



GETTING TO THE CORE OF HOW ORGANIZATIONS WORK

BY KALI SAPOSNICK



Who Really Matters
by Art Kleiner

Many theories exist as to why it is so difficult for organizations to change and thrive in today's complex work environment. Systems theory, for instance, points to the structure of a system as a key determinant in how well people can work together to achieve an organization's objectives; it asserts that no matter how much any one individual might change, unless the structure simultaneously changes, the system will ultimately revert to the status quo.

In his new book, *Who Really Matters: The Core Group Theory of Power, Privilege and Success* (Doubleday, 2003), Art Kleiner looks at the barriers to institutional change from a different angle, beginning with the reason why organizations exist in the first place. He contends that the primary purpose of organizations is not—as most of us believe—meeting customers' needs, fostering innovation, or making a better world. Rather, organizations are set up, first and foremost, to fulfill the perceived desires and priorities of a “core group” of people. As such, the success or failure of a company—and its ability to change—is determined by the behavior of this key set of individuals.

Kleiner's theory suggests that core groups exist in every organization, large or small, for-profit or not-for-profit, private or public sector. Members of this elite set take their power not from their position in the hierar-

chy, but from the way they influence decisions at every level of the hierarchy. Every organization, at any given moment in time, has its own unique core group pattern; the most influential people might be high-profile shareholders, critical technology specialists, key suppliers, major customers, or members of the company's founding family. Core groups often include “bottlenecks,” people who control or

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manage essential parts of operations, such as the graphic design and production staff of a publishing company, or the veteran school bus administrator of a local school system. In other words, the core group doesn't necessarily comprise just people with hierarchical authority but those who are, for whatever reason, perceived as central to the enterprise by the people who work there.

Managing Organizational Complexity

According to the author, core groups are not inherently bad or good; they are simply part of the nature of organizational systems. Without them, it would be impossible for organizations to exist, simply because the complexity of most organizational environments would be too great to manage. Art says that, just as a baby instinctively recognizes human faces, most of us are instinctively attuned to the people who we have come to believe are

important. Instead of making decisions based on the balance of customer and shareholder priorities, we say to ourselves, “I don't want to be the one to walk into Cheryl's office and say we can't do that.” We let Cheryl, whom we probably know only slightly, represent the full range of factors affecting the decision we have to make.

For those who resist the idea of a core group, Kleiner asks us to examine our thinking when faced with a complex decision. Do we consider how it will sit with our boss, our boss's boss, or someone else entirely? If so, then we're basing our choices on the needs of the core group. The reason that the influence of these key people “trumps all other concerns,” the author explains, is “not because of some mystical resonance, but simply because of the cumulative effect of the decisions made throughout the organization. If people believe the core group needs and wants something to happen, they assume that making it happen is a part of their job.” As such, those who do make it happen often get rewarded and recognized, while those who act based on other criteria usually get left behind.

Creating Great Core Groups

One of the reasons that Kleiner developed the core group theory was his awareness of the rapid proliferation of organizations in the world. If we are to be successful in a society of organizations, he says, we need a theory that allows us to clearly see how enterprises function. Companies in which core groups behave in self-serving and exploitative ways, such as Enron, are dismal places to work and often end in failure. Organizations in

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which decision-makers expand the core group by creating structures that take into account the welfare and development of everyone in the firm, such as Springfield Remanufacturing Corporation and Southwest Airlines, are typically high-performing work environments with deeply committed workforces. In other words, behind every great organization is a great core group.

The author contends that, by understanding the characteristics and principles of the core group in their organizations, people can act far more effectively than if they don't have that knowledge. Employees can decide, for

example, if they're interested in building a career in the company even if they never get into the core group. People trying to change the business from within can increase their chances of achieving their goals by seeking sponsorship from core group members. And those at the top can consider how to galvanize spirit and productivity among employees by creating the conditions for the core group to expand to a larger group of people. When leaders guide core groups to work in the best interests of everyone in the organization, they can amplify the capabilities of their enterprise and create a legacy of which they can be proud.

Thus, in many ways, *Who Really Matters* offers a tool for evaluating how companies make decisions at the most fundamental level and for improving the way people work together to achieve notable outcomes. As with any hypothesis about how organizations work, as managers test the core group theory in their own settings, we will get a sense of its validity and whether we can use it over the long run to generate the kind of systemic change we need for our enterprises to survive in the world today. ■

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