Framework 3: **Managing via 3 Lenses**

If contracts were perfect, would we tolerate discretion?
If promises were clear, why not use contracts?
Building relational contracts involves cultural work.

### Three Lenses on Org. Processes

**Design**

Organizations are **machines**
An organization is a mechanical system crafted to achieve a defined goal. Parts must fit well together and match the demands of the environment.
Action comes through **planning**.

**Political**

Organizations are **contests**
An organization is a social system encompassing diverse, and sometimes contradictory, interests and goals.
Competition for resources is expected.
Action comes through **power**.

**Cultural**

Organizations are **institutions**
An organization is a symbolic system of meanings, artifacts, values, and routines.
Informal norms and traditions exert a strong influence on behavior.
Action comes through **habit**.

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**Managing via Three Lenses (1.0)**

**Formal**

- machine
- planning

**Political**

- contest
- power

**Cultural**

- institution
- habit

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- Can’t have two views of a formula
- Might have two views of a promise
- Then need “cultural” work towards shared understanding

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One economist’s view of part of grey!
Managing via Three Lenses (1.1)

Formal machine planning

FORMULA, CONTRACT

Political contest power

PROMISE

Cultural institution habit

STORY

Need all three?

Managing via Three Lenses (1.2)

Formal machine planning

FORMULA, CONTRACT, OWNERSHIP

Political contest power

PROMISE

Cultural institution habit

STORY

Need all three?

Managing via Three Lenses (1.3)

Formal machine planning

FORMULA, CONTRACT, OWNERSHIP

"no" implementation challenges

Cultural institution habit

STORY

Lessons

1. If the organizations you observe seem less efficient than the markets you observe, consider that they may be handling different problems.

2. If a contract will handle your problem well, why use a boss?

3. If a contract would do poorly, you face a hard problem, so a boss might do better but still not be perfect.

4. Problems where formal instruments (alone) do poorly are hard.
Managing via Three Lenses (2.0)

Formal machine planning
FORMULA, CONTRACT, OWNERSHIP

Cultural institution habit
STORY

Political contest power
PROMISE

Managing via Three Lenses (2.1)

Formal machine planning
FORMULA, CONTRACT, OWNERSHIP

Cultural institution habit
STORY

Political contest power
PROMISE

If contracts were perfect, would we tolerate discretion?

Managing via Three Lenses (3.0)

Formal machine planning
FORMULA, CONTRACT, OWNERSHIP

Cultural institution habit
STORY

If contracts were perfect, would we tolerate discretion?

Political contest power
PROMISE

Allocation of control is one thing. Exercise of control is another.

Lessons

1. If the organizations you observe seem less efficient than the markets you observe, consider that they may be handling different problems

2. If a contract will handle your problem well, why use a boss?

3. If a contract would do poorly, you face a hard problem, so a boss might do better but still not be perfect.

4. Problems where formal instruments (alone) do poorly are hard.

5. Discretion may help in hard problems?
Managing via Three Lenses (3.1)

For if contracts were perfect, would we tolerate discretion?

Political contest power / discretion

PROMISE / RELATIONAL CONTRACT

If contracts were perfect, would we tolerate discretion?

Cultural institution habit

STORY

Need all three?

Managing via Three Lenses (4)

For if contracts were perfect, would we tolerate discretion?

Political contest power / discretion

PROMISE / RELATIONAL CONTRACT

If contracts were perfect, would we tolerate discretion?

Cultural institution habit

STORY

If promises were clear, why not use contracts?

Lessons

1. If the organizations you observe seem less efficient than the markets you observe, consider that they may be handling different problems

2. If a contract will handle your problem well, why use a boss?

3. If a contract would do poorly, you face a hard problem, so a boss might do better but still not be perfect.

4. Problems where formal instruments (alone) do poorly are hard.

5. Discretion may help in hard problems?

6. Culture’s role in making discretion help?