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Proxy Wars

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In 1985, Apple Computer was riding the early wave of the microcomputer revolution. Cofounder and CEO Steve Jobs was among the leading rebels. But the main character in the story I want to tell is Donna Dubinsky, a talented operations manager who came to serve as a kind of canary in the coal mine of Apple's first leadership crisis. (Though I draw from a variety of Apple and industry sources, I rely extensively on the very well documented 1995 Harvard Business School case, "Donna Dubinsky and Apple Computer, Inc.," written by research associate Mary Gentile under the supervision of Prof. Todd D. Jick.[1] My depiction of Donna Dubinsky's crisis largely retells the story as it was vividly related by Prof. Jick and Ms. Gentile. Unless otherwise indicated, quotes from Dubinsky and others are taken from the HBS case.)

Donna and Apple

Donna Dubinsky's star rose quickly at Apple. Forgoing lucrative positions on Wall Street, the Harvard Business School graduate wanted to be close to customers. For her first gig out of school, Dubinsky landed a job in Apple's customer-support team. It was 1981.

It didn't take her long to make an imprint on the company. Under the tutelage of mentor Roy Weaver, Dubinsky grew into an accomplished manager. She ran a tight ship, cultivated a sense of loyalty among her team, and could hold her own with other leaders when needed. "She says what she thinks," noted one senior manager at the time. "If she's right and she loses her issue, she goes down fighting."

By the beginning of 1985, Dubinsky had already been promoted enough times that she was managing all of sales administration, inventory control, customer relations, and the six field warehouses that provided Apple dealers with Mac and Apple II computers. Distribution was her baby, and at Apple in the mid-1980s, distribution mattered. At that time, retailers couldn't afford to carry their own inventory and depended on the efficiency of Apple's distribution system. Dubinsky's organization fulfilled this role admirably. The group had never caused a delay in product delivery, even with record shipment sizes.

Apple, too, was riding high. A year earlier, in January 1984, the Macintosh (the Mac) had made a grand entrance into the personal computer market with its iconic—and iconoclastic—$1.5 million Super Bowl commercial. Two days after that, at the Apple annual shareholder meeting, Apple cofounder Steve Jobs had put on the first of his now famous product revelations. The story he told was about David versus Goliath, Apple versus IBM, creativity and spirit versus Big Brother. Apple was out to take on the world. Here is how former Apple executive Andy Hertzfeld recalls the dramatics of the Jobs keynote speech:

> The crowd is in a frenzy now, as the already famous 1984 commercial, which was shown for the first and only time during the Super Bowl two days ago, fills the screen, featuring a beautiful young woman athlete storming into a meeting of futuristic skinheads, throwing a sledge-hammer at Big Brother, imploding the screen in a burst of apocalyptic light. By the time the commercial is finished, everyone in the auditorium is standing and cheering. All this time, a lone Macintosh has been sitting in its canvas carrying case near the center of the stage. Steve walks over to the bag and opens it up, unveiling the Mac to the world for the very first time. The Macintosh becomes the first computer to introduce itself, speaking in a tremulous voice:
>
> "Hello, I am Macintosh. It sure is great to get out of that bag!"
>
> Pandemonium reigns as the demo completes. Steve has the biggest smile I've ever seen on his face, obviously holding back tears as he is overwhelmed by the moment. The ovation continues for at least five minutes before he quiets the crowd down.[2]

Dubinsky and Apple were on a run. But by the spring of 1985, just a little over a year after Jobs's speech, the good times came to a dramatic end. Apple reached what many, looking back later, believe was the lowest point in the company's grand history. By June, *InfoWorld*, one of the leading computing magazines at the time, featured a rainbow-colored apple icon torn down the middle, with the header "Can Apple Hold Together?"

Given the popularity of the Mac and Dubinsky's rapid ascendance, you would have faced long odds betting that both would stumble—that Apple would be against the ropes and Dubinsky would be writing her resignation letter—or that both, with the indomitable spirit they shared, would eventually find themselves back on top again. But that is exactly what happened. More than just a corporate melodrama, the story of Donna Dubinsky and Apple Computer that I tell here shows a company in the grip of an identity crisis—and the impact of that crisis on the people in the company.

