Welch, Townsend had disdain for CEOs who sat on other boards: "No outside directorships and trusteeships for the chief executive. . . . You can't even run your own company, dummy." And he castigated dilettantish professional directors who sit on twelve boards and contribute to none. Heresy!

Further, Townsend was the first corporate chief to practice what is just now being preached in the best-led corporations: no reserved parking spaces, no org. charts, no job descriptions, no short-term pandering to Wall Street, no company planes, no golf club memberships. On the positive side: stock options (not backdated!) for *everybody*, honesty as the best policy, reinvestment for the long haul, rewards for performance, commitment to product (service) quality, true delegation, encouragement of healthy dissent, and, above all, the virtue of putting customers first. You heard it right: he practiced all the above in the 1960s.

Townsend hated bureaucracy and bloated central headquarters. His advice: "Fire the P.R. Department." Ditto the law, purchasing, and other staffs headed by "V.P.'s of." "Fire the Personnel Department," he said most famously, not only because

those supernumeraries produce little at great expense but, more important, because no significant contribution to corporate excellence had ever been led by an H.R. department. So why not get rid of it? Sacrilege!

OK, so Townsend was a bit controversial. But that's a characteristic of great leadership, and Bob didn't back down when critics turned up the heat. He didn't care what people thought about him personally; what he cared about was creating an organization that was both profitable and an exciting place to work. In short, Bob changed people's lives by involving and energizing them in the process of creating a better future for their organizations. Bob changed lives by giving people the courage of their convictions.

In March 1970, fresh out of grad school and working at my first real job, I found myself suffering from chronic management heartburn. Searching for a cure, I had tried everything—deep breathing, Tums, reciting Bible verses—but nothing worked. Then, on one extended lunchtime foray, by chance I picked up a hot-off-the-press copy of Townsend's book. I took three quick doses and felt better immediately.

Emboldened, I went to my boss and told him how we too could become an innovative, productive organization where people would actually enjoy coming to work. In measured tones, he explained that this would occur only over my dead body (my body, mind you, not his). I took the hint, cleared off my desk, descended forty-eight floors to street level, and never went back. Ever since, whenever I've felt a case of organizational blues coming on, I've dug into *Up the Organization* for a booster shot of uncommon common sense.

How Robert Townsend Talked Me out of Getting an MBA

Bob Davids, cofounder and former CEO, Radica Games; owner, Sea Smoke Cellars

I honestly tell people that I tried to build the culture of our company around *Up the Organization* and Robert Townsend's ideas. Before we even began to build Radica, Townsend had already taught me that you cannot “manage” people. I still cringe when somebody describes “managing” another human being. Although he was one of the most inspiring leaders I've met, Bob was also adamant that leaders can't motivate anyone—they can only create the environment where individuals motivate themselves. In my own imperfect way, I tried to put Bob's lessons into practice at Radica—he deserves as much of the credit for Radica's success as I do, and neither of us deserve as much credit as the nearly eight thousand employees who built the company.

I first met Townsend in 1981 when he joined the board of International Game Technology (IGT), where I was director of engineering and industrial design. There was a knock on my office door, and Bob asked if he could have fifteen minutes of my time—he left five hours later. In those five hours, Bob asked me about my ambitions and passions, and

discussed my career plans. When I told him I planned to pursue an executive MBA, he strongly discouraged this and told me that what I'd really need is an education in leadership—he said the world had plenty of managers but far too few true leaders. I had never heard of *Up the Organization*, but I was strongly moved by our talk. I stopped at the bookstore on the way home from work and read it that night. As it turned out, I later followed Bob's advice and attended the leadership program at Cal Tech.

As great minds and leaders often do, Bob Townsend articulated ideas that most of us know intuitively but don't know how to express consciously. I had had some leadership roles going back to the surfboard shop I managed, but I had never had a framework for leading other than the traditional model. I knew I didn't want to boss people around, and Townsend finally gave me the language for what I'd call egalitarian leadership. In essence, I learned that I needed to subordinate myself to those I led. Your job as leader is get to the lowest level and find out the tools your people need—whether it's a shovel or a computer—to get the job done. When we were starting up shop in China, the employees were shocked when I got down into a ditch with them to help build a drain. The most important currency of leadership is time. If you commit your time to your people and create an atmosphere and a perception of fairness, you will earn their respect, and your organization will achieve results far beyond anyone's expectations. Encouragement is important, but any attempt at external motivation is negative. If you don't screw up, your employees will motivate themselves—that's their job.

Bob's ideas were so important to me, I was determined to get him on the board when Radica went public in 1994. We had never run into each other again after our 1981 meeting, and not surprisingly, Bob had completely forgotten about me and our conversation. He rebuffed me politely when I

approached him through a mutual contact. I asked my friend to try him again and tell him that I “rejected his rejection.” No go. I still don’t know how I convinced my friend to give Townsend a third try, and told him that he couldn’t reject Radica until he knew our story. I only wanted one hour of his time, and Townsend agreed to meet at the Biltmore Hotel with his friend Jim O’Toole. Several hours later, both Jim and Bob were on the board. I once inadvertently heard Bob tell a new board member that he had had more fun on the board of our “little company” than on any other; that was one of my proudest moments.

Bob was an invaluable asset on the board; although he was not chairman, he was the natural soul of the group and set the tone. He forbade anyone to mention the “S word”—stock price. He was smooth and confident in everything and helped mediate some difficult board and personality issues as if they were mere speed bumps. He asked me once a month to put everything that was wrong at Radica on one sheet of paper—he’d told me he’d assume the best if I didn’t tell him otherwise. If a memo about a problem ever exceeded one page, he told me I didn’t understand the problem. Once a year, he asked for a one-page plan in case I went down in an airplane—that was the beginning of our succession planning. When he joined the board, I followed his example in the book and wrote out my resignation letter, which I presented to him yearly. The irony is that he wouldn’t accept my resignation when I really meant it. I was finally able to remind him that he wrote that no CEO should stay in the job for more than five years—I lasted seven.

Having spent so much time using and discussing the book, I discovered two important things putting it into practice. First, and most important, I found that Townsend’s ideas cross borders perfectly well, even into a culture that many claim is strongly “top-down” and patriarchal. Ninety-four percent of