# Transforming a Small Software Company, 1986

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An earlier version of this story [then written in the more impersonal, 3rd-person voice] was first published in my 1987 book, ***Managing the Corporate Dream***.

This case illustrates how Developmental Action Inquiry can become a first-person research/practice for a consultant engaged with his client and how that, in turn, generates a second-person action inquiry process among the senior members of a company who, in turn, transform the way the company operates as a third-person system.

*A small software company has burned through its initial round of venture financing, with net revenues for its products not yet foreseeable on the horizon. The partners are seeking a second round of venture capital, and everybody at the company knows they must make a breakthrough in marketing and sales. Yet, this "bottom-line" negative feedback alone, as stark as it is, is not propelling the company into a new operating pattern.*

*I am invited to help the company over a two-day period. I approach the assignment with the sense that I must discover what disharmonies among the corporate dream, the leadership's strategies, and the day-to-day operations account for the company's continuing losses. But more than this, I must discover a positive way to reframe or restructure the situation with the leadership and company members, so that they become motivated to correct the incongruities and disharmonies.*

*I interview the top management (the president and the three vice presidents for production, marketing, and sales) of the computer software company, which numbers 35 employees in all. The president is a generation older than the three vice presidents, and the company is a partnership between the president and one of the vice presidents. Together, the two of them developed the initial product.*

*In the following three years, the company has produced a large number of high-quality products, but they are not selling well. The consultant discovers numerous problems that have remained unresolved for a long time. Neither mission nor market is well defined. Pricing is a subject of acrimonious controversy. Employee morale is fragile because it is unclear whether competence or cronyism is the basis for rewards. Decisions are not driven by any internal sense of mission; they are made only when situations deteriorate into external emergencies.*

*The bottleneck in decision-making appears to be the relationship between the two partners. They respect one another and attempt to share responsibility as though equals. But they repeatedly fall prey to differences in age, formal role, and managerial style. The president plays the role of optimistic, benign, absent-minded father. The vice president plays the role of pessimistic, sharp, rebellious son.*

*Having interviewed the senior managers individually during the first six hours of my two-day visit, I am next slated to meet with the two partners to set the agenda for the next day's senior management retreat. But based on what I've just heard, I fear that the agenda-setting session may itself fall prey to the partners' well-intentioned wrangling.*

*I take a 10-minute walk around the outside of the building prior to the session, in order to engage in a first-person research/practice of intentionally bringing my attention first to my breathing and then, following that, to the vividness of the outside world, then to my feelings, and, only when I've established an ongoing circulation of attention, to what I now know about the company. First, I become clear that the partners' pattern of behavior must change before any other productive decisions are likely. Next, I apply developmental theory to the individual partners, to this two-day intervention itself, and to the company as a whole, to help me generate design ideas for my meeting with the partners… only moments away.*

*My estimate is that the vice president is in transition from Expertise Oriented to Achievement Oriented, both itching for and resisting the true executive responsibility that a person at the Achievement Oriented action-logic relishes. I estimate that the president is in the transition from Achievement Oriented through Values Oriented toward Strategic-Systems Oriented. He is ready to give up day-to-day executive control in favor of an elder statesman role of mentoring his junior partner and godfathering the company's research and development function (indeed, the president has spoken wistfully of his preference for the VP R&D position).*

*I see the organization as a whole as spread-eagled across the fluid, decentralized Investments and Experiments action-logics, still living off venture capital on the one hand, while on the other hand experimenting with a whole line of products. At the same time, the company is failing to "bite the bullet" and meet the limiting, centralizing, differentiating demands of the Incorporation action-logic – the demand, in short, for focused leadership and net revenues.*

*Applying the developmental theory to my own two-day visit, I interpret the initial interviews as the Conception action-logic of the intervention. In this light, the agenda-setting session with the two partners may represent Investments – in particular, how much investment each of the three leaders in this meeting is willing to make in truly experimenting with new ways of working together. If so, the question is how open am I to restructuring my consulting style at this point from a more passive, receptive interviewing process to a more active, intervening process that highlights both my own investment in the process and the new investment the partners must be willing to make in decisiveness, if they are to achieve the major changes necessary in the organization as a whole. Looking ahead to the following day, I also feel that binding decisions need to be made there and then in the spirit of the Incorporation action-logic. Analogically, I myself and the two partners must act conclusively in the next day on behalf of the company as a whole.*

*In this Incorporation action-logic spirit, I first decide to recommend at the upcoming agenda-setting session that only the partners and I participate in the next day's retreat, and that whatever decisions the partners reach the next day be put in writing with definite implementation dates and shared with all company members by the following Monday.*

*As for the agenda-setting session itself, my reasoning leads me to ask how I can reframe the partners' expectations and pattern of behavior from the very outset. In their initial interviews earlier in the day, both partners have used the image of ballots to describe their relative power within the company. The president, referring to their equal salaries and to his style of consulting his partner on all significant decisions, speaks of the partners as holding "ballots of the same size" in company decisions. The vice president, however, spoke of the president as having "the larger vote." I now reason that if the two switch their formal roles, at least for this one day, the (erstwhile) president should still see their votes as equal, while the (erstwhile) vice president should see his vote as having become larger. Thus, the twosome should be more powerful, especially since the junior partner will now be in a proposing role rather than an opposing role. Moreover, the new roles should be more appropriate to each partner in terms of helping each to move to a wider action-logic.*

*More immediately, the mere fact of having the two officers reverse roles for the agenda-setting meeting and the day-long retreat should alter their usual dynamics and put them into the serious-role-playing posture of simultaneous rehearsal and performance conducive to action inquiry. Of course, I will be in a similar posture of simultaneous rehearsal and performance as I make this unexpected suggestion (and of course the partners won't necessarily agree!). (All these images occur in much less time than it takes to write or read about them in these paragraphs.)*

*I arrive two or three minutes early, viewing myself as the host of this meeting, just as the partners are my hosts at the company. It can be a meeting of three peers. I arrange the three chairs in a triangle, without a table between them, and sit, facing the door through which the partners will enter.*

*I begin the feedback/agenda-setting session with the two partners by proposing that the vice president either resign or become president. This puts the vice-president in the action role right away, rather than his usual role of reacting to the president. Although quiet, the president seems to smile slightly, ready to play whatever this game may be. On the other hand, true to his customary "opposing" role, the vice president objects to "rehearsing" as president. "It's fake." "Oh? You don't believe you could be or ought to be president?" I ask. After considerable further probing by the vice president, the two senior officers agree to play this serious game.*

*Now the vice president (in the role of the president) acts decisively rather than reacting combatively. He and I propose various changes, with the president (in the subordinate role) making constructive suggestions and raising questions. The two*

*partners reach written agreement on six major organizational changes the next day. The first of these is implemented at lunchtime. The vice president for sales is invited to join them. The partners discuss the major changes they are considering, and ask him to accept a demotion. He agrees, expressing both his disappointment that he has let the company down and his relief that his duties will be more within his range of competence.*

*A month later, all six changes have been implemented. Two months later, the company completes, six months ahead of schedule, a first-of-its-kind product for a definite and large market. The company fails to get a second round of venture financing, but sales revenues begin to exceed costs for the first time in the company's history due to the new product.*

*In the meantime, the vice president decides not to become president. In response, the president stipulates that henceforward he will draw a higher salary and exercise the managerial authority of CEO on a day-to-day basis. Another three months later, the vice presidential partner decides he wishes to become president after all and negotiates the change with the other partner…*