I often use the Donna Dubinsky story when I teach classes of business executives. Dubinsky's story has a way of seeping into the minds of executives who encounter the case. I have discovered that leaders' reactions to the story often reveal more about their own organizations than about the content of the case itself. To that extent, Dubinsky's story is like the famous Rorschach inkblot personality test, wherein respondents, in describing what a series of ambiguous blots of black and multicolored inks looks like to them, reveal something about their innermost desires, worries, and conflicts. This story works in a similar way for the managers I teach and for the organizations they inhabit.

For that reason, I will tell the Dubinsky story in parallel with another. A number of years ago, I was running a leadership session for a group of senior managers at an influential financial institution (which I'll call BBL to protect its confidentiality). So immersed in the case was the class of executives that I eventually realized they were no longer talking about Dubinsky or Apple Computer; instead, they were talking about themselves. By the end of the session, the group had played out its own compressed version of the Dubinsky story. The parallel between what happened at Apple and the story they told in the room that day was so uncannily illuminating for me that in my mind now the two tales are inseparable. Thus the only proper way for me to tell the Dubinsky story is to pair it with the story of the BBL managers. What the BBL managers came to appreciate is that they, like Donna Dubinsky, had become unwitting participants in the larger strategic conflict in their business.

Better to Be a Pirate

The good cheer that had prevailed at the Mac launch festivities in January 1984 had begun to cool by the following fall. Between 1983 and 1985 Apple's market share in the personal computer segment plummeted from 45 percent to 25 percent. Meanwhile, IBM surged ahead. During the period that Apple was declining, Big Blue's PC business grew from zero to a 30 percent market share. Though operating revenues continued to rise for Apple, net income fell, due in part to the Mac's high market-entry costs. To be sure, the Mac had launched well. Sales were impressive. But the computer hadn't come close to meeting sales projections. More important, the Mac presented a fatal challenge to the company's reigning breadwinner, the Apple II.

From the beginning, the conflict between the Mac and the Apple II had the potential to become a problem of existential proportions. Far from being an incremental improvement over the Apple II, the Mac was designed to be a great leap forward in "user-friendly" computing. As such, it had warranted the revolutionary imagery of the Super Bowl commercial. In time the Mac was likely to expand the consumer market by making computing far more accessible to the rest of us—meaning we, the less-technical masses. The Apple II, by contrast, was used primarily in the educational space and still a product for computing enthusiasts, closer in kind to the early computer "kits" that geeky hobbyists sent away for. Put simply, the two products addressed distinctly different problems-to-solve in the market and thus represented different purposes for the company. It was therefore not lost on those within Apple, in 1984, that the Mac represented a fork in the road for the business, just as it did for the entire industry.

The sibling rivalry between Apple II and Mac began at the Mac's conception. Seeking to free Macintosh designers from the bureaucracy of the larger organization, Steve Jobs split the Mac division off from the rest of the business. Jobs made the move with characteristic bravado. "Better to be a pirate," he quipped, "than join the navy." Members of the new division played their part with gusto. Not long after the breakout, the Mac team hoisted a black skull and crossbones flag over the new Mac building.

In the wake of the Mac insurgence, the Apple II group—still producing the larger share of revenues for the company—began to feel undervalued. The rest of the organization wondered where the company was heading.

To make the new structure work, Jobs wooed PepsiCo president John Sculley to come run Apple. "Do you really want to sell sugar water," Jobs asked Sculley, "or do you want to come with me and change the world?" Sculley accepted the position, freeing Jobs to take the helm of the fledgling Macintosh division while retaining his role as chairman of the company.

Jobs laid out what would prove to be a complex agenda for Sculley. He charged his new president with bringing discipline and profitability to the business without sacrificing entrepreneurial spirit. Sculley responded in good faith by structuring the business around three divisions: Apple II, Macintosh, and a third division, called shared services, to be run by the newly hired Bill Campbell, a former head football coach and advertising exec. Shared services included marketing, sales, and Dubinsky's distribution group. In what looked like a Steve Jobs sandwich, Sculley had the unenviable job of both supervising and reporting to Apple's pirate wunderkind.

The Distribution "Problem"

In the fall of 1984, Dubinsky and Weaver presented a routine business plan for distribution to Apple's executive team, which included Jobs, Sculley, and Campbell. The meeting was a yearly ritual to discuss the budget. No one foresaw any difficulties. But, surprisingly, Jobs criticized the plan and asked Weaver and Dubinsky to justify the cost structure of the existing distribution system.

The spirited challenge startled both Weaver and Dubinsky. Cost had never been singled out as a problem in distribution. And why, they wondered, would a company that placed most of its resources and energy in product development attack a delivery system that had never caused a delay?

Jobs wasn't finished. On the heels of the meeting, he sought out Macintosh's director of manufacturing, Debi Coleman, and asked her to explore what was then a novel inventory methodology called just-in-time (JIT). Inspired by the successes of the Toyota production system, and enabled by new computerized supply chain-management systems, the businesses of the day were just beginning to experiment with JIT strategies. The work of implementing such systems would be complicated and difficult, requiring wholesale process changes within and across all of the players in a supply chain. Nonetheless, Jobs—who had recently learned from FedEx CEO Fred Smith that IBM had already launched a promising JIT initiative—didn't want Apple to be left behind.

For her part, Dubinsky dismissed the JIT strategy. She suspected that Coleman and the Macintosh manufacturing department she directed might have hidden agendas. Perhaps, Dubinsky thought, Jobs saw the project as a way to distract the company from the Mac's sagging sales.

But it wasn't just hidden motives that made Dubinsky skeptical. Retailers depended on Apple's current distribution system. Dubinsky believed JIT didn't fit their needs; retailers just weren't ready to make the necessary changes. She was thus all the more confused when she heard that Sculley and the executive team actually liked the JIT concept.

The debate now in play, Campbell asked Weaver and Dubinsky to present a review of the current system and make recommendations for improvement. He gave the pair a deadline of mid-December 1984. Meanwhile, Dubinsky heard troubling rumors. Coleman was preparing a proposal to overhaul the distribution model completely (without talking to distribution).

In light of all these maneuverings, Weaver grew uneasy. Before the reorganization, he had reported directly to Sculley. Campbell's takeover of shared services earlier in the year had deprived Weaver of access to Sculley and shaken the relationship between the two men. Weaver also had considerable pride in distribution and felt threatened by Coleman's proposals. Nor was he able to hide the complex feelings behind his position. When Weaver objected to the JIT concept, many felt that he was being defensive. The JIT question was becoming personal.

With Christmas, and the deadline, steadily approaching, distribution activities accelerated to accommodate increased stress on the system. Dubinsky discovered that she couldn't find the personnel or the time to finish the review by mid-December. She requested and was granted an extension, much to her relief.

Just three weeks later, it wouldn't matter. The conflict over distribution would escalate to dangerous proportions.

Breakdown

On a Monday evening in early January, Dubinsky received a call from Weaver. It was the first time he had ever called her at home, and he sounded panicky. Dubinsky was instantly nervous. Weaver said he had learned that Coleman was scheduled to present her distribution proposal on Wednesday at the annual executive meeting.

The news stunned Dubinsky. The meeting was normally for Apple's most senior executive team. Why was Coleman there? Distribution was Dubinsky's area. Why wasn't *she* involved? Weaver directed Dubinsky to put aside all other work and to draft a counterproposal. Dubinsky worked feverishly and, in a single day, created a presentation for Weaver to deliver at the meeting.

The dueling presentations by Coleman and Weaver provoked a contentious and emotional discussion. Jay Elliot, vice president for human resources, rebuked the leaders present, observing that senior management had maneuvered around its middle managers. Why, Elliot asked, was Coleman presenting to Sculley instead of to Weaver, and why wasn't Dubinsky involved? Against a backdrop of growing animosity between a previously close Jobs and Sculley, the senior team took Elliot's comments seriously. They agreed to assign a new task force to address the distribution problem and report back to Campbell. Furthermore, as an expression of commitment to the Apple team, they agreed to accept the task force's recommendations, whatever they might be. They assigned Coleman, Dubinsky, Weaver, and a number of other stakeholders to the team.

Many at the meeting applauded the resolution. But Campbell had been embarrassed by Weaver and Dubinsky's presentation. He saw the task force as a way to get closure without eliciting any more drama. Weaver saw the task force as a second chance. Dubinsky was angry:

"I didn't know why there should be a task force at all. Distribution's our job. . . . I couldn't get out of this mentality that what we had was working so well. The thing had never broken down. Now I was supposed to go back and do this strategy, and I couldn't figure out what problem I was solving."

As could have been expected, the task force quickly stalled. Coleman stressed the cost savings in her proposal; Dubinsky pointed out flaws in Coleman's assumptions and reframed the costing problems, such as they were, around forecasting. Coleman made suggestions; Dubinsky shot them down.

At the same time, the distribution issue had gained wider visibility. It was seen as an opportunity for senior executives to demonstrate their faith in middle management and empower them to make operating decisions. The problem was that middle management could not agree on the right decisions, and things were getting messy. Sculley wanted Jobs off his back. Campbell was frustrated. Weaver was anxious. And Dubinsky, who still couldn't get over the fact that the issue had been snatched away from her in the first place, began to consider jobs at other companies.

Prior to taking the presentation to the executive team, Campbell met once more with the task force to make sure the team was ready to go. He asked, "So you all agree this is what we should work toward?"

Dubinsky sat silently, holding back until the end. When everyone looked her way, even in the face of the pressure to surrender her position, Dubinsky couldn't help but oppose. "No," she said.

Incensed, Campbell abruptly ended the meeting.

"It was like a dripping faucet," observed Dubinsky. "There was all this pressure to agree. So you found a ground to agree on . . . But you know what? I never really believed it."

The Confrontation

April 17, 1985, brought one more dramatic scene. Still churning from the task force meetings, Dubinsky joined forty other senior middle managers at beautiful Pajaro Dunes, California, for a three-day "leadership experience" retreat. Despite the tranquil setting, Dubinsky loathed the very idea of the retreat. Disillusioned by recent experiences in the company, she found little to be positive about.

But as the retreat got started, Dubinsky was pleasantly surprised to discover that she wasn't alone. Here and there people uttered concerns about the organization. Many voiced their frustrations. She began to realize that her colleagues were as confused as she was about the direction of the company.

During one exercise, participants were asked to draw pictures that illustrated the current state of the business. One participant sketched a single boat being steered by two men, one of them controlled by the other. Someone else drew a caricature of Jobs with two hats: one as division chief and the other as chairman of the board. Another picture portrayed the Apple II Division as a lone windsurfer, bobbing on the ocean, wondering which way the wind might blow.

Late on the second day, Sculley rose to address the group. Speaking of Apple's goals and the need for team effort, he likened the enterprise mission to the work of building a grand cathedral. Dubinsky sat quietly but started to seethe. At the height of Sculley's speech, she could no longer suppress her anger. She raised her hand and, when called on, initiated a public showdown with Apple's chief executive. She pointed out contradictions in Sculley's speech and charged that no one could build a cathedral of the kind Sculley described when they lacked the direction to do so. Implicit in Dubinsky's comments were feelings many had but were reluctant to articulate: that it wasn't Sculley, but Jobs who was calling the shots, and that the relationship between the two top leaders had produced confusing messages about Apple's vision for the future. Sculley volleyed back, pointing out to Dubinsky that it was *her* job to make decisions; that the executive team couldn't hand out all the answers on a silver platter. Before they could continue, time ran out and the session ended.

Minutes later, Dubinsky felt the full impact of the confrontation. Colleagues inconspicuously slipped by to commend her bravery, but Dubinsky was troubled. She had stepped into uncharted and surely dangerous waters. It was, as she later recalled, as if she were "alone on the boat as it pulled out, as my friends and colleagues waved from the shore."

That afternoon Dubinsky ran into the Apple II division's senior executive, Del Yocam. Dubinsky respected Yocam and thought he might be able to provide some necessary perspective on the distribution problem. She and Weaver were just too close to it. Dubinsky asked Yocam his opinion of the JIT problem. Yocam responded that he wasn't in a position to evaluate one strategy over another. It might work; it might not. But on one point he was very clear: Yocam held Dubinsky responsible for figuring it out. If she really thought the strategy could help Apple, she should support it; and if she believed it was wrong for the business, then she should stop it. It was that simple.

The straightforwardness of Yocam's advice startled Dubinsky. He held her accountable for *doing the right thing*.

Six years earlier, one of Dubinsky's business school professors had told her that the first thing to do upon graduation was to pull together her "go-to-hell money." Dubinsky had taken that advice. At seven o'clock on the morning after the retreat, she made an urgent call to Campbell, requesting a meeting. She hung up the phone and took a deep breath. She was about to bet her career at Apple on one big move.

At the appointed time, Dubinsky met with Campbell. For two hours they engaged in fierce debate. Dubinsky started by acknowledging that she hadn't handled herself well. "But," she said, "distribution is my area, and I will evaluate it myself, without the interference of an outside task force."

Dubinsky demanded that her autonomy and accountability be restored. Back and forth she and Campbell went, until there was simply no place left to go. She delivered an ultimatum. She said that if Campbell wouldn't consent to her terms, she would be forced to leave Apple. This time, it was Campbell's turn to be stunned. Reluctantly, he agreed to speak with Sculley and to come back the following Monday with an answer.

That weekend Dubinsky drafted a letter of resignation. Monday morning she called Weaver to tell him about the conversation. She then waited patiently for Campbell's call.

Proxy War

When I told Dubinsky's story to the BBL managers, I gave them an opportunity to engage in some small group discussion together. I asked them what they thought of the distribution problem and Dubinsky's handling of it. Their reaction was, at the start, unequivocally harsh. "Dubinsky," they argued, "failed to read the political winds." Instead of adapting and opening up to change, they pointed out, she had closed down. One person noted, "It's like she dug in her heels and refused to acknowledge the change that was taking place around her."

These observations seemed justified. There is a kind of righteousness to Dubinsky that one can easily interpret as rigidity in the face of a threat. Her oppositional stance is, as a number of the managers suggested, likely the shadow side of her steadfast fighting spirit. What in one circumstance had been a source of strength was, in another, a dangerous weakness.

In the group's analysis, if only Dubinsky had been more finely attuned to the machinations around her, she could have crafted a more deft strategy for herself. For example, why not join Coleman and Jobs instead of opposing them? Surely Jobs was right. Isn't it more fun (and career enhancing) to be a pirate than to join the navy? Dubinsky must have seen Macintosh gaining power. But instead of engaging in productive discussion about the future, she dug in and let her personal frustrations take over.

The BBL class then began to come to a consensus. In the leadership lingo of today, they accused Dubinsky of having "derailed." She was guilty, they said, of letting her personal needs get in the way of inevitable change. (It's worth noting that contemporary readers of the case have the benefit of hindsight: they know that JIT methodologies have stood the test of time—no pun intended. But in 1984 they were *not* a no-brainer. Were they worth investigating? Absolutely. Were they obviously appropriate in all cases? Not necessarily.)

Then, just as the BBL group rendered what seemed to be its final verdict, the winds of consensus suddenly shifted. An alternative explanation of the case began to emerge. It started slowly, when a woman in the group drew her classmates' attention to the fact that Dubinsky's colleagues had also been unhappy at Pajaro Dunes. "How do we deal with that fact?" she asked. "Is there more to the story?"

I posed a follow-up question: "What might be happening at Apple that made the distribution issue so loaded?" As the group responded, the conversation accelerated. Someone said that the bigger problem hanging over distribution was the conflict between Apple II and Mac. It hadn't been resolved. Another person noticed that the clash between Dubinsky and Coleman looked an awful lot like the escalating tension between Sculley and Jobs. Then someone else observed how odd it was that Coleman and not Dubinsky had been asked to explore the JIT strategy. It *was* a bit absurd to have someone from manufacturing reinventing distribution without working with distribution.

Finally, a BBL compliance officer offered this pivotal observation. But his comment wasn't just about Apple; it was also about BBL: "We have these dynamics in *our* organization," he said. "It's a proxy war."

Eyebrows rose. People sat up straight. (Such are often the telltale signs that something important has been said.) Asked to explain the term "proxy war," the manager restated what his colleague had suggested: that the conflict between Coleman and Dubinsky was a stand-in for the unresolved contest between Jobs and Sculley. But, he added, the mutual hostility between the two executives was more strategic than personal (indeed, they had previously been friends); their deteriorating relationship mirrored a far bigger tension about the future of the business. On what would Apple pin its future hopes—the Apple II or the Macintosh? How would they kill off one for the other? "The distribution problem," the compliance officer concluded, "is a proxy for bigger problems. I think *we* do this all the time. We act out the stuff that hasn't been worked out about the business. Maybe it's the same thing with Apple."

Whether because their colleague had exposed a sensitive issue at BBL or because he had "cracked" the Apple case, the group began to stir with new energy. Flipping back a few slides to Apple's organizational chart, I asked, "If this is a strategic issue, then why can't Sculley resolve it?"

The group stared at the chart for a few seconds before shouting out answers. The gist of their explanation went something like this: Sculley was caught between two roles: as the CEO, Sculley had to exercise influence over Jobs even as, in a very twisted way, Sculley also reported to Jobs. Not only was Jobs the company's chairman and therefore Sculley's boss, but he also ran the Mac division, which was an internal competitor of the Apple II group. Sculley was effectively checkmated in carrying out his responsibility to settle the bigger strategic dilemma. Because the problem wouldn't go away, the unresolved tensions spilled out, channeling through smaller tributaries like the distribution issue.[3]

At this point, the lesson hit home for the BBL managers: The distribution conflict is a microcosm of bigger things—not just fights in the executive suite between Jobs and Sculley, but larger issues about Apple's strategic identity in the PC market.

It didn't stop there. The class's fresh insights suggest an alternate interpretation of the moment of confrontation at Pajaro Dunes. Along with her colleagues, Dubinsky knew—though perhaps only vaguely—that Jobs and Sculley were not aligned. The frustrations in the room were really about the strategy problem and the conflict at the top, which Sculley needed to address. When Sculley alluded to the building of a "grand cathedral," the dissonance between his lofty metaphor and the feelings in the room must have been intolerable for Dubinsky. She seems to have spoken both out of her own frustration *and* for the other managers in the room.

This interpretation leads us to an interesting question: Might Dubinsky's confrontation with Sculley be better understood not as her acting out her personal frustrations but as her courageously speaking truth to power on behalf of the organization? Their exchange wasn't just about Sculley and Dubinsky as individuals; rather, it expressed, however obliquely, a fundamental question about whose job it is to manage the bigger tensions of the organization.

This line of thinking points to a very different interpretation of the exchange: By asking Sculley for clarity, Dubinsky attempted to return decision making—and hence the conflict—to its source of origin at the top of the business. When Sculley refused, arguing that the onus for working things out lay with Dubinsky and her colleagues ("I can't hand you everything on a silver platter"), it may have been because Sculley himself didn't have the power to assume that kind of leadership. By pushing the issue back to Dubinsky, Sculley in effect conceded his lack of authority to address the bigger questions swirling at the top of the business. The Dubinsky drama was therefore enacting dynamics far beyond Dubinsky herself.

I would suggest that all organizations have these moments, and that they are exceedingly common if one has the eyes to see it. The poet William Blake once said that we can see the whole world in a grain of sand. I think a similar principle holds for organizations. There are critical moments—such as the fight between Dubinsky and Coleman over distribution or the clash between Sculley and Dubinsky at Pajaro Dunes—that instantiate the struggles of an entire company. These moments are microcosms. They give us an entry point to understanding something much deeper about a company and its troubles. In the first case we have a proxy war for the battle between the Apple II and the Mac; in the second, a fight over who has to deal with it. As we'll see, these enactments aren't just a replaying of deeper conflicts in the business; they are also opening points in which change can occur.

Déjà Vu

After lunch, the CEO of BBL joined his senior managers in our class, and I invited the group to share with him some of their insights from the morning. The group began by identifying a number of the company's own challenges, as reflected in the Apple case. As luck would have it, the CEO asked the group whether it had learned how to handle these challenges. "How do you work out issues across parts of our organization," he asked the group, "without escalating every issue to the top team?" It was at this point that a heated exchange took place:

MANAGER 1: John, with all due respect, I don't think you or the top team are giving us clarity. How do we make these decisions when we don't know what has the higher priority?

CEO: You've got to figure it out for yourself. You can't escalate everything. You're leaders. That's why you're here.

MANAGER 2: We could figure it out if we knew what was important and what wasn't. But we don't have a framework for making these decisions. It feels like our being asked to work it out is a setup.

(At this point I could feel the anxiety in the room and decided to push John, the CEO, just a bit further.)

ME: I want to point out a dilemma. John is saying that he and the top team can't field every concern. At the same time, John, the senior managers don't feel confident hashing out differences between departments without a deeper understanding of the strategy, and I think they're saying they need more clarity from you so that the conflicts below don't end up personal. Otherwise it turns into a political football between groups.

(A short, pregnant pause in the conversation)

CEO: You guys should know that we don't have everything worked out yet. What if we told you what we do know and also what we haven't yet figured out? Would that help?

GROUP: Yes! *(Heads nodding)*

The parallel here is striking. In BBL, we have a group of senior leaders who, like Dubinsky and Coleman, have to work out decisions across complex organizational boundaries and get buy-in from individuals over whom they have little formal authority. Fights arise, things get messy, and it's not clear how to adjudicate the issues. The managers ask for a set of strategic priorities to help them evaluate and make decisions in these situations. They need a feeling for what matters given the aims of the business in order to manage their own relationships.

Here in the class, however, the outcome was very different from the one at Pajaro Dunes. The BBL CEO recognized that his own conduct was creating the very behaviors he so adamantly opposed. Though it was clear he lacked a strong point of view on the company's strategic direction, he acknowledged not knowing. The senior managers appreciated that the CEO didn't have everything worked out. Moreover, they didn't (and shouldn't) expect him to—he is human, after all. From this moment of truth emerged a quick negotiation, a proposal to act differently, and an agreement.

Whereas the confrontation with Dubinsky and Sculley ended in an impasse, the one between the BBL CEO and his senior managers concluded with a small, albeit meaningful transformation.

Leaders and managers, take note. Propitious moments like these, which play out larger problems in the business, happen quite often. When they do, you can either be an unwitting participant in the drama, playing out a script of which you have no authorship, or you actively engage the underlying issue. Indeed, as this example suggests, these moments are highly leveragable; they work like small openings through which bigger unresolved issues can be addressed.

One of my goals over the course of this book is to persuade you that much of the dysfunctional, painful, and, as we'll see, often absurd, events in organizations are rooted in bigger tensions within the business. Moreover, if you learn to read these moments for what they are, there are gains to be had. There's a warning here too. It is all too easy to mistake these moments for something less than what they really are. One could have easily tossed off Dubinsky's confrontation with Sculley as an example of a personal derailment or tussle between Dubinsky and Sculley. Indeed, that kind of interpretation is the norm for most of us. We tend to attribute causality to the symptom we see rather than the disease that we don't. But it can be a serious error to not look deeper. And not just because we would miss a chance to engage the bigger issue. By interpreting the problem as arising from the location at which it shows up (here with Dubinsky) and not the one from which it originates (the executive suite), we keep the whole charade going. This is one reason why an identity crisis can be so debilitating.

The Fate of Donna Dubinsky

I always ask my classes what, in the end, is their final evaluation of Dubinsky. My underlying question is: How do you handle yourself when the purpose of the business is in question? Was Donna Dubinsky—hampered by an incomplete understanding of the intensifying upper-atmosphere conflict between Jobs and Sculley—confused and compromised by her own seemingly self-interested motives? Or had she also nonetheless managed to do the right thing? Had she penetrated and outed Apple's identity crisis at least enough to have unsettled its deepest underpinnings? We may not be able to answer this question definitively, but we can gain some insight by looking at what happened next to Dubinsky, as well as to Jobs and Sculley.

Late in the evening on Monday, April 22, 1985, Bill Campbell called Dubinsky as promised and, rather astonishingly, agreed to her request to be the sole decider of distribution strategy. He told her, "Take a month to do an analysis of the distribution process, and at the end of the month the executive staff will hear your recommendations."

Dubinsky obliged Campbell and delivered her analysis in late May. Somewhat anticlimactically, the executive staff signed off on her proposal. Campbell then called her again, once more with a surprise. He invited Dubinsky to suggest ways of reorganizing the business. And, as it happened, on June 14 a memorandum went out to the company from Sculley, outlining a plan to integrate R&D and manufacturing for all Apple product lines in a single division—uncannily, along much the same lines Dubinsky had recommended. At least in organizational terms, it signaled the end of a sibling rivalry between pirates and the navy. At the very least, it meant that the differences between the Mac and the Apple II lines could be rationally reconciled rather than being fought over in a deadly internal competition.

It is interesting to speculate how it came to pass that someone who, weeks earlier, was at risk of crashing and burning at Apple was now being asked to offer suggestions about how to realign the company.

What had made this possible? Although we don't have access to what Campbell and Sculley were thinking at the time, we do know, from recently published memoirs, what was happening simultaneously at the top of the organization. While the Dubinsky-Coleman drama was unfolding a couple of levels down from Steve Jobs and John Sculley, Apple's board was wrestling with the conflict at the top. Unbeknownst to Dubinsky, the battle over this unhealthy dynamic had erupted at Apple's board meeting on April 10—a week before her fateful confrontation with Sculley. Again, the words of former Apple exec Andy Hertzfeld:

"The conflict came to a head at the April 10th board meeting. The board thought they could convince Steve to transition back to a product visionary role, but instead he went on the attack and lobbied for Sculley's removal. After long, wrenching discussions with both of them, and extending the meeting to the following day, the board decided in favor of John, instructing him to reorganize the Macintosh division, stripping Steve of all authority."

Having lost his showdown with Sculley, Jobs stayed on at Apple for several more months, in a much-curtailed role. Then, on Friday, May 31, 1985, the board announced Jobs's removal, along with the first quarterly loss in the company's history. Hertzfeld said of the time, "It was surely one of the lowest points of Apple history."

The consonant events here are noteworthy. It seems clear that there were powerful replications of dynamics at the levels of strategy, senior leadership, and middle management. This leads us to an important hypothesis that we will explore in this book: Often, the complicated experiences we have with colleagues in our business, and the confusing political and personal machinations we encounter at every level, are likely not just ours alone but rather enactments of the larger, more central, problems in the business.

This gives additional credence to the earlier warning. There is an unfortunate tendency for executives to see a problem "down below" and attribute its cause to the place where the problem is expressed, as if one were to blame an illness on its symptoms.[4] But if Apple's distribution issue is any indication, attributing causality to the level where dysfunction is expressed may be a mistake and, moreover, may very well set up a vicious dynamic. Conflicts denied at the top of an organization flow through unseen channels to weak spots elsewhere in the business.

In short, if you're a leader, don't rush to see the symptom as the cause. If you came upon a woodland spring, you probably wouldn't conclude that you'd found its source right there at your feet; rather, you'd likely believe the actual source to be miles away. A similar approach is helpful in business.

The proxy war suggests an uncomfortable possibility. We are all unknowing players in unfolding dramas for which we rarely have the script. Although we tend to believe that we are the ones who manage the tensions in the business, perhaps a more accurate statement is that the tensions in the business manage us. Exchanges like the one between Dubinsky and Sculley may feel deeply personal, but they are also pathways by which the impersonal strategic issues in the business find their outlets.

One of the goals of this book is to enable leaders to understand and confront these latent dynamics, rather than becoming victim to them; to stop the drama from playing itself out over and over throughout the organization.

So what did become of Donna Dubinsky in the wake of Apple's crisis? She remained at Apple until 1991, when she left to become the CEO of Palm Computing, which ultimately produced the Palm Pilot—one of the earliest successful PDAs. She continued her career as an innovative force in the technology industry, most recently as cofounder and CEO of the software firm Numenta, which has developed a computing platform using algorithms modeled on the high-level functioning of the human brain. In 2007 she was given the Harvard Business School Alumni Achievement Award, the highest honor the school bestows on its graduates